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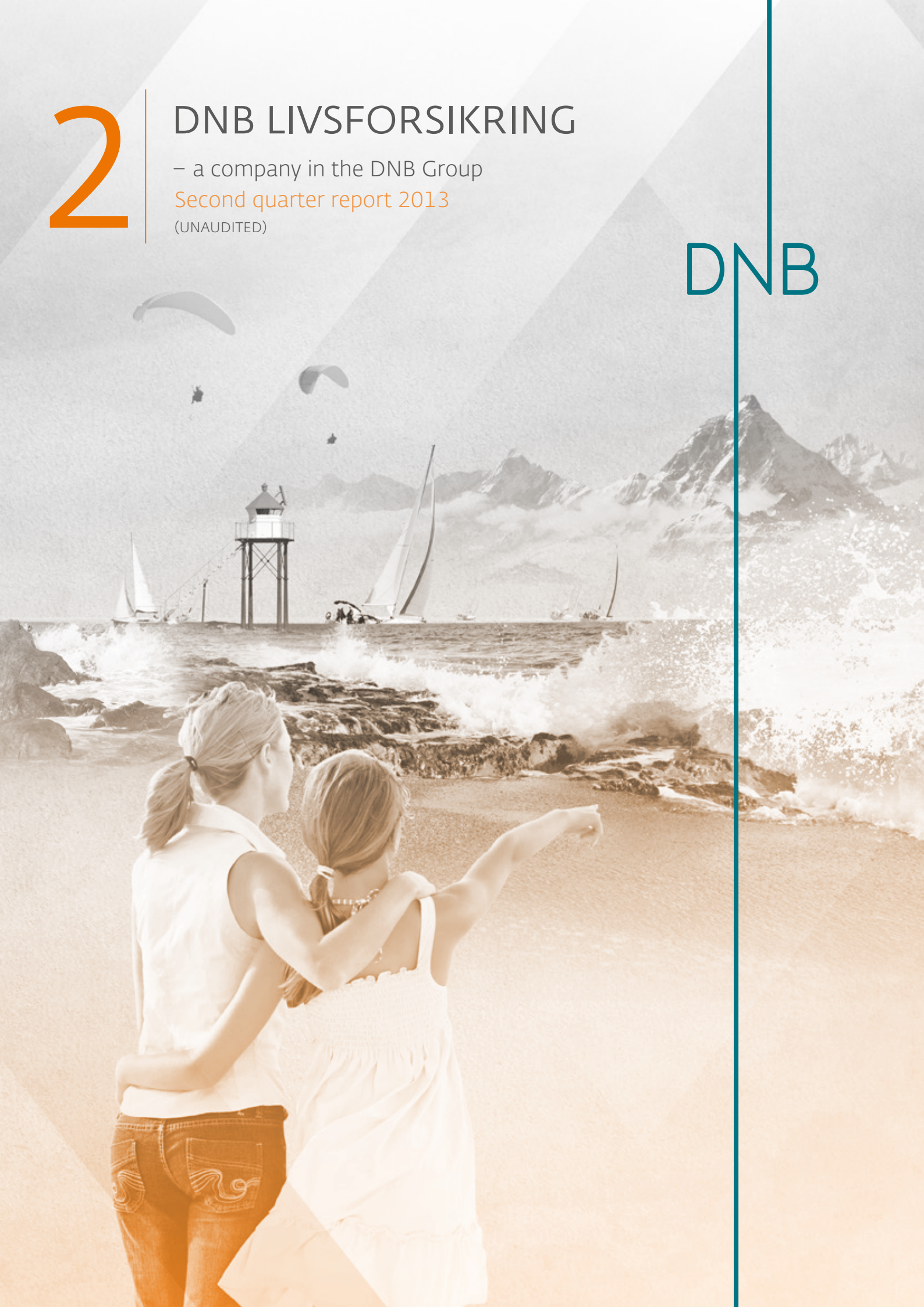
# DNB LIVSFORSIKRING

– a company in the DNB Group

Second quarter report 2013

(UNAUDITED)

DNB



# DIRECTORS' REPORT SECOND QUARTER 2013

DNB Livsforsikring ASA (DNB Liv) provides life and pension insurance for about 1 million people through individual and group contracts. The company has approximately 23 000 contracts with companies, municipalities and public enterprises. DNB Livsforsikring ASA is a wholly owned subsidiary of DNB.

DNB Liv recorded pre-tax profits of NOK 961 million in the six months to 30 June 2013, an increase of NOK 318 million compared to the year-earlier period.

The recorded return on the common portfolio at the end of the first half-year was 2.0 per cent, while the value-adjusted return was 2.4 per cent. In 2013, aggregate solvency capital has increased by NOK 1.8 billion to NOK 31.3 billion.

