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DNB  
LIVSFORSIKRING

– a company in the DNB Group

Third quarter report 2014  
(Unaudited)

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# DIRECTORS' REPORT THIRD QUARTER 2014

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

DNB Liv recorded pre-tax profits of NOK 1 322 million in the nine months to 30 September 2014, an increase of NOK 196 million on the year-earlier period. In the third quarter alone pre-tax profits amounted to NOK 412 million.

The recorded return on the common portfolio at the end of the third quarter was 4.4 per cent, while the value-adjusted return was 4.1 per cent. In 2014, aggregate solvency capital has increased by NOK 8.6 billion to NOK 41.0 billion.

As at 30 September 2014 DNB Liv had total assets of NOK 288.2 billion, a reduction of NOK 2.4 billion since end-December.

The nine-month accounts show:

- Pre-tax operating profits of NOK 1 322 million
- Total premium income from contribution based pensions 37 per cent up on the corresponding quarter last year
- Costs down by NOK 73 million, a decline of 7 per cent compared to the same period last year
- Market value adjustment reserve of NOK 2 167 million, a reduction of NOK 567 million since end-December. In the third quarter the market value adjustment reserve increased by NOK 163 million
- Aggregate solvency capital of NOK 41.0 billion, an increase of NOK 8.6 billion in the current year
- Reserve allocations of NOK 1 620 million to cover increased longevity under group pension insurance

The accounts have been prepared in accordance with the regulations governing the annual financial statement of life insurance companies. In the following, the accounting figures for the first nine months of 2013 are shown in brackets.

## PREMIUM INCOME

Premium income at the end of the third quarter totalled NOK 17.1 billion (17.4), with premiums from group pension insurance

accounting for NOK 12.9 billion (13.5), a reduction of 4.4 per cent. Aggregate premium reserves received for group pension insurance from other companies came to NOK 1.6 billion (0.4) and relates to contribution based pension schemes. Premiums earned for group pension business fell by NOK 1.8 billion, or 14.7 per cent. This decline is a consequence of the process of phasing out public sector activities and where premium income has been reduced by NOK 2.2 billion. Premium income from the corporate market is increasing, despite the ongoing transition to contribution based pensions. This is because of the introduction of higher tariffs to take account of increased longevity.

The retail market continues to be characterised by competition from alternative forms of saving. Premium income in the first nine months of the year totalled NOK 4.2 billion (3.9). Of the aggregate premium income from the retail market, insurance schemes with a choice of investment profile (unit linked) accounted for NOK 0.5 billion (0.4).

## FINANCIAL RETURN

The recorded and value-adjusted return on the common portfolio in the first nine months of the year was 4.4 per cent (3.1) and 4.1 per cent (3.6), respectively, excluding value changes related to bonds held-to-maturity. 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 long-term bonds has been higher than expected this year, with falling interest rates bringing a positive change in the value of the bank's holdings. The return on equities has also been good this year, even though the stock market performance was mixed in the third quarter, with the Oslo Stock Exchange falling by slightly more than one percentage point while the Global Index rose by 0.4 per cent. Long-term rates in Norway and internationally have fallen considerably since year-end, partly because of concerns about growth prospects in the

emerging economies as well as deflationary fears and further monetary policy initiatives in the eurozone. Globally, monetary policy is still expansive, but the US Federal Reserve is expected to exercise tighter controls and it has been indicated that interest rates will rise next year.

In addition to the positive contribution from equities and the bond portfolio, the real estate portfolio and held-to-maturity bonds have provided a good and stable return. The real estate portfolio was written up by NOK 153.5 million in the third quarter, bringing the total write-up so far this year to NOK 280.3 million.

The company portfolio provided a return of 3.0 per cent (2.1) in the first nine months of the year. The return on DNB Liv's defined contribution pension portfolios during the same period was 5.1 per cent (7.3) for Pension Profile 30, 5.4 per cent (10.9) for Pension Profile 50, and 5.5 per cent (16.5) for Pension Profile 80.

#### EXPENSES

Operating expenses in the first nine months of 2014 totalled NOK 903 million (975), showing that the programme of cost reductions is continuing to have effect. The number of employees in permanent, full-time positions with DNB Livsforsikring AS as at 30 September was 439 (492). In addition, the company had 50 (50) temporary staff.

#### RESULTS

Pre-tax profits so far this year total NOK 1 322 million, an increase of NOK 196 million compared to the corresponding period last year.

