

# Storebrand

Q3 2012

24 October 2012

Odd Arild Grefstad – CEO

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# Highlights Q3 2012

## RESULT

- Group result of NOK 458 mill in Q3, 1 471 mill YTD
- Provisions for cost program reduce the result with NOK 181 mill
- Result before profit sharing and loan losses 19% growth YTD<sup>1</sup>

## OPERATIONS

- Strong measures implemented to reduce costs
- Actively advising customers to non-guaranteed portfolios
- Price increases in traditional products

## BALANCE SHEET

- Life group solvency ratio: 153%
- AuM increased 15 bn Q3, and 25 bn YTD
- Buffers capital<sup>2</sup> increased with 8.2 bn YTD

<sup>1</sup>Excluding provisions for cost program

<sup>2</sup> Buffer capital: Additional Statutory Reserves, Market Value Adjustment Reserves, Conditional Bonuses, unrealized market value bonds at amortized cost

# Storebrand Group

NOK mill.	Q3		01.01. - 30.09		Full year	
	2012	2011	2012	2011	2011	
Storebrand Life Insurance	219	140	18	519	342	481
SPP	263	247	-220	646	304	291
Asset management	25	-27	73	44	203	293
Bank	72	60	50	173	162	213
Insurance	113	93	95	286	204	281
Storebrand ASA / other	-54	-55	-65	-197	-204	-278
<b>Group Profit</b>	<b>638</b>	<b>458</b>	<b>-49</b>	<b>1 471</b>	<b>1 011</b>	<b>1 279</b>
Provision for cost program <sup>1</sup>	-181					
<b>Group Profit</b>	<b>458</b>	<b>-49</b>	<b>1 471</b>	<b>1 011</b>	<b>1 279</b>	
Amortisation and write-downs of intangible assets	-108	-97	-300	-296	-394	
Pre-tax profit	350	-146	1 171	715	885	

<sup>1</sup>Result to owner negatively impacted by NOK 181 million out of provision of NOK 190 million.

# Storebrand Life Insurance

NOK mill.	Q3		01.01. - 30.09		Full year
	2012	2011	2012	2011	2011
Administration result	-60	28	9	79	101
Risk result	34	50	124	81	117
Financial result*	18	-170	-56	-187	-226
Profit from risk and interest rate guarantee	137	131	413	395	520
Other	11	-21	30	-27	-32
<b>Profit for Storebrand life insurance</b>	<b>140</b>	<b>18</b>	<b>519</b>	<b>342</b>	<b>481</b>

\* Includes profit sharing/insufficient ASR and return in company portfolio.

- NOK 79 mill in provision for cost program in Q3<sup>1</sup>
- Longevity reservation strengthening fully covered by financial return
- Credit spread contraction results in improved returns from company portfolio
- Strong corporate market sales. Positive transfer balance

<sup>1</sup>In addition NOK 9 mill in provisions is made in products with profit sharing, totaling 88 mill

NOK mill.	Q3		01.01. - 30.09		Full year
	2012	2011	2012	2011	2011
Administration result	25	32	91	94	99
Risk result	45	46	119	158	289
Financial result	137	-320	304	-42	-226
Other	40	22	132	94	129
<b>Profit for SPP</b>	<b>247</b>	<b>-220</b>	<b>646</b>	<b>304</b>	<b>291</b>

- NOK 16 mill in provision for cost program in Q3
- Contraction in credit spreads strengthen financial result
- Indexation fee of 53 mill in Q3
- Solvency ratio of 216%

# Asset Management

NOK mill.	Q3		01.01. - 30.09		Full year
	2012	2011	2012	2011	2011
Operating revenue	169	184	506	521	684
Operating cost	-189	-118	-447	-359	-481
Operational result	-20	66	59	161	203
Net performance fees	-9	5	-22	36	79
Net financial income	2	3	7	6	11
<b>Profit from Asset Management</b>	<b>-27</b>	<b>73</b>	<b>44</b>	<b>203</b>	<b>293</b>

