

# Storebrand

Result Q1 2012

3 May 2012

Idar Kreutzer – CEO

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# Highlights Q1 2012

## RESULT

- Group result NOK 667 mill in Q1
- SPP result contribution of NOK 355 mill
- 11% premium growth and 85% combined ratio in Storebrand Insurance

## OPERATIONS

- Strong returns to life and pensions customers
- Assets under management increased by 12 bn
- SPP : No 1 unit linked pensions provider in Sweden 4<sup>th</sup> year in a row<sup>1</sup>

## BALANCE SHEET

- Life Group Solvency ratio of 163%
- SPP Solvency ratio of 226%, SEK 500 mill capital contribution to be repaid in May
- Buffer capital strengthened by NOK 3.8 bn<sup>2</sup>

<sup>1</sup> Awarded by 'Søderberg och Partners', the leading insurance broker in Sweden

<sup>2</sup> Storebrand Life Insurance; ASR + MVAR + overvalue bonds at amortized cost; CB – conditional bonuses. BenCo – conditional bonuses

# Storebrand Group

NOK mill.	Q1		Full year
	2012	2011	2011
Storebrand Life Insurance	197	156	481
SPP	355	265	291
Asset management	31	77	293
Bank	56	51	213
Insurance	89	33	280
Storebrand ASA / other	-61	-66	-278
<b>Group Profit</b>	<b>667</b>	<b>516</b>	<b>1 279</b>
Amortisation and write-downs of intangible assets	-95	-100	-394
Profit before tax	<b>571</b>	<b>416</b>	<b>885</b>

# Storebrand Life Insurance

## - Increased result contribution from DC

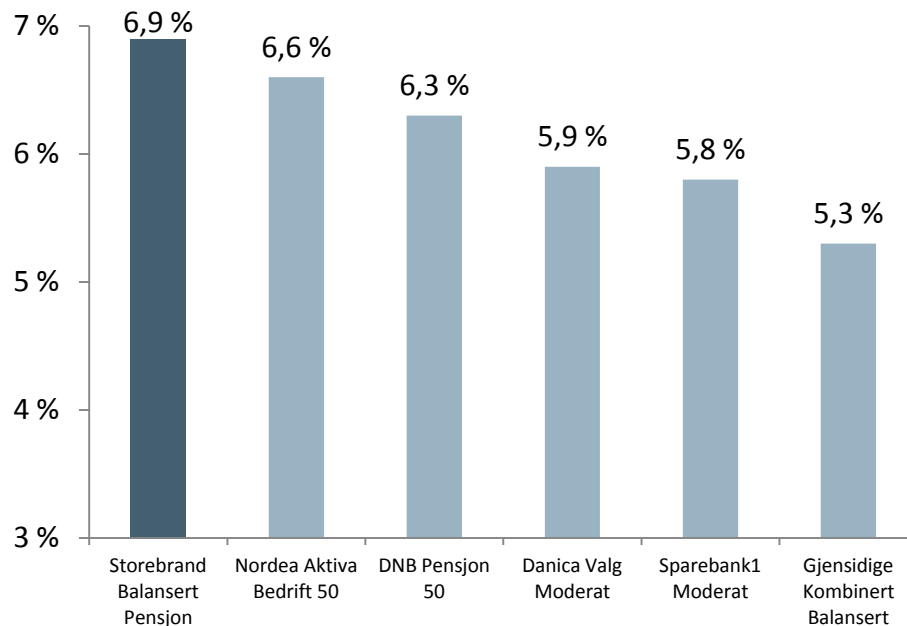
NOK mill.	Q1		Full year
	2012	2011	2011
Administration result	20	20	101
Risk result	50	0	117
Financial result*	-14	6	-226
Profit from risk and interest rate guarantee	138	134	520
Other	2	-5	-32
<b>Profit for Storebrand life insurance*</b>	<b>197</b>	<b>156</b>	<b>481</b>

- Strong customer returns
- Longevity reservation covered by excess investment returns in Q1
  - New mortality tables may increase future reservation for longevity
- Buffer capital strengthening:
  - 2.0 bn in MVAR
  - -0.2 bn in ASR
  - 0.3 bn in unallocated result
  - 0.8 bn in increased value in bonds at amortized cost
- Paid-up policy book closed for transfers

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

# Storebrand Life Insurance

- strong investment returns to life and pensions customers



**Return defined contribution default portfolios 1Q 2012**

- DC - increased result contribution
- New industry standard for reporting returns in line with Storebrand's historic reporting
- 17% increased DC premiums
- Market share 30.4%<sup>1</sup>

