

Interim report

Storebrand Livsforsikring



2nd Quarter
2014

Storebrand Livsforsikring Group

1st half year 2014

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This document may contain forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may be beyond the Storebrand Group's control. As a result, the Storebrand Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in these forward-looking statements. Important factors that may cause such a difference for the Storebrand Group include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) market related risks such as changes in equity markets, interest rates and exchange rates, and the performance of financial markets generally. The Storebrand Group assumes no responsibility to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make.

Storebrand Livsforsikring Group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 1st half year result please refer to the Storebrand Group's interim report for the 1st half year of 2014.

Result Storebrand Livsforsikring Group

NOK million	2014		2013			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2014	2013	2013
Fee and administration income	768	790	846	787	769	1,557	1,536	3,169
Risk result life & pensions	45	75	17	-35	-9	120	34	17
Insurance premiums f.o.a.	585	590	620	597	540	1,175	1,142	2,360
Claims f.o.a.	-435	-347	-433	-262	-316	-781	-765	-1,460
Operational cost	-611	-588	-471	-574	-564	-1,199	-1,133	-2,178
Financial result	167	135	38	98	-10	302	25	161
Result before profit sharing	519	656	618	611	410	1,175	840	2,068
Net profit sharing and loan losses	196	118	96	105	53	314	168	368
Provision longevity	-90	-90				-180		
Result before amortisation	625	684	713	716	464	1,308	1,008	2,437

Result before amortisation was NOK 625m¹⁾ (NOK 464m) in the second quarter 2014. The figures in parentheses are from the corresponding period last year. Fee and administration income were unchanged during the quarter and have increased by 1% year to date.

The building up of reserves for increased longevity are charged directly to the results with NOK 90m each quarter and NOK 180m so far this year, and indirectly by means of lost profit sharing amounting to NOK 28m in the quarter and NOK 177m for the year to date. NOK 2,1bn is set aside for increased longevity year to date.

Result Storebrand Livsforsikring Group per line of business

NOK million	2014		2013			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2014	2013	2013
Savings	80	90	89	78	67	170	131	298
Insurance	117	210	154	268	157	327	236	658
Guaranteed pensions	313	302	448	293	255	614	635	1,376
Other	116	81	22	77	-15	197	6	105
Result before amortisation	625	684	713	716	464	1,308	1,008	2,437

Comparative figures have been restated following the change in the segments, see note 6.

The result from Savings was strengthened significantly during the second quarter and year to date in comparison with the same periods last year. The underlying reasons are earnings growth in all parts of the business cost control. In total, the income in the second quarter and for the first half year respectively 23% and 19% higher than for the same period last year.

Insurance reports a total combined ratio of 83% year to date, 91% for the quarter. Cost ratio amounted to 17% during the quarter, while income from premiums in the retail market increased by 9% from the corresponding quarter last year.

During the second quarter, income from fee and administration for Guaranteed pension fell by 12% compared to the corresponding quarter in 2013, and for the year to date, the income has fallen by 7% compared to last year. The reasons for this are that a large part of the portfolio is mature and is in long-term run off. Risk results show a satisfactory development and in the second quarter amount to NOK 48m (- 19m) and NOK 126m (22m) in the year to date.

The Swedish business booked profit sharing of NOK 188m in the quarter following strong developments in financial markets. The Norwegian business is prioritising the build-up of buffers and reserves for higher expected life expectancy, instead of profit sharing between clients and owners. In the year to date, a total allocation of NOK 2.1bn has been made for increased longevity reserves. The result for the owner has been charged with NOK 90m in the second quarter and NOK 180m in the year to date.

The Other segment improved returns strengthen the financial results in the company portfolios.

Changed segment reporting

Beginning with the first quarter of 2014, sickness insurance, oneyear life assurance and survivor insurance at SPP have been transferred from the Guaranteed Pension segment to the Insurance segment. The historical figures have been reworked and reflect the changes above.

1) The abbreviations NOK for Norwegian kroner, m for million and bn for billion are used throughout the report.

Market and sales performance

The shift from products with guaranteed interest rates to unit linked insurance products continues in the life insurance businesses. The Group's premium income for guaranteed pension products has declined by 7% year to date, while premium income for non-guaranteed pensions in Norway grows by 16% in relation to the first six months of 2013. SPP has exited the market for public sector pensions, this reduces unit link premium income by 13% year to date.

In Norway, Storebrand is the market leader in defined contribution schemes with 31% of the market share of gross premiums written. There is strong competition in the market for defined contribution pensions. Storebrand expects that this will persist as a consequence of the significant dynamic in the market.

SPP is the second largest actor in the Swedish fund insurance market in the segment Other occupational pensions with a market share of just over 12% of new contracts.¹⁾

Capital situation and tax

The Storebrand Life Insurance Group's solvency margin was 178% at the end of the quarter. This is a reduction of 4 percentage points during the quarter. The reduction is due primarily to lower long-term interest in Sweden. A reduction in the level of interest rates increases the insurance obligations in the solvency calculation for the Swedish part of the business. During the first half of 2014, SPP and Storebrand Livsforsikring AS have issued perpetual subordinated loan capital of SEK 700m and NOK 1,100m respectively. The Swedish loan has an early repurchase right (call) after 5 years, whereas the Norwegian loan has a call after 10 years. During the course of the quarter, Storebrand Livsforsikring AS has repaid perpetual subordinated loan totalling NOK 1,700m. This loan was already pulled out of solvency calculation in Q1 2014. Capital adequacy and core capital adequacy for the Storebrand Group at the end of the first quarter were 14.1% and 10.8 per cent, respectively, an decrease of 0.3 and 0.2 percentage points during the quarter.

Tax costs in the second quarter are estimated based on an expected effective tax rate for 2014. The tax rate is calculated to be in the range of 20-25% for the year.

Regulatory developments

Building up reserves for a higher projected life expectancy

Storebrand needs to build up reserves of NOK 12.4bn. In total, NOK 4.1bn were allocated to future reserve strengthening by the end of 2013. Booked return during the first six months of 2014 was good, and with a good risk result, this amounts to NOK 2.7bn in total, where it is estimated that approximately NOK 2bn will be included as longevity reserves in the final allocation of profit for 2014. Storebrand has other buffers that can be used to strengthen the reserves. An ongoing effort to allocate longevity reserves to each contract could reduce the total allocated amount by approximately NOK 500 million. The total contribution from owners will depend upon risk results and the booked return on invested customer assets during the seven-year period. For more details about the longevity reserve strengthening see note 2.

Depending upon the booked return, the expected effect on results will be:

Annual booked return	Expected total effect on result ¹⁾	Annual effect on result ²⁾
4%	~3 500	~500
4.5%	~2 100	~300
5%	~1 100	~160

Paid-up policies with investment choice

Regulations regarding paid-up policies with investment choice shall enter into force on 1 September. The Ministry of Finance has determined comprehensive regulatory provisions dealing with the requirements for building up reserves, payment profile, information and advice.

Changed interest rate on new life insurance premiums

FSA decided on 26 June that a maximum computation rate in life insurance will be reduced from 2.5% to 2.0%. The change applies to new premiums from 1 January 2015.

¹⁾ Premium income as at the 4th quarter of 2013. Source: Finance Norway and Insurance Sweden.

²⁾ All numbers NOK million. Excluding loss of profit sharing.

Savings

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

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

Savings

NOK million	2014		2013			1.1 - 30.06		Full year 2013
	2Q	1Q	4Q	3Q	2Q	2014	2013	
Fee and administration income	299	285	281	268	243	584	491	1,040
Risk result life & pensions	-7	-2	3		4	-8	4	7
Operational cost	-213	-194	-196	-190	-180	-407	-365	-752
Result before profit sharing	80	90	88	78	66	169	130	296
Net profit sharing and loan losses		1	1	1		1	1	2
Result before amortisation	80	90	89	78	67	170	131	298

Result

The result from Savings was strengthened significantly during the second quarter and for the year to date in comparison with the same periods last year. The underlying reasons are earnings growth in all parts of the enterprise and cost control.

Defined contribution pensions are undergoing strong growth in Norway and Sweden by a continually increasing number of companies choosing to transition to defined contribution-based schemes. In addition, a good return contributes to growth. Income for non-guaranteed life insurance in the second quarter is 26% higher than in the second quarter of 2013. In total for the first six months, income growth is 24% higher than in the same period last year.

Total fee and administration income has increased by 13% during the first six months of 2014. Implemented measures to improve efficiency and savings according to the Group's cost programme.

Balance sheet and market trends

Premium income for non-guaranteed life insurance-related saving was NOK 2.3bn during the second quarter and NOK 4.8bn for the year to date. The volume for the year to date is 5% lower than in the first six months of 2013 as a result of lower conversion in the Swedish business segment and negative transfer within the

private unit linked savings in Norway. Measures have been implemented to turn this trend around. New sales have increased by 12% and total reserves within unit linked insurance have grown by 26% for the year to date.

In Norway, Storebrand is the market leader in defined contribution schemes with 31% of the market share of gross premiums written. There is strong competition in the market for defined contribution pensions. Storebrand expects that this will persist as a consequence of the significant dynamic in the market. The average savings rate for employees has increased in the first half of the year, both as a consequence of increased maximum limits and a general increase in salary.

SPP is the second largest actor in the Swedish unit linked market in the segment Other occupational pensions with a market share of just over 12% of new contracts. SPP's new sales of unit linked insurance is 4 per cent better than in the first half of 2013, despite lower conversions from defined-benefit schemes. Disregarding such conversions with associated premium payments, new sales are 20 per cent higher than for the same period last year. In 2013, SPP was chosen to be one of several suppliers in the largest pension platform in Sweden (ITP scheme), and this has had a significant positive effect on new sales for the year to date.

Savings

NOK million	2014		2013		
	2Q	1Q	4Q	3Q	2Q
Unit Linked Reserves	92,899	87,105	85,452	79,341	73,542
Unit Linked Premiums	2,347	2,463	2,273	2,296	2,768

Insurance

Good financial result and satisfactory financial performance.