- NOK 52 mill in provision for cost program in Q3
- Customer de-risking reduce income and margins
- Strong outperformance in Q3 and YTD
- AuM increased by NOK 15 bn in Q3, 25 bn YTD

NOK mill.	Q3		01.01. - 30.09		Full year
	2012	2011	2012	2011	2011
Net interest income	122	113	357	339	443
Net fee and commission income	19	18	54	55	73
Other operating income	16	1	47	25	32
Total income	157	132	458	419	548
Operational cost	-98	-92	-286	-267	-345
Profit before loan losses	59	40	172	152	203
Loan loss provisions	1	10	1	10	10
<b>Profit from banking activities</b>	<b>60</b>	<b>50</b>	<b>173</b>	<b>162</b>	<b>213</b>

- NOK 12 mill in provision for cost program in Q3
- Low loan losses
- Net interest rate margin 1.22% YTD

# Insurance

NOK mill.	Q3		01.01. - 30.09		Full year
	2012	2011	2012	2011	2011
Premiums earned, net	507	460	1 448	1 351	1 807
Claims incurred, net	-333	-316	-953	-986	-1 314
Operation costs excl amortization	-109	-84	-281	-248	-332
Insurance result	65	60	215	116	161
Net financial result	29	35	71	87	119
<b>Profit Insurance activities</b>	<b>93</b>	<b>95</b>	<b>286</b>	<b>204</b>	<b>281</b>
Combined ratio	88%	87%	85%	92%	91%

- NOK 20 mill in provision for cost program in Q3
- 66% claims ratio
- Strong sales within health insurance & personal lines
- Occupational pension customers increasingly buying insurance products



# Storebrand Group – operational reporting

NOK mill.	Q3		01.01. - 30.09		Full year
	2012	2011	2012	2011	2011
Fee and administration income	1 035	981	3 118	2 979	3 952
Operational cost	-716	-675	-2 161	-2 068	-2 800
<b>Fee and administration result</b>	<b>319</b>	<b>306</b>	<b>958</b>	<b>911</b>	<b>1 152</b>
Risk and insurance	192	191	550	443	686
Holding company and company portfolios	0	-99	-119	-188	-268
Provision for cost program <sup>1</sup>	-181	0	-181	0	0
<b>Result before profit sharing and loan losses</b>	<b>330</b>	<b>398</b>	<b>1 206</b>	<b>1 166</b>	<b>1 570</b>
Net profit sharing and loans losses	129	-448	265	-155	-291
<b>Group profit</b>	<b>458</b>	<b>-49</b>	<b>1 471</b>	<b>1 011</b>	<b>1 279</b>

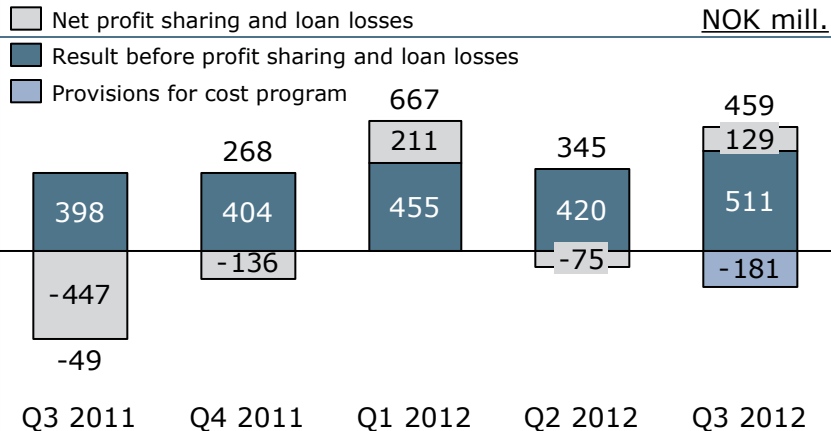
Increased quality of earnings:

- Fee and adm results 5% growth YTD
- Result before profit sharing and loan losses 19% growth YTD, before provisions for cost program
- Strong asset returns have lead to profit sharing