Total assets as at 30 June 2013 were NOK 280.1 billion, an increase of NOK 10.0 billion since end-December.

The half-year accounts show:

- Pre-tax operating profits of NOK 961 million
- Good cost control and lower use of resources
- Market value adjustment reserve of NOK 1 974 million, an increase of NOK 888 million since end-December
- A sound capital base, aggregate solvency capital of NOK 31.3 billion, solvency margin capital 85 per cent above the requirement and a capital adequacy ratio of 16.9 per cent
- Reserve allocations of NOK 720 million to cover increased longevity under individual and group pension insurance. NOK 25 million of the provision under individual insurance was charged to the owner
- Improvement in sales of defined contribution pensions, employer's liability insurance and individual products in the second quarter

The accounts have been prepared in accordance with the regulation on the accounts of life insurance companies. In the following, the accounting figures for the first half of 2012 are shown in brackets.

## PREMIUM INCOME

Premium income totalled NOK 13.0 billion (12.0) in the first half-year. Premium income for group pension insurance came to NOK

10.3 billion (10.1), an increase of 1.7 per cent, while aggregate premium reserves received for group pension insurance from other companies amounted to NOK 0.2 billion (1.2). Premiums due for group pension business increased by NOK 1.1 billion, corresponding to 13.5 per cent.

The retail market continues to be characterised by competition from alternative forms of saving. Premium income in the first half-year totalled NOK 2.8 billion (1.9). Of the aggregate premium income from the retail market, insurance schemes with a choice of investment profile (unit linked) accounted for NOK 0.3 billion (0.2).

In the first half-year DNB Liv recorded net transfers totalling minus NOK 1.6 billion (-0.7).

## FINANCIAL RETURN

The recorded and value-adjusted return on the common portfolio in the first half-year was 2.0 per cent (2.8) and 2.4 per cent (2.8) excluding value changes related to held-to-maturity bonds. Differences in the rate of return provided by sub-portfolios reflect different investment approaches adapted to specific risk profiles for each portfolio. The yield on short-term bonds was 1.0 per cent (3.9) at the end of the first half-year, with Norwegian bonds providing 1.6 per cent (3.1) and foreign bonds 0.0 per cent (5.0).

Following a long upswing from November 2012, the stock market is now characterised by greater volatility. There was a downward correction in stock prices in June, but the global index for shares measured in local currency closed 1 per cent higher at the end of the second quarter. The decline in the stock market towards the end of the period was accompanied by significant changes in the interest rate market. Since the start of May when they were at their lowest this year, U.S. government bond yields have risen by 85 basis point from 1.63% to 2.48%. Norwegian rates also rose appreciably in the second quarter, with 10-year government bond

yields now 38 basis points higher. The reason for the increase in interest rates is complex, but indications from Bernanke that the FED may terminate its bond purchases are a major factor. The portfolios showed a good return in the second quarter. In addition to the positive contribution from the equity portfolios, both the real estate portfolio and held-to-maturity bonds showed a good and stable return.

The company portfolio provided a return of 1.6 per cent (1.5) in the first half-year. The company capital is the part of the buffer capital which safeguards policyholders' funds.

The return on DNB Liv's defined contribution pension portfolios in the first half-year was 4.3 per cent (4.1) for Pension Profile 30, 6.4 per cent (4.7) for Pension Profile 50, and 9.6 per cent (5.4) for Pension Profile 80.

#### EXPENSES

Operating expenses in the first half of 2013 totalled NOK 688 million (707). The number of employees in permanent, full-time positions with DNB Livsforsikring ASA as at 30 June was 607 (693). In addition, the company had 37 (47) temporary staff.

#### RESULTS

Pre-tax profits so far this year totalled NOK 961 million, an increase of NOK 318 million compared to the corresponding period last year.

The tax charge for 2013 is expected to be 10 per cent of the pre-tax operating profit. The expected effective rate of tax reflects a change in deferred tax related to real estate investments which are not recognised in the balance sheet, in conformity with IFRS, as well as a positive return from the company portfolio under the tax exempt method.

The financial result for the first half-year was a profit of NOK 4.7 billion (2.6) while the risk result was a profit of NOK 122 million (-108). An allocation of NOK 72 million (200) has been made to strengthen the longevity reserve under individual annuity and pension insurance and for group association pension insurance of which NOK 25 million (70) was debited to the owner. The remaining reserve requirement for the previously established individual products which it was planned to split over four quarterly periods was covered in the second quarter. This entailed an allocation of NOK 54 million in the second quarter, compared to NOK 18 million under the original plan.

The administration result was a profit of NOK 67 million (-2). At the end of the first half-year the market value adjustment reserve totalled NOK 1 974 million (544).