<sup>1</sup> Premium income as of 31.12.2011

# SPP

## - improved financial result

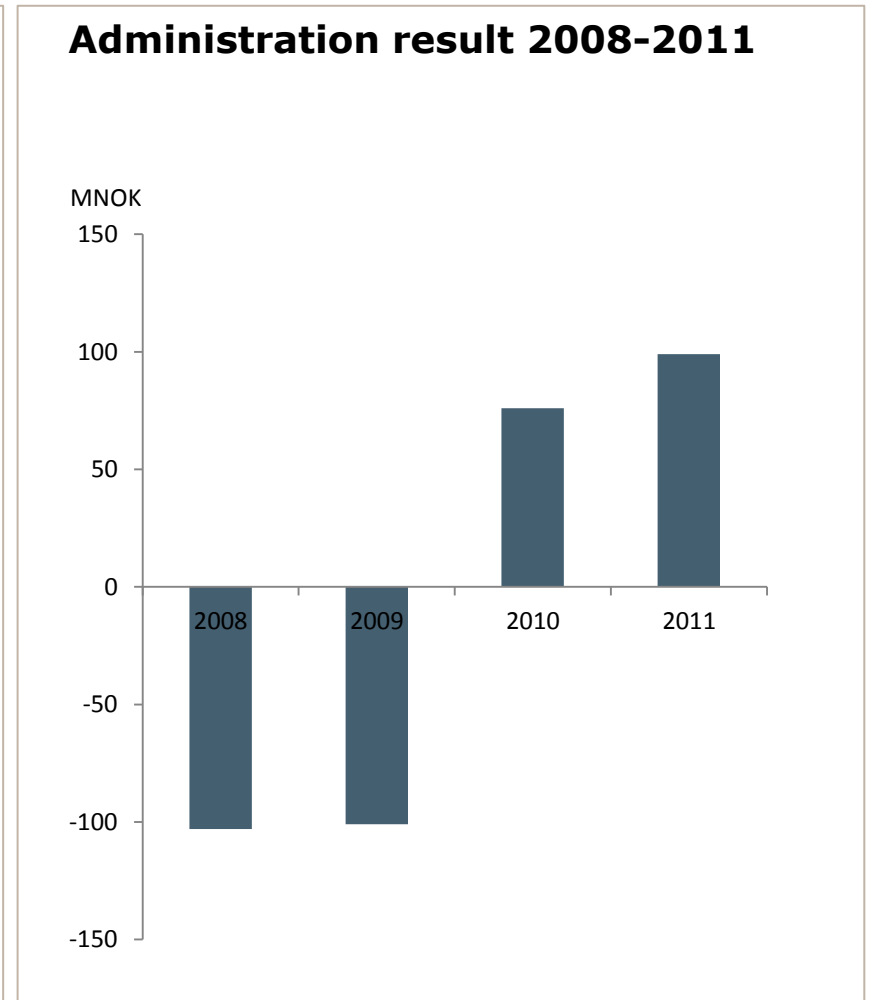
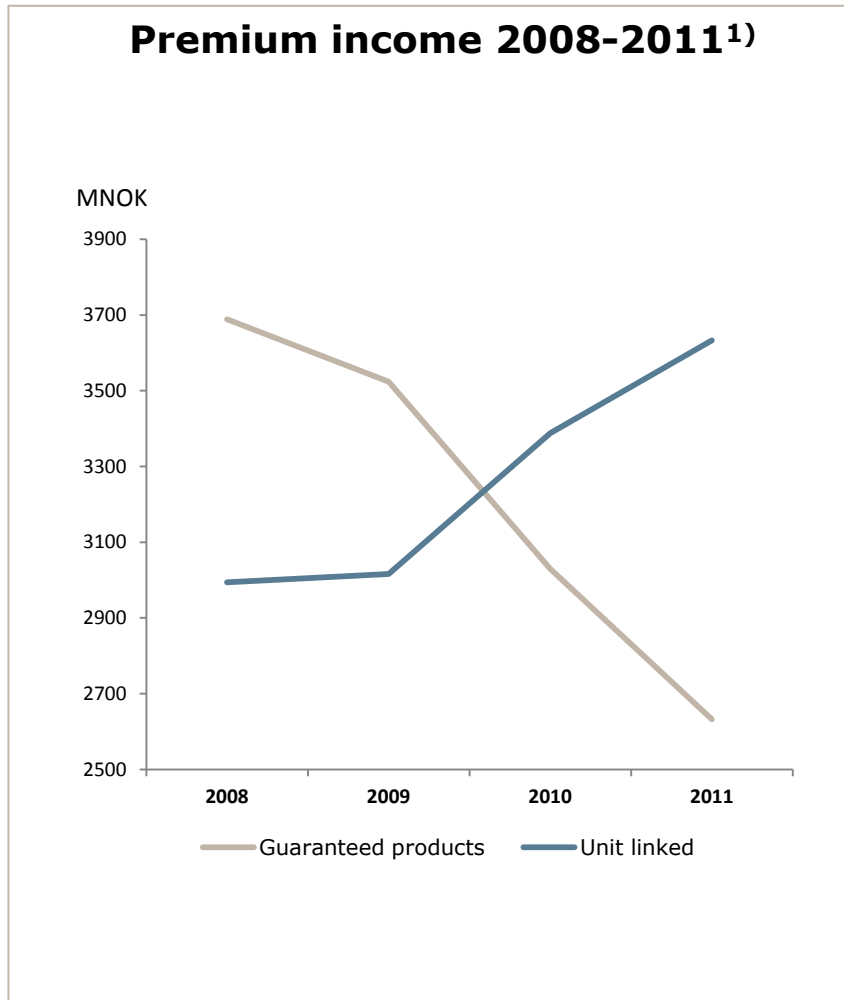