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

Insurance

NOK million	2014		2013			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2014	2013	2013
Insurance premiums f.o.a.	585	590	620	597	540	1,175	1,142	2,360
Claims f.o.a.	-435	-347	-433	-262	-316	-781	-765	-1,460
Operational cost	-100	-95	-58	-94	-93	-195	-191	-343
Financial result	66	63	25	28	26	128	50	102
Result before amortisation	117	210	154	268	157	327	236	658

Comparative figures have been restated following the change in the segment, see note 6

Result

In Q2 Insurance delivered a result before amortization of NOK 117 million (157 million) and for the first half year NOK 327 million (236 mill). The combined ratio was 91% (60%) in Q2, and 83% (84%) for the first half year.

The result is characterized that the risk result for personal insurance is weaker in Q2 and is due to increased reserves on death coverage (adjustment of model) and an increased number of disability cases.

In the business market risk coverage related to defined contribution are seeing a positive trend with a good result. In Q2 the result is also characterized by the clearing up of older cases that has resulted in the dissolution of reserves.

In Sweden the risk result is weak for the quarter, and is explained by a negative liquidation result as a consequence of fewer reactivations of the disabled and deaths with high risk amounts. So far this year the risk result is good as a result of dissolution of reserves in Q1.

The financial result is good for the quarter and the year to date.

Balance sheet and market trends

Premium income for own account comprises NOK 585 million (540 million) in Q2 and NOK 1,175 million (1,142 million) year to date. Ahead it is expected that customer demand for product solutions that cover personal insurance and disability will increase. This is driven by the desire of companies to reduce sick leave, increase job satisfaction and reduce overall insurance costs. However, the market, especially for personal insurance, is marked by many participants and there being a number of new entrants who desire to establish themselves. This creates a new dynamic and increases competition. Storebrand's strategy of withdrawing from the public sector and the competition situation has resulted in insurance premiums being somewhat reduced year to date.

For risk coverage related to defined contribution in Norway, growth is expected in the time ahead driven by the conversion from defined benefit to defined contribution, although altered regulatory framework may lead to a reduced premium volume. In Sweden, the disability trend has been downward for a long period of time, which has led to reduced premiums in general. As a response to this and to strengthen competitiveness, the disability premium in SPP was reduced by 30 percent in Q1.

Insurance - Key figures

NOK million	2014		2013		
	2Q	1Q	4Q	3Q	2Q
Individual life *	571	564	561	550	544
Group life **	731	754	804	807	796
Pension related disability insurance ***	1,081	1,027	1,045	1,012	1,001
Portfolio premium	2,383	2,344	2,410	2,368	2,341

* Individual life disability, insurance

** Group disability, workers compensation insurance

*** DC disability risk premium Norway and disability risk Sweden

Percent	2014		2013		
	2Q	1Q	4Q	3Q	2Q
Claims ratio	74%	59%	70%	44%	59%
Cost ratio	17%	16%	9%	16%	17%
Combined ratio	91%	75%	79%	60%	76%

Guaranteed pension

Satisfactory margins in administration and risk coverage and very strong profit sharing result. Owner's cost for longevity reserve strengthening in line with plan.

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

Guaranteed pension

NOK million	2014		2013			01.01 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2014	2013	2013
Fee and administration income	439	474	535	491	496	913	987	2,013
Risk result life & pensions	48	78	16	-31	-19	126	22	7
Operational cost	-281	-281	-199	-272	-275	-562	-545	-1,016
Financial result	-	-	-	-	-	-	-	-
Result before profit sharing and loan losses	206	272	352	188	203	478	463	1,003
Net profit sharing and loan losses	197	120	96	105	52	317	171	373
Provision longevity	-90	-90	-	-	-	-180	-	-
Result before amortisation	313	302	448	293	255	614	635	1,376

Results

Fee and administration income develops as expected year to date. The portfolio is in long term run-off. During the second quarter, income from fee and administration fell by 12% compared to the corresponding quarter in 2013. For the year to date, the income has fallen by 7% compared to last year, driven by the public sector being phased out in Norway. Underlying cost control is good and the increase from last year is due to the effects of currency exchange.

Risk results show a satisfactory development and in the second quarter amount to NOK 48m. (NOK -19m) and NOK 126m (NOK 22m) in the year to date. In the Norwegian business, the results are driven by strong results for disability coverage and the introduction of the new mortality tables (K2013) strengthens the margins. Within the public sector, IBNS reserves increased by NOK 35m year to date as a result of Storebrand maintaining insurance liability for a limited period after transfer of the contract. Risk result in the Swedish business shows a zero result for the quarter and for the year to date NOK 15m which is significantly higher than last year and is primarily driven by a one-off effect during the first quarter.

The result from net profit sharing is entirely generated in the Swedish business and amounted to NOK 197m in the second quarter and NOK 317m for the year to date. Strong returns has given a profit sharing of NOK 145m for the quarter and NOK 267m year to date. Inflation based indexing fees amounts to NOK 39m in the quarter and NOK 79m year to date. The Norwegian

business is prioritising the build-up of buffers and reserves for the higher expected life expectancy, instead of profit sharing between clients and owners. For the year to date, NOK 2.1bn has been allocated for increased longevity. The result for the owner is charged with NOK 90m in the second quarter and NOK 180m for the year to date, of which NOK 100m in the paid-up policy portfolio and NOK 80m in group pension schemes. This is in line with the announced plan.

Balance sheet and market trends

The majority of products are closed for new business and the customers' choices about transferring from guaranteed to non-guaranteed products are in line with the Group's strategy. Customer reserves for guaranteed pensions comprise as at the second quarter NOK 263bn (NOK 259bn) in line with the start of the year. In the second quarter, the customer funds increased by NOK 4.0bn, driven by financial returns and premiums. Transfer out of the guaranteed pension has been NOK 7.2bn (NOK 7.6bn) for the year to date which mainly occurred in the first quarter. The reason for this is Storebrand's termination of defined benefit pensions in the public sector in Norway. In the first quarter, 42 public sector customers with a total of NOK 5bn in reserves transferred out. The next movement is early July and about 85 customers with an additional NOK 5bn in funds will move. Premium income for guaranteed pension was NOK 2.2bn in the second quarter (NOK 2.2bn) and NOK 6.5bn (NOK 6.8bn) in the year to date.

Guaranteed pension - Key figures

NOK million	2014			2013	
	2Q	1Q	4Q	3Q	2Q
Guaranteed reserves	263,370	259,799	264,125	262,468	259,048
Guaranteed reserves in % of total reserves	73.9%	74.9%	75.6%	76.8%	77.9%
Transfer out of guaranteed reserves	104	7,192	967	710	998
Buffer capital in % of customer reserves SBL	4.6%	4.2%	4.8%	4.0%	3.7%
Buffer capital in % of customer reserves SPP	15.1%	14.6%	15.1%	14.5%	13.5%

Other

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

Other

NOK million	2014		2013			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2014	2013	2013
Fee and administration income	30	30	30	28	30	60	57	116
Risk result life & pensions	3	-1	-2	-4	6	2	9	3
Operational cost	-17	-17	-17	-17	-16	-34	-32	-66
Financial result	101	73	13	71	-36	174	-24	59
Result before profit sharing	117	84	24	78	-16	201	9	111
Net profit sharing and loan losses	-1	-3	-2	-1	1	-4	-4	-7
Result before amortisation	116	81	22	77	-15	197	6	105

Fee and management income was stable at around NOK 30 million. Similarly, operating expenses remained flat.

In total, the financial result in the segment Other includes the company portfolios for SPP and Storebrand Life and the net results for subsidiaries being wound up and started up at SPP. The net gain associated with concluding the sale of municipal pension plans to KPA increases the result for the company portfolio at SPP by SEK 20 million for the 1st half year 2014.

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. The proportion of subordinated loans of approximately 24 per cent and interest charges comprise a net amount of approximately NOK 110 million per quarter at the current interest rate level. The company portfolios comprised NOK 18.7 billion. The investments are primarily in short-term interest-bearing securities in Norway and Sweden.

Balance sheet, solidity and capital adequacy

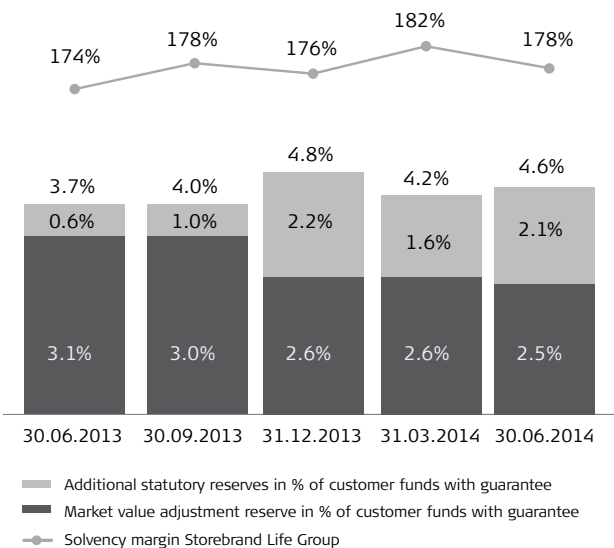
Continuous monitoring and active risk management is a core area of Storebrand's business. Risk and solidity are both followed up on at the Group level and in the legal entities. Regulatory requirements for financial strength and risk management follow to a large extent the legal entities. The section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

Storebrand Life Insurance Group

The Storebrand Life Insurance Group's solvency margin was 178 per cent at the end of the quarter. This is a reduction of 4 percentage points during the quarter. The reduction is due primarily to lower long-term interest in Sweden. A reduction in the level of interest rates increases the insurance obligations in the solvency calculation for the Swedish part of the business. During the first half of 2014, SPP and Storebrand Livsforsikring AS have issued perpetual subordinated loan capital of SEK 700m and NOK 1,100m respectively. The Swedish loan has an early repurchase right (call) after 5 years, whereas the Norwegian loan has a call after 10 years. During the course of the quarter, Storebrand Livsforsikring AS has repaid perpetual subordinated loan totalling NOK 1,700m. This loan was taken out of the solvency calculation in Q1 2014.

The solvency capital¹⁾ comprised NOK 60.8bn at the end of the first six months 2014, an increase of NOK 5.4bn during the second quarter and NOK 6.7bn for the year to date in consequence of, among other things, increased customer buffers and the result for the year.