#### CAPITAL ADEQUACY AND SOLVENCY CAPITAL

Capital adequacy reflects the company's primary capital as a proportion of the risk weighted balance sheet. The capital ratio at 30 June 2013 stood at 16.9 per cent (14.3), while the year-end figure was 16.7 per cent. The statutory minimum capital ratio is 8 per cent.

Solvency capital, which safeguards the policyholders' premium reserve, consists of the interim profit, the market value adjustment reserve, excess value of held-to-maturity bonds, additional allocations, security reserves, subordinated loan capital and equity (including the risk equalisation reserve).

As at 30 June 2013 DNB Liv's solvency capital totalled NOK 31.3 billion (28.7), while the year-end figure was NOK 29.5 billion. The change was mainly due to higher profits for distribution and strengthening of the market value adjustment reserve.

As at 30 June 2013 solvency capital corresponded to 14.1 per cent (13.5) of insurance allocations (excluding additional allocations), compared to 13.6 per cent at the end of 2012. Buffer capital, which is primary capital in excess of the statutory minimum requirement, additional allocations, the market value adjustment reserve and interim profits, amounted to NOK 12.1 billion at 30 June 2013, compared to NOK 12.8 billion at year-end 2012.

#### FUTURE PROSPECTS

DNB has decided to terminate its activities in the area of public occupational pension products. This relates to all insured public pension solutions for both municipalities and enterprises, and the process of bringing these activities to a close may take up to three years. The members of the pension schemes will be unaffected by this.

The regulatory framework for Norwegian life insurance companies will be substantially changed in the next two to three years. Important factors in this process are the need to strengthen premium reserves to take account of increased longevity, the introduction of Solvency II, new regulations for occupational pensions in the private sector and changes in the regulations governing paid-up policies. Both the regulatory framework and customer preferences will entail a shift away from products with an interest rate guarantee in favour of products with a choice of investment profile. DNB Livsforsikring's business strategy supports this development, and new products directed at the occupational pension market in the private sector will be less capital-intensive.

The Solvency II regulations remain to be finalised, particularly as regards their implementation under Norwegian law. This includes determination of the discount rate to be used to calculate future insurance commitments and adaptation of Norwegian product regulations. The capital requirement under Solvency II is sensitive to the level of long-term interest rates. Based on current interest rates, the capital requirement related to the interest rate risk for paid-up policies is high and unpredictable. The company has therefore decided to reduce its exposure to equities and increase the proportion of held-to-maturity bonds in the balance sheet. This will help to lower the interest rate risk and the capital requirement under Solvency II, and at the same time facilitate stability of performance. The implementation of Solvency II has been postponed several times, mainly due to disagreement on the way long-term interest rate guarantees are to be valued.



The date of implementation of quantitative requirements for solvency capital has been postponed and the new regulations will not take effect until 1 January 2016 at the earliest.

The Banking Law Commission has proposed new occupational pension legislation. Central to the proposed law is a new occupational pension product which incorporates elements from both contribution based and benefits based occupational pensions. The new product is based to a great extent on new national insurance legislation. The new occupational pension products balance the risk between employee, employer and the life companies in a better way than is the case with benefits based pensions. DNB believes that the new occupational pension products will be an attractive product, particularly for companies which currently have a benefits based pension scheme. It was planned that the Banking Law Commission's sub-reports on the basic model and the standard model, winding up of benefits based pension schemes, new rates for contribution based pension schemes and amendment of the regulations governing paid-up policies would be considered by the Norwegian Parliament this autumn. The Ministry of Finance has advised that the new regulations will not be finalised until some time in 2014, which means that implementation will not take place until 1 January 2015. Deferred implementation combined with higher premiums for benefits based pensions as a consequence of new tariffs for longevity make it likely that many customers will terminate their benefits based pension scheme and choose a contribution based scheme in the period up to 2015. There has been an expressed wish to have the new regulations and increased contributions rates available for these customers.

On 8 March the Financial Supervisory Authority of Norway ("the Authority") published its new mortality table requirements for group pension insurance. The Authority's basis of calculation shows a total provisioning requirement of around NOK 14.4 billion, of which NOK 3.8 billion had been provided for at 31 December 2012. The Authority has determined that provisioning shall be completed by the end of 2018 with escalation plans to take effect from 1 January 2014. Provisioning can be effected through future interest rate and risk results, but company equity shall provide 20 per cent of the aggregate provisioning requirement. The company's contribution from charging 20 per cent to the owner will be recognised on a straight line basis in the provisioning period from 2014 to 2018. As part of the process of adjusting upwards to take account of the higher longevity assumption, it is proposed that the provision for group pensions in the second quarter be strengthened by NOK 648 million. This is a preliminary provision which may be reversed if the rate of return weakens. The provision will be finally determined at year-end.

