

Storebrand

Result Q4 2011

14 February 2012

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Highlights 2011

RESULT

- Group result NOK 268 mill in Q4, NOK 1,279 mill 2011
- 7% growth in result before profit sharing and loan losses in 2011
- Reduced financial result in Life and Pension

OPERATIONS

- Premium growth of 10% in Unit Linked
- Competitive return in customer portfolios
- Strong result improvement from Insurance

BALANCE SHEET

- Life Group Solvency ratio of 161%
- SPP Solvency ratio of 141%, increased to 157% as of 10 February 2012
- Buffer capital strengthened by NOK 1.2 bn¹

REGULATORY CHANGES

- Proposed changes to tax legislation for life insurance companies
- Government Law Commission with proposed amendments to the DB pension act²
- New mortality tables from FSA expected

¹Storebrand Life Insurance; ASR – additional statutory reserve, SPP; CB – conditional bonuses. BenCo – conditional bonuses

²Banklovkomisjonen

Storebrand Board of Directors on dividend

GROWTH IN OPERATING PROFIT AND CASH FLOW

Committed to result improvements and increased cash flow, based on increased quality of earnings and growth in products with low capital requirement

DIVIDEND CONSIDERATIONS IN 2011

- Interest rates on historic low levels
- Unresolved solvency II and Norwegian product legislation
- Expect new mortality tables
- A sustainable pension system requires material changes to the product legislation which depends on active involvement from Norwegian regulators

The Board of Directors has decided to propose to the Annual General Meeting that the annual result for 2011 will be used to strengthen the company's equity and that no dividend will be paid. Growth in operating profit and cash flow will lead to an upward revision of dividend policy

Storebrand Group – operational reporting

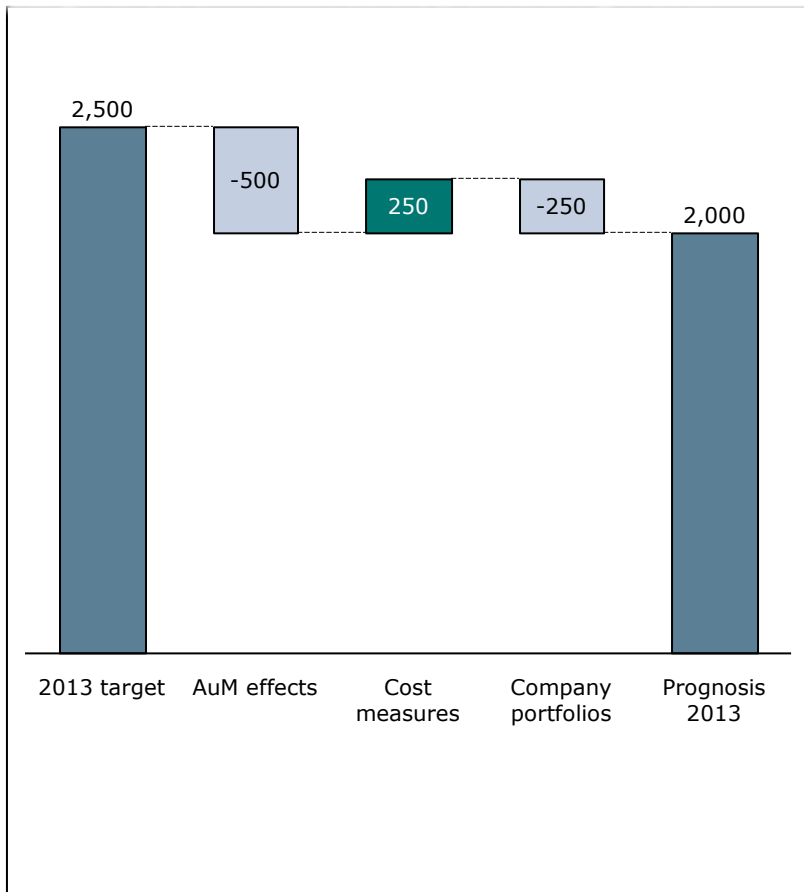
NOK mill.	Q4		Full year	
	2011	2010	2011	2010
Fee and administration income	973	963	3.952	3.783
Operational cost	-732	-733	-2.800	-2.673
Fee and administration result	241	231	1.152	1.110
Risk and insurance	243	90	686	597
Holding company and company portfolios	-80	-86	-268	-253
Result before profit sharing and loan losses	404	235	1.570	1.454
Net profit sharing and loans losses	-136	434	-291	158
Group profit	268	669	1.279	1.612

- Result before profit sharing and loan losses increased:
 - Top line growth
 - Cost control
 - Business transformation

- Net profit sharing and loan losses reduced:
 - Low interest rates
 - Negative and volatile equity markets
 - Low performance based fees
 - Owners share of longevity reservation 180 mill

2013 result target confirmed - behind plan

The graph shows changes from original plan to reach target of 2.5 bn in result before profit sharing in 2013



AuM 28 bn behind plan:

- Reduced administration income
- Reduced asset management fees

Cost measures:

- Reduced personnel cost
- Outsourcing to Storebrand Baltic
- Increased operational efficiency

Company portfolios:

- Low interest rates → lower return on company capital

Storebrand Group

NOK mill.	Q4		Full year	
	2011	2010	2011	2010
Storebrand Life Insurance	139	273	481	784
SPP	-14	202	291	410
Asset management	90	168	293	333
Bank*	51	40	213	162
Insurance	77	50	280	155
Storebrand ASA / other	-75	-62	-278	-231
Group Profit	268	669	1 279	1 612
Amortisation and write-downs of intangible assets	-98	-101	-394	-390
Profit before tax and discontinued business	170	568	885	1 223

* Result from Bank after elimination of discontinued business

Storebrand Life Insurance

- premium growth of 12% in 2011

NOK mill.	Q4		Full year	
	2011	2010	2011	2010
Administration result	21	17	101	58
Risk result	36	-2	117	152
Financial result*	-38	115	-226	58
Profit from risk and interest rate guarantee	125	142	520	557
Other	-5	1	-32	-43
Profit for Storebrand life insurance**	139	273	481	783

- Growth in administration results slowed by equity market fall
- Longevity reserving:
 - 323 mill reserved in paid up policies and individual, as planned
 - 1.1 bn reserved for future longevity risk
- ASR strengthen by 600 mill in Q4

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

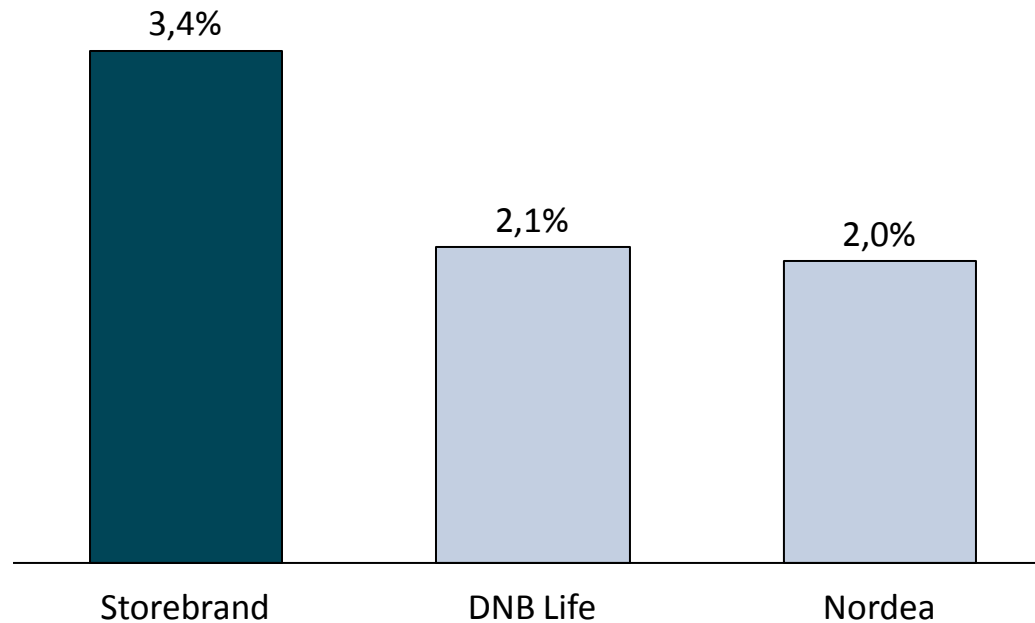
**Storebrand Life Insurance from Q4 2011 including BenCo.

All figures are restated.