Solidity

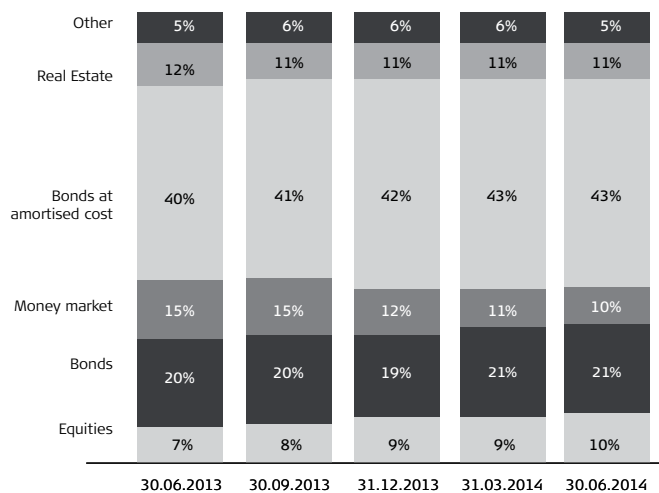


Storebrand Livsforsikring AS

The market value adjustment reserve increased by NOK 0.9bn in the quarter and decreased by NOK 0.1bn during the first six months and amounts to NOK 3.7bn at the end of the first six months. Additional statutory reserves are reduced by NOK 0.1bn during the quarter and for the year to date, it amounts to NOK 4.3bn. Excess value of held-to-maturity bonds that are assessed at amortised cost are increased by NOK 2.2bn during the quarter and NOK 3.7bn for the year to date, comprising NOK 8.9bn. The excess value of held-to-maturity bonds is not included in the financial statements.

For the customer portfolios with guarantees, the allocation to bonds and held-to-maturity bonds increased during the course of the first six months of 2014. Allocations to money markets have been reduced somewhat.

Asset allocation in customer portfolios with interest rate guarantee

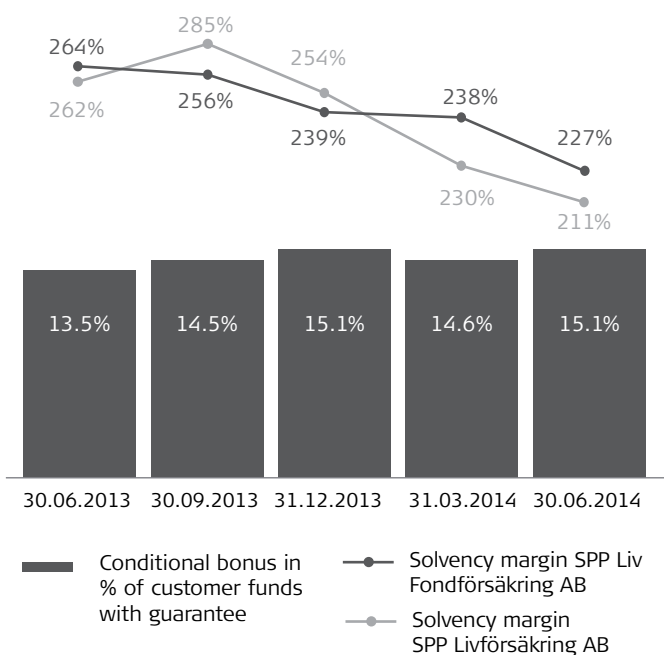


Customer funds increased by NOK 4 bn during the second quarter and for the year to date and amounts to NOK 214bn at the end of the first six months of 2014. Customer funds within nonguaranteed life insurance increased by NOK 3bn during the second quarter and NOK 4bn for the year to date.

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

SPP

Solidity



The solvency margin of SPP Livförsäkring AB was 211% (230%) and 227% (238%) in SPP Liv Fondförsäkring AB at the end of the quarter. The figures in parentheses show the solvency margin for the preceding quarter. For solvency calculations in Sweden, insurance liabilities are discounted by a market interest rate.

The buffer capital (conditional bonuses) increased by 0.5 percentage points from the preceding quarter.

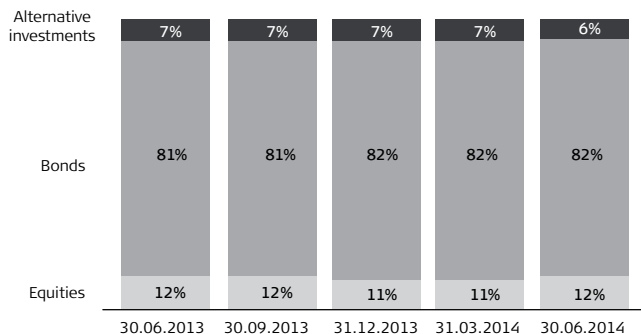
Outlook

Earnings performance

Low interest rates are challenging for insurance companies that have to cover an annual interest rate guarantee. The interest rate level has risen somewhat during the course of 2013, but has dropped again during the first six months of 2014. The credit spread for bonds has also dropped further. There continue to be investment opportunities in the bond market with expected returns that exceed the average interest rate guarantee. Storebrand has a strategy of pursuing growth in products where the results are less affected by short-term fluctuations in the financial markets. Financial performance will also be impacted by the changes that are occurring in the regulations for Norwegian occupational pensions in coming years, and how the customers choose to adapt to these changes. Growth is still expected in Storebrand's core markets, driven by low unemployment and good wage growth.

The interim results are positively affected by the development in the financial markets. In isolation termination of activities related

Allocation guaranteed customer assets Sweden



Total customer funds at SPP comprised NOK 138bn, an increase of NOK 5bn from the preceding quarter. Unit linked insurance comprises 40% of customer assets and increased capital under management by 6% during the quarter.

to commercial lending, defined benefit pensions for the public sector and conversions from defined benefit to defined contribution pensions with the issuance of paid-up policies reduces earnings of the Group. In addition to the on-going build-up of reserves for higher projected life expectancy, this is expected to negatively affect performance in a transition period.

Storebrand is continuously adapting to enhance its competitiveness in its business operations. Among other things, through a cost programme that will reduce the Storebrand Group's costs by at least NOK 400 million before the end of 2014.

Storebrand's results will during the period from 2014 to 2020 be reduced by a minimum of 20 per cent of the costs associated with the build-up of reserves for higher projected life expectancy. The final amount will, among other things, depend upon risk results and returns to the customer portfolios. The building up of reserves for higher projected life expectancy is described in further detail in the introduction and in note 2.

Risk

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

Regulatory changes in private occupational pensions
Occupational pension statutes in Norway are undergoing a series of amendments in order to adapt them to National Insurance reforms.

The Banking Law Commission's proposal "NOU 2013:12 Disability pension in private occupational pension schemes" has been for consultation. The proposal is now sitting with the Ministry of Finance, and a draft law with a new code of regulations is expected to come into force in 2015, at the same time as the new disability benefits are introduced in the National Insurance scheme.

The proposal involves the current disability product being replaced by a one-year risk-based product that gives full benefits regardless of the period of service, and where the benefits are calculated independently of the old age pension benefits.

On 27 June, the Ministry of Finance established regulations concerning payment rules and customer advice with respect to conversion of paid-up policies into investment options. The reserves for paid-up policies must be fully built up to K2013 before the paid-up policies can be converted to investment options. The regulations will enter into force on 1 September. The Ministry of Finance has determined comprehensive regulatory provisions dealing with the requirements for building up reserves, payout profile, information and advice. This means that each individual customer will have greater responsibility for their own pension and are freer to choose the risk profile of the savings.

To ensure a more stable payout of the pension, a technical interest of 3% can be used. This technical interest rate is no guarantee. In counselling, written examples must be given that show how much annual return a given investment portfolio must return to achieve specific benefits. The industry is working on an industry standard for counselling. Today's interest rates give a low return to the customer's current paid-up policies. FMI allows customers to adjust the equity portion of their portfolio and ultimately increase return on investment. Storebrand emphasises that counselling on a transition to FMI should be based on comprehensive individual counselling.

The Financial Supervisory Authority of Norway (FSA) has established that the highest permitted calculating interest that life insurance companies and pension funds can use for new life insurance contracts and when calculating premiums and associated insurance allocations for new pension contributions for group pension insurances, shall be 2.0% from 1 January 2015. FSA explains the reduction with low interest rate environment and that it is an objective that the guarantee ought not to exceed 60% of the return on the government bonds. The change will reduce future calculated needs for solvency capital for the company.

Solvency II

Solvency II is a set of rules covering solvency that will apply to all insurance companies in the EU and EEA. The Directive, also called Omnibus II, was adopted by the European Parliament on 11 March 2014 and will be implemented in Norwegian law. The regulations will enter into effect beginning in 1 January 2016.

The European supervisory authority EIOPA has made recommendations for ensuring continued progress in preparations for Solvency II. FSA determined that the recommendations shall be followed from and including 1 January 2014. This involves the requirements in Solvency II for business management and controls (pillar 2) being phased in, including requirements for self-assessment of risk and solvency (ORSA), and that parts of the reporting requirements to the supervisory authorities (pillar 3) be introduced for yearend reporting 2014. The capital requirements (pillar 1) and the reporting requirements to the market will not apply before formal Solvency II implementation as at 1 January 2016.

The code of regulations contains transition rules, including among others that the difference between the value of the insurance obligation after Solvency II and Solvency I at the point in time of the transition, can increase the solvency capital. It also allows for an adjustment to the interest rate curve in order to reduce the effect of short-term market fluctuations on the solvency position (Volatility Adjustment). As the proposed regulations are currently worded, they are somewhat better suited to companies that have long-term guaranteed returns than earlier proposals, particularly if the Norwegian authorities choose to utilise the leeway permitted in the transitional rules.