DNB Liv has informed the Ministry of Finance of its view that the transfer of contracts between life companies should be effected in a way that does not allow arbitrage opportunities to arise for customers. It has also been stressed that there should be flexibility in the scope for increasing the equity during the escalations period. The company also believes that a provisioning period of more than five years should be permitted for customer funding, even if owner funding takes place over a five-year period.

So far in 2013, the markets where we have our investments have shown a good return. During the second quarter there was some increase in long bond yields, following a sharp decline at the start of the period. However, maintaining earnings will be demanding for the life companies in the coming years since interest rates are likely to remain low and because of the need for provisioning to take account of increased longevity. Low interest rates are challenging for the life industry, also because they can affect the life companies' ability to meet contractual pension commitments in the future. Consequently, DNB Liv has started adapting its operations through the sale of less capital-intensive products and by realising an extensive cost programme which will be fully implemented in the course of 2014.

#### *Future priorities*

The company has adapted to the new regulatory environment by adopting a conservative approach to asset management. There has been an increase in more stable income, and the company is less affected by volatile financial income. Operating costs are lower than last year, and also lower than the operating costs in 2009. The company will continue the work to improve profitability and make adjustments to the asset management in the future. In addition to company-specific initiatives, changes will have to be made to framework conditions, particularly with regard to paid-up policies which will require a high level of solvency capital when Solvency II is implemented. This is necessary to ensure that paid-up policies are an attractive product for both customers and the life companies in the period ahead.

9 July 2013

The Board of Directors of DNB Livsforsikring ASA

NGAAP: Norwegian Generally Accepted Accounting Principles

IFRS: International Financial Reporting Standards

# INCOME STATEMENT

## DNB LIVSFORSIKRING GROUP

## DNB LIVSFORSIKRING ASA

| 30.06.12 <sup>1)</sup> | 30.06.13       | Amounts in NOK millions  | 30.06.13       | 30.06.12 <sup>1)</sup> |
|------------------------|----------------|--|----------------|------------------------|
| 10 714                 | 12 773         | Premiums due, gross  | 12 773         | 10 714                 |
| (120)                  | (117)          | – Reinsurance premiums paid  | (117)          | (120)                  |
| 1 378                  | 374            | Transfer of customer premium reserves from other insurance companies/pension schemes   | 374            | 1 378                  |
| <b>11 972</b>          | <b>13 030</b>  | <b>Premium income for own account</b>  | <b>13 030</b>  | <b>11 972</b>          |
| 0                      | 1              | Income from investments in subsidiaries, associated companies and joint ventures   | 778            | 1 192                  |
| 3 705                  | 3 354          | Interest income and dividends, etc. on financial assets  | 3 451          | 3 705                  |
| 983                    | 855            | Net operating income from real estate  | 1              | 1                      |
| 259                    | 1 123          | Changes in value of investments  | 1 076          | 102                    |
| 985                    | (171)          | Realised profits and losses on investments   | (144)          | 932                    |
| <b>5 932</b>           | <b>5 162</b>   | <b>Net income from investments in the common portfolio</b>   | <b>5 162</b>   | <b>5 932</b>           |
| 37                     | 37             | Interest income and dividends, etc. on financial assets  | 37             | 37                     |
| 328                    | 1 265          | Changes in value of investments  | 1 265          | 328                    |
| 29                     | 37             | Realised profits and losses on investments   | 37             | 29                     |
| <b>395</b>             | <b>1 339</b>   | <b>Net income from investments in investment choice portfolio</b>  | <b>1 339</b>   | <b>395</b>             |
| <b>22</b>              | <b>11</b>      | <b>Other insurance-related income</b>  | <b>11</b>      | <b>22</b>              |
| (7 175)                | (7 012)        | Claims paid  | (7 012)        | (7 175)                |
| (7 246)                | (7 071)        | Gross  | (7 071)        | (7 246)                |
| 71                     | 60             | – Reinsurance share of claims paid   | 60             | 71                     |
| (119)                  | (85)           | Change in reserves for claims  | (85)           | (119)                  |
| (119)                  | (85)           | Gross  | (85)           | (119)                  |
| 0                      | 0              | – Change in reinsurance portion for claims reserves  | 0              | 0                      |
| (2 130)                | (1 947)        | Transfer of customer premium reserves, additional statutory reserves and market value adjustment reserves to other insurance companies/pension schemes | (1 947)        | (2 130)                |
| <b>(9 424)</b>         | <b>(9 045)</b> | <b>Claims for own account</b>  | <b>(9 045)</b> | <b>(9 424)</b>         |
| (5 313)                | (5 440)        | Change in premium reserve  | (5 440)        | (5 313)                |
| (5 313)                | (5 440)        | To (from) premium reserve, gross   | (5 440)        | (5 313)                |
| 0                      | 0              | – Change in Reinsurance portion of premium reserve   | 0              | 0                      |
| 53                     | 196            | Change in additional statutory reserves  | 42             | 53                     |
| (135)                  | (888)          | Change in market value adjustment reserve  | (888)          | (135)                  |
| (90)                   | (71)           | Change in premium fund, deposit reserve and pensioners' surplus fund   | (71)           | (90)                   |
| (208)                  | (241)          | Change in technical reserves for property and casualty insurance business  | (241)          | (208)                  |
| (208)                  | (241)          | To (from) technical reserves for property and casualty insurance business  | (241)          | (208)                  |
| 55                     | 11             | Transfer of additional statutory reserves and market value adjustment reserves from other insurance companies/pension schemes                          | 11             | 55                     |
| <b>(5 637)</b>         | <b>(6 433)</b> | <b>Changes in insurance liabilities through income statement – Contractually established obligations</b>   | <b>(6 587)</b> | <b>(5 637)</b>         |
| (1 600)                | (2 344)        | Change in premium reserve  | (2 344)        | (1 600)                |
| <b>(1 600)</b>         | <b>(2 344)</b> | <b>Changes in insurance liabilities through income statement – special investment choice</b>   | <b>(2 344)</b> | <b>(1 600)</b>         |
| (157)                  | (135)          | Surplus from return result   | (135)          | (157)                  |
| 17                     | (2)            | Risk result assigned insurance contracts   | (2)            | 17                     |
| (259)                  | (87)           | Other assignment of profit   | (87)           | (259)                  |
| <b>(398)</b>           | <b>(225)</b>   | <b>Funds assigned insurance contracts – contractually established obligations</b>  | <b>(225)</b>   | <b>(398)</b>           |
| (851)                  | (812)          | Insurance-related operating costs  | (812)          | (851)                  |
| (45)                   | (109)          | Other insurance-related costs  | (109)          | (45)                   |
| <b>366</b>             | <b>574</b>     | <b>Result from technical account</b>   | <b>420</b>     | <b>366</b>             |