NOK mill.	Q1		Full year
	2012	2011	2011
Administration result	41	31	99
Risk result	45	75	289
Financial result	215	121	-226
Other	54	38	129
<b>Profit for SPP</b>	<b>355</b>	<b>265</b>	<b>291</b>

- Increased revenues and strict cost control
- Indexation fee of NOK 27 million
- Increased buffer capital by NOK 1 bn
- Solvency ratio 226%
- SEK 500 mill capital contribution to be repaid in May

# SPP

## - transformation continues



<sup>1)</sup> Excluding transfers

# Asset Management

## - AuM increased by 12 bn in Q1

NOK mill.	Q1		Full year
	2012	2011	2011
Operating revenue	164	166	684
Operating cost	-128	-118	-481
Operational result	36	48	203
Net performance fees	-8	28	79
Net financial income	3	1	11
<b>Profit from Asset Management</b>	<b>31</b>	<b>77</b>	<b>293</b>

- Accrual effects negatively impact result with 10 mill in Q1
- Investment returns in excess of benchmarks
- Performance fees booked at year end, bonuses reserved up front



# Asset Management

## Portfolio manager of the year



**MORNINGSTAR®**

**Morningstar Fund Award 2012**

'Storebrand Vekst' – Best Norwegian Equity Fund

## Consistent outperformance



**Trolig norgesrekord: Han har slått børsen 12 år på rad**

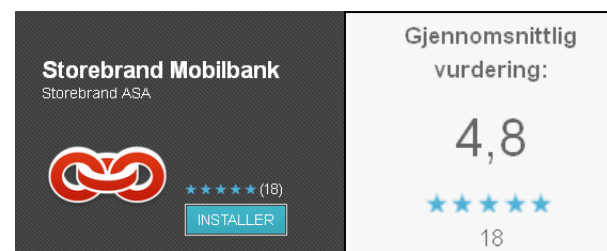
- All Norwegian equity mutual funds have produced strong relative returns since initiation
- 'Aksje Innland' outperformed OSEBX every year last 12 years
- 'Storebrand Vekst' best Norwegian equity fund last 1-5 year

# Bank

## - stable development

NOK mill.	Q1		Full year
	2012	2011	2011
Net interest income	113	116	443
Net fee and commission income	16	20	73
Other operating income	15	15	32
<b>Total income</b>	<b>144</b>	<b>150</b>	<b>548</b>
Operational cost	-94	-95	-345
Profit before loan losses	50	55	203
Loan loss provisions	6	-4	10
<b>Profit from banking activities</b>	<b>56</b>	<b>51</b>	<b>213</b>

- Low loan losses
- Launched new internet bank and mobile bank app



- Gulltaggen



# Storebrand Insurance

## - consistent result improvement

NOK mill.	Q1		Full year
	2012	2011	2011
Premiums earned, net <sup>1</sup>	470	424	1 807
Claims incurred, net	-312	-335	-1 314
Operation costs excl amortization	-86	-80	-332
Insurance result	72	10	161
Net financial result	17	24	119
<b>Profit Insurance activities</b>	<b>89</b>	<b>33</b>	<b>281</b>