The financial result for the first nine months of the year was a profit of NOK 10.1 billion (7.3) while the risk result was a profit of NOK 410 million (287). The improved risk result was mainly due to a better disability result for risk pensions linked to contribution based pensions, an improvement in the disability result and pure endowment result in the public sector market, as well as the end of the reserve requirement to take account of increased longevity related to old individual products. The administration result was a profit of NOK 220 million (182). The main reasons for the improvement being higher income from volume growth in defined contribution business, lower costs in benefits based business in the corporate market and old individual products. At the end of the third quarter the market value adjustment reserve totalled NOK 2 167 million (2 241).

The turmoil in the global financial markets this autumn has led to corrections in the equity markets and falling interest rates in the bond markets. The turmoil has continued into the fourth quarter. DNB Liv has low exposure towards both equities and short-term bonds. DNB Liv has a robust setup and the impact on earnings in the fourth quarter will be less significant.

The tax charge for 2014 is expected to be 8 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.

As at 30 September 2014 aggregate reserves for increased longevity pertaining to business in force amounted to NOK 6.6 billion, and to date in the current year NOK 727 million has been debited to the owner. On an accumulated basis, the amount debited to the owner as at 30 September 2014 totals NOK 969 million. Provided that the company achieves the expected return during the period when additional reserves are required to meet increased longevity, the amount debited to the owner has been calculated at approximately 22 per cent of the total additional reserve requirement. In relation to the public sector, the increased provisioning requirement must be met by the end of 2016, or by the time when, in the event, the customer transfers its portfolio.

#### 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 September 2014 stood at 19.2 per cent (17.4), while the year-end figure was 18.8 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 September 2014 DNB Liv's solvency capital totalled NOK 41.0 billion (32.2), while the year-end figure was NOK 32.4 billion. The change was mainly due to higher profits for distribution, a reduction in both the market value adjustment reserve and additional allocation, and an increase in the excess value of held-to-maturity bonds.

As at 30 September 2014 solvency capital corresponded to 19.2 per cent (14.4) of insurance allocations (excluding additional allocations), compared to 14.3 per cent at the end of 2013. 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 20.2 billion at 30 June 2014, compared to NOK 15.9 billion at year-end 2013.

#### REGULATORY FRAMEWORK

Substantial parts of the proposed changes to the regulatory framework for Norwegian life companies have now been clarified. This applies to both Solvency II and new regulations for occupational pensions in the private sector.

On 8 September the Financial Supervisory Authority of Norway (the Authority) published its views on permanent measures and transitional rules in connection with the implementation of Solvency II, the new European Framework Directive, which takes effect from 1 January 2016. In April 2014 several amendments to the Solvency II regulatory regime were adopted

through the so-called Omnibus II Directive. The main changes are the introduction of permanent measures and transitional rules aimed at facilitating the implementation of new capital requirements, in particular for life insurance companies which provide long-term guarantees. A number of the measures allow for national manoeuvrability to be exercised by each country's supervisory body.

The main proposals from the Authority are as follows:

- The companies will have the opportunity to incorporate a volatility adjustment of the interest rate curve whereby the effect of changes in the bond markets that are not considered to represent real changes in credit risk will be curbed by adding a mark-up to the interest rate curve
- The transitional rule which allows the phasing in of the market value of insurance obligations over a 16-year period will apply in Norway. This will have a significant effect on low interest rates, as is the case today, but the effect will diminish as interest rates rise. The companies will declare what their solvency position would have been without applying the transitional rule.
- Phasing in of share stress from 22 to 39 per cent over a 7-year period. The transitional rule applies only to directly owned type 1 shares (listed shares within the EEA/OECD) acquired before 1 January 2016

The Authority's views will be the subject of a public consultation process when the proposed Regulations for implementation of Solvency II are sent to the Norwegian Ministry of Finance in October / November 2014. We believe it is positive that Norwegian life companies are to be allowed to use the transitional rules for implementation of Solvency II.

Since 1 September it has been possible to convert paid-up policies with an interest rate guarantee to a paid-up policy with a choice of investment profile with no interest rate guarantee. It is a condition that the paid-up policies must be fully provisioned because of developments in longevity before they can be converted. DNB Liv has been offering paid-up policies with a choice of investment profile since 1 September, and customers who might benefit from conversion are contacted. A complex set of regulations makes great demands on advisory services and it will take some time before the number of conversions is at a significant level. To date, only a limited number of paid-up policies have been converted to paid-up policies with a choice of investment profile.