Lysaker, 15. July 2014
Board of Directors of Storebrand Livsforsikring AS

Storebrand Livsforsikring Group

NOK million	Q2		01.01 - 30.06		Year
	2014	2013	2014	2013 ¹⁾	2013 ¹⁾
TECHNICAL ACCOUNT:					
Gross premiums written	5,061	5,483	12,613	13,371	23,106
Reinsurance premiums ceded	-29	-64	-56	-72	-86
Premium reserves transferred from other companies	623	291	1,406	3,512	4,962
Premiums for own account	5,655	5,710	13,963	16,811	27,982
Income from investments in subsidiaries, associated companies and joint-controlled companies	-8	8	9	14	29
Interest income and dividends etc. from financial assets	2,797	2,172	5,003	4,261	7,612
Net operating income from real estate	282	331	558	633	1,139
Changes in investment value	2,851	-3,194	3,703	-3,244	739
Realised gains and losses on investments	653	711	2,399	883	27
Total net income from investments in the collective portfolio	6,575	29	11,671	2,547	9,546
Income from investments in subsidiaries, associated companies and joint-controlled companies		1		1	
Interest income and dividends etc. from financial assets	-24	32	-47	17	305
Net operating income from real estate	13	23	25	45	81
Changes in investment value	4,723	754	5,027	4,042	9,996
Realised gains and losses on investments	20	-55	1,358	13	785
Total net income from investments in the investment selection portfolio	4,732	756	6,364	4,119	11,167
Other insurance related income	489	317	842	635	1,394
Gross claims paid	-4,529	-4,660	-9,406	-9,422	-18,533
Claims paid - reinsurance	3	7	5	10	42
Gross change in claims reserve	-2	-17	5	6	9
Premium reserves etc. transferred to other companies	-669	-1,260	-8,817	-8,540	-10,889
Claims for own account	-5,197	-5,931	-18,213	-17,946	-29,372
To (from) premium reserve, gross	-2,643	2,830	-608	4,546	5,926
To/from additional statutory reserves	117	-16	133	284	1,047
Change in value adjustment fund	-908	719	122	-1	-2,796
Change in premium fund, deposit fund and the pension surplus fund		-1	-1	-20	-23
To/from technical reserves for non-life insurance business	-16	-2	-49	-44	-57
Change in conditional bonus	-697	-116	-83	-784	-1,924
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	2	20	4	31	106
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	-4,147	3,435	-483	4,013	2,278
Change in premium reserve	-6,020	-2,638	-8,996	-7,170	-18,079
Change in other provisions				11	-133
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	-6,020	-2,638	-8,996	-7,160	-18,212
Other allocation of profit	-2		-2	-3	-3
Unallocated profit	-850	-603	-2,688	-790	
Funds allocated to insurance contracts	-852	-603	-2,690	-794	-3

Storebrand Livsforsikring Group

PROFIT AND LOSS ACCOUNT CONTINUE

NOK million	Q2		01.01 - 30.06		Year
	2014	2013	2014	2013 ¹⁾	2013 ¹⁾
Management expenses	-82	-81	-177	-155	-360
Selling expenses	-207	-153	-416	-295	-589
Change in pre-paid direct selling expenses	-2	5	3	11	19
Insurance-related administration expenses (incl. commissions for reinsurance received)	-356	-337	-668	-726	-1,375
Insurance-related operating expenses	-646	-566	-1,258	-1,164	-2,305
Other insurance related expenses	-89	-25	-117	-88	-262
Technical insurance result	500	484	1,083	972	2,213
NON-TECHNICAL ACCOUNT					
Income from investments in subsidiaries, associated companies and joint-controlled companies	-2	4	1	11	74
Interest income and dividends etc. from financial assets	111	125	236	230	442
Net operating income from real estate	13	18	25	34	65
Changes in investment value	50	1	68	-5	26
Realised gains and losses on investments	35	1	88	21	-17
Net income from investments in company portfolio	207	148	418	291	590
Other income	112	141	217	295	426
Management expenses	-10	-8	-19	-16	-35
Other costs	-278	-394	-582	-718	-1,134
Management expenses and other costs linked to the company portfolio	-288	-402	-601	-734	-1,169
Profit or loss on non-technical account	31	-113	34	-148	-152
Profit before tax	531	371	1,117	824	2,061
Tax costs	-117	139	-217	48	-70
Profit before other comprehensive income	414	510	900	872	1,992
Change in pension experience adjustments	-8	1	-11	10	10
Change in value adjustment reserve own buildings	4	9	28	38	154
Adjustment of insurance liabilities	-4	-9	-28	-38	-154
Tax on other result elements not to be classified to profit/loss		-1		-1	12
Total other result elements not to be classified to profit/loss	-8	1	-11	9	22
Translation differences	-51	72	-252	460	840
Total other result elements that may be classified to profit /loss	-51	72	-252	460	840
Total other result elements	-59	73	-263	469	862
TOTAL COMPREHENSIVE INCOME	355	583	638	1,341	2,854
PROFIT IS DUE TO:					
Minority share of profit	10	5	14	11	19
Majority share of profit	404	506	886	861	1,973
COMPREHENSIVE INCOME IS DUE TO:					
Minority share of profit	10	7	12	17	30
Majority share of profit	345	576	625	1,324	2,824

¹⁾As a result of the change in accounting principles, the comparative figures are restated. See details in Note 1 Accounting Principles.

Storebrand Livsforsikring Group

STATEMENT OF FINANCIAL POSITION

NOK million	30.06.2014	30.06.2013	31.12.2013 ¹⁾	01.01.2013 ¹⁾
ASSETS				
ASSETS IN COMPANY PORTFOLIO				
Goodwill	775	765	798	724
Other intangible assets	4,553	4,849	4,882	4,754
Total intangible assets	5,328	5,614	5,679	5,478
Real estate at fair value	3,625	3,400	3,581	3,470
Real estate for own use	67	59	66	58
Equities and units in subsidiaries, associated companies and joint-controlled companies	230	199	205	121
Loans to and securities issued by subsidiaries, associated companies				69
Lendings	3	4	3	4
Bonds held to maturity	347	245	347	222
Bonds at amortised cost	1,519	1,295	1,510	1,156
Equities and other units at fair value	82	66	74	44
Bonds and other fixed-income securities at fair value	19,136	17,059	17,439	15,716
Derivatives at fair value	399	41	364	255
Other financial assets	222	96	305	126
Total investments	25,629	22,463	23,895	21,242
Reinsurance share of insurance obligations	137	121	142	144
Receivables in connection with direct business transactions	1,281	1,394	2,722	101
Receivables in connection with reinsurance transactions	5	9	28	7
Receivables with group company	19	20	28	23
Other receivables	1,994	1,888	1,472	3,653
Total receivables	3,299	3,311	4,249	3,783
Tangible fixed assets	415	408	419	388
Cash, bank	3,244	3,440	3,517	2,938
Tax assets		42		38
Minority interest in consolidated securities fund	881	646	690	1,044
Other assets designated according to type	695	646	690	599
Total other assets	5,234	5,182	5,317	5,008
Pre-paid direct selling expenses	489	481	510	443
Other pre-paid costs and income earned and not received	193	179	101	90
Total pre-paid costs and income earned and not received	681	660	611	533
Total assets in company portfolio	40,310	37,351	39,893	36,188
ASSETS IN CUSTOMER PORTFOLIO				
Real estate at fair value	20,843	20,172	19,409	23,541
Real estate for own use	2,362	2,208	2,322	2,066
Equities and units in subsidiaries, associated companies and joint-controlled companies	41	18	34	115
Loans to and securities issued by subsidiaries, associated companies	180	181	186	597
Bonds held to maturity	14,766	11,575	14,773	10,496
Bonds at amortised cost	64,312	61,084	63,919	54,557
Lendings	4,209	3,826	3,436	3,702
Equities and other units at fair value	36,584	32,540	34,629	27,152
Bonds and other fixed-income securities at fair value	130,423	135,906	133,203	139,040
Financial derivatives at fair value	2,367	520	1,048	2,575
Other financial assets	6,359	4,005	3,357	3,462
Total investments in collective portfolio	282,447	272,035	276,316	267,304

Storebrand Livsforsikring Group

STATEMENT OF FINANCIAL POSITION CONTINUE

NOK million	30.06.2014	30.06.2013	31.12.2013 ¹⁾	1.1.2013 ¹⁾
Real estate at fair value	928	1,475	1,447	1,952
Real estate for own use	67	95	103	107
Lendings		81	73	140
Equities and other units at fair value	64,315	49,603	57,987	45,014
Bonds and other fixed-income securities at fair value	28,671	28,512	31,869	25,168
Financial derivatives at fair value	4	6	81	169
Other financial assets	175	248	262	397
Total investments in investment selection portfolio	94,161	80,019	91,821	72,946
Total assets in customer portfolio	376,607	352,054	368,136	340,250
TOTAL ASSETS	416,917	389,405	408,029	376,439
EQUITY AND LIABILITIES				
Share capital	3,540	3,540	3,540	3,540
Share premium	9,711	9,711	9,711	9,711
Total paid in equity	13,251	13,251	13,251	13,251
Risk equalisation fund	887	677	776	640
Other earned equity	5,573	3,674	5,844	3,223
Earned profit	789	835		
Minority's share of equity	413	406	402	388
Total earned equity	7,662	5,592	7,022	4,251
Perpetual subordinated loan capital	2,753	5,004	2,787	5,142
Dated subordinated loan capital	2,628		2,540	
Hybrid tier 1 capital	1,502	1,502	1,502	1,502
Total subordinated loan capital and hybrid tier 1 capital	6,884	6,505	6,829	6,643
Premium reserves	252,575	247,727	250,567	245,333
Additional statutory reserves	4,310	5,037	4,279	5,489
Market value adjustment reserve	3,701	1,028	3,823	1,027
Claims allocation	886	835	891	837
Premium fund, deposit fund and the pension surplus fund	3,220	3,331	3,184	3,394
Conditional bonus	13,757	12,531	14,167	11,264
Unallocated profit to insurance contracts	2,688	732		
Other technical reserve	660	582	616	561
Total insurance obligations in life insurance - contractual obligations	281,796	271,802	277,526	267,905
Premium reserve	94,612	79,760	91,887	72,751
Claims allocation	1	1	1	1
Additional statutory reserves		243	179	257
Premium fund, deposit fund and the pension surplus fund		175	330	487
Unallocated profit to insurance contracts		58		
Total insurance obligations in life insurance - investment portfolio separately	94,612	80,237	92,396	73,495
Pension liabilities etc.	597	839	575	839
Period tax liabilities	1,617	1,346	1,441	1,377
Other provisions for liabilities	41	89	108	115
Total provisions for liabilities	2,255	2,275	2,123	2,331

Storebrand Livsforsikring Group

STATEMENT OF FINANCIAL POSITION CONTINUE

NOK million	30.06.2014	30.06.2013	31.12.2013 ¹⁾	1.1.2013 ¹⁾
Liabilities in connection with direct insurance	1,331	1,380	1,353	1,317
Liabilities in connection with reinsurance	56	24	36	4
Financial derivatives	1,503	3,373	2,122	755
Liabilities to group companies	19	18	13	14
Minority interest in consolidated funds	881	646	690	1,044
Other liabilities	6,266	3,872	4,233	4,950
Total liabilities	10,056	9,312	8,447	1,044
Other accrued expenses and received, unearned income	401	430	435	478
Total accrued expenses and received, unearned income	401	430	435	478
TOTAL EQUITY AND LIABILITIES	416,917	389,405	408,029	376,439

¹⁾As a result of the change in accounting principles, the comparative figures are restated. See details in Note 1 Accounting Principles.

