

# Storebrand

Result Q3 2011

26 October 2011

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# Highlights Q3 2011

## RESULT

- Group result of NOK -52 mill in Q3, NOK 1 004 mill YTD
- Weak financial result in SPP following market turmoil
- Insurance with strong result of NOK 95 mill in Q3 and NOK 204 mill YTD

## OPERATIONS

- Drop in equity markets reduces AuM
- Booked return above interest guarantee in all 1Y guaranteed portfolios
- Strengthened market position within Unit Linked in Sweden

## BALANCE SHEET

- Life group solvency ratio: 165%
- SPP solvency ratio 128% after capital contribution of NOK 0.9 bn from Storebrand ASA
- Customer buffers\*: ASR 3.0%, CB 11.0%

# Storebrand Group

| NOK mill.   | Q3          |            | 01.01. - 30.09 |            | Full year    |
|---|-------------|------------|----------------|------------|--------------|
|   | 2011        | 2010       | 2011           | 2010       | 2010         |
| Storebrand Life Insurance                         | 0           | 257        | 289            | 469        | 730          |
| SPP   | -203        | 304        | 357            | 250        | 464          |
| Asset management                                  | 73          | 69         | 203            | 165        | 333          |
| Bank  | 48          | 60         | 155            | 123        | 158          |
| Insurance   | 95          | 74         | 204            | 105        | 155          |
| Storebrand ASA / other                            | -65         | -55        | -204           | -169       | -231         |
| <b>Group Profit</b>                               | <b>-52</b>  | <b>709</b> | <b>1.004</b>   | <b>944</b> | <b>1 608</b> |
| Amortisation and write-downs of intangible assets | -112        | -99        | -319           | -289       | -390         |
| Pre-tax profit                                    | <b>-163</b> | <b>609</b> | <b>685</b>     | <b>655</b> | 1 217        |

# Storebrand Life Insurance

## - competitive customer investment return

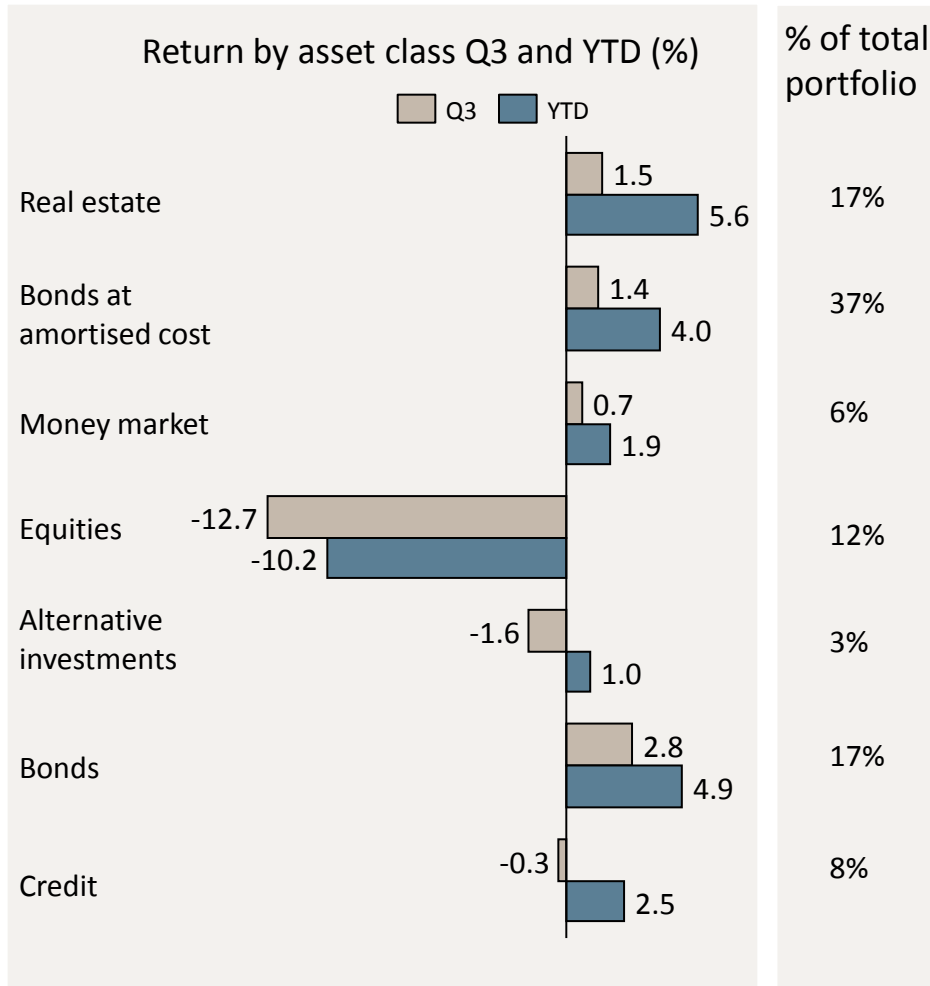
| NOK mill.                                    | Q3       |            | 01.01. - 30.09 |            | Full year  |
|--|----------|------------|----------------|------------|------------|
|  | 2011     | 2010       | 2011           | 2010       | 2010       |
| Administration result                        | 16       | 20         | 46             | 36         | 58         |
| Risk result                                  | 47       | 20         | 71             | 141        | 131        |
| Financial result*                            | -172     | 91         | -197           | -81        | 26         |
| Profit from risk and interest rate guarantee | 131      | 139        | 395            | 415        | 557        |
| Other  | -21      | -14        | -27            | -43        | -43        |
| <b>Profit for Storebrand life insurance</b>  | <b>0</b> | <b>257</b> | <b>289</b>     | <b>469</b> | <b>730</b> |