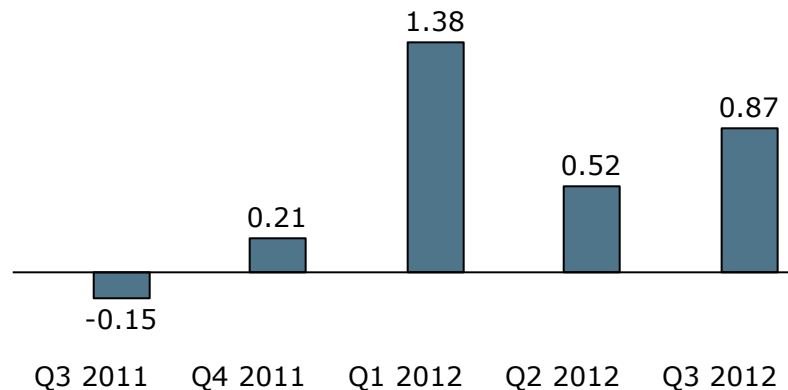
<sup>1</sup>Total provision of NOK 190 mill less NOK 9 mill in products with profit split

# Key figures

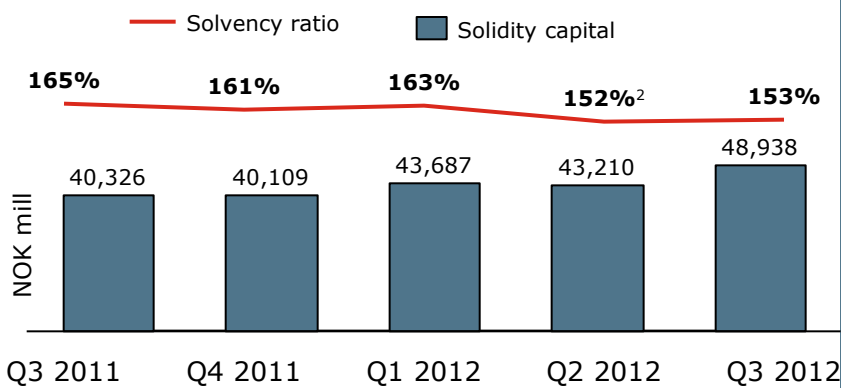
## Result development



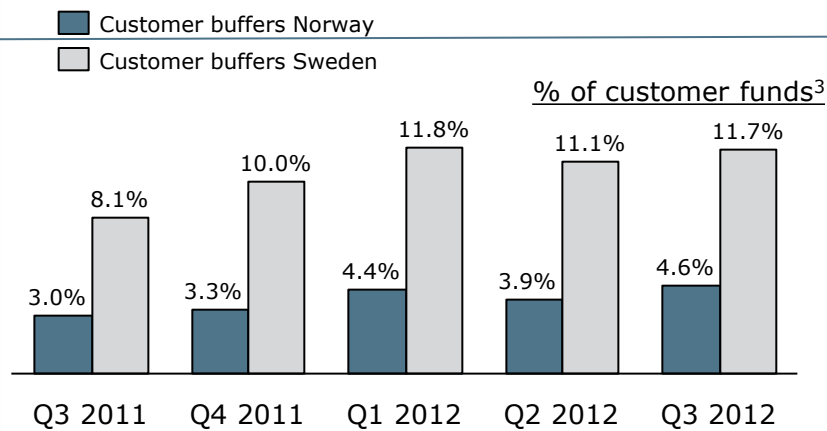
## Earnings per share<sup>1</sup>



## Solvency ratio Storebrand Life Group



## Customer buffers development

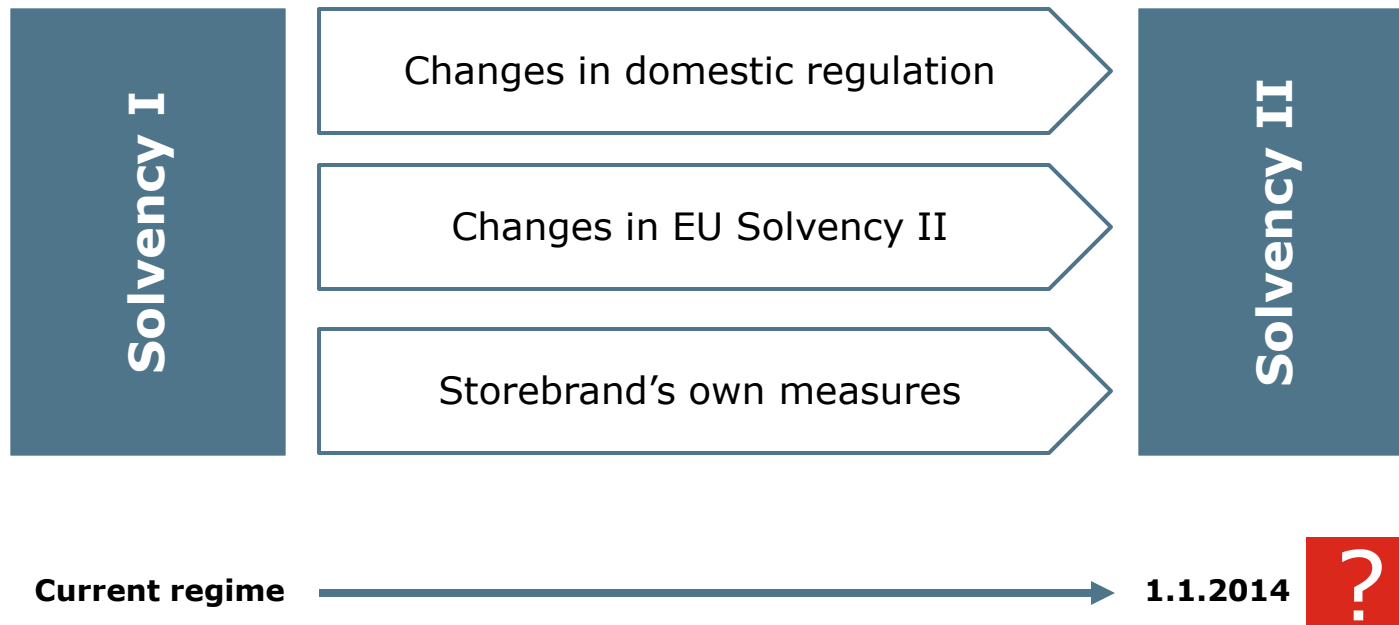


<sup>1</sup> Earnings per share after tax adjusted for amortisation of intangible assets.

<sup>2</sup> Based on changed methodology as noted in stock exchange notification dated 25 June 2012.

<sup>3</sup> Swedish buffer levels are restated due to sale of Benco to Storebrand Livsforsikring AS. Customer buffers in Benco are 2.8 bn.