Storebrand Life Insurance

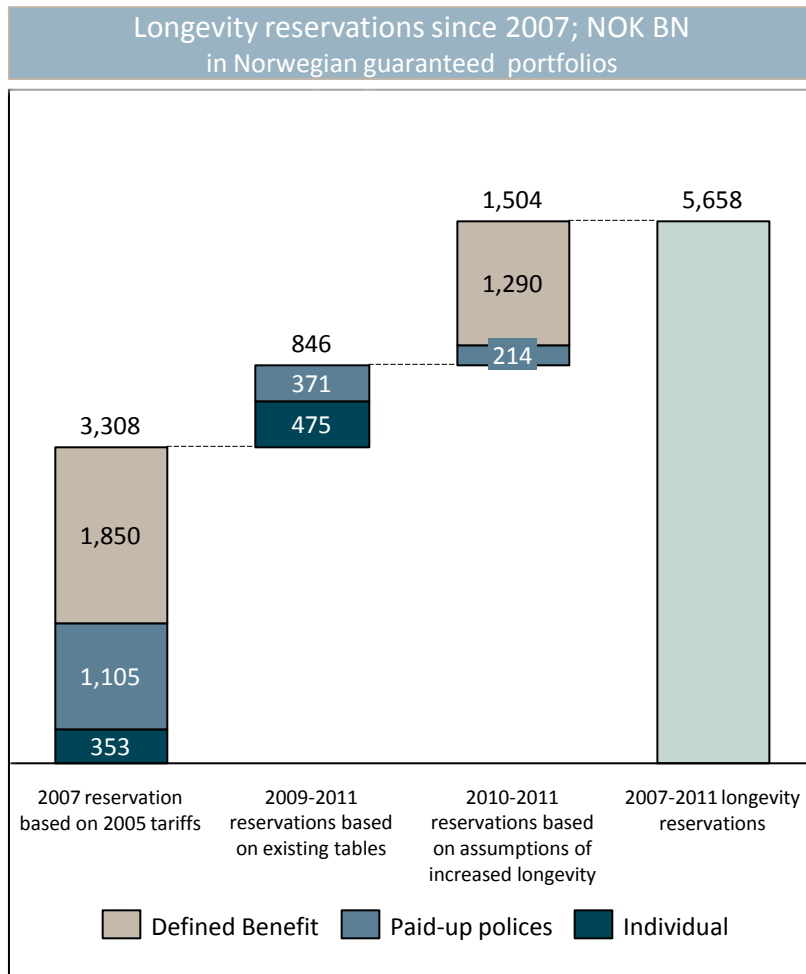
- competitive customer return 2011

Value adjusted return guaranteed business FY 2011



Average return in common customer portfolios 2011

Storebrand Life Insurance - longevity reservation



Letter from FSA on longevity:

- New mortality tables expected
- Storebrand assessment
 - Should be aligned with Government Law commission work on new pension product
 - Should be implemented with Solvency II
 - Reserving over an adequate time frame is important
 - Reservation can be made from customer excess return

SPP

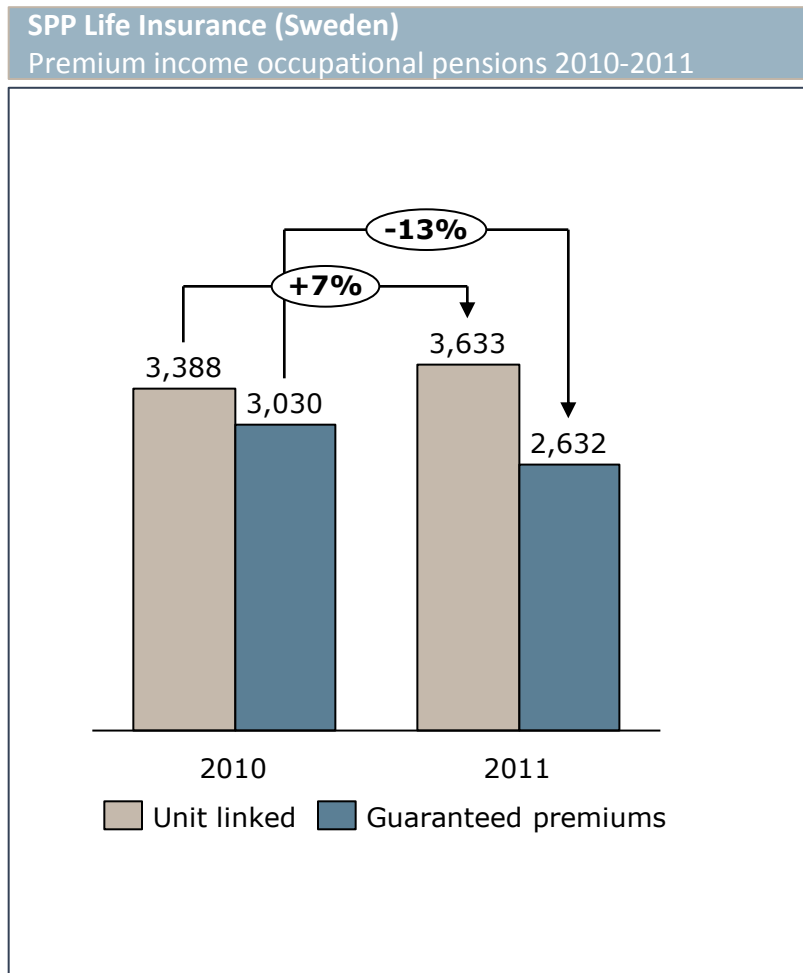
- reduced financial result

NOK mill.	Q4		Full year	
	2011	2010	2011	2010
Administration result	5	8	99	76
Risk result	130	43	289	290
Financial result	-182	135	-226	11
Other	33	16	129	34
Profit for SPP*	-14	202	291	410

- BenCo reported under Storebrand Life insurance
- Admin result: -27 mill one off charges
- Risk result: 85 mill in profit discontinued reinsurance contract
- Improved cost allocation in guaranteed products has 3 effects:
 - Reduced interest rate sensitivity
 - Financial result -91 mill in Q4
 - Solvency capital +200 mill
- Increased solvency:
 - 31.12.2011: 141%
 - 10.02.2012: 157%