The rules governing disability benefit under the National Insurance are being amended with effect from 1 January 2015. The changes mean that in the event of 100% disability the National Insurance will pay disability benefit corresponding to 66 per cent of the salary paid when disability occurred for salaries up to 6 times the basic amount under the National Insurance. This is a higher level of disability benefit than is currently paid by the National Insurance. Any disability benefit that is linked to occupational pension agreements must be harmonized with the new regulations from the National Insurance, also in order to prevent over-compensation. It is

expected that the regulations governing disability benefit offered by the life companies will be adopted by the Storting during the spring of 2015. We expect the regulations to take effect from 1 January 2016 with transitional regulations to give companies time to harmonise their schemes.

#### **FUTURE PROSPECTS**

The government has given notice that the regulatory environment for private pension saving is to be strengthened. Along with the increasing need for private long-term saving, this is an indication that growth can be expected in this market segment.

Clarification of the regulatory environment combined with higher savings rates in the area of contribution based pensions as well as customers' preferences will, over time, lead to a gradual shift away from products with an interest rate guarantee in favour of products with a choice of investment profile. Signals from the market so far indicate that the customers will prefer a contribution based pension rather than the new occupational pension product.

As a consequence of developments in longevity, there is a need to further strengthen premium reserves in the area of group pension insurance in the coming years. The public market sector is being phased out and parts of the portfolio have been transferred. As at 30 September 2014, after adjusting for contract outflows, the portfolio had a total provisioning requirement of around NOK 12.3 billion.

The expectation that interest rates are likely to remain low and that provisioning will be required to take account of increased longevity means that maintaining earnings will be demanding for the life companies in the coming years. Consequently, DNB Liv has started adapting its operations through the sale of less capital-intensive products and by realising an extensive cost programme. The company has adapted to the new regulatory environment by adopting a conservative approach to asset management, by gradually phasing out public market operations and terminating sales of benefits based pensions and paid-up policies.

With new maximum contribution rates, a stronger degree of individualisation and a greater focus on pensions, further strong market growth is expected in the area of contribution based pensions and private pension saving. Thanks to its strong distribution capability in all customers segments, DNB is well placed to take part in this market growth. DNB Liv is therefore focused on developing close and integrated cooperation on pensions across its business areas.