# Storebrand towards Solvency II



# Clear target for optimizing the operations towards Solvency II



# Cost reduction:

- cost program executed on plan

## Implemented measures

### Examples

**Voluntary lay off  
of 80 employees**

**Termination of trainee  
program**

**Reduced sponsorships**

**Renegotiate cash  
management agreements**

## Work in progress

### Examples

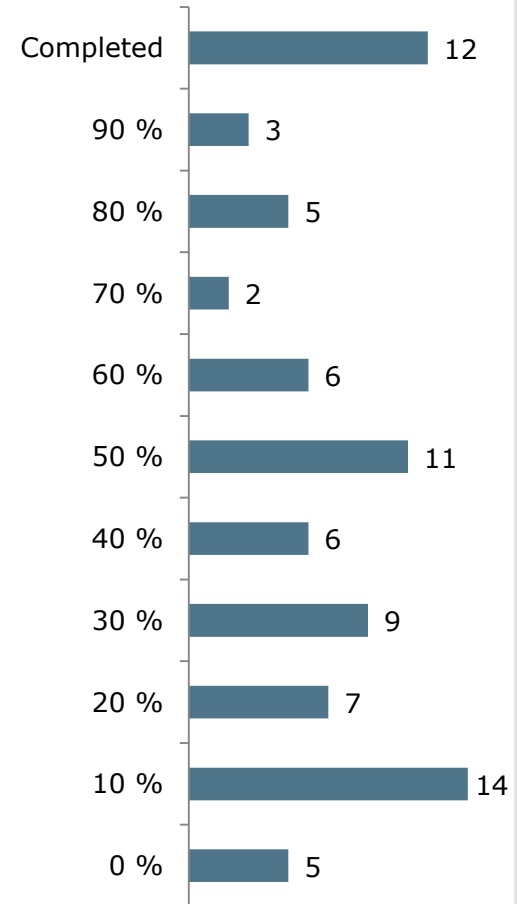
**Further reduction in staff**

**Transfer of operations to  
Baltic**

**Automation**

**Renegotiate IT support  
procurement**

## Number of initiatives distributed by progress



# Product optimization:

- price increases in guaranteed products

- Defined Benefit public sector: 25% price increase
- Defined Benefit private sector: Price for interest rate guarantees and profit from risk increased by 20% from 2013
- Paid-up policies: 2% up-front fee introduced
- Guaranteed business SPP: 15% increase in management fee
- Guaranteed business SPP: increased fixed charge up to 100%

# Product optimization:

- actively transfer of customers to non-guaranteed products

## SPP guaranteed portfolio

- NOK ~25 bn is transferable reserves in guaranteed business<sup>1</sup>
- NOK 124 mill transferred in September - ongoing



Introduced new non-guaranteed alternative - SPP Sparsäkra

<sup>1</sup>Could increase given acceptance from employers and being selectable in collective agreements

## SBL individual portfolio

- NOK ~15 bn of portfolio open to transfer
- NOK 277 mill transferred in 6 weeks - ongoing



Customers moved to other investments with higher net return expectations

## SBL paid up policies

- NOK ~70 bn will be open for conversion from 1.1.2013<sup>2</sup>
- Start of transfer from 1. January 2013



New paid-up policies will actively have to choose between with or without guarantee

<sup>2</sup>Depending on approval in Parliament

# Product optimization:

- set-up in place for conversion of paid up policies

## Product

- New and improved product offering in place
- Three attractive products with investment choice, and possibility to change between them:
  - "Tailor-made Life cycle portfolio"
  - "Pension portfolio"
  - "Free fund selection"

## Sales and marketing

- Customer base thoroughly segmented
- Multichannel distribution strategy in place
- Temporary employees hired
- Marketing campaign ready to be launched

## Operations and IT

- Online transfer interface developed
- Automated conversion processes developed
- Temporary employees hired
- Storebrand Baltic support established





storebrand

62 år

Beregnet pensjon 3.780.000

Ønsket pensjon 4.500.000

Sparebehov 720.000

Er *ditt* pensjonstall stort nok?

**3.750.000,-**

Sjekk ditt tall nå »

# Summary

- Improved underlying results
- Increased buffer capital
- Strengthening operations through:
  - Executing cost program
  - Actively advising customers to non-guaranteed portfolios
  - Price increases in guaranteed products
- Ready to launch full scale program to transfer paid-up policies to non-guaranteed products



# Appendix:

# Cost reduction:

- cost program executed on plan

NOK million	2011 cost base	Q3 2012 (12 mth rolling) <sup>1</sup>	Target 2014
SBL	1 072	1 113	
SPP	902	909	
Asset Management	481	517	
Bank	345	353	
Insurance	374	387	
ASA	165	172	
Adm cost allocated to product with profit sharing	185	201	
Costs from subsidiaries	117	109	
<b>Total cost<sup>2</sup></b>	<b>3 641</b>	<b>3 760</b>	

<sup>1</sup> Excluding restructuring cost

<sup>2</sup> Expected cost base 2014 with 2,5% inflation from 2011 cost base: ~3 900 mill NOK

The cost base can be derived from reported figures in STB quarterly supplementary information (SI), with a few exceptions:

- Insurance includes 100% of STB Health Insurance, instead of 50% as in SI. Difference of 43 mill for 2011 (332 in SI)
- Adm cost allocated to product with profit sharing, due to net report of BenCo it's a difference of 79 mill for 2011 (106 in SI)
- Cost in subsidiaries can't be found in SI, as they are consolidated as results from subsidiaries in group reporting

# Storebrand Life Insurance

NOK mill.	Group defined benefit *	Defined contribution and unit linked*	Individual and paid-up policies**	BenCo	Company portfolio	Result Q3 2012	Result Q3 2011	Full year 2011
Administration result	-64	-6	4	7	0	-60	28	101
Risk result	24	4	0	4	0	34	50	117
Financial result <sup>1</sup>	0	0	-4	8	14	18	-170	-226
Profit from risk and interest rate guarantees	132	5	0	0	0	137	131	520
Other	0	0	0	0	11	11	-21	-32
<b>Profit for Storebrand Life Insurance Q2</b>	<b>92</b>	<b>3</b>	<b>0</b>	<b>19</b>	<b>25</b>	<b>140</b>	<b>18</b>	<b>481</b>
Invested assets (NOK billion)	86	27	91	17	8	228	206	213
Change in invested assets (NOK billion)	1	2	3	0	-1	6		12

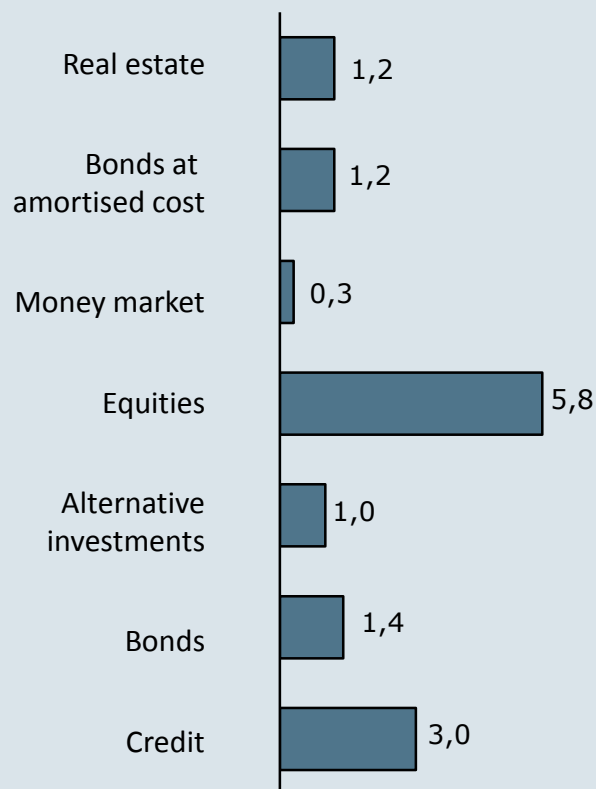
\* Fee based \*\* Profit sharing

<sup>1</sup>) Interest result and profit sharing

# Storebrand Life Insurance

- return by asset class and main portfolios

Return by asset class Q3 2012(%)



