



# Storebrand

Result Q4 2009

17 February 2010

Idar Kreutzer - CEO

Odd Arild Grefstad - CFO

# Highlights Q4 2009

## RESULT

- Group profit of NOK 596 mill in Q4 and NOK 1.276 mill in 2009
- Good development in results of Life and Asset Management
- Weak net interest income in Bank

## OPERATIONS

- Good sales development in Life&Pensions in Norway and Sweden
- Realisation of synergies ahead of plan
- One-off costs related to restructuring and streamlining

## BALANCE

- Life Group solvency margin up to 170%, ASR up by NOK 1.3 bn
- Group contribution to ASA of NOK 823 mill
- Board proposes that no dividend be paid for 2009

# Storebrand Group

NOK mill.	Q4		Full year	
	2009	2008	2009	2008
Life and Pension Norway	193	406	759	348
Life and Pension Sweden (SPP)	307	1.419	478	831
Storebrand Investments	138	96	240	218
Storebrand Bank	24	-54	63	68
P&C (incl Health)	-1	-9	-18	0
Storebrand ASA / other	-64	-71	-255	-155
<b>Group Profit</b>	<b>596</b>	<b>1.788</b>	<b>1.276</b>	<b>1.310</b>
Write-down of intangible assets		-7		-2.507
Amortisation	-101	-97	-390	-519
Pre-tax profit	496	1.683	887	-1.716

# Life and Pensions Norway

## - buffer capital strengthened

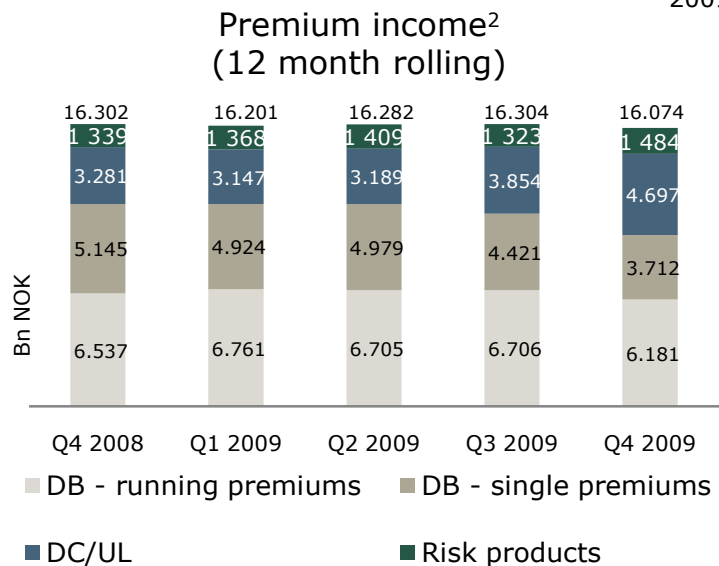
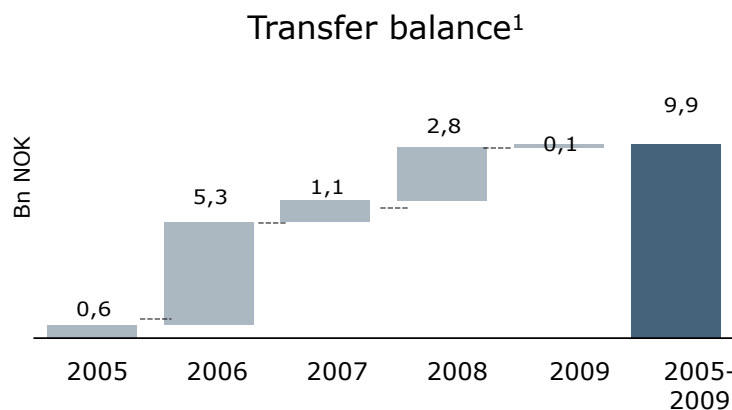
NOK mill.	Q4		Full year	
	2009	2008	2009	2008
Administration result	-19	-56	-169	-177
Risk result	61	12	229	475
Finance result*	16	356	201	-316
Profit from risk and interest rate guarantees	125	96	478	398
Other	8	-2	20	-31
<b>Profit for Norwegian life insurance</b>	<b>193</b>	<b>406</b>	<b>759</b>	<b>348</b>

- Strong sales and positive transfer balance
- Efficiency improvement and cost reducing measures
- Strong balance sheet and strengthened customer buffers