Storebrand Livsforsikring Group

RECONCILIATION OF CHANGE IN EQUITY

NOK million	Majority's share of equity						Total equity ²⁾
	Share capital	Share premium	Total paid in equity	Risk equalisation fund	Other equity ¹⁾	Minority interests	
Equity at 31.12.2012	3,540	9,711	13,251	640	3,223	388	17,502
Profit for the period				37	824	11	872
Total other profit elements					463	6	469
Total comprehensive income for the period				37	1,287	17	1,341
Equity transactions with owner:							
Other						1	1
Equity at 30.06.2013	3,540	9,711	13,251	677	4,510	406	18,844
Profit for the period				136	1,837	19	1,992
Total other profit elements					852	11	862
Total comprehensive income for the period				136	2,689	30	2,854
Equity transactions with owner:							
Group contributions					-85	-27	-112
Other					17	13	30
Equity at 31.12.2013	3,540	9,711	13,251	776	5,844	402	20,273
Profit for the period				111	775	14	900
Total other profit elements					-261	-2	-263
Total comprehensive income for the period				111	514	12	638
Equity transactions with owner:							
Group contributions						-2	-2
Other					4		4
Equity at 30.06.2014	3,540	9,711	13,251	887	6,362	413	20,913

¹⁾ Includes undistributable funds in security reserves amounting to NOK 149 million.

²⁾ As a result of the change in accounting principles, the comparative figures are restated. See details in Note 1 Accounting Principles.

Storebrand Livsforsikring

CASH FLOW ANALYSIS 1. JANUARY - 30. JUNE

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
2013	2014	NOK million	2014	2013
		Cash flow from operational activities		
11,737	13,610	Net received - direct insurance	10,367	9,510
-9,389	-9,510	Net claims/benefits paid - direct insurance	-5,413	-6,176
-5,028	-7,412	Net receipts/payments - policy transfers	-5,220	-4,381
-1,165	-1,258	Net receipts/payments - other operational activities	-700	-652
237	1,794	Net receipts/payments operations	1,644	-297
-3,607	-2,776	Net cash flow from operational activities before financial assets	678	-1,996
-65	-700	Net receipts/payments - lendings to customers	-772	-65
83	8,106	Net receipts/payments - financial assets	2,269	1,952
4,496	-356	Net receipts/payments - real estate activities		
-393	-2,916	Net change bank deposits insurance customers	-1,438	156
4,122	4,134	Net cash flow from operational activities from financial assets	59	2,043
515	1,359	Net cash flow from operational activities	737	47
		Cash flow from investment activities		
	-1,289	Net payments - sale/purchase of insurance portfolios		
580	-27	Net payments - purchase/capitalisation associated companies		92
-81	-51	Net receipts/payments - sale/purchase of fixed assets	-18	-18
499	-1,367	Net cash flow from investment activities	-18	75
		Cash flow from financing activities		
2,221	1,737	Payment of subordinated loan capital	1,094	2,221
-2,366	-1,700	Repayment of subordinated loan capital	-1,700	-2,366
-397	-383	Payments - interest on subordinated loan capital	-383	-397
0	-2	Payment of group contributions		
-542	-348	Net cash flow from financing activities	-989	-542
		Net cash flow for the period	490	329
-3,650	-4,491	of which net cash flow for the period before financial assets	-330	-2,464
472	-357	Net movement in cash and cash equivalent assets	-271	-420
3,064	3,823	Cash and cash equivalent assets at start of the period	1,540	1,517
3,536	3,466	Cash and cash equivalent assets at the end of the period	1,269	1,097

Storebrand Livsforsikring AS

PROFIT AND LOSS ACCOUNT

NOK million	Q2		01.01 - 30.06		Year 2013
	2014	2013	2014	2013	
TECHNICAL ACCOUNT:					
Gross premiums written	3,440	3,411	9,216	9,562	15,918
Reinsurance premiums ceded	-17	-17	-21	-20	-22
Premium reserves transferred from other companies	205	-236	579	2,349	3,010
Premiums for own account	3,628	3,159	9,774	11,890	18,906
Income from investments in subsidiaries, associated companies and joint-controlled companies	280	459	520	588	952
of which from investment in real estate companies	265	429	514	545	881
Interest income and dividends etc. from financial assets	2,104	1,302	3,679	2,605	4,452
Changes in investment value	677	-731	-180	2	2,764
Realised gains and losses on investments	209	24	1,654	139	-206
Total net income from investments in the collective portfolio	3,270	1,055	5,672	3,334	7,962
Income from investments in subsidiaries, associated companies and joint-controlled companies	13	33	26	42	68
of which from investment in real estate companies	13	33	26	41	68
Interest income and dividends etc. from financial assets	-28	23	-50	9	287
Changes in investment value	1,824	314	970	1,493	3,319
Realised gains and losses on investments	-22	-68	1,316	40	771
Total net income from investments in the investment selection portfolio	1,788	302	2,262	1,583	4,445
Other insurance related income	54	43	118	100	217
Gross claims paid	-2,742	-2,954	-5,465	-6,175	-11,809
Claims paid - reinsurance	3	5	5	9	30
Gross change in claims reserve	-2	-16	-2	7	-3
Premium reserves etc. transferred to other companies	105	-344	-5,799	-6,730	-7,585
Claims for own account	-2,637	-3,310	-11,262	-12,889	-19,367
To (from) premium reserve, gross	-1,252	386	972	205	120
To/from additional statutory reserves	118	-2	134	127	1,047
Change in value adjustment fund	-908	719	122	-1	-2,796
Change in premium fund, deposit fund and the pension surplus fund		-1	-1	-20	-23
To/from technical reserves for non-life insurance business	-20	-3	-55	-48	-63
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	2	20	4	31	106
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	-2,061	1,120	1,175	295	-1,610
Change in premium reserve	-2,525	-1,070	-3,702	-2,332	-7,459
Change in other provisions				11	-133
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	-2,525	-1,070	-3,702	-2,322	-7,593
Other allocation of profit					-85
Unallocated profit	-850	-603	-2,688	-790	
Funds allocated to insurance contracts	-850	-603	-2,688	-790	-85

Storebrand Livsforsikring AS

PROFIT AND LOSS ACCOUNT CONTINUE

NOK million	Q2		01.01 - 30.06		Year 2013
	2014	2013	2014	2013	
Management expenses	-24	-35	-64	-65	-134
Selling expenses	-149	-97	-296	-185	-351
Insurance-related administration expenses (incl. commissions for reinsurance received)	-179	-169	-339	-402	-688
Insurance-related operating expenses	-351	-301	-700	-652	-1,173
Other insurance related expenses after reinsurance share	-76	-26	-112	-61	-204
Technical insurance result	239	369	537	489	1,498
NON-TECHNICAL ACCOUNT					
Income from investments in subsidiaries, associated companies and joint-controlled companies	-257	92	-245	95	251
of which from investment in real estate companies	13	20	26	25	60
Interest income and dividends etc. from financial assets	158	159	353	331	659
Changes in investment value	33	-20	53	-26	11
Realised gains and losses on investments	32	22	66	21	35
Net income from investments in company portfolio	-33	253	227	421	956
Other income	6	6	13	16	26
Management expenses	-4	-3	-7	-5	-11
Other costs	-125	-149	-223	-268	-468
Total management expenses and other costs linked to the company portfolio	-129	-152	-230	-273	-479
Profit or loss on non-technical account	-156	107	11	164	503
Profit before tax	83	476	547	653	2,001
Tax costs	-76	125	-201	85	-57
Profit before other comprehensive income	7	601	346	738	1,944
Change in pension experience adjustments					-51
Translation differences	-1	-1	-4		-2
Tax on other result elements			1		13
Other comprehensive income and costs	-1	-1	-3		-40
Comprehensive income	6	601	344	738	1,904

Storebrand Livsforsikring AS

STATEMENT OF FINANCIAL POSITION

NOK million	30.06.2014	30.06.2013	31.12.2013
ASSETS			
ASSETS IN COMPANY PORTFOLIO			
Other intangible assets	140	124	144
Total intangible assets	140	124	144
Equities and units in subsidiaries, associated companies and joint-controlled companies	10,208	10,711	10,482
of which investment in real estate companies	1,028	1,127	1,268
Loans to and securities issued by subsidiaries, associated companies	6,274	6,817	7,351
Lendings	3	4	3
Bonds held to maturity	347	245	347
Bonds at amortised cost	1,519	1,295	1,510
Equities and other units at fair value	63	50	50
Bonds and other fixed-income securities at fair value	8,646	7,257	6,888
Derivatives at fair value	397	41	362
Other financial assets	182	33	259
Total investments	27,637	26,452	27,253
Reinsurance share of insurance obligations	155	145	163
Receivables in connection with direct business transactions	1,257	1,252	2,682
Receivables in connection with reinsurance transactions	5	9	28
Receivables with group company	18	20	97
Other receivables	356	755	629
Total receivables	1,636	2,035	3,436
Tangible fixed assets	29	46	35
Cash, bank	1,087	1,063	1,280
Total other assets	1,116	1,109	1,316
Other pre-paid costs and income earned and not received	25	35	31
Total pre-paid costs and income earned and not received	25	35	31
Total assets in company portfolio	30,709	29,899	32,343
ASSETS IN CUSTOMER PORTFOLIOS			
Equities and units in subsidiaries, associated companies and joint-controlled companies	21,103	24,449	20,285
of which investment in real estate companies	20,460	23,872	28,948
Bonds held to maturity	14,766	11,575	14,773
Bonds at amortised cost	64,312	61,084	63,919
Lendings	4,209	3,826	3,436
Equities and other units at fair value	23,088	18,084	19,716
Bonds and other fixed-income securities at fair value	55,331	58,641	54,195
Financial derivatives at fair value	89	126	161
Other financial assets	3,296	1,492	1,769
Total investments in collective portfolio	186,194	179,278	178,253