# INCOME STATEMENT CONTINUED

## DNB LIVSFORSIKRING GROUP

## DNB LIVSFORSIKRING ASA

| 30.06.12 <sup>1)</sup> | 30.06.13   | Amounts in NOK millions  | 30.06.13   | 30.06.12 <sup>1)</sup> |
|------------------------|------------|--|------------|------------------------|
|                        |            | <b>NON-TECHNICAL ACCOUNT</b>   |            |                        |
| 0                      | 0          | Income from investments in subsidiaries, associated companies and joint ventures | 8          | 6                      |
| 366                    | 362        | Interest income and dividends, etc. on financial assets                          | 362        | 366                    |
| (38)                   | 22         | Changes in value of investments  | 22         | (38)                   |
| 6                      | 25         | Realised profits and losses on investments                                       | 25         | 6                      |
| <b>335</b>             | <b>410</b> | <b>Net income from investments in company portfolio</b>                          | <b>417</b> | <b>341</b>             |
| 43                     | 37         | Other income   | 10         | 15                     |
| (102)                  | (60)       | Management costs and other costs associated with company portfolio               | (42)       | (82)                   |
| <b>277</b>             | <b>387</b> | <b>Result from non-technical account</b>   | <b>385</b> | <b>274</b>             |
| <b>643</b>             | <b>961</b> | <b>Profit before taxes</b>   | <b>805</b> | <b>640</b>             |
| 167                    | (91)       | Tax cost   | (46)       | 169                    |
| <b>809</b>             | <b>870</b> | <b>Result before other profit components</b>                                     | <b>759</b> | <b>809</b>             |
|                        |            | <b>Total result</b>  |            |                        |
| (16)                   | 0          | Actuarial gains and losses   | 0          | (16)                   |
| 4                      | 0          | Tax on actuarial gains and losses  | 0          | 4                      |
| <b>797</b>             | <b>870</b> | <b>Total result</b>  | <b>759</b> | <b>797</b>             |
|                        |            | <b>Notes</b>   |            |                        |
| 0                      | 0          | Use of additional allocations <sup>2)</sup>                                      | 154        | 0                      |
| 0                      | 0          | Tax effect of use of additional allocations                                      | (43)       | 0                      |
| <b>809</b>             | <b>870</b> | <b>Result</b>  | <b>870</b> | <b>809</b>             |

<sup>1)</sup> See accounting principles

<sup>2)</sup> Use of additional allocations is not permitted in the interim accounts