- Booked return above average interest guarantee in all customer portfolios
- Longevity reserves strengthening of 231 mill YTD, according to plan
- Result effect from longevity reservation of -101 mill in Q3 and -162 mill YTD
- Risk result development according to plan

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

# Storebrand Life Insurance

## - return by asset class and main portfolios



| Return Defined Benefit portfolios |                                 |                         |                              |
|-----------------------------------|---------------------------------|-------------------------|------------------------------|
|                                   | Value adjusted returns (Q3/YTD) | Booked Returns (Q3/YTD) | Equity proportion 30.09.2011 |
| DB - High                         | -2.5% / 0,1%                    | -0.5 % / 2.5%           | 20%                          |
| DB - Standard                     | -1.8% / 0.9%                    | -0.1 % / 2.6%           | 15%                          |
| DB - Low                          | 0.3% / 3.0%                     | 1.9 % / 4.8%            | 9%                           |
| Individual                        | -1.0 % / 1.7%                   | -0.3%/ 2.1%             | 13%*                         |
| Paid up Policies                  | -0.3 % / 2.3%                   | 0.8% / 3.2%             | 9%*                          |

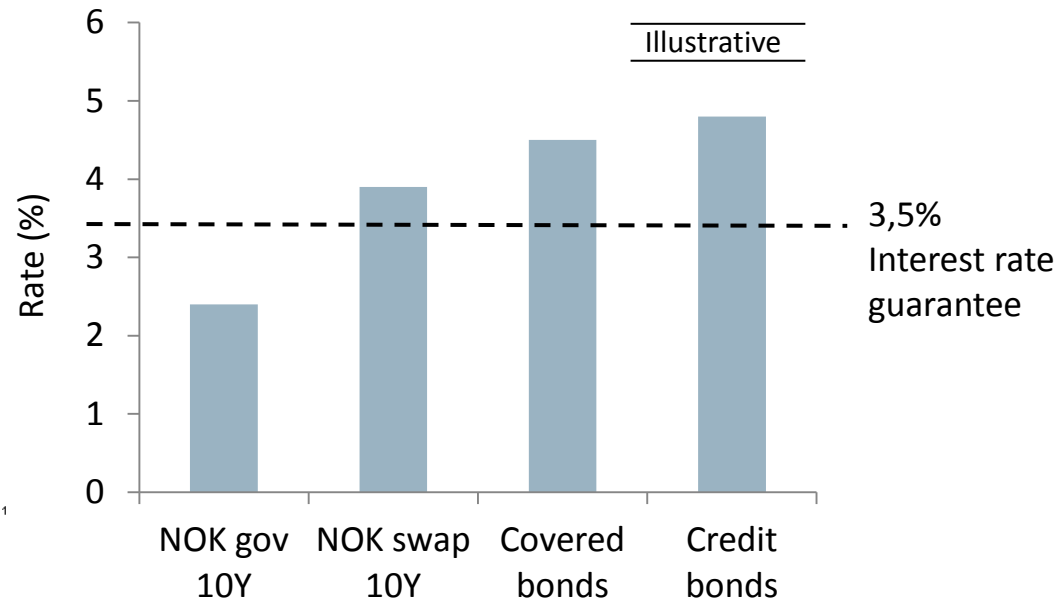
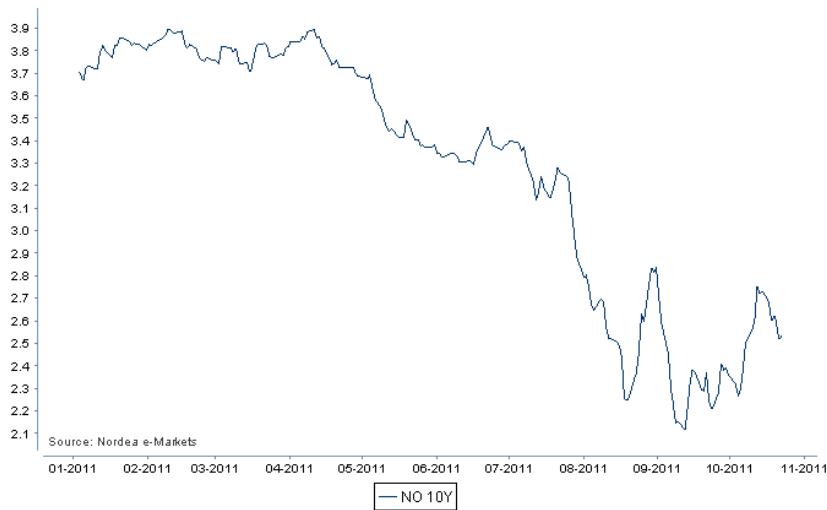
\* Average numbers, underlying sub portfolios with different asset allocation