Storebrand Livsforsikring AS

STATEMENT OF FINANCIAL POSITION CONTINUE

NOK million	30.06.2014	30.06.2013	31.12.2013
Equities and units in subsidiaries, associated companies and joint-controlled companies	1,031	1,859	1,600
of which investment in real estate companies	1,031	1,846	2,443
Lendings		81	73
Equities and other units at fair value	20,636	16,337	18,803
Bonds and other fixed-income securities at fair value	15,532	16,395	17,846
Financial derivatives at fair value	4	6	81
Other financial assets	138	164	227
Total investments in investment selection portfolio	37,341	34,841	38,630
Total assets in customer portfolios	223,534	214,119	216,883
TOTAL ASSETS	254,243	244,018	249,227
EQUITY AND LIABILITIES			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
Total paid in equity	13,251	13,251	13,251
Risk equalisation fund	887	677	776
Other earned equity	6,066	4,654	6,069
Earned profit	235	346	
Total earned equity	7,188	5,678	6,845
Perpetual subordinated loan capital	2,114	5,004	2,787
Dated subordinated loan capital	2,628		2,540
Hybrid tier 1 capital	1,502	1,502	1,502
Total subordinated loan capital and hybrid tier 1 capital	6,244	6,505	6,829
Premium reserves	169,296	164,868	165,873
Additional statutory reserves	4,310	5,193	4,279
Market value adjustment reserve	3,701	1,028	3,823
Claims allocation	765	752	763
Premium fund, deposit fund and the pension surplus fund	3,220	3,331	3,184
Unallocated profit to insurance contracts	2,688	732	
Other technical reserve	834	753	786
Total insurance obligations in life insurance - contractual obligations	184,813	176,657	178,708

Storebrand Livsforsikring AS

STATEMENT OF FINANCIAL POSITION CONTINUE

NOK million	30.6.2014	30.6.2013	31.12.2013
Premium reserves	37,803	34,395	38,700
Claims allocation	1	1	1
Additional statutory reserves		243	179
Premium fund, deposit fund and the pension surplus fund		175	330
Unallocated profit to insurance contracts		58	
Total insurance obligations in life insurance - investment portfolio separately	37,803	34,872	39,209
Pension liabilities etc.	432	571	432
Period tax liabilities	1,390	1,060	1,190
Other provisions for liabilities	40	42	63
Total provisions for liabilities	1,862	1,674	1,685
Liabilities in connection with direct insurance	985	1,002	846
Liabilities in connection with reinsurance	17	22	2
Financial derivatives	921	1,143	438
Liabilities to group companies	12	2,495	6
Other liabilities	927	467	1,160
Total liabilities	2,861	5,129	2,453
Other accrued expenses and received, unearned income	220	252	248
Total accrued expenses and received, unearned income	220	252	248
TOTAL EQUITY AND LIABILITIES	254,243	244,018	249,227

RECONCILIATION OF CHANGE IN EQUITY STOREBRAND LIVSFORSIKRING AS

NOK million	Share capital ¹⁾	Share premium	Total paid in equity	Risk equalisation fund	Other equity	Total equity
Equity at 31.12.2012	3,540	9,711	13,251	640	4,301	18,192
Profit for the period				7	701	738
Total other profit elements					-1	-1
Total comprehensive income for the period				7	700	737
Equity at 30.06.2013	3,540	9,711	13,251	7	5,001	18,929
Profit for the period				136	1,809	1,944
Total other profit elements					-40	-40
Total comprehensive income for the period				136	1,768	1,904
Equity at 31.12.2013	3,540	9,711	13,251	776	6,069	20,096
Profit for the period				111	235	346
Total other profit elements					-3	-3
Total comprehensive income for the period				111	232	344
Equity at 30.06.2014	3,540	9,711	13,251	887	6,301	20,440

¹⁾ 35 404 200 shares of NOK 100 par value.

Notes to the interim accounts

NOTE 1: ACCOUNTING POLICIES

The Group's interim financial statements include Storebrand Livsforsikring AS, subsidiaries and associated companies. The financial statements are prepared in accordance with the "Regulation on the annual accounts etc. of insurance companies" for the parent company and the consolidated financial statements in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not contain all the information that is required in full annual financial statements.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2013 annual report, and the interim financial statements are prepared with respect to these accounting policies with the exceptions discussed in more detail below.

There are new and amended accounting standards that entered into effect from 1 January 2014, and Storebrand has implemented IFRS 10 with effect from the same date. Their effect for the Group is discussed in more detail below.

IFRS 10 – Consolidated financial statements

IFRS 10 replaces the parts of IAS 27 that address consolidated financial statements and include in addition companies for special purposes that were previously addressed in SIC-12.

IFRS 10 establishes a model for evaluating control that will apply to all companies, and the content of the control concept has changed in IFRS 10 in relation to IAS 27 and will entail an increased degree of assessment of units that are controlled by the company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Group's financial statements, securities funds in which Storebrand has an ownership percentage of around 40 per cent or more, and which are also managed by management companies within the Storebrand Group, are consolidated 100 per cent on the balance sheet. Minority interests in consolidated securities funds are presented on a single line for assets and correspondingly on a single line for liabilities. As a consequence of the other investors being able to redeem their ownership interests in the respective funds, the minority interests are classified as liabilities in Storebrand's consolidated financial statements.

One of the Investments in the Group, which was previously treated as a joint venture, is now assessed to be a subsidiary in accordance with IFRS 10. Pursuant to IFRS 10, this company is consolidated 100 per cent.

Changes to other accounting standards

There are also other amendments to the IFRS regulations with effect from, or that can voluntary be applied from 1 January 2014. These changes have not had any material impact on Storebrand's interim financial statements.

The tables below shows the impact of IFRS 10 on the accounting lines that are affected by the changes.

Profit and loss account

NOK million	Q2 2013			30.06.2013			Year 2013		
	Reported	Effect IFRS 10	Restated	Reported	Effect IFRS 10	Restated	Reported	Effect IFRS 10	Restated
Net operating income from real estate	15	3	18	28	6	34	54	11	65
Profit or loss on non-technical account	-116	3	-113	-154	6	-148	-163	11	-152
Profit before tax	368	3	371	818	6	824	2,050	11	2,061

Notes to the interim accounts

Statement of financial position

NOK million	01.01.13			30.06.2013			31.12.13		
	Reported	Effect IFRS 10	Restated	Reported	Effect IFRS 10	Restated	Reported	Effect IFRS 10	Restated
Real estate at fair value - company portfolio	1,208	2,262	3,470	1,041	2,359	3,400	1,084	2,497	3,581
Real estate at fair value - collective portfolio	25,401	-1,860	23,541	22,134	-1,962	20,172	21,478	-2,068	19,409
Real estate at fair value - investment selection portfolio	2,114	-162	1,952	1,626	-152	1,475	1,614	-167	1,447
Minority interests in consolidated securities funds		1,044	1,044		646	646		690	690
Total assets	375,155	1,284	376,439	388,514	892	389,405	407,078	952	408,029
Equity and liabilities									
Minority interests	148	240	388	160	246	406	141	262	403
Total equity	17,262	240	17,502	18,598	246	18,843	20,011	262	20,273
Minority interests in consolidated securities funds		1,044	1,044		646	646		690	690
Total equity and liabilities	375,155	1,284	376,439	388,514	892	389,405	407,078	952	408,029

NOTE 2: ESTIMATES

Critical accounting estimates and judgements made for the 2013 annual financial statements are described in note 2, step-up plan for longevity reserve strengthening for Storebrand Life Insurance in note 3, insurance risk in note 7 and valuation of financial instruments at fair value is described in note 13.

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

Strengthening longevity reserves for Storebrand Life Insurance

In a letter dated 8 March 2013, the Financial Supervisory Authority of Norway (Finanstilsynet) determined that a new mortality basis, K2013, would be introduced for group pension insurance in life insurance companies and pension funds effective from 2014. This requires increased premiums and higher insurance technical reserves to cover future liabilities. See the description in note 3 in the annual financial statements for 2013.

The Financial Supervisory Authority of Norway published 2nd April 2014 final guidelines for the step-up plans for longevity reserve strengthening. These are in relations to the guidelines provided by the Ministry of Finance in a letter from 27th March 2014. The period for strengthening longevity reserves may have duration of up to 7 years (up to and including 2020). Applications for step-up periods for reserves must be approved by the Financial Supervisory Authority of Norway. The strengthening of the reserves may be funded with excess return in customer portfolios. Surplus return in one contract cannot be used to strengthen reserves on other contracts. The insurance companies should contribute at least 20 percent of the increased reserves. Allocations shall be made to every contract. The reserve strengthening must as a minimum be linear over the course of the step-up plan. Storebrand has applied to the Financial Supervisory Authority of Norway in April 2014 to take 7 years for strengthening the longevity reserves.

Requirements that the entire booked returns be added on a contract basis will, all other things being equal, require a higher return given that the owner's contribution should be unchanged. The possibility to be able to apply for a step-up period of up to 7 years will pull in the opposite direction. On the overall, the owner's expected contribution for strengthening reserves for a given level of returns, have increased in relation to earlier estimates.

Guidelines for longevity reserve strengthening

- Step-up plans can have a maximum duration of seven years (up until 2020). Applications to be approved by the Supervisory Authorities of Norway.
- The reserves may be funded with excess return in customer portfolios. Surplus return in one contract cannot be used to strengthen reserves on other contracts (no "solidarity")
- The Insurance companies should contribute at least 20 percent of the increased reserves. Allocations shall be made to every contract.
- The reserve strengthening must as a minimum be linear over the course of the step up plan.

Notes to the interim accounts

Consequences for Storebrand

- Total reserve strengthening of appr. NOK 12.4 billion.
- In the period 2011 to 2013, Storebrand has allocated a total of NOK 4.1 billion for the future reserve strengthening, and has also allocated NOK 2 billion in customer surpluses to date in 2014. Given that customer surpluses cannot be used jointly, efforts are ongoing to assign longevity reserves at individual contract levels, and it is expected that this will reduce the total allocated amount by around NOK 500 million.
- Storebrand also has other buffers that may be used to increase the booked return in the period.
- The total contribution from the owner will depend upon the annual booked returns on investment returns on customer funds in the step-up period, the volatility in the booked return, trend in the insurance portfolio, risk results during the period, etc.
- The table below shows the estimated effects on net profit for owners for different average booked returns expectations during the period. If booked annual returns are to be lower than 4 per cent, then the owner's contribution might increase significantly. The effect on net profit is estimated based on an option pricing model which uses, for instance, a volatility in the booked return of 1 per cent and an annual expected risk outcome for customers that can be used for strengthening the reserves. The expected total and annual effect on earnings does not include loss of anticipated profit sharing related to paid-up policies. The estimates are encumbered with uncertainty.