Return Defined Benefit portfolios

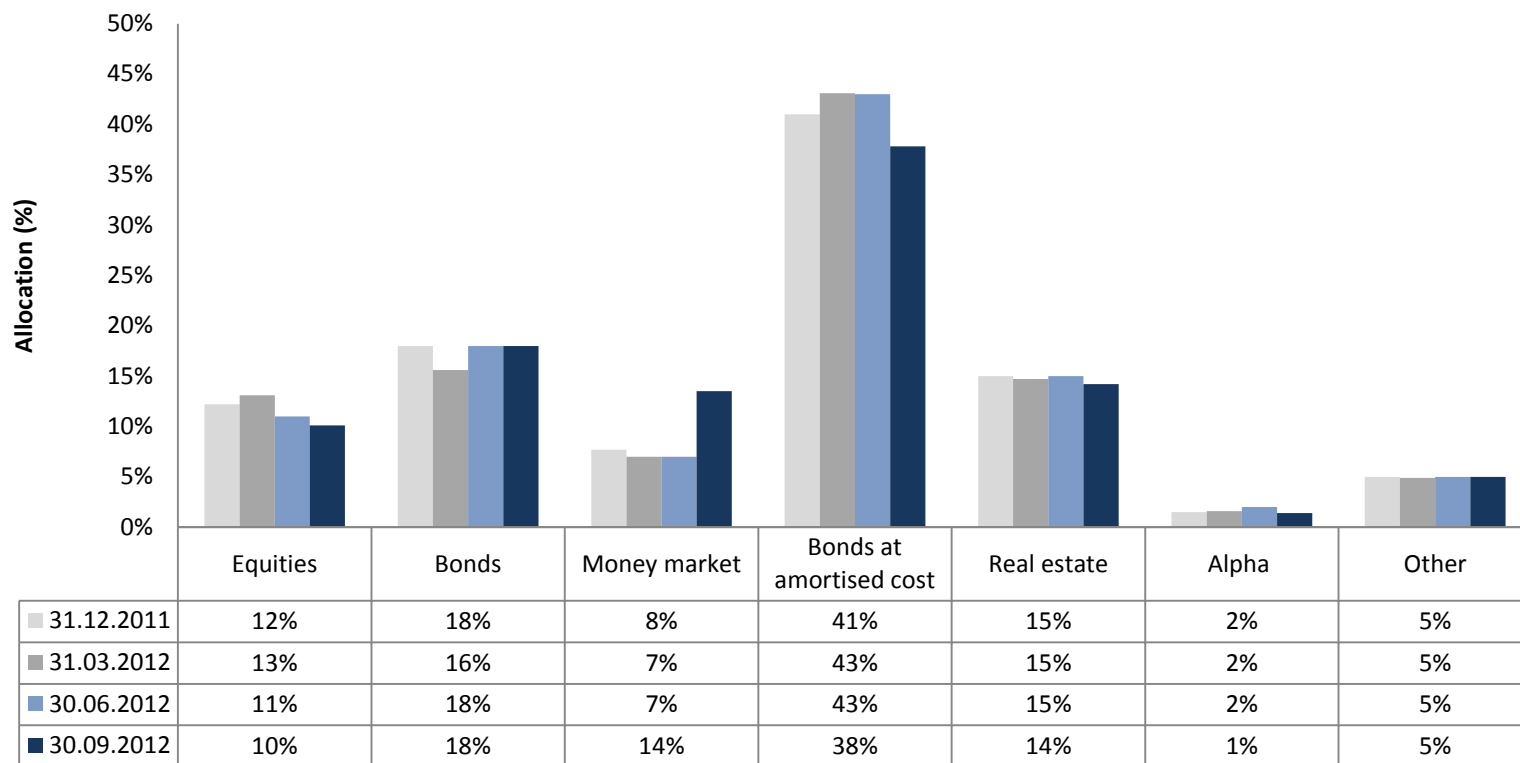
	Value adjusted returns (Q3)	Booked Returns (Q3)	Equity proportion (Q3)
DB - High	2.6%	1.0%	21%
DB - Balanced	2.3%	1.1%	18%
DB - Low	1.7%	1.0%	8%
Individual	1.7%	1.4%	3%
Paid up Policies	1.7%	1.5%	3%
Total guaranteed portfolio	2.0%	1.3%	10%

Return Defined Contribution standard profiles

	Value adjusted returns (Q3)
DC – high equity profile	6.1%
DC – balanced equity profile	5.1%
DC – low equity profile	3.0%