| Return Defined Contribution standard profiles |                                  |
|---|----------------------------------|
|   | Value adjusted returns (Q3/ YTD) |
| DC – high equity profile                      | -12.0% / -11.9%                  |
| DC – balanced equity profile                  | -7.3% / -5.1%                    |
| DC – low equity profile                       | -1.6% / 0.1%                     |

# Storebrand Life Insurance

## - reinvestment yield well above guarantee

10 year Norwegian government bond



# SPP

## - negative financial result

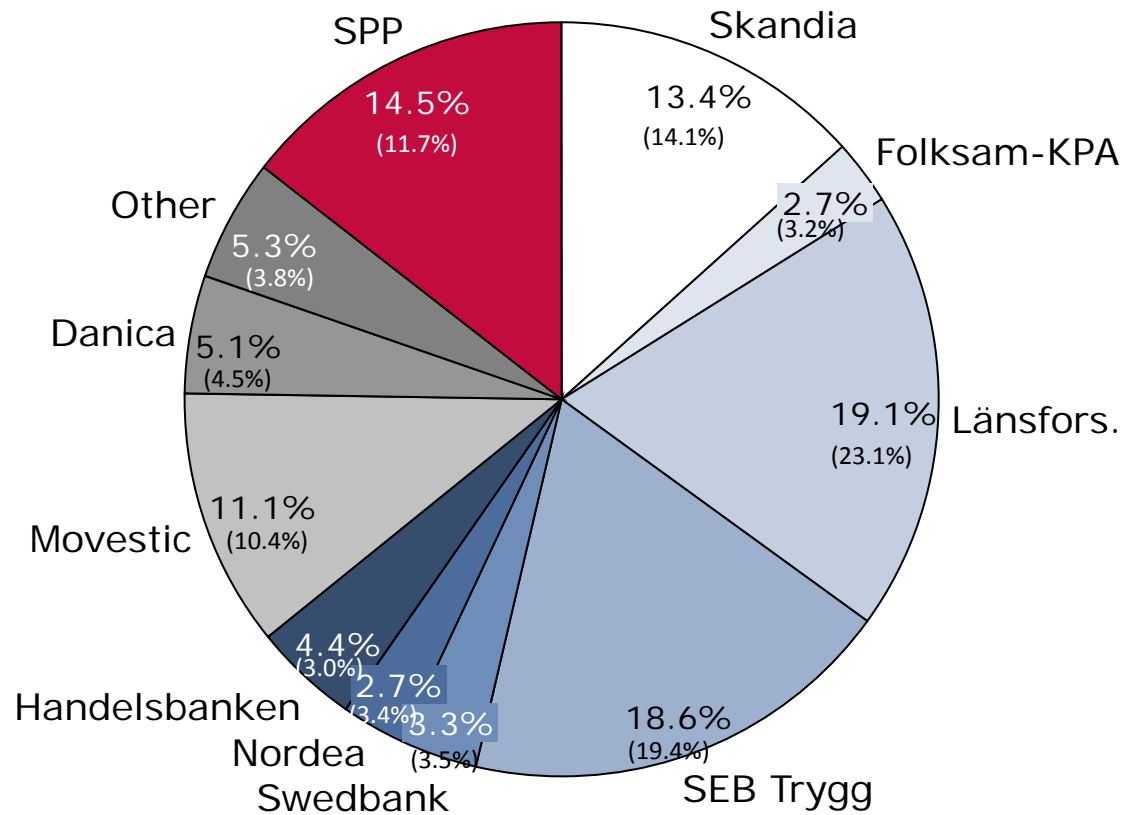
| NOK mill.             | Q3   |      | 01.01. - 30.09 |      | Full year |
|-----------------------|------|------|----------------|------|-----------|
|                       | 2011 | 2010 | 2011           | 2010 | 2010      |
| Administration result | 44   | 39   | 128            | 73   | 84        |
| Risk result           | 49   | 106  | 168            | 260  | 311       |
| Financial result      | -322 | 146  | -46            | -106 | 31        |
| Other                 | 27   | 13   | 107            | 23   | 38        |
| <b>Profit for SPP</b> | -202 | 304  | 357            | 250  | 464       |