SPP

- repositioning from guaranteed products to unit linked



- 7% premium increase in Unit Linked
- Market share new sales unit linked* increased from 13% to 15%
- Increased sales through:
 - Own sales force
 - Broker channel

Asset Management

- improved operational result

NOK mill.	Q4		Full year	
	2011	2010	2011	2010
Operating revenue	163	165	684	645
Operating cost	-122	-138	-481	-450
Operational result	41	27	203	195
Net performance fees	44	133	79	122
Net financial income	5	8	11	16
Profit from Asset Management	90	168	293	333

- Income and sales negatively affected by market turmoil
- AUM 414 bn, increase of 9 bn in Q4
- Improvements in operations on plan

Bank

- stable development

NOK mill.	Q4		Full year	
	2011	2010	2011	2010
Net interest income	104	113	443	457
Net fee and commission income	18	19	73	74
Other operating income	7	15	32	12
Total income	129	146	548	543
Operational cost	-79	-89	-345	-352
Profit before loan losses	50	57	203	191
Loan loss provisions	0	-17	10	-29
Profit from banking activities¹	51	40	213	162

- Increased net retail lending 2 half 2011
- Strong cost control
- Low loan losses
- 11,4% core capital ratio

¹ The result table is restated without the real estate brokerage business Ring Eiendomsmegling of minus 32 mill in Q4 and minus 60 mill FY 2011. Result from discontinued business is approximately 50% write down of goodwill and 50% operating losses and reserving for restructuring costs.

Storebrand Insurance

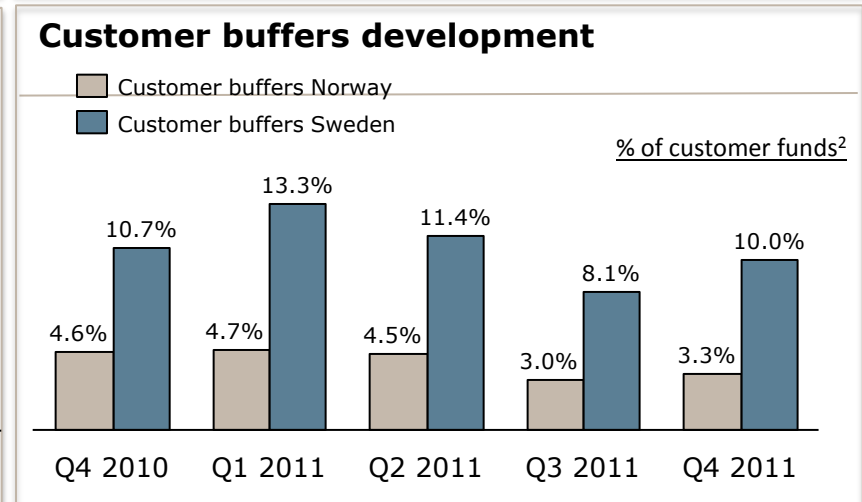
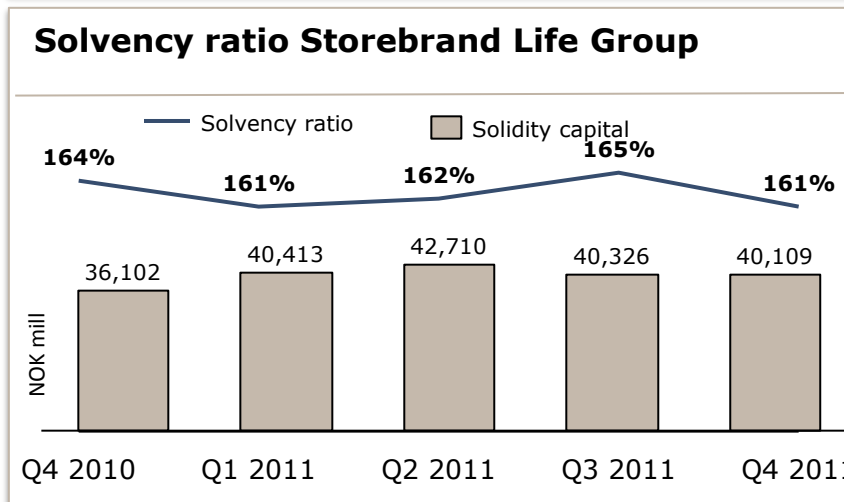
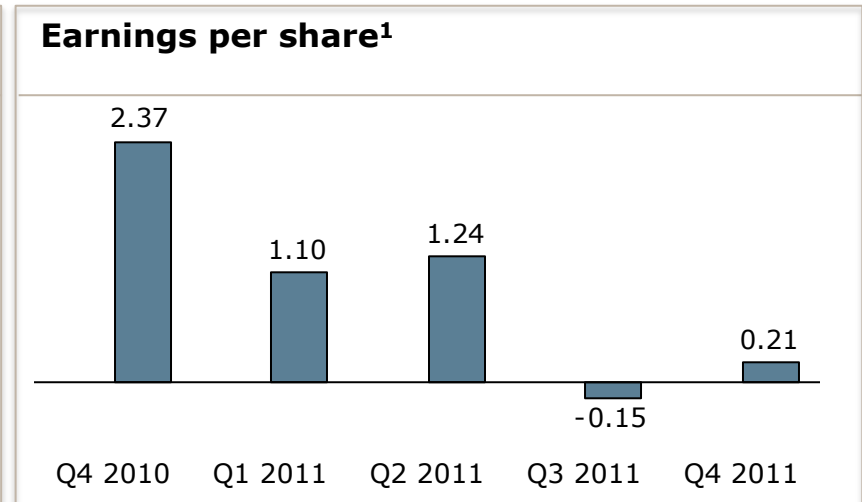
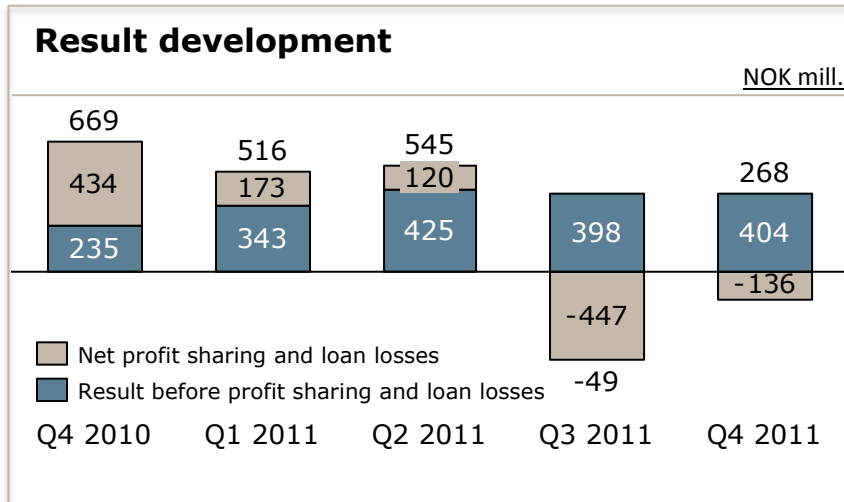
- strong result development in 2011