Annual booked return	Expected total result effect	Annual result effect before tax
4.0%	~ 3 500	~ 500
4.5%	~ 2 100	~ 300
5.0%	~ 1 100	~ 160

- In the accounts as at 30 June 2014, a long-term average yield of 4.4 per cent, an expected risk outcome for customers and an expected step-up period of 7 years have been used as a basis.

NOTE 3: TAX

The tax expenses for the first half of the year have been estimated based upon an expected effective tax rate per legal entity for the year of 2014, adjusted for a smaller tax-reducing one-off effect. There will be uncertainty associated with these estimates.

The tax rate for the group will vary from quarter to quarter depending on the individual legal entities' contribution to earnings.

NOTE 4: INFORMATION ABOUT RELATED PARTIES

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and close parties are stipulated in notes 22 and 44 in the 2013 annual report.

Storebrand Bank has decided to end its lending against commercial property. Partly as a part of this liquidation, and to adapt to new capital adequacy rules, Storebrand Bank sold some commercial property portfolio to Storebrand Livsforsikring. Storebrand Livsforsikring wishes as part of the investment management of pension funds to invest more in corporate loans with good collateral that provides stable and good returns compared to investment with equivalent risk.

On 13 March 2014 entered into an agreement for the transfer of loans of 1.7 billion with the acquisition on 25 March 2014. The portfolio were sold at fair value, corresponding to amortised cost.

NOTE 5: FINANCIAL MARKET RISK

Risks are described in the annual report for 2013 in note 7 (Insurance risk), note 8 (Financial market risk), note 9 (Liquidity risk), note 10 (Credit risk), and note 11 (Concentration risk). Conditions that affect the risks are also described in note 2 (Significant accounting estimates and approximate valuations).

As regards strengthening longevity reserves for Storebrand Life Insurance, this is described in note 2 (Estimates).

The stock market has been strong in the first half of the year, with new highs on the stock exchanges. The credit market has also been positive with falling credit spreads. Interest rates have been falling, both in Norway and Sweden.

Notes to the interim accounts

The most significant risk in the Norwegian operations is the company's return on the guaranteed customer portfolios. At the end of the first half of the year, the return on the guaranteed portfolios is higher than the accumulated guarantee and higher than planned to cover this year's contributions to the strengthening of reserves. The return has been positively affected by strong equity and credit markets and the effect of a fall in interest rates. This reduces the return risk for 2014. In the longer term, lower interest rates increase the risk associated with guaranteed returns and the strengthening of longevity reserves including, for instance, as a result of re-investment risk. Lower interest rates are also negative for solvency when Solvency II is introduced from 1 January 2016.

The Norwegian Financial Supervisory Authority has decided that the calculation interest rate is to be reduced to 2 per cent for new accumulation as of 2015.

For the Swedish operations, lower interest rates are, all being equal, negative for solvency-margin and in the long term also for the financial results.

The equity ratio has increased somewhat in the paid-up policy portfolio during Q2. The investment allocation is otherwise largely unchanged over the first half of the year.

Insurance risk is largely unchanged over the first half of the year.

NOTE 6: SEGMENTS – RESULT BY BUSINESS AREA

Changes in accounting policies and segment reporting

Beginning 1 January 2014, certain follow-ups including sickness insurance, one-year life assurance and survivor insurance at SPP have been transferred from the Guaranteed Pension segment to Insurance. The result for these products will beginning 1 January 2014 be reported under Insurance.

NOK million	Q2		01.01 - 30.06		Year 2013
	2014	2013	2014	2013	
Savings	80	67	170	131	298
Insurance	117	157	327	236	658
Guaranteed pension	313	255	614	635	1,376
Other	116	-15	197	6	105
Group result before amortisation	625	464	1,308	1,008	2,437
Amortisation intangible assets	-94	-92	-191	-183	-375
Pre-tax profit	531	371	1,117	824	2,061

Savings

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

Insurance

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

Guaranteed pension

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

Other

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

Reconciliation with the official profit and loss accounting

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

Notes to the interim accounts

Segment information as of 2Q

NOK million	Savings		Insurance		Guaranteed pension	
	2014	2013	2014	2013	2014	2013
Fee and administration income	299	243			439	496
Risk result life & pensions	-7	4			48	-19
Insurance premiums f.o.a.			585	540		
Claims f.o.a.			-435	-316		
Operational cost	-213	-180	-100	-93	-281	-275
Financial result			66	26		
Result before profit sharing and loan losses	80	67	117	157	206	203
Net profit sharing and loan losses					197	52
Provision longevity					-90	
Result before amortisation	80	67	117	157	313	255
Amortisation and write-downs of intangible assets						
Pre-tax profit	80	67	117	157	313	255

NOK million	Other		Storebrand Livsforsikring Group	
	2014	2013	2014	2013
Fee and administration income	30	30	768	769
Risk result life & pensions	3	6	45	-9
Insurance premiums f.o.a.			585	540
Claims f.o.a.			-435	-316
Operational cost	-17	-16	-611	-564
Financial result	101	-36	167	-10
Result before profit sharing and loan losses	117	-16	519	410
Net profit sharing and loan losses	-1	1	196	53
Provision longevity			-90	
Result before amortisation	116	-15	625	464
Amortisation and write-downs of intangible assets	-94	-92	-94	-92
Pre-tax profit	22	-108	531	371

Segment information as at 30.06

NOK million	Savings		Insurance		Guaranteed pension	
	2014	2013	2014	2013	2014	2013
Fee and administration income	584	491			913	987
Risk result life & pensions	-8	4			126	22
Insurance premiums f.o.a.			1,175	1,142		
Claims f.o.a.			-781	-765		
Operational cost	-407	-365	-195	-191	-562	-545
Financial result			128	50		
Result before profit sharing and loan losses	169	130	327	236	478	463
Net profit sharing and loan losses	1	1			317	171
Provision longevity					-180	
Result before amortisation	170	131	327	236	614	635
Amortisation and write-downs of intangible assets						
Pre-tax profit	170	131	327	236	614	635
Assets	94,979	75,298	3,859	4,015	274,793	270,969
Liabilities	93,628	74,061	3,859	4,015	267,048	263,424

Notes to the interim accounts

NOK million	Other		Storebrand Livsforsikring Group	
	2014	2013	2014	2013
Fee and administration income	60	57	1,557	1,536
Risk result life & pensions	2	9	120	34
Insurance premiums f.o.a.			1,175	1,142
Claims f.o.a.			-781	-765
Operational cost	-34	-32	-1,199	-1,133
Financial result	174	-24	302	25
Result before profit sharing and loan losses	201	9	1,175	840
Net profit sharing and loan losses	-4	-4	314	168
Provision longevity			-180	
Result before amortisation	197	6	1,308	1,008
Amortisation and write-downs of intangible assets	-191	-183	-191	-183
Pre-tax profit	6	-178	1,117	824
Assets	43,286	39,124	416,917	389,405
Liabilities	31,468	29,062	396,004	370,562

Restatement of comparative figures Profit and loss account

NOK million	Q2 2013				30.06.2013				Year 2013			
	Re-ported figures	Changes in IFRS	Change in segment	Revised figures	Re-ported figures	Changes in IFRS	Change in segment	Revised figures	Re-ported figures	Changes in IFRS	Change in segment	Revised figures
Savings	67			67	131			131	298			298
Insurance	106		52	157	162		74	236	369		289	658
Guaranteed pension	306		-52	254	709		-74	635	1,665		-289	1,376
Other	-18	3		-15		6		6	94	11		105
Group result before amortisation	461	3	0	464	1,002	6	0	1,008	2,426	11	0	2,437
Amortisation intangible assets	-92			-92	-184			-184	-375			-375
Pre-tax profit	369	3		371	818	6		824	2,050	11		2,062

Statement of financial position

NOK million	01.01.2013			30.06.2013			31.12.2013		
	Reported figures	Changes in IFRS	Revised figures	Reported figures	Changes in IFRS	Revised figures	Reported figures	Changes in IFRS	Revised figures
Savings	64,583		64,583	75,298		75,298	85,261		85,261
Insurance	3,074		3,074	4,015		4,015	3,992		3,992
Guaranteed pension	271,202		271,202	270,969		270,969	274,406		274,406
Other	36,296	1,284	37,580	38,232	892	39,124	43,418	952	44,370
Total assets	375,155	1,284	376,439	388,514	892	389,405	407,077	952	408,029
Savings	55,358		55,358	74,061		74,061	83,984		83,984
Insurance	3,074		3,074	4,015		4,015	3,992		3,992
Guaranteed pension	263,869		263,869	263,424		263,424	266,303		266,303
Other	35,592	1,044	36,636	28,416	646	29,062	32,788	690	33,478
Total liabilities	357,893	1,044	358,937	369,916	646	370,562	387,067	690	387,757

Notes to the interim accounts

NOTE 7: SPECIFICATION OF SUBORDINATED LOAN CAPITAL

Specification of subordinated loan capital

NOK million	Nominal value	Currency	Interest rate (fixed/variable)	Call date	Book value
Issuer					
Hybrid tier 1 capital					
Storebrand Livsforsikring AS 08/18 FRN	1,500	NOK	Variable	2018	1,502
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Fixed	2015	1,019
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,095
SPP Livförsäkring AB	700	SEK	Variable	2019	639
Dated subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	2,628
Total subordinated loan capital and hybrid tier 1 capital					6,884
30.06.2014					
Total subordinated loan capital and hybrid tier 1 capital					6,829
31.12.2013					

NOTE: 8 VALUATION OF FINANCIAL INSTRUMENTS AND REAL ESTATE

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

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

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

The Group categorises financial instruments on three different levels, which are described in more detail in note 13 in the annual financial statements for 2013. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

Fair value of financial assets and liabilities at amortised cost

NOK million	Fair value 30.06.14	Fair value 31.12.13	Book value 30.06.14	Book value 31.12.13
Financial assets				
Lending to customers	4,190	3,489	4,211	3,512
Bonds held to maturity	16,792	15,942	15,113	15,120
Bonds classified as loans and receivables	73,018	69,767	65,831	65,429
Financial liabilities				
Subordinated loan capital	7,393	7,368	6,884	6,829