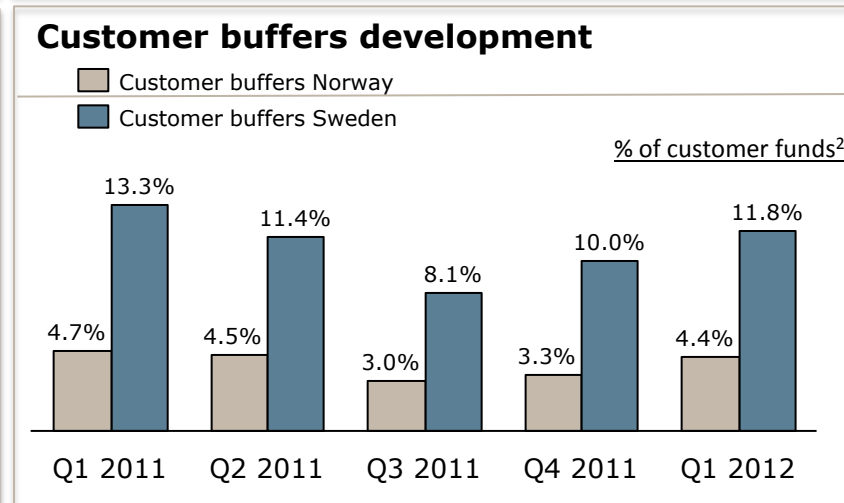
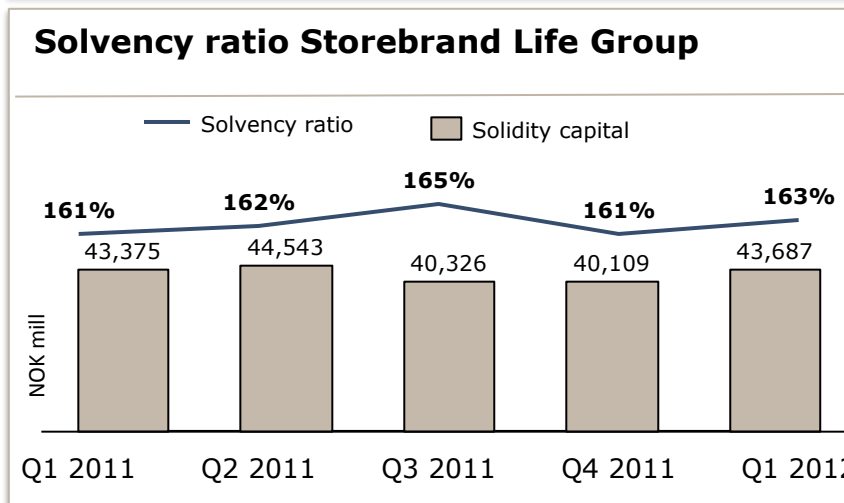
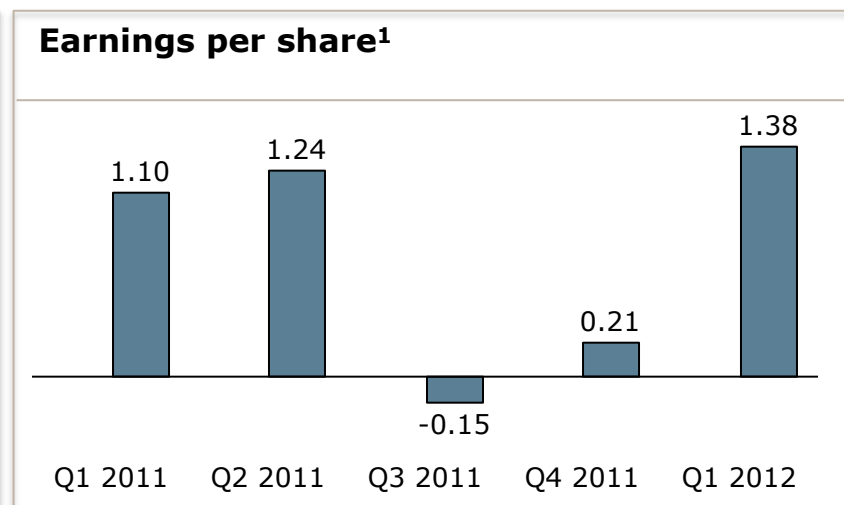
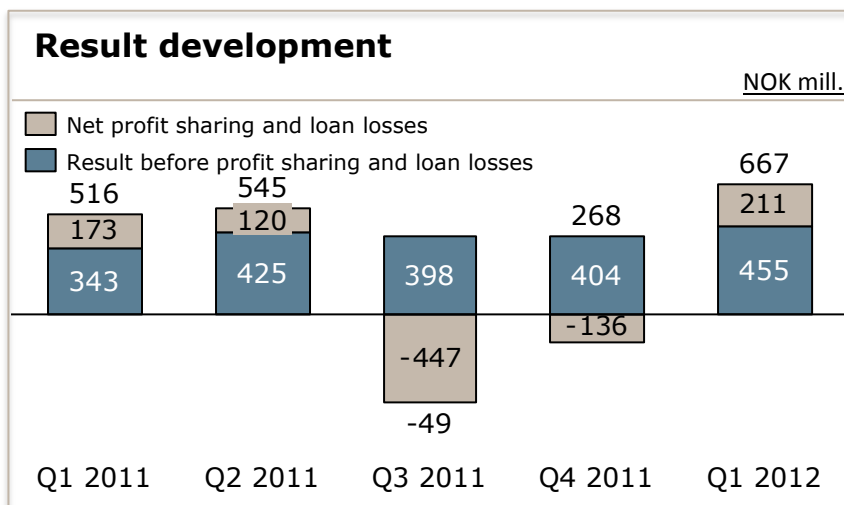
Combined ratio	<b>85%</b>	<b>98%</b>	<b>91%</b>
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- 11% premium increase
- 19% cost ratio
- 66% claims ratio
- Fewer winter related claims than expected

## Storebrand Group – operational reporting

NOK mill.	2012	2011				Full year
	Q1	Q4	Q3	Q2	Q1	2011
Fee and administration income	1 016	973	989	996	994	3 952
Operational cost	-720	-732	-675	-690	-703	-2 800
<b>Fee and administration result</b>	296	241	314	305	291	1 152
Risk and insurance	185	243	192	143	108	686
Holding company and company portfolios	-26	-80	-108	-24	-56	-268
<b>Result before profit sharing and loan losses</b>	<b>455</b>	<b>404</b>	<b>398</b>	<b>424</b>	<b>344</b>	<b>1 570</b>
Net profit sharing and loans losses	211	-136	-447	120	173	-291
<b>Group profit</b>	<b>677</b>	<b>268</b>	<b>-49</b>	<b>545</b>	<b>516</b>	<b>1 279</b>

# Key figures



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

<sup>2</sup> 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 Q1 2012	Result Q1 2011	Full year 2011
Administration result	-14	18	5	11	0	20	20	101
Risk result	29	5	16	0	0	54	0	117
Financial result <sup>1</sup>	0	0	1	4	-18	-18	6	-226
Profit from risk and interest rate guarantees	133	5	0	0	0	138	134	520
Other	0	0	0	0	2	2	-5	-32
<b>Profit for Storebrand Life Insurance Q1</b>	<b>148</b>	<b>28</b>	<b>22</b>	<b>15</b>	<b>-16</b>	<b>197</b>	<b>156</b>	<b>481</b>
Invested assets (NOK billion)	84	25	87	14	8	218	210	213
Change in invested assets (NOK billion)	1	2	2	0	0	5	-	-

\* Fee based \*\* Profit sharing

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

# Storebrand Life Insurance

## - new mortality tables expected

Booked return needed to cover reservation

Years to complete reservation	7	3.8%	4.1%	4.3%
	5	3.9%	4.2%	4.6%
	3	4.1%	4.7%	5.4%
		3%	5%	7%
Possible additional reservation need <sup>1</sup>				
	NOK <sup>1</sup>	2.8 bn	5.6 bn	8.4 bn

- **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
    - Reservation to be made from customer excess return
  
  - **Available for reservation:**
    - 2.0 bn in MVAR
    - 2.6 bn in overvalue bonds held at amortised cost
- Will be available to increase booked return

<sup>1</sup> after 1.5 bn already reserved

# Storebrand Life Insurance

## - increased allocation to bonds at amortised cost



Asset allocation guaranteed products Storebrand Life Insurance AuM NOK 173 bn<sup>1</sup>

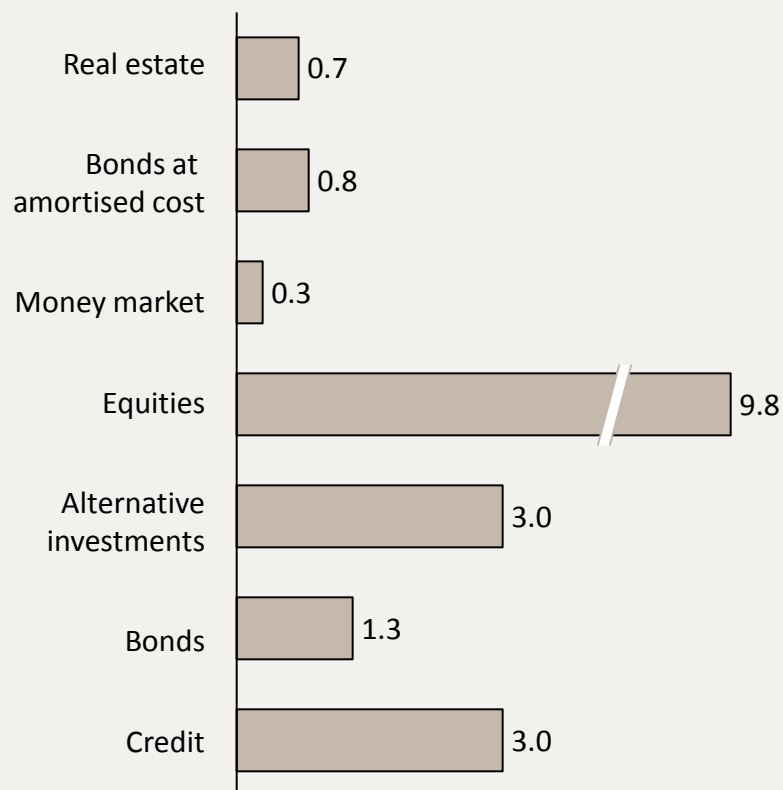
<sup>1</sup>The graph shows the asset allocation for all products with an interest rate guarantee in Storebrand Life Insurance Norwegian operations.



# Storebrand Life Insurance

## - return by asset class and main portfolios

Return by asset class Q1 2012(%)



Return Defined Benefit portfolios

	Value adjusted returns (Q1)	Booked Returns (Q1)	Equity proportion (Q1)
DB - High	3.1%	0.9%	24%
DB - Balanced	2.8%	0.9%	20%
DB - Low	2.1%	0.8%	9%
Individual	1.9%	1.3%	9%
Paid up Policies	1.5%	0.7%	8%
Total guaranteed portfolio	2,1%	0,9%	17%

Return Defined Contribution standard profiles

	Value adjusted returns (Q1)
DC – high equity profile	8.9%
DC – balanced equity profile	6.9%
DC – low equity profile	3.5%

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

# SPP

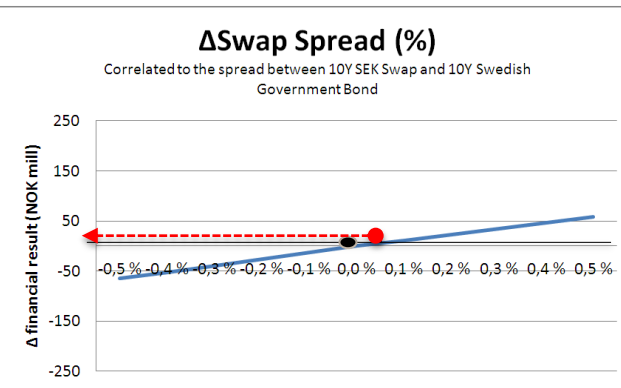
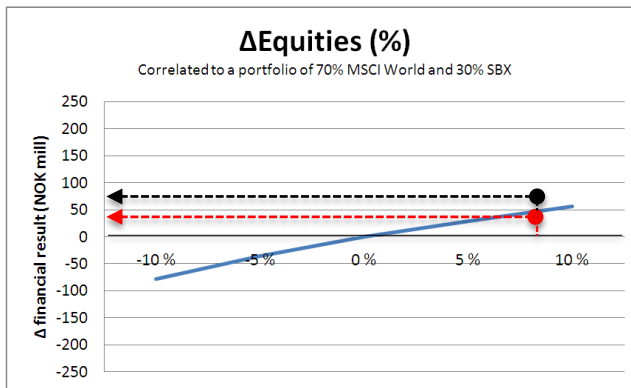
## - financial result NOK 215 mill

### Result development compared to disclosed sensitivities 4Q

● 4Q 2011 Anticipated development

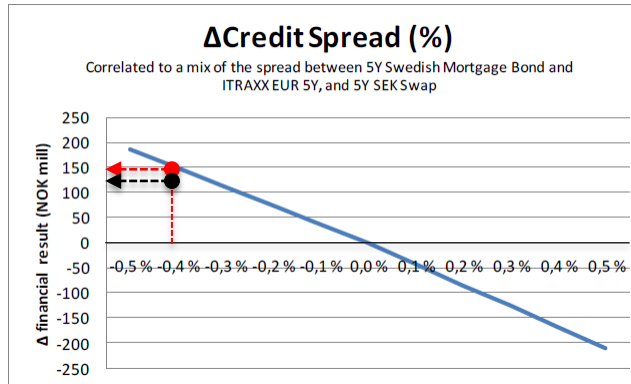
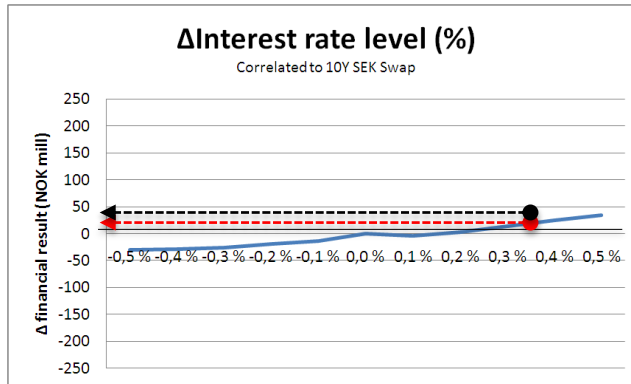
● 1Q 2012 Actual development

**+8,3%**  
● ~45 NOK mill  
● ~70 NOK mill



**+5 bps**  
● ~5 NOK mill  
● ~ 0 NOK mill

**+35 bps**  
● ~20 NOK mill  
● ~35 NOK mill

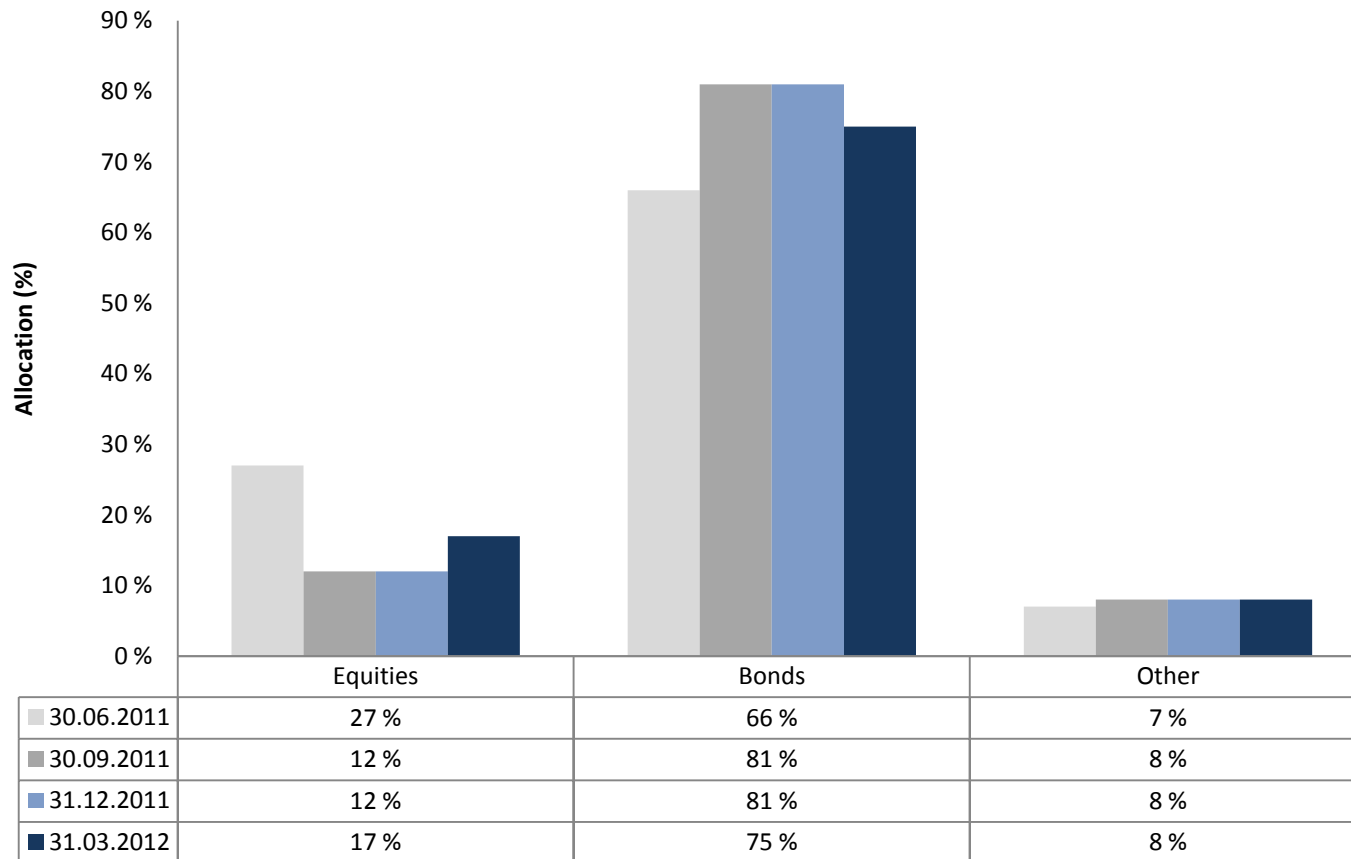


**-40 bps**  
● ~145 NOK mill  
● ~125 NOK mill

● ~-20 NOK mill other residual effects

# SPP

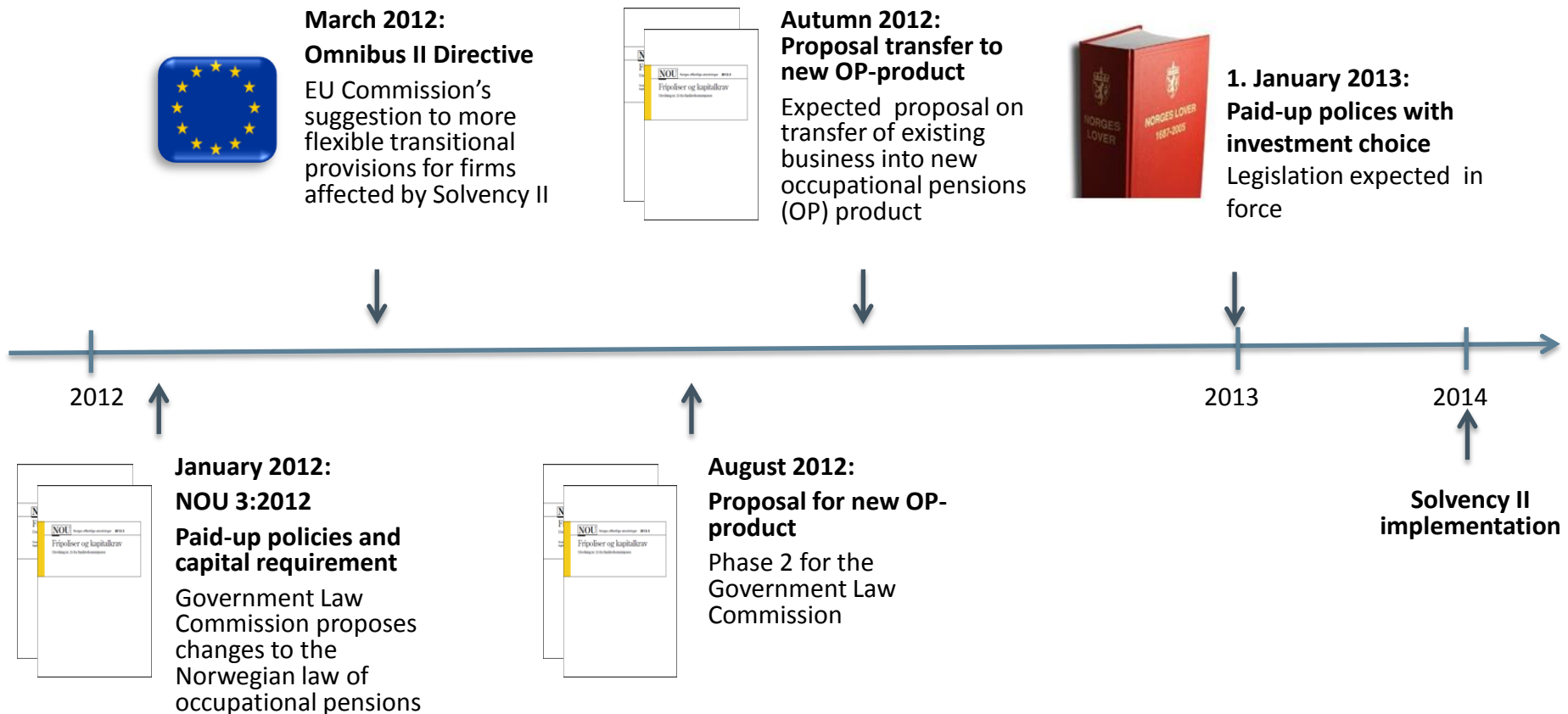
## - asset allocation guaranteed products



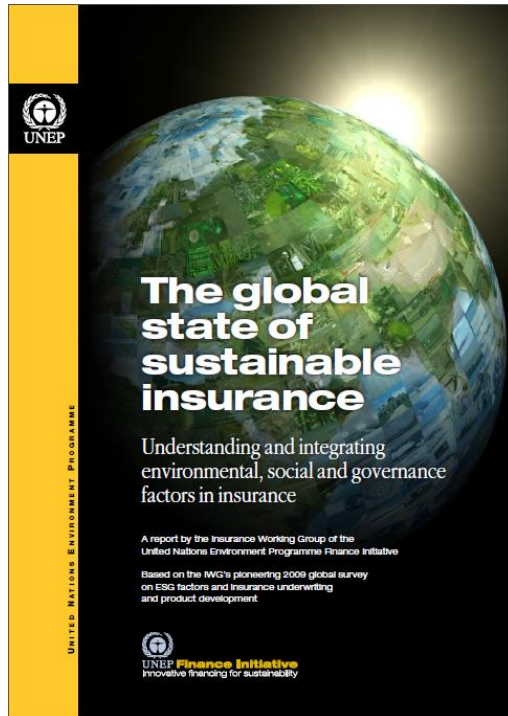
Asset allocation guaranteed products SPP AuM NOK 80 bn<sup>1</sup>

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

# The road map to implement Solvency II in 2014



# Implementing sustainable insurance principles



## The UNEP FI Insurance Working Group



## The UNEP FI Academic Working Group



# Summary

- Result before profit sharing increased by 33% (YoY)
- Strong returns to life and pensions customers
- Customer buffers improved by 3.8 bn