- Administration result improvement slowed by equity market fall
- Strong investment return in customer portfolios

# SPP

- strengthened market position

Market shares new Unit Linked sales\*



\* 12 months rolling Q3 2010 – Q2 2011, in occupational pensions market outside collective agreements



# Asset Management

## - AuM reduction following market turmoil

| NOK mill.                           | Q3        |           | 01.01. - 30.09 |            | Full year  |
|-------------------------------------|-----------|-----------|----------------|------------|------------|
|                                     | 2011      | 2010      | 2011           | 2010       | 2010       |
| Operating revenue                   | 184       | 175       | 521            | 478        | 645        |
| Operating cost                      | -118      | -103      | -359           | -310       | -450       |
| Operational result                  | 66        | 72        | 161            | 168        | 195        |
| Net performance fees                | 5         | -7        | 36             | -11        | 122        |
| Net financial income                | 3         | 5         | 6              | 8          | 16         |
| <b>Profit from Asset Management</b> | <b>73</b> | <b>69</b> | <b>203</b>     | <b>165</b> | <b>333</b> |

- AuM decreased with 4 bn in Q3
- Growth in operating revenues of 6% in Q3, 9% YTD
- Cost development according to plan
- Q3 positively affected by 9 mill in result from Storebrand real estate fund

# Bank

## - high quality loan book

| NOK mill.                             | Q3        |           | 01.01. - 30.09 |            | Full year  |
|---------------------------------------|-----------|-----------|----------------|------------|------------|
|                                       | 2011      | 2010      | 2011           | 2010       | 2010       |
| Net interest income                   | 113       | 113       | 339            | 344        | 457        |
| Net fee and commission income         | 18        | 20        | 55             | 55         | 74         |
| Other operating income                | 21        | 33        | 89             | 66         | 101        |
| Total income                          | 152       | 166       | 483            | 465        | 632        |
| Operational cost                      | -115      | -106      | -337           | -331       | -445       |
| Profit before loan losses             | 38        | 60        | 146            | 134        | 186        |
| Loan loss provisions                  | 10        | 0         | 10             | -11        | -29        |
| <b>Profit from banking activities</b> | <b>48</b> | <b>60</b> | <b>155</b>     | <b>123</b> | <b>158</b> |

- Increased number of active customers
- Cost affected by increased marketing and accrual effect
- 8 mill realised profit from sale of non-performing loans\*

## Storebrand insurance - strong development

| NOK mill.                          | Q3        |           | 01.01. - 30.09 |            | Full year  |
|------------------------------------|-----------|-----------|----------------|------------|------------|
|                                    | 2011      | 2010      | 2011           | 2010       | 2010       |
| Premiums earned, net <sup>1</sup>  | 460       | 420       | 1351           | 1224       | 1 651      |
| Claims incurred, net               | -316      | -304      | -986           | -955       | -1 278     |
| Operation costs excl amortization  | -84       | -71       | -248           | -246       | -331       |
| Insurance result                   | 60        | 45        | 117            | 23         | 42         |
| Net financial result               | 36        | 29        | 87             | 82         | 113        |
| <b>Profit Insurance activities</b> | <b>95</b> | <b>74</b> | <b>204</b>     | <b>105</b> | <b>155</b> |
| Combined ratio                     | 87%       | 90%       | 92%            | 99%        | 98%        |