NOK mill.	Q4		Full year	
	2011	2010	2011	2010
Premiums earned, net ¹	457	427	1807	1651
Claims incurred, net	-327	-323	-1314	-1278
Operation costs excl amortization	-84	-85	-332	-331
Insurance result	45	19	161	42
Net financial result	32	31	119	113
Profit Insurance activities	77	50	281	155

Combined ratio	90%	96%	91%	98%
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- 9% premium increase in 2011
- 19% cost ratio
- 72% claims ratio
- Effects from weather related claims of 10 mill in 2011

Key figures



¹ Earnings per share after tax adjusted for amortisation of intangible assets

² Swedish buffer levels are restated due to sale of Benco to Storebrand Livesforsikring AS. Customer buffers in Benco are 2.6 bn

Storebrand Life Insurance

NOK mill.	Group defined benefit *	Defined contribution and unit linked*	Individual and paid-up policies**	BenCo	Company portfolio	Result Q4 2011	Full year 2011	Full year 2010
Administration result	-13	10	24	0	0	21	101	58
Risk result	27	6	-6	9	0	36	117	152
Financial result ¹	0	-3	2	3	-41	-38	-226	58
Profit from risk and interest rate guarantees	118	7	0	0	0	125	520	557
Other	3	0	0	0	-8	-5	-32	-43
Profit for Storebrand Life Insurance Q4	135	20	20	12	-49	139		
Profit for Storebrand Life Insurance full year 2011/2010	564	29	-44	65	-134		481	783
Invested assets (NOK billion)	83	23	85	14	8	213	213	210
Change in invested assets (NOK billion)	-2	2	2	0	0	1	3	

* Fee based ** Profit sharing

¹) Interest result and profit sharing

850 mill set aside for future longevity reservation in 2011, 440 mill in 2010.