# BALANCE SHEET

DNB LIVSFORSIKRING GROUP

DNB LIVSFORSIKRING ASA

| 30.06.12 <sup>1)</sup> | 30.06.13       | Amounts in NOK millions  | 30.06.13       | 30.06.12 <sup>1)</sup> |
|------------------------|----------------|--|----------------|------------------------|
|                        |                | <b>ASSETS IN COMPANY PORTFOLIO</b>   |                |                        |
| 213                    | 182            | Intangible assets  | 182            | 213                    |
|                        |                | <i>Subsidiaries, associated companies and joint ventures</i>                                     |                |                        |
| 3                      | 3              | Shares and other equity investments in subsidiaries, associated companies and joint ventures     | 51             | 50                     |
|                        |                | <i>Financial assets measured at fair value</i>   |                |                        |
| 747                    | 706            | Shares and other equity investments (incl. shares and other equity investments measured at cost) | 706            | 747                    |
| 16 840                 | 17 319         | Bonds and other fixed-income securities  | 17 319         | 16 840                 |
| 4                      | 97             | Loans and receivables  | 97             | 4                      |
| 4                      | 33             | Financial derivatives  | 33             | 4                      |
| (113)                  | 60             | Other financial assets   | 60             | (113)                  |
| <b>17 485</b>          | <b>18 217</b>  | <b>Investments in company portfolio</b>  | <b>18 266</b>  | <b>17 532</b>          |
| 1 438                  | 1 578          | Receivables  | 1 549          | 1 407                  |
| 692                    | 837            | Other assets   | 777            | 576                    |
| 30                     | 28             | Pre-paid expenses and earned, non-received income  | 28             | 30                     |
| <b>19 859</b>          | <b>20 842</b>  | <b>Total assets in company portfolio</b>   | <b>20 801</b>  | <b>19 758</b>          |
|                        |                | <b>ASSETS IN CUSTOMER PORTFOLIOS</b>   |                |                        |
|                        |                | <i>Buildings and other real estate</i>   |                |                        |
| 40 396                 | 33 532         | Investment properties  | 48             | 53                     |
|                        |                | <i>Subsidiaries, associated companies and joint ventures</i>                                     |                |                        |
| 14                     | 15             | Shares and other equity investments in subsidiaries, associated companies and joint ventures     | 31 704         | 39 445                 |
| 0                      | 0              | Receivables and securities issued by subsidiaries, associated companies and joint ventures       | 4 535          | 2 749                  |
|                        |                | <i>Financial assets measured at amortised cost</i>   |                |                        |
| 88 308                 | 89 441         | Hold to maturity investments   | 89 441         | 88 308                 |
|                        |                | <i>Financial assets measured at fair value</i>   |                |                        |
| 16 625                 | 14 559         | Shares and other equity investments (incl. shares and other equity investments measured at cost) | 14 559         | 16 625                 |
| 65 286                 | 82 123         | Bonds and other fixed-income securities  | 80 236         | 64 822                 |
| 4 677                  | 5 905          | Loans and receivables  | 5 905          | 4 677                  |
| 1 346                  | 1 289          | Financial derivatives  | 1 219          | 1 323                  |
| 4 519                  | 2 501          | Other financial assets   | 1 028          | 2 790                  |
| <b>221 170</b>         | <b>229 365</b> | <b>Investments in common portfolio</b>   | <b>228 674</b> | <b>220 792</b>         |
|                        |                | <i>Financial assets measured at fair value</i>   |                |                        |
| 13 111                 | 15 793         | Shares and other equity investments (incl. shares and other equity investments measured at cost) | 15 793         | 13 111                 |
| 10 360                 | 13 209         | Bonds and other fixed-income securities  | 13 209         | 10 360                 |
| 1 921                  | 1 603          | Loans and receivables  | 1 603          | 1 921                  |
| <b>25 391</b>          | <b>30 604</b>  | <b>Investments in investment choice portfolio</b>  | <b>30 604</b>  | <b>25 391</b>          |
| <b>246 561</b>         | <b>259 969</b> | <b>Total assets in customer portfolios</b>   | <b>259 279</b> | <b>246 183</b>         |
| <b>266 420</b>         | <b>280 811</b> | <b>Total assets</b>  | <b>280 080</b> | <b>265 941</b>         |