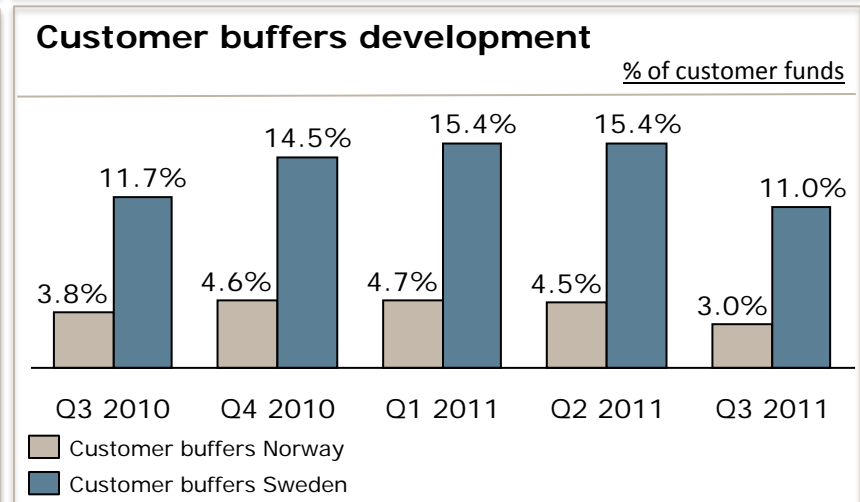
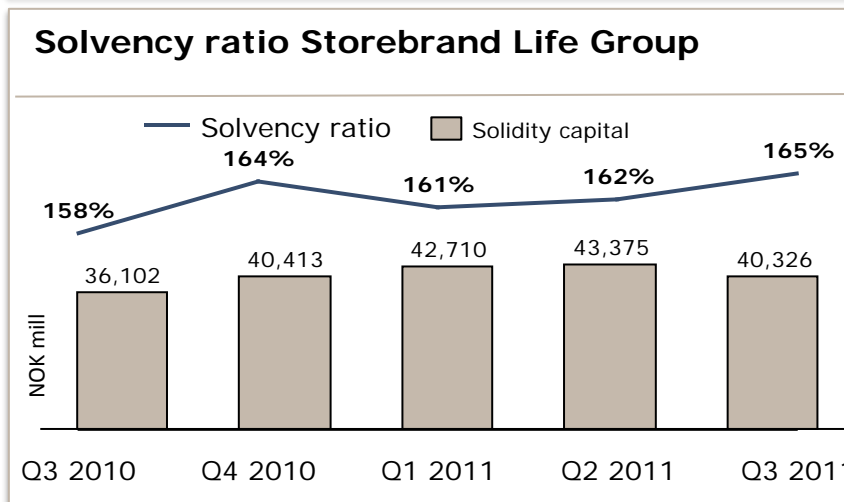
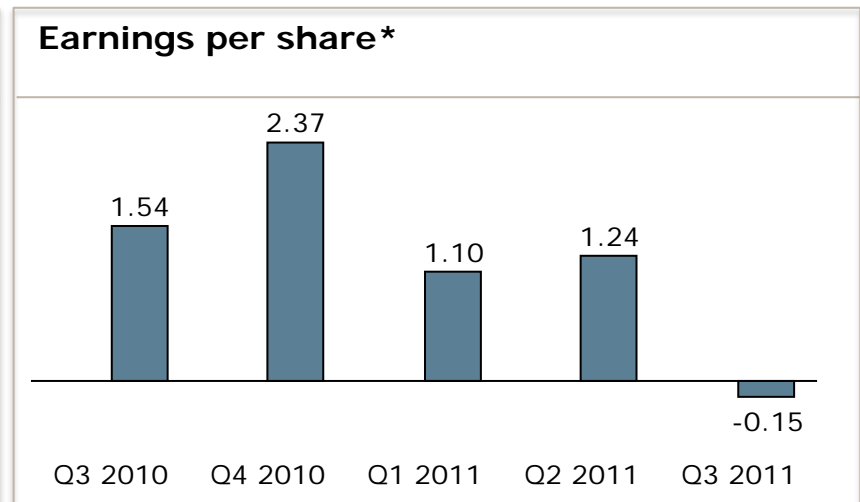
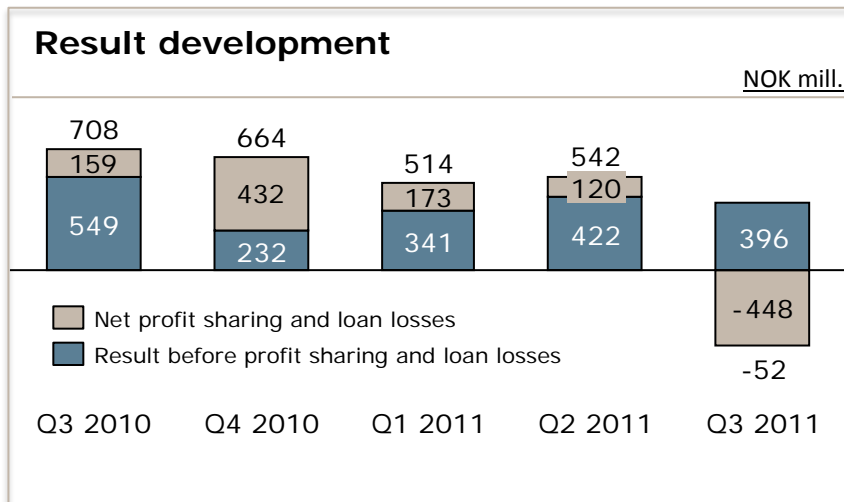
- Premium growth 10% in Q3 and YTD
- Claims ratio Q3: 69%
- Cost ratio Q3: 18%