21 October 2014

The Board of Directors of DNB Livsforsikring AS

NGAAP: Norwegian Generally Accepted Accounting Principles

IFRS: International Financial Reporting Standards



# INCOME STATEMENT

DNB LIVSFORSIKRING GROUP

DNB LIVSFORSIKRING AS

| 30.09.13        | 30.09.14        | Amounts in NOK millions  | 30.09.14        | 30.09.13        |
|-----------------|-----------------|--|-----------------|-----------------|
| 16 902          | 15 532          | Premiums due, gross  | 15 532          | 16 902          |
| (176)           | (239)           | – Reinsurance premiums paid  | (239)           | (176)           |
| 668             | 1 802           | Transfer of customer premium reserves from other insurance companies/pension schemes   | 1 802           | 668             |
| <b>17 395</b>   | <b>17 095</b>   | <b>Premium income for own account</b>  | <b>17 095</b>   | <b>17 395</b>   |
| 1               | 2               | Income from investments in subsidiaries, associated companies and joint ventures   | 1 530           | 1 094           |
| 5 045           | 5 187           | Interest income and dividends, etc. on financial assets  | 5 173           | 5 196           |
| 1 272           | 1 191           | Net operating income from real estate  | (1)             | 2               |
| 1 507           | (331)           | Changes in value of investments  | (651)           | 1 470           |
| 103             | 2 787           | Realised profits and losses on investments   | 2 784           | 166             |
| <b>7 928</b>    | <b>8 836</b>    | <b>Net income from investments in the common portfolio</b>   | <b>8 836</b>    | <b>7 928</b>    |
| 57              | 61              | Interest income and dividends, etc. on financial assets  | 61              | 57              |
| 3 014           | 1 913           | Changes in value of investments  | 1 913           | 3 014           |
| 37              | 29              | Realised profits and losses on investments   | 29              | 37              |
| <b>3 108</b>    | <b>2 003</b>    | <b>Net income from investments in investment choice portfolio</b>  | <b>2 003</b>    | <b>3 108</b>    |
| <b>19</b>       | <b>17</b>       | <b>Other insurance-related income</b>  | <b>17</b>       | <b>19</b>       |
| (10 357)        | (10 375)        | Claims paid  | (10 375)        | (10 357)        |
| (10 444)        | (10 460)        | Gross  | (10 460)        | (10 444)        |
| 86              | 86              | – Reinsurance share of claims paid   | 86              | 86              |
| (77)            | (49)            | Change in reserves for claims  | (49)            | (77)            |
| (77)            | (49)            | Gross  | (49)            | (77)            |
| 0               | 0               | – Change in reinsurance portion for claims reserves  | 0               | 0               |
| (2 203)         | (21 919)        | Transfer of customer premium reserves, additional statutory reserves and market value adjustment reserves to other insurance companies/pension schemes | (21 919)        | (2 203)         |
| <b>(12 637)</b> | <b>(32 342)</b> | <b>Claims for own account</b>  | <b>(32 342)</b> | <b>(12 637)</b> |
| (6 805)         | 12 140          | Change in premium reserve  | 12 140          | (6 805)         |
| (6 805)         | 12 141          | To (from) premium reserve, gross   | 12 141          | (6 805)         |
| 0               | (1)             | – Change in Reinsurance portion of premium reserve   | (1)             | 0               |
| 70              | 578             | Change in additional statutory reserves  | 578             | 59              |
| (1 156)         | 567             | Change in market value adjustment reserve  | 567             | (1 156)         |
| (98)            | (80)            | Change in premium fund, deposit reserve and pensioners' surplus fund   | (80)            | (98)            |
| (139)           | (179)           | Change in technical reserves for property and casualty insurance business  | (179)           | (139)           |
| (139)           | (179)           | To (from) technical reserves for property and casualty insurance business  | (179)           | (139)           |
| 13              | 12              | Transfer of additional statutory reserves and market value adjustment reserves from other insurance companies/pension schemes                          | 12              | 13              |
| <b>(8 114)</b>  | <b>13 039</b>   | <b>Changes in insurance liabilities through income statement – Contractually established obligations</b>   | <b>13 039</b>   | <b>(8 126)</b>  |
| (4 941)         | (5 247)         | Change in premium reserve  | (5 247)         | (4 941)         |
| <b>(4 941)</b>  | <b>(5 247)</b>  | <b>Changes in insurance liabilities through income statement – special investment choice</b>   | <b>(5 247)</b>  | <b>(4 941)</b>  |
| (247)           | (710)           | Surplus from return result   | (710)           | (247)           |
| (1)             | (4)             | Risk result assigned insurance contracts   | (4)             | (1)             |
| (220)           | (673)           | Other assignment of profit   | (673)           | (220)           |
| <b>(468)</b>    | <b>(1 386)</b>  | <b>Funds assigned insurance contracts – contractually established obligations</b>  | <b>(1 386)</b>  | <b>(468)</b>    |
| (1 166)         | (1 173)         | Insurance-related operating costs  | (1 173)         | (1 166)         |
| (124)           | (189)           | Other insurance-related costs  | (189)           | (124)           |
| <b>999</b>      | <b>652</b>      | <b>Result from technical account</b>   | <b>652</b>      | <b>987</b>      |

# INCOME STATEMENT CONTINUED

DNB LIVSFORSIKRING GROUP

DNB LIVSFORSIKRING AS

| 30.09.13     | 30.09.14     | Amounts in NOK millions  | 30.09.14     | 30.09.13     |
|--------------|--------------|--|--------------|--------------|
|              |              | <b>NON-TECHNICAL ACCOUNT</b>   |              |              |
| 0            | 24           | Income from investments in subsidiaries, associated companies and joint ventures | 55           | 10           |
| 485          | 486          | Interest income and dividends, etc. on financial assets                          | 486          | 485          |
| 0            | 47           | Net operating income from property   | 0            | 0            |
| 33           | 227          | Changes in value of investments  | 227          | 33           |
| 30           | (49)         | Realised profits and losses on investments                                       | (49)         | 30           |
| <b>547</b>   | <b>735</b>   | <b>Net income from investments in company portfolio</b>                          | <b>719</b>   | <b>557</b>   |
| 59           | 35           | Other income   | 13           | 24           |
| (87)         | (100)        | Management costs and other costs associated with company portfolio               | (74)         | (64)         |
| <b>519</b>   | <b>670</b>   | <b>Result from non-technical account</b>   | <b>658</b>   | <b>516</b>   |
| <b>1 518</b> | <b>1 322</b> | <b>Profit before taxes</b>   | <b>1 310</b> | <b>1 504</b> |
| (155)        | (109)        | Tax cost   | (97)         | (149)        |
| <b>1 364</b> | <b>1 213</b> | <b>Result before other profit components</b>                                     | <b>1 213</b> | <b>1 355</b> |
|              |              | <b>TOTAL RESULT</b>  |              |              |
| (25)         | (131)        | Actuarial gains and losses   | (131)        | (25)         |
| 7            | 35           | Tax on actuarial gains and losses  | 35           | 7            |
| <b>1 345</b> | <b>1 118</b> | <b>TOTAL RESULT<sup>1)</sup></b>   | <b>1 118</b> | <b>1 337</b> |
|              |              | <b>Notes:</b>  |              |              |
| 1 364        | 1 213        | Result before other profit components  | 1 213        | 1 355        |
| 0            | 0            | Use of additional allocations <sup>2)</sup>                                      | 0            | 12           |
| 0            | 0            | Tax effect of use of additional allocations                                      | 0            | (3)          |
| <b>1 364</b> | <b>1 213</b> | <b>Result</b>  | <b>1 213</b> | <b>1 364</b> |