\* Interest result and profit sharing

# Life and Pensions Norway

## - strong sales and positive transfer balance



<sup>1</sup> Transfer balance 2005-2009

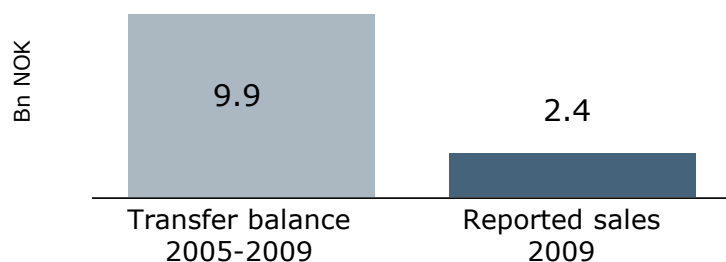
<sup>2</sup> Premium income excluding transfers

- Storebrand has positive transfer balance 5th year running
- Transfers of NOK 2.4 bn notified
- Several large pension schemes have chosen Storebrand as their pensions supplier
- Targeted effort towards public enterprises has provided good results
- Defined contribution pensions now represent 29% of total premiums

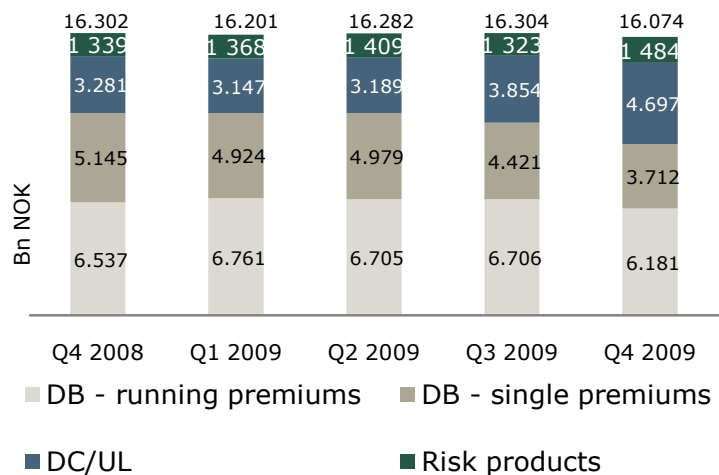
# Life and Pensions Norway

## - strong sales and positive transfer balance

Transfer balance and reported sales<sup>1</sup>



Premium income<sup>2</sup>  
(12 month rolling)



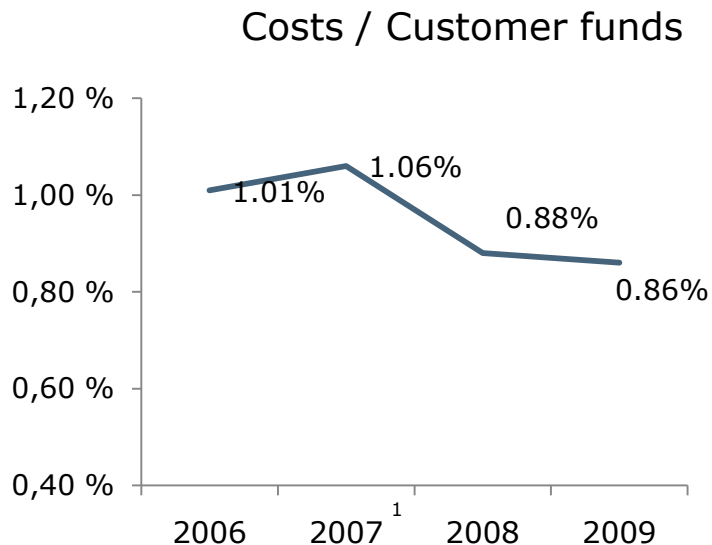
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<sup>1</sup> Transfer balance 2005-2009 and reported sales 2009

<sup>2</sup> Premium income excluding transfers

# Life and Pensions Norway

## - improvement in cost efficiency continues



- Headcount reduced
- Efficiency improvements continue
  - LEAN across departments
  - Tasks moved to Storebrand Baltic
  - Reduced headcount in central functions
- Operational cost target remains fast:
  - Admin. result > 0 in 2010

<sup>1</sup> 2007 Cost ratio is adjusted for deviations from estimates in pensions, which contributed to higher costs in 2007

# Life and Pensions Sweden (SPP)

## - strengthened market position