## Storebrand Group – operational reporting

| NOK mill.   | Q3         |            | 01.01. - 30.09 |              | Full year    |
|---|------------|------------|----------------|--------------|--------------|
|   | 2011       | 2010       | 2011           | 2010         | 2010         |
| Fee and administration income                       | 997        | 1.021      | 3.030          | 2.883        | 3.868        |
| Operational cost                                    | -698       | -653       | -2.139         | -2.008       | -2.766       |
| <b>Fee and administration result</b>                | 299        | 368        | 891            | 876          | 1.102        |
| Risk and insurance                                  | 192        | 199        | 443            | 507          | 597          |
| Holding company and company portfolios              | -95        | -18        | -175           | -162         | -249         |
| <b>Result before profit sharing and loan losses</b> | <b>396</b> | <b>549</b> | <b>1.160</b>   | <b>1.220</b> | <b>1.450</b> |
| Net profit sharing and loans losses                 | -448       | 159        | -155           | -276         | 158          |
| <b>Group profit</b>                                 | <b>-52</b> | <b>709</b> | <b>1.004</b>   | <b>944</b>   | <b>1.608</b> |

- Result before profit sharing and loan losses provides an earnings stream with lower market correlation
- Risk and insurance results develop according to plan
- Net profit sharing affected by market turmoil in quarter

# Key figures



# Storebrand Life Insurance

| NOK mill.                                     | Group defined benefit * | Defined contribution and unit linked* | Individual and paid-up policies** | Company portfolio | Result Q3 2011 | YTD 2011   | Full year 2010 |
|---|-------------------------|---------------------------------------|-----------------------------------|-------------------|----------------|------------|----------------|
| Administration result                         | - 16                    | 10                                    | 21                                | 0                 | 16             | 46         | 58             |
| Risk result                                   | 45                      | - 5                                   | 7                                 | 0                 | 47             | 71         | 131            |
| Financial result <sup>1</sup>                 | - 1                     | 12                                    | - 127                             | - 57              | - 172          | - 197      | 26             |
| Profit from risk and interest rate guarantees | 130                     | 1                                     | 0                                 | 0                 | 131            | 395        | 557            |
| Other   | - 12                    | 0                                     | 0                                 | - 9               | - 21           | - 27       | - 43           |
| <b>Profit for Norwegian life insurance</b>    | <b>146</b>              | <b>18</b>                             | <b>- 99</b>                       | <b>- 65</b>       | <b>0</b>       | <b>289</b> | <b>730</b>     |

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

|   |    |    |    |   |     |   |     |
|---|----|----|----|---|-----|---|-----|
| Invested assets (NOK billion)           | 84 | 21 | 84 | 8 | 198 |   | 197 |
| Change in invested assets (NOK billion) | -1 | -1 | -1 | 0 | -2  | 3 |     |