Notes to the interim accounts

Valuation of financial instruments and real estate at fair value

Storebrand Livsforsikring Group

NOK million	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	Total 30.06.2014	Total 31.12.2013
Assets					
Equities and units					
- Equities	20,402	616	2,435	23,454	16,706
- Fund units	119	68,606	1,412	70,137	68,393
- Private Equity fund investments		153	6,151	6,304	6,373
- Real estate fund		8	1,078	1,086	1,217
Total equities and units	20,521	69,383	11,076	100,980	
Total equities and units 31.12.13	13,135	67,609	11,945		92,689
Bonds and other fixed income securities					
- Government and government guaranteed bonds	31,391	19,603		50,994	61,602
- Credit bonds		24,086	413	24,500	24,238
- Mortgage and asset backed bonds		42,533		42,533	42,296
- Supranational and agency	47	8,783		8,830	7,167
- Bond funds		51,374		51,374	47,208
Total bonds and other fixed income securities	31,437	146,379	413	178,230	
Total bonds and other fixed income securities 31.12.13	27,170	153,672	1,669		182,510
Derivatives:					
- Interest rate derivatives		2,204		2,204	-664
- Currency derivatives		-937		-937	35
Total derivatives		1,267		1,267	
- derivatives with a positive market value		2,770		2,770	
- derivatives with a negative market value		-1,503		-1,503	
Total derivatives 31.12.13		-629			-629
Real estate:					
- real estate at fair value			25,396	25,396	24,175
- real estate for own use			2,497	2,497	2,491
Total real estate			27,893	27,893	
Total real estate 31.12.13			26,928		26,928

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	29	54
Bonds and other fixed income securities		1,834

Movements from level 1 to level 2 reflect reduced sales value in the relevant equities in the last measuring period. On the other hand, movements from level 2 to level 1 indicate increased sales value in the relevant equities in the last measuring period.

Notes to the interim accounts

Movement level 3

NOK million	Equities	Fund units	Private Equity fund investments	Real estate fund	Credit bonds	Real estate	Real estate for own use
Book value 01.01.14	3,269	1,327	6,132	1,217	1,669	24,437	2,491
Net profit/loss	312	96	531	51	9	12	36
Supply/disposal	104	70	351	7	56	1,109	8
Sales/overdue/settlement	-1,216	-65	-838	-197	-1,303	-120	-8
To quoted prices and observable assumptions	8						
Translation differences	-41	-15	-26		-17	-42	-30
Book value 30.06.14	2,435	1,412	6,151	1,078	413	25,396	2,497

Storebrand Livsforsikring AS

NOK million	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	Total 30.06.2014	Total 31.12.2013
Assets					
Equities and units					
- Equities	11,030	337	1,805	13,172	6,086
- Fund units		23,488	807	24,295	25,840
- Private Equity fund investments		153	5,082	5,235	5,426
- Real estate fund		6	1,078	1,084	1,217
Total equities and units	11,030	23,984	8,772	43,786	
Total equities and units 31.12.13	4,246	25,425	8,898		38,569
Bonds and other fixed income securities					
- Government and government guaranteed bonds	18,334			18,334	22,906
- Credit bonds		11,281	65	11,346	11,446
- Mortgage and asset backed bonds		9,952		9,952	10,080
- Supranational and agency		1,334		1,334	1,511
- Bond funds		38,543		38,543	32,987
Total bonds and other fixed income securities	18,334	61,110	65	79,509	
Total bonds and other fixed income securities 31.12.13	14,818	63,053	1,058		78,930
Derivatives:					
- Interest rate derivatives		414		414	324
- Currency derivatives		-845		-845	-158
Total derivatives		-431		-431	
- derivatives with a positive market value		490		490	
- derivatives with a negative market value		-921		-921	
Total derivatives 31.12.13		166			166

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	28	32
Bonds and other fixed income securities		1,834

Movements from level 1 to level 2 reflect reduced sales value in the relevant equities in the last measuring period. On the other hand, movements from level 2 to level 1 indicate increased sales value in the relevant equities in the last measuring period.

Notes to the interim accounts

Movement level 3

NOK million	Equities	Fund units	Private Equity fund		
			investments	Real estate fund	Credit bonds
Book value 01.01.14	1,705	791	5,185	1,217	1,058
Net profit/loss	121	28	420	51	12
Supply/disposal	5	37	279	7	1
Sales/overdue/settlement	-25	-50	-801	-197	-1,006
Book value 30.06.14	1,805	807	5,082	1,078	65

SENSITIVITY ASSESSMENTS

Storebrand Livsforsikring Group

Equities

Forestry investments are characterised by, among other things, very long cash flow periods. There can be some uncertainty associated with future cash flows due to future income and costs growth, even though these assumptions are based on recognised sources. Nonetheless, valuations of forestry investments will be particularly sensitive to the discount rate used in the estimate. The company bases its valuation on external valuations. These utilise an estimated market-related required rate of return. As a reasonable alternative assumption with regard to the required rate of return used, a change in the discount rate of 0.25 per cent would result in an estimated change of around 4.6 per cent in value, depending on the maturity of the forest and other factors.

NOK million	Change in value at change in discount rate	
	Increase + 25 bp	Decrease - 25 bp
Change in fair value per 30.06.14	-73	78

Fund units and Private equity fund

Large portions of the portfolio are priced using comparable listed companies, while smaller portions of the portfolio are listed. The valuation of the private equity portfolio will thus be sensitive to fluctuations in global equity markets. Storebrand's private equity portfolio has an estimated Beta relative to the MSCI World (Net - currency hedged to NOK) of around 0.5.

NOK million	Change MSCI World	
	Increase + 10 %	Decrease - 10 %
Change in fair value as at 30.06.14	217	-217

Real estate fund

The valuation of indirect property investments will be sensitive to a change in the required rate of return and the expected future cash flow. The indirect property investments are leveraged structures. The portfolio is leveraged 65 per cent on average.

NOK million	Change in value underlying real estates	
	Increase + 10 %	Decrease - 10 %
Change in fair value as at 30.06.14	351	-345

Properties

The valuation of property is particularly sensitive to a change in the required rate of return and the expected future cash flow. A change of 0.25 per cent in the required rate of return when everything else remains unchanged will result in a change in the value of Storebrand's property portfolio of approximately 4.5 per cent. About 25 per cent of the property's cash flow is linked to lease contracts that have been entered into. This entails that the changes in the uncertain parts of the cash flow of 1 per cent will mean a change in value of 0.75 per cent.

Investments properties

NOK million	Change in required rate of return	
	0.25%	-0.25%
Change in fair value as at 30.06.14	-1,001	1,086

Notes to the interim accounts

Owner used properties

NOK million	Change in required rate of return	
	0.25%	-0.25%
Change in fair value as at 30.06.14	-95	104

NOTE 9: EQUITIES IN SUBSIDIARIES

In the 1st half 2014 is the equity investment in the subsidiary Benco, which are recognized in the accounts of Storebrand Livsforsikring, written down by NOK 286 million to a value equal Benco value in the consolidated financial statements. Corporate value is considered to provide an indication of the value in use. The impairment does not affect the consolidated financial statements of Storebrand Livsforsikring.

NOTE 10: CONTINGENT LIABILITIES

NOK million	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	30.06.14	31.12.13	30.06.14	31.12.13
Uncalled residual liabilities concerning Limited Partnership	4,436	4,038	3,366	3,022
Total contingent liabilities	4,436	4,038	3,366	3,022

NOTE 11: CAPITAL ADEQUACY

NOK million	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	30.06.14	31.12.13	30.06.14	31.12.13
Share capital	3,540	3,540	3,540	3,540
Other equity	17,373	16,471	16,899	16,556
Equity	20,913	20,011	20,439	20,096
Hybrid tier 1 capital	1,500	1,500	1,500	1,500
Goodwill and other intangible assets	-5,456	-5,807	-140	-144
Risk equalisation fund	-887	-776	-887	-776
Capital adequacy reserve	-115	-96		
Deduction for investments in other financial institutions	-1	-1	-1	-1
Interest adjustment insurance reserves SPP	-1,338	-1,081		
Security reserve	-156	-150		
Other	-327	-71	-159	-68
Core (tier 1) capital	14,132	13,530	20,752	20,607
Perpetual subordinated loan capital	2,743	2,700	2,100	2,700
Dated subordinated loan capital	2,238	2,238	2,238	2,238
Capital adequacy reserve	-115	-96		
Deductions for investments in other financial institutions	-1	-1	-1	-1
Tier 2 capital	4,865	4,841	4,337	4,937
Net primary capital	18,997	18,370	25,089	25,544
Risk weighted calculation base	134,418	134,630	106,703	104,481
Capital adequacy ratio	14.1 %	13.6 %	23.5 %	24.4 %
Core (tier 1) capital ratio	10.5 %	10.0 %	19.4 %	19.7 %

Notes to the interim accounts

NOTE 12: SOLVENCY MARGIN

NOK million	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	30.06.14	31.12.13	30.06.14	31.12.13
Solvency margin requirements	12,174	11,974	7,826	7,634
Solvency margin capital	21,665	21,054	27,333	27,107
Solvency margin	178,0 %	175,8 %	349,3 %	355,1 %

Specification of solvency margin capital

NOK million	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	30.06.14	31.12.13	30.06.14	31.12.13
Net primary capital	18,997	18,370	25,089	25,544
50% of additional statutory reserves	2,155	2,229	2,155	2,229
50% of risk equalisation fund	444	388	444	388
Counting security reserve	70	67	70	67
Reduction in Tier 2 capital eligible for inclusion in solvency capital			-425	-1,121
Solvency capital	21,665	21,054	27,333	27,107

Translation from the original Norwegian version

To the Board of Directors of Storebrand Livsforsikring AS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the consolidated statement of financial position of Storebrand Livsforsikring AS (the Group) as of June 30, 2014, 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 interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by EU.

Oslo, July 15, 2014
Deloitte AS

Henrik Woxholt
State Authorized Public Accountant (Norway)

Financial calendar 2014

12 February	Results 4Q 2013 Embedded Value 2013	7 May	Results 1Q 2014
9 April	Annual General Meeting	16 July	Results 2Q 2014
10 April	Ex dividend date	29 October	Results 3Q 2014
		February 2015	Results 4Q 2014

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