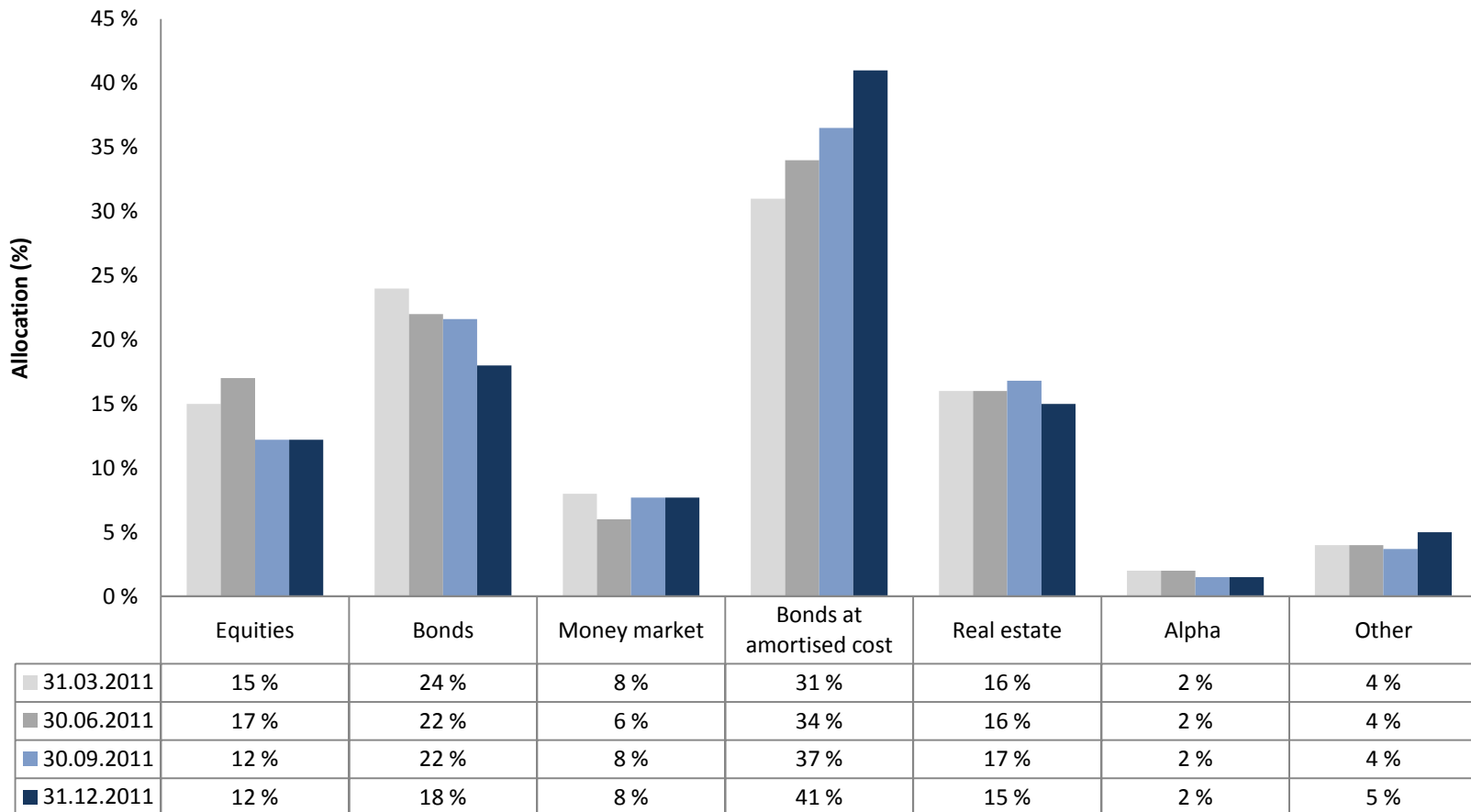
323 mill reserved for longevity in 2011. Result effect - 180 mill in 2011

214 mill set aside for future longevity reservation in 2011.

Storebrand Life Insurance

- increased allocation to bonds at amortised cost

Asset allocation guaranteed products Storebrand Life Insurance AuM NOK 164 bn¹

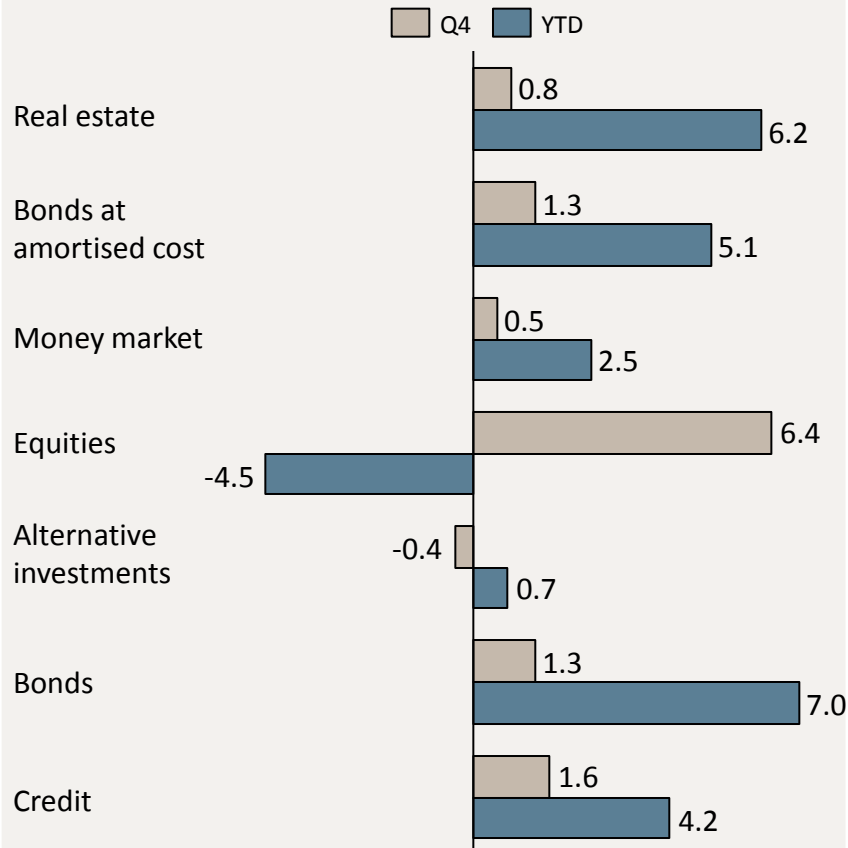


¹The graph shows the asset allocation for all products with an interest rate guarantee in Storebrand Life Insurance Norwegian operations.