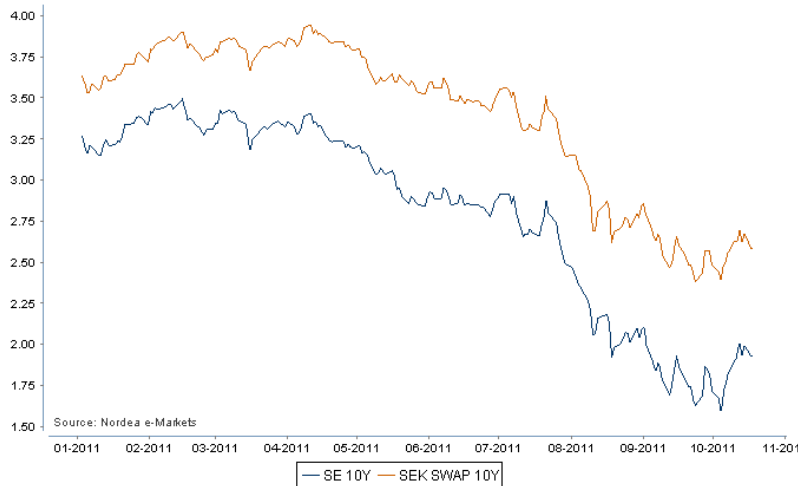
\* Fee based

\*\* Profit sharing

# SPP

- financial result affected by market turmoil

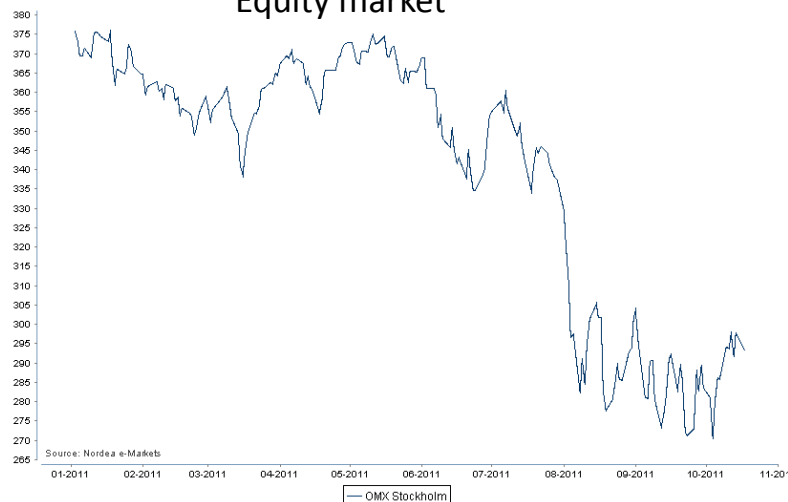
Swedish interest rates



- Financial markets:
  - High equity and interest rate volatility
  - 10 year interest rates down 100 bp in Q3
  - Equity market drop of more than 15% in Q3

- Result effects:
  - ~-200 mill from equity market fall
  - - 54 mill in reversal of indexation fee
  - +92 mill in profit sharing
  - ~-150 change in DCC from interest rate movement\*

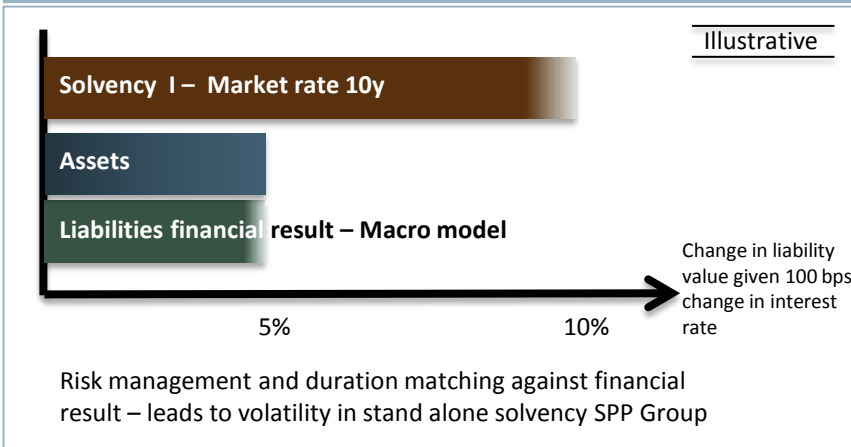
Equity market



- Balance sheet effects:
  - Customer buffers reduced with 2.9 bn to 9.1 bn
  - Reduced equity allocation

# SPP Group Solvency ratio affected by market turmoil

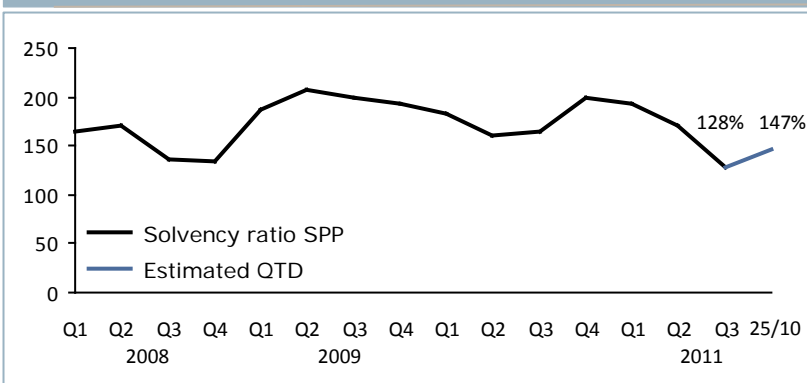
A) Different discounting curves for financial result and solvency accounting give different interest rate sensitivities



B) Swedish government bond at historical level



C) Historical solvency ratio development (1Q2008 – YTD2011)



Measures implemented:

- Capital contribution of NOK 0.9 bn
- Reduced equity allocation

Measures to be implemented / under consideration:

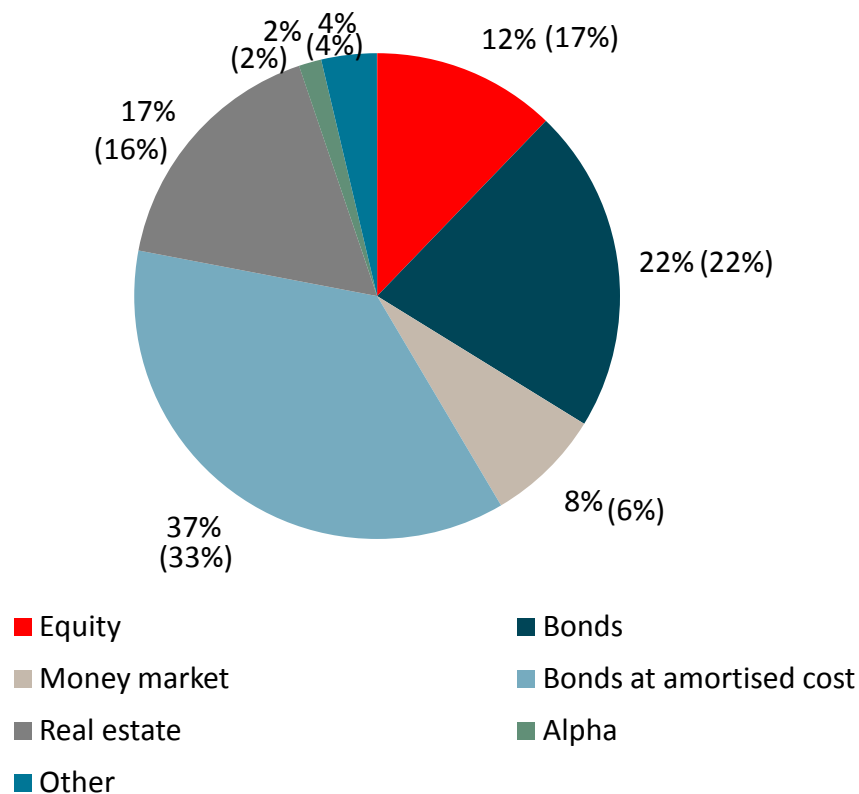
- Optimize group structure
- Asset allocation
- Discounting rate model



# Life and Pensions

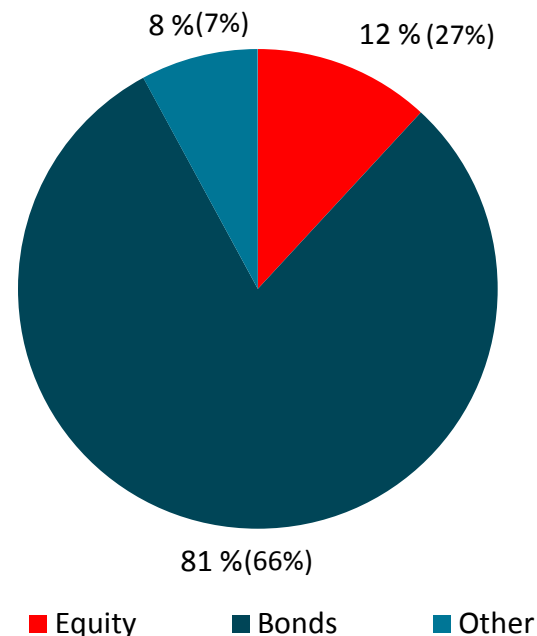
## - increased allocation to bonds at amortised cost

Asset allocation guaranteed products  
Storebrand Life Insurance<sup>1</sup>



AuM: NOK 175 bn

Asset allocation guaranteed products  
SPP<sup>1</sup>



AuM: NOK 79 bn

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

# Summary

- Competitive customer returns
- Results affected by market turmoil
- Return above guarantee in all portfolios with one year interest rate guarantee
- Strong customer buffers

*Storebrand shall be the leading and most respected institution in the Nordic market for long-term savings and insurance.*