# BALANCE CONTINUED

## DNB LIVSFORSIKRING GROUP

## DNB LIVSFORSIKRING ASA

| 30.06.12 <sup>1)</sup> | 30.06.13       | Amounts in NOK millions  | 30.06.13       | 30.06.12 <sup>1)</sup> |
|------------------------|----------------|--|----------------|------------------------|
|                        |                | <b>EQUITY AND LIABILITIES</b>  |                |                        |
|                        |                | <i>Share capital subscribed</i>  |                |                        |
| 1 621                  | 1 621          | Share capital/primary capital certificates/guarantee fund                                    | 1 621          | 1 621                  |
| 3 875                  | 3 875          | Share premium  | 3 875          | 3 875                  |
| <b>5 496</b>           | <b>5 496</b>   | <b>Total paid in equity</b>  | <b>5 496</b>   | <b>5 496</b>           |
| 21                     | 0              | Fund for unrealised profits  | 0              | 21                     |
| 821                    | 900            | Risk equalisation fund   | 900            | 821                    |
| 8 406                  | 10 438         | Other accrued earnings   | 10 327         | 8 406                  |
| <b>9 248</b>           | <b>11 338</b>  | <b>Total accrued earnings</b>  | <b>11 227</b>  | <b>9 248</b>           |
| <b>2 508</b>           | <b>1 339</b>   | <b>Subordinated loan capital, etc.</b>   | <b>1 339</b>   | <b>2 508</b>           |
|                        |                | <b>Insurance liabilities in life insurance – contractually established obligations</b>       |                |                        |
| 203 618                | 213 236        | Premium reserve  | 213 236        | 203 618                |
| 4 996                  | 4 666          | Additional statutory reserves  | 4 820          | 4 996                  |
| 544                    | 1 974          | Market value adjustment reserves   | 1 974          | 544                    |
| 2 250                  | 2 615          | Claims reserves  | 2 615          | 2 250                  |
| 6 199                  | 3 996          | Premium fund, deposit reserve and pensioners' surplus fund                                   | 3 996          | 6 199                  |
| 474                    | 521            | Other technical reserves for property and casualty insurance business                        | 521            | 474                    |
| <b>218 081</b>         | <b>227 009</b> | <b>Total insurance liabilities in life insurance – Contractually established obligations</b> | <b>227 163</b> | <b>218 081</b>         |
|                        |                | <b>Insurance liabilities in life insurance – special investment choice portfolio</b>         |                |                        |
| 24 850                 | 30 028         | Premium reserve  | 30 028         | 24 850                 |
| 16                     | 15             | Supplementary provisions   | 15             | 16                     |
| 525                    | 561            | Premium fund, deposit reserve and pensioners' surplus fund                                   | 561            | 525                    |
| <b>25 391</b>          | <b>30 604</b>  | <b>Total insurance liabilities in life insurance – Special investment choice portfolio</b>   | <b>30 604</b>  | <b>25 391</b>          |
| 581                    | 338            | Reserves for liabilities   | 306            | 538                    |
| 4 795                  | 4 333          | Liabilities  | 3 590          | 4 360                  |
| 318                    | 355            | Accrued expenses and received, non-earned income   | 355            | 318                    |
| <b>266 420</b>         | <b>280 811</b> | <b>Total equity and liabilities</b>  | <b>280 080</b> | <b>265 941</b>         |
|                        |                | <b>Key figures</b>   |                |                        |
|                        |                | Return on capital in the common portfolio  | 2.0%           | 2.8%                   |
|                        |                | Value-adjusted return from the common portfolio  | 2.4%           | 2.8%                   |
|                        |                | Capital ratio  | 16.9%          | 14.3%                  |

For the Group, the eligible primary capital was NOK 15 930 million, risk-weighted volume NOK 92 573 million and the capital adequacy 17.2 per cent.

<sup>1)</sup> See accounting principles



# NOTES TO THE ACCOUNTS

## NOTE 1: ACCOUNTING PRINCIPLES

The interim accounts for DNB Livsforsikring ASA include subsidiaries and associated companies entered in accordance with the equity method. The second quarter accounts have been prepared according to IAS 34 Interim Financial Reporting, unless the regulations on the annual accounts of insurance companies provide otherwise (Annual Accounts Regulations). The interim accounts do not contain all the information that would be included in annual accounts presented in accordance with all relevant IFRS standards.

In preparing the interim accounts estimates and assumptions have been used that affect assets, liabilities, income, costs, note information and information on potential obligations. Actual figures may differ from estimates used.

The annual report for DNB Livsforsikring ASA for 2012 can be obtained on application to DNB Livsforsikring ASA, Folke Bernadottesvei 40, Fyllingsdalen, Bergen or at [www.dnb.no](http://www.dnb.no). A description of the accounting principles used in the interim accounts can be found in the accounting principles note in the annual report for 2012. For 2013 there has been amendments to IAS 19 "Employee Benefits".

## Amendments to IAS 19 – Employee Benefits

Comparable figures in the report for the second quarter of 2012 have been restated based on the amendments to IAS 19 which entered into force on 1 January 2013. The Group started using the revised standard as of 1 January 2013, with retrospective application as from 1 January 2012 for comparison purposes. The amendments will affect the recognition and presentation of the Group's defined benefit pension schemes.

Among other things, the corridor approach for recognising actuarial gains and losses will be removed. Actuarial gains and losses should now be recognised in other comprehensive income in the period in which they occur. In consequence of this, the best estimate of pension commitments will be shown in the balance sheet. According to the standard, when calculating pension costs, the discount rate shall be used on net pension commitments instead of using the expected return on pension funds. Seen in isolation, this amendment will result in higher pension costs in the income statement.

