

3rd quarter 2015: Strong savings and insurance sales, quarterly result weakened by volatile financial markets

- **Group result of NOK 176 million for 3rd quarter and NOK 1085 million year to date**
- **Solid growth within savings and P&C insurance in 3rd quarter**
- **Employees with pension in Storebrand choose Storebrand's retail products**

– We deliver a quarterly result characterised by volatile financial markets on the one hand and solid growth on the other. Weak stock markets and reduced returns from the bond market weaken the result, while the underlying business is sound. We experience a substantial income growth from selling savings products, mortgages and property and casualty insurance, says Group CEO Odd Arild Grefstad.

Solid growth within Savings and P&C Insurance

The defined contribution (DC) market in Norway has been growing rapidly over the last few years, soon covering 9 out of 10 employers in the private sector. Storebrand is the market leader in the Norwegian market with a market share around 33 per cent. In Sweden, SPP is the third largest provider in the unit linked insurance market with a market share of 15 per cent of all new business.

– The demand for fund-based savings is growing in both the retail and corporate market. A growing number of companies move their pensions from defined benefit to defined contribution schemes. Moreover, we succeed in offering attractive products and services to retail customers with their pension plans in Storebrand. More than half of the retail customers that choose Storebrand as their provider of financial services, also have their pensions plans with us, says Grefstad.

Storebrand offer mortgages with fixed interest rates up to 20 years

Last week Storebrand launched mortgages with up to 20 years of fixed interest rates. As a pension provider we are used to thinking long term, and this product gives our customers predictable expenses throughout the lifetime of the mortgage.

– We have substantial growth ambitions in the market for fixed interest rate mortgages and strive to give our customers the best possible offer. Mortgages with fixed interest rates are attractive for customers who seek predictability and security for their private economic situation. We now offer our customers a reasonable insurance against higher interest rates, says Grefstad.

Continued cost reductions

Storebrand has set a target for costs as a percentage of income of under 60 per cent. In the third quarter the 12-month rolling average was 59.3 per cent. A reorganisation of Customer Area Norway was announced in October, and a reduction of 65 fulltime equivalents is expected in this business area. More reductions are expected in other parts of the Group in 2016. Strengthening of competitiveness through continued efficiency improvements is prioritised.

Partnership to increase customer centricity and profitability

Storebrand has over the last eight years built an effective and well-run service centre in Vilnius in Lithuania. This company delivers operational and IT-services to the rest of the Group and employs 370 people. In order to further strengthen deliveries to our customers and increase efficiency, Storebrand now considers a cooperation with an external partner, including a part-ownership of this offshore business centre.

– We are now entering the final negotiations about a strategic partnership with leading global actors within operational and IT-services. Such a partnership will pave the way for an even more customer centric development of our IT-solutions and will also involve cooperation on innovation and business development. This will improve customer experiences as well as strengthening our profitability in the years to come, says Grefstad.

Owners cost for increased longevity reduced with NOK 500 million

Storebrand needs to build longevity reserves of NOK 12.4 billion. This must be completed by the end of 2020. By the end of third quarter 2015, NOK 8,3 billion is allocated to meet this requirement, leaving a remaining reservation need of NOK 4,1 billion.

The estimate for the remaining direct result effect of the buffer strengthening is reduced from on average NOK 90 to NOK 65 million per quarter. In sum this will reduce future cost for longevity with approximately NOK 500 million.

Solidity

In 2016, the new solvency regulation, Solvency II, will be implemented. Storebrand's ambition is a solvency margin of 130 per cent including transition rules. At the end of the 3rd quarter 2015 the estimated solvency margin under the Solvency II rules was 146 per cent. Storebrand will continue to implement measures to adapt to the new solvency regulation.

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Contact persons:

Communications Director Elin M. Myrmel-Johansen: e6m@storebrand.no or (+47) 93 48 05 38

Head of IR Kjetil Ramberg Krøkje: kjetil.r.krokje@storebrand.no or (+47) 934 12 155

Storebrand's ambition is to be the best provider of pension savings. The group offers a broad range of products within life insurance, property and casualty insurance, asset management and banking, to companies, public sector entities and private individuals. The group is divided into the segments Savings, Insurance, Guaranteed pension and Other.