\* Average numbers, underlying sub portfolios with different asset allocation

# Storebrand Life Insurance asset allocation

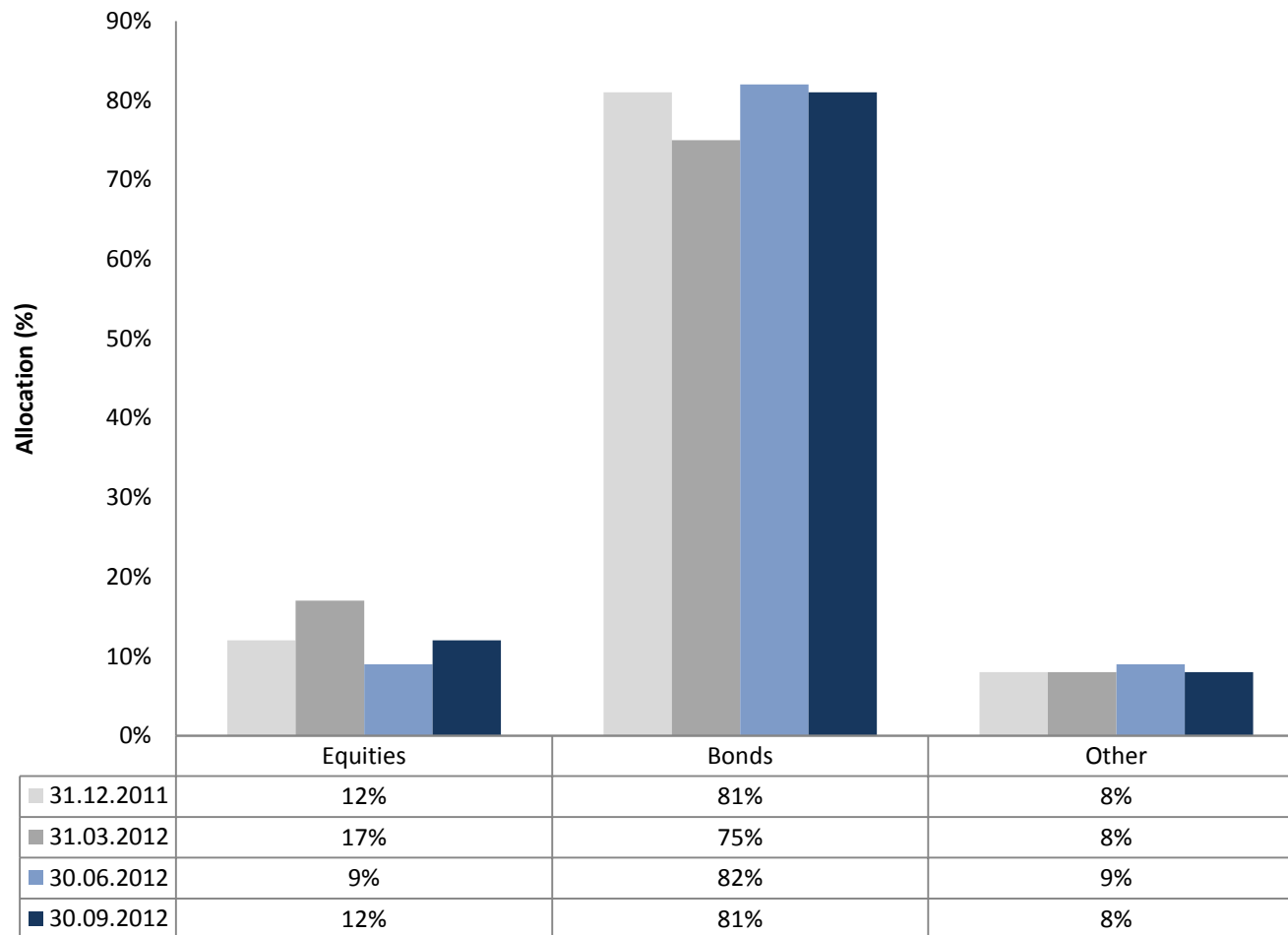


## Asset allocation guaranteed products Storebrand Life Insurance AuM NOK 177 bn<sup>1</sup>

<sup>1</sup> The graph shows the asset allocation for all products with an interest rate guarantee in Storebrand Life Insurance Norwegian operations.



# SPP asset allocation



Asset allocation guaranteed products SPP AuM NOK 82 bn<sup>1</sup>

<sup>1</sup> The graph shows the asset allocation for all products with an interest rate guarantee in SPP.