At year-end 2012, actuarial gains and losses totalling NOK 158 million after tax were not recognised in the accounts. The amount was recognised in the Group's equity on 1 January 2013. The change in IAS 19 would reduce pension costs in the first half of 2012 by 12 million after tax. See the comprehensive income statement and the statement of changes in equity for more information about the effects of implementing the revised IAS 19.

## CHANGES IN EQUITY

| NOK million  | Paid-in capital | Actuarial gain and loss | Retained earnings | Total equity  |
|--|-----------------|-------------------------|-------------------|---------------|
| <b>Balance at 31 December 2011</b>   | <b>5 496</b>    |                         | <b>8 992</b>      | <b>14 488</b> |
| Implementation of the amended IAS 19 – Employee Benefits                               |                 | (541)                   |                   | (541)         |
| <b>Balance at 1 January 2013</b>   | <b>5 496</b>    | <b>(541)</b>            | <b>8 992</b>      | <b>13 947</b> |
| Result for the period  |                 | 12                      | 797               | 809           |
| Comprehensive income for the period  |                 | (12)                    |                   | (12)          |
| <b>Balance at 30 June 2012</b>   | <b>5 496</b>    | <b>(541)</b>            | <b>9 789</b>      | <b>14 744</b> |
| <b>Balance at 31 December 2012</b>   | <b>5 496</b>    |                         | <b>10 627</b>     | <b>16 122</b> |
| Implementation effect of change in accounting principle in IAS 19 "Employees benefits" |                 | (158)                   |                   | (158)         |
| <b>Balance at 1 January 2013</b>   | <b>5 496</b>    | <b>(158)</b>            | <b>10 627</b>     | <b>15 964</b> |
| Result for the period  |                 |                         | 759               | 759           |
| <b>Balance at 30 June 2013</b>   | <b>5 496</b>    | <b>(158)</b>            | <b>11 386</b>     | <b>16 722</b> |
| Net result from use of additional allocations  |                 |                         | 111               | 111           |
| <b>Balance at 30 June 2013 Group</b>   | <b>5 496</b>    | <b>(158)</b>            | <b>11 497</b>     | <b>16 833</b> |

## DNB LIVSFORSIKRING ASA

## DNB LIVSFORSIKRING GROUP

| CASH FLOW ANALYSIS   | 1st Half 2013  | 1st Half 2012  | 1st Half 2013  | 1st Half 2012  |
|--|----------------|----------------|----------------|----------------|
| <i>Amounts in NOK millions</i>                                   |                |                |                |                |
| <b>Cash flow from operational activities</b>                     |                |                |                |                |
| Net receipts from premiums/premium fund                          | 10 463         | 8 329          | 10 463         | 8 329          |
| Net receipts/payments from transfers                             | (1 787)        | (715)          | (1 787)        | (715)          |
| Net receipts from investments                                    | 4 141          | 3 845          | 4 574          | 4 138          |
| Payment from life insurance with investment choice               | 108            | 73             | 108            | 73             |
| Other insurance-related receipts                                 | (720)          | (583)          | (720)          | (583)          |
| Compensation payments  | (6 745)        | (6 867)        | (6 745)        | (6 867)        |
| <b>A=Net cash flow from operational activities</b>               | <b>5 459</b>   | <b>4 083</b>   | <b>5 892</b>   | <b>4 375</b>   |
| <b>Cash flow from investments made</b>                           |                |                |                |                |
| Net investment in shares and other equity investments            | 4 065          | 597            | 2 463          | 1 430          |
| Net investment in bonds and loans                                | (14 638)       | ( 886)         | (14 638)       | ( 886)         |
| Net investment in investment contracts                           | (1 138)        | (1 312)        | (1 138)        | (1 312)        |
| Net investment in other financial assets                         | 5 115          | (1 817)        | 4 776          | (2 819)        |
| Net investment in tangible fixed assets and in intangible assets | (10)           | (16)           | (10)           | (16)           |
| <b>B=Net cash flow from investments made</b>                     | <b>(6 606)</b> | <b>(3 435)</b> | <b>(8 547)</b> | <b>(3 603)</b> |
| <b>Cash flow from financing activities</b>                       |                |                |                |                |
| Paid dividend/group contributions                                | 0              | 0              | 0              | 0              |
| Changes from other financing activities                          | 191            | 133            | 191            | 133            |
| <b>C=Net cash flow from financing activities</b>                 | <b>191</b>     | <b>133</b>     | <b>191</b>     | <b>133</b>     |
| Net liquidity change (A+B+C)                                     | (955)          | 781            | (2 464)        | 905            |
| Liquidity holding as at 01 January                               | 5 333          | 2 992          | 7 712          | 3 729          |
| <b>Liquidity holding as at 30 June</b>                           | <b>4 378</b>   | <b>3 773</b>   | <b>5 248</b>   | <b>4 634</b>   |



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