<sup>1)</sup> Pension commitments and pension funds in the defined-benefit schemes have been recalculated. Calculations for the third quarter have been updated with new calculation assumptions as at 31 August 2014 in accordance with guidance notes from the Norwegian Accounting Standards Board.

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

# BALANCE SHEET

DNB LIVSFORSIKRING GROUP

DNB LIVSFORSIKRING AS

| 30.09.13 <sup>1)</sup> | 30.09.14       | Amounts in NOK millions  | 30.09.14       | 30.09.13       |
|------------------------|----------------|--|----------------|----------------|
|                        |                | <b>ASSETS IN COMPANY PORTFOLIO</b>   |                |                |
| 170                    | 145            | Intangible assets  | 145            | 170            |
|                        |                | <i>Buildings and other real estate</i>   |                |                |
| 0                      | 1 110          | Investment properties  | 0              | 0              |
|                        |                | <i>Subsidiaries, associated companies and joint ventures</i>                                     |                |                |
| 0                      | 0              | Shares and other equity investments in subsidiaries, associated companies and joint ventures     | 1 179          | 57             |
| 0                      | 0              | Receivables and securities issued by subsidiaries, associated companies and joint ventures       | 35             | 0              |
|                        |                | <i>Financial assets measured at amortised cost</i>   |                |                |
| 0                      | 1 601          | Hold to maturity investments   | 1 601          | 0              |
|                        |                | <i>Financial assets measured at fair value</i>   |                |                |
| 723                    | 839            | Shares and other equity investments (incl. shares and other equity investments measured at cost) | 839            | 723            |
| 18 196                 | 17 676         | Bonds and other fixed-income securities  | 17 676         | 18 196         |
| 48                     | 19             | Loans and receivables  | 19             | 48             |
| 26                     | 12             | Financial derivatives  | 12             | 26             |
| 0                      | (73)           | Other financial assets   | (73)           | 0              |
| <b>18 992</b>          | <b>21 185</b>  | <b>Investments in company portfolio</b>  | <b>21 289</b>  | <b>19 050</b>  |
| 592                    | 807            | Receivables  | 763            | 557            |
| 749                    | 480            | Other assets   | 454            | 651            |
| 31                     | 28             | Pre-paid expenses and earned, non-received income  | 28             | 31             |
| <b>20 535</b>          | <b>22 645</b>  | <b>Total assets in company portfolio</b>   | <b>22 679</b>  | <b>20 459</b>  |
|                        |                | <b>ASSETS IN CUSTOMER PORTFOLIOS</b>   |                |                |
|                        |                | <i>Buildings and other real estate</i>   |                |                |
| 31 669                 | 30 019         | Investment properties  | 16             | 98             |
|                        |                | <i>Subsidiaries, associated companies and joint ventures</i>                                     |                |                |
| 2 678                  | 2 572          | Shares and other equity investments in subsidiaries, associated companies and joint ventures     | 34 905         | 32 016         |
| 0                      | 0              | Receivables and securities issued by subsidiaries, associated companies and joint ventures       | 58             | 3 399          |
|                        |                | <i>Financial assets measured at amortised cost</i>   |                |                |
| 93 980                 | 86 674         | Hold to maturity investments   | 86 674         | 93 980         |
|                        |                | <i>Financial assets measured at fair value</i>   |                |                |
| 13 460                 | 12 940         | Shares and other equity investments (incl. shares and other equity investments measured at cost) | 12 940         | 13 460         |
| 83 003                 | 77 483         | Bonds and other fixed-income securities  | 77 483         | 80 628         |
| 6 155                  | 4 593          | Loans and receivables  | 4 593          | 6 138          |
| 916                    | 945            | Financial derivatives  | 709            | 875            |
| 2 332                  | 8 237          | Other financial assets   | 7 375          | 1 073          |
| <b>234 191</b>         | <b>223 461</b> | <b>Investments in common portfolio</b>   | <b>224 753</b> | <b>231 666</b> |
|                        |                | <i>Financial assets measured at fair value</i>   |                |                |
| 17 320                 | 20 821         | Shares and other equity investments (incl. shares and other equity investments measured at cost) | 20 821         | 17 320         |
| 14 285                 | 18 412         | Bonds and other fixed-income securities  | 18 412         | 14 285         |
| 1 592                  | 1 546          | Loans and receivables  | 1 546          | 1 592          |
| <b>33 197</b>          | <b>40 780</b>  | <b>Investments in investment choice portfolio</b>  | <b>40 780</b>  | <b>33 197</b>  |
| <b>267 388</b>         | <b>264 241</b> | <b>Total assets in customer portfolios</b>   | <b>265 533</b> | <b>264 864</b> |
| <b>287 923</b>         | <b>286 886</b> | <b>Total assets</b>  | <b>288 212</b> | <b>285 322</b> |

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

# BALANCE CONTINUED

## DNB LIVSFORSIKRING GROUP

## DNB LIVSFORSIKRING AS

| 30.09.13 <sup>1)</sup> | 30.09.14       | Amounts in NOK millions  | 30.09.14       | 30.09.13       |
|------------------------|----------------|--|----------------|----------------|
|                        |                | <b>EQUITY AND LIABILITIES</b>  |                |                |
|                        |                | <i>Share capital subscribed</i>  |                |                |
| 1 621                  | 1 686          | Share capital/primary capital certificates/guarantee fund                                    | 1 686          | 1 621          |
| 3 875                  | 4 280          | Share premium  | 4 280          | 3 875          |
| <b>5 496</b>           | <b>5 966</b>   | <b>Total paid in equity</b>  | <b>5 966</b>   | <b>5 496</b>   |
| 0                      | 19             | Fund for unrealised profits  | 19             | 0              |
| 900                    | 1 013          | Risk equalisation fund   | 1 013          | 900            |
| 10 914                 | 11 968         | Other accrued earnings   | 11 968         | 10 905         |
| <b>11 813</b>          | <b>13 001</b>  | <b>Total accrued earnings</b>  | <b>13 001</b>  | <b>11 805</b>  |
| <b>1 331</b>           | <b>1 360</b>   | <b>Subordinated loan capital, etc.</b>   | <b>1 360</b>   | <b>1 331</b>   |
|                        |                | <b>Insurance liabilities in life insurance – contractually established obligations</b>       |                |                |
| 214 724                | 205 201        | Premium reserve  | 205 201        | 214 724        |
| 4 920                  | 4 341          | Additional statutory reserves  | 4 341          | 4 932          |
| 2 241                  | 2 167          | Market value adjustment reserves   | 2 167          | 2 241          |
| 2 607                  | 2 687          | Claims reserves  | 2 687          | 2 607          |
| 3 969                  | 2 764          | Premium fund, deposit reserve and pensioners' surplus fund                                   | 2 764          | 3 969          |
| 419                    | 463            | Other technical reserves for property and casualty insurance business                        | 463            | 419            |
| <b>228 881</b>         | <b>217 625</b> | <b>Total insurance liabilities in life insurance – Contractually established obligations</b> | <b>217 625</b> | <b>228 893</b> |
|                        |                | <b>Insurance liabilities in life insurance – special investment choice portfolio</b>         |                |                |
| 32 652                 | 40 200         | Premium reserve  | 40 200         | 32 652         |
| 13                     | 30             | Supplementary provisions   | 30             | 13             |
| 532                    | 549            | Premium fund, deposit reserve and pensioners' surplus fund                                   | 549            | 532            |
| <b>33 197</b>          | <b>40 780</b>  | <b>Total insurance liabilities in life insurance – Special investment choice portfolio</b>   | <b>40 780</b>  | <b>33 197</b>  |
| 235                    | 1 024          | Reserves for liabilities   | 1 113          | 203            |
| 6 589                  | 6 864          | Liabilities  | 4 696          | 4 017          |
| 0                      | 0              | Liabilities to subsidiaries and associated companies   | 3 405          | 0              |
| 381                    | 267            | Accrued expenses and received, non-earned income   | 267            | 381            |
| <b>287 923</b>         | <b>286 886</b> | <b>Total equity and liabilities</b>  | <b>288 212</b> | <b>285 322</b> |
|                        |                | Key figures  |                |                |
|                        |                | Return on capital in the common portfolio  | 4.4%           | 3.1%           |
|                        |                | Value-adjusted return from the common portfolio  | 4.1%           | 3.6%           |
|                        |                | Capital ratio  | 19.2%          | 17.4%          |