Storebrand Life Insurance

- return by asset class and main portfolios

Return by asset class Q4 and 2011 (%)



Return Defined Benefit portfolios

	Value adjusted returns (Q4/2011)	Booked Returns (Q4/2011)	Equity proportion 31.12.2011
DB - High	2.1%/2.2%	2.1%/4.7%	21%
DB - Balanced	1.9%/2.7%	1.9%/4.5%	17%
DB - Low	1.5%/4.5%	1.6%/6.4%	9%
Individual	1.6%/3.2%	1.6%/3.6%	13%
Paid up Policies	1.5%/3.8%	1.5%/4.7%	9%

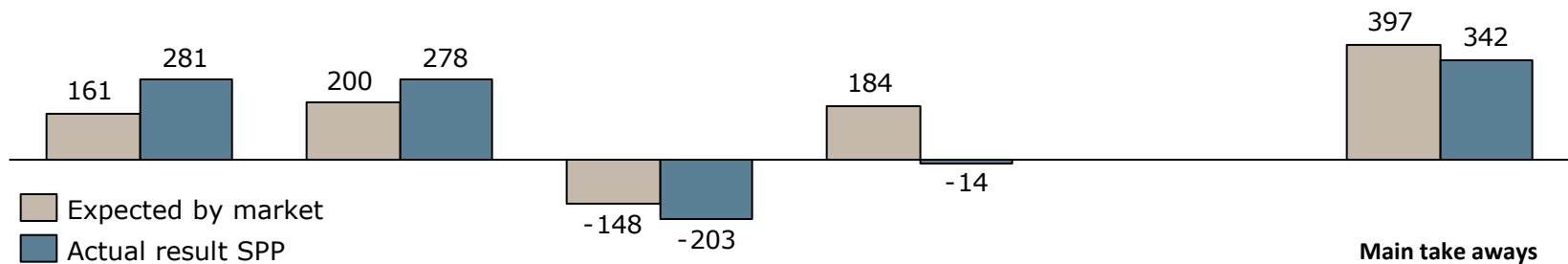
* Average numbers, underlying sub portfolios with different asset allocation

Return Defined Contribution standard profiles

	Value adjusted returns (Q4/2011)
DC – high equity profile	6.6%/-5.3%
DC – balanced equity profile	4.9%/-1.2%
DC – low equity profile	2.7%/2.8%