For the Group, the eligible primary capital was NOK 17 940 million, risk-weighted volume NOK 89 235 million and the capital adequacy 20.1 per cent.

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



# NOTES TO THE ACCOUNTS

## NOTE 1: ACCOUNTING PRINCIPLES

The interim accounts for DNB Livsforsikring AS include subsidiaries and associated companies entered in accordance with the equity method. The third 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 AS for 2013 can be obtained on application to DNB Livsforsikring AS, Solheimsgaten 7C, 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 2013. For 2014 there has been amendments to IFRS 10 "Consolidated Financial Statement" and to IFRS 11 "Joint Arrangements". The following tables display comparable figures for 2013 with implementation effect on 1 January 2013.

### IFRS 10 Consolidated Financial Statements

The standard will replace the parts of IAS 27 which address consolidated financial statements and also include structured units, which were previously addressed in SIC – 12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a control model which applies to all companies. The definition of control is different from that used

in IAS 27. Control exists if the investor has power over the investee, is exposed, or has rights, to variable returns from the investee and has the ability to use its power to direct the activities of the investee that significantly affect returns. Potential voting rights, options, convertible debt and other aspects should also be taken into account.

The new standard will require increased judgement when assessing which entities are controlled by the company. Due to the new definition of control, one property fund has been reclassified in the group's balance sheet.

### IFRS 11 Joint Arrangements

The standard will replace IAS 31 Interests in Joint Ventures and SIC – 13 Jointly-controlled Entities – Non-monetary Contributions by Venturers, and eliminates proportionate consolidation of joint ventures.

The standard identifies two categories of joint control (joint arrangements): joint ventures and joint operations. When consolidating joint ventures, the equity method should be applied. For joint operations, the parties should recognise their rights to assets and liabilities in their balance sheets and recognise their share of income and costs incurred jointly in their income statements.

Due to the implementation of the new standard certain ownership interests in property has been reclassified from proportionate consolidation to recognition by the equity method in the Group's balance sheet.

### Comparable figures for 2013 with implementation effect on 1 January 2013 due to the implementation of IFRS 10 and IFRS 11:

## BALANCE SHEET<sup>1)</sup>

## DNB LIVSFORSIKRING GROUP

| Amounts in NOK millions  | 1 January 2014 |                   |          | 30 September 2013 |                   |          |
|--|----------------|-------------------|----------|-------------------|-------------------|----------|
|  | Reported       | Effect IFRS 10,11 | Restated | Reported          | Effect IFRS 10,11 | Restated |
| Assets in customer portfolios:   |                |                   |          |                   |                   |          |
| Investment properties  | 32 377         | (846)             | 31 531   | 32 519            | (850)             | 31 669   |
| Shares and other equity investments in subsidiaries, associated companies and joint ventures | 17             | 2 689             | 2 706    | 17                | 2 661             | 2 678    |
| Loans and receivables  | 6 355          | (43)              | 6 312    | 6 138             | 17                | 6 155    |
| Equity and liabilities   |                |                   |          |                   |                   |          |
| Liabilities  | 2 305          | 1 800             | 4 105    | 4 762             | 1 827             | 6 589    |

<sup>1)</sup> The new standards have no impact on the group's profit, equity or capital adequacy.

## CHANGES IN EQUITY

| <i>Amounts in NOK millions</i>                | <b>Paid-in capital</b> | <b>Actuarial gain and loss</b> | <b>Retained earnings</b> | <b>Total equity</b> |
|---|------------------------|--------------------------------|--------------------------|---------------------|
| <b>Balance at 31 December 2012</b>            | <b>5 496</b>           | <b>(158)</b>                   | <b>10 627</b>            | <b>15 964</b>       |
| Result for the period                         |                        |                                | 1 355                    | 1 355               |
| Actuarial gains and losses                    |                        | (18)                           |                          | (18)                |
| Comprehensive income for the period           |                        | (18)                           | 1 355                    | 1 337               |
| <b>Balance at 30 September 2013</b>           | <b>5 496</b>           | <b>(176)</b>                   | <b>11 982</b>            | <b>17 300</b>       |
| Net result from use of additional allocations |                        |                                | 9                        | 9                   |
| <b>Balance at 30 September 2013 Group</b>     | <b>5 496</b>           | <b>(176)</b>                   | <b>11 991</b>            | <b>17 309</b>       |

|   |              |              |               |               |
|---|--------------|--------------|---------------|---------------|
| <b>Balance at 31 December 2013</b>            | <b>5 496</b> | <b>(164)</b> | <b>12 516</b> | <b>17 849</b> |
| Group contribution                            |              |              | (470)         | (470)         |
| Capital increase                              | 65           |              | 405           | 470           |
| Result for the period                         |              |              | 1 213         | 1 213         |
| Actuarial gains and losses                    |              | (96)         |               | (96)          |
| Comprehensive income for the period           |              | (96)         | 1 213         | 1 118         |
| <b>Balance at 30 September 2014</b>           | <b>5 561</b> | <b>(259)</b> | <b>13 665</b> | <b>18 966</b> |
| Net result from use of additional allocations |              |              |               |               |
| <b>Balance at 30 September 2014 Group</b>     | <b>5 561</b> | <b>(259)</b> | <b>13 665</b> | <b>18 966</b> |

## DNB LIVSFORSIKRING AS

## DNB LIVSFORSIKRING GROUP

|  | January–september<br>2014 | January–september<br>2013 | January–september<br>2014 | January–september<br>2013 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| CASH FLOW ANALYSIS   |                           |                           |                           |                           |
| <i>Amounts in NOK millions</i>                                   |                           |                           |                           |                           |
| <b>Cash flow from operational activities</b>                     |                           |                           |                           |                           |
| Net receipts from premiums/premium fund                          | 14 113                    | 14 817                    | 14 113                    | 14 817                    |
| Net receipts/payments from transfers                             | (21 938)                  | (1 766)                   | (21 938)                  | (1 766)                   |
| Net receipts from investments                                    | 7 194                     | 5 828                     | 8 485                     | 6 944                     |
| Payment from life insurance with investment choice               | 118                       | 113                       | 118                       | 113                       |
| Other insurance-related receipts                                 | (1 178)                   | (1 326)                   | (1 178)                   | (1 326)                   |
| Compensation payments  | (10 080)                  | (10 055)                  | (10 080)                  | (10 055)                  |
| <b>A=Net cash flow from operational activities</b>               | <b>(11 771)</b>           | <b>7 611</b>              | <b>(10 479)</b>           | <b>8 727</b>              |
| <b>Cash flow from investments made</b>                           |                           |                           |                           |                           |
| Net investment in shares and other equity investments            | (75 936)                  | 8 248                     | (73 345)                  | 6 178                     |
| Net investment in bonds and loans                                | 71 761                    | (22 400)                  | 71 761                    | (22 400)                  |
| Net investment in investment contracts                           | (3 530)                   | (2 007)                   | (3 530)                   | (2 007)                   |
| Net investment in other financial assets                         | 5 289                     | 7 888                     | 1 440                     | 7 420                     |
| Net investment in tangible fixed assets and in intangible assets | (20)                      | (18)                      | (20)                      | (18)                      |
| <b>B=Net cash flow from investments made</b>                     | <b>(2 436)</b>            | <b>(8 290)</b>            | <b>(3 695)</b>            | <b>(10 827)</b>           |
| <b>Cash flow from financing activities</b>                       |                           |                           |                           |                           |
| Paid dividend/group contributions                                | 0                         | 0                         | 0                         | 0                         |
| Changes from other financing activities                          | (2 017)                   | 286                       | (2 017)                   | 286                       |
| <b>C=Net cash flow from financing activities</b>                 | <b>(2 017)</b>            | <b>286</b>                | <b>(2 017)</b>            | <b>286</b>                |
| Net liquidity change (A+B+C)                                     | (16 223)                  | (392)                     | (16 191)                  | (1 813)                   |
| Liquidity holding as at 01 January                               | 19 579                    | 5 333                     | 20 278                    | 7 712                     |
| <b>Liquidity holding as at 30 September</b>                      | <b>3 355</b>              | <b>4 941</b>              | <b>4 087</b>              | <b>5 898</b>              |

## **DNB Livsforsikring AS**

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