SPP result 2011

- development in results compared to consensus



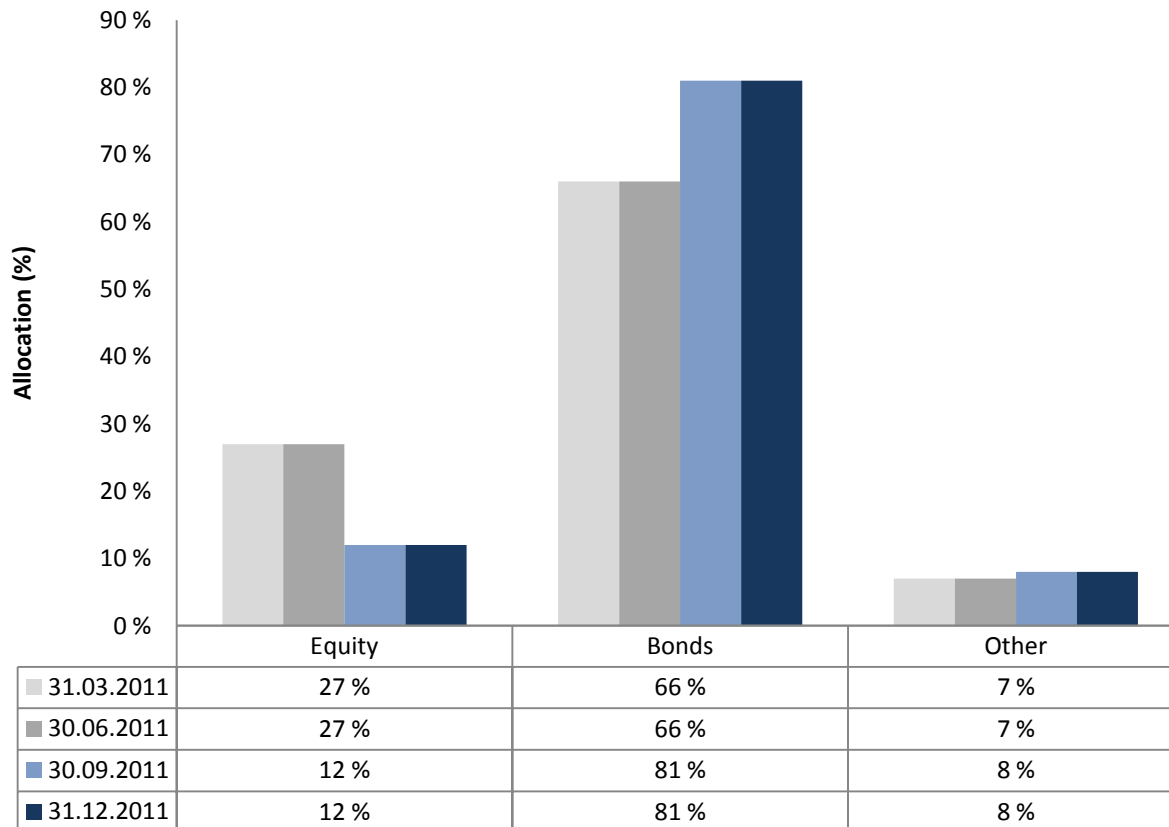
Q1	Q2	Q3	Q4	2011*
<p><i>Financial res. 120 mill</i></p> <ul style="list-style-type: none"> Increasing swap spreads -> reversal of deferred capital contribution (DCC) Small effects from equity market movements NOK 27 mill in indexation fee from DB portfolio 	<p><i>Financial res. 156 mill</i></p> <ul style="list-style-type: none"> Strong bond return gives profit sharing Negative DCC movement due to financial market movements (equity markets and DCC caused by profit sharing in P520) NOK 28 mill in indexation fee from DB portfolio 	<p><i>Financial res. -320 mill</i></p> <ul style="list-style-type: none"> Negative contribution from negative and volatile equity markets Interest rate movement/level Strong bond return gives profit sharing Reversal of indexation fee 	<p><i>Financial res. -182 mill</i></p> <ul style="list-style-type: none"> Interest rate movement/level Strong bond return gives profit sharing Spread between swap and credit rates Cost allocation model BenCo reported with Storebrand Life 	<p><i>Financial res. -222 mill</i></p> <ol style="list-style-type: none"> Basis risk between interest rates. Volatility between quarters Cost of equity market volatility Cost of interest rate movement/level. Highlighted with low interest rate and distribution of CB between contracts Dynamic portfolio strategy within each quarter

* For basis of comparison the numbers are not adjusted for the BenCo transaction to Storebrand Life Insurance Norway of NOK 53 mill undertaken in Q4

SPP

- stable allocation

Asset allocation guaranteed products SPP AuM NOK 74 bn¹



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

Proposed changes in Norwegian tax legislation

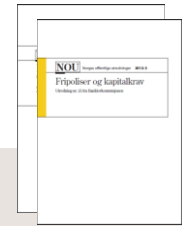
Tax note Storebrand 4th quarter 2011 report

	2011	2010 ¹
Total tax increasing temporary differences	11,107	11,858
Total tax reducing temporary differences	-3,609	-4,765
Losses carried forward	-6,914	-10,451
Allowances carried forward	-773	-1,057
Total losses and allowances carried forward	-7,687	-11,507
Basis for net deferred tax/tax assets	-189	-4,414
Net deferred tax asset/liability in the balance sheet	58	52

¹2010 figures restated

- Proposed changes implies gains and losses from equity investment within EEA being treated as other asset classes
- Uncertainty related to effect, likely future tax rate between 20-25%
- 144 mill in tax cost in 2011. No payable tax
- Deferred tax asset of 58 mill on balance sheet
- 7.7 bn in losses carried forward will shield future result from payable tax

Government Law Commission NOU 2012:3¹



Challenges for paid up policies (from NOU)

- Norwegian product rules
 - need for short duration assets
- Solvency II framework
 - need for long duration asset liability matching
- Lack of availability of long term NOK denominated interest rate risk

Proposals

1. *Voluntary conversion of paid-up policies to paid-up policies with investment choice*
2. *Conversion of small paid-up policies to individual pension agreements*
3. *Shorter pay out period for small paid-up policies*

Storebrand assessment

- Supports proposed changes
- Not enough to solve Solvency II challenges with paid up policies

Process

1. NOU 2012:3

- Expected hearing period from the department of finance until summer 2012
- Expected to take effect from 2013

2. Government Law Commission phase II

- Adapt pillar II pensions to the pillar I pension reform
- New pension product without creating paid-up policies
- Expected release May/June 2012

Storebrand assessment

- Government Law commission with strong and clear mandate
- Defined contribution solution
- Most likely with conversion rights from old DB product

¹ Banking Law Commission, NOU 2012:3, published 17 January 2012

Summary

- Growth in Result before profit sharing and loan losses
- Competitive customer return - strengthened customer buffers
- Regulatory changes
- Board proposes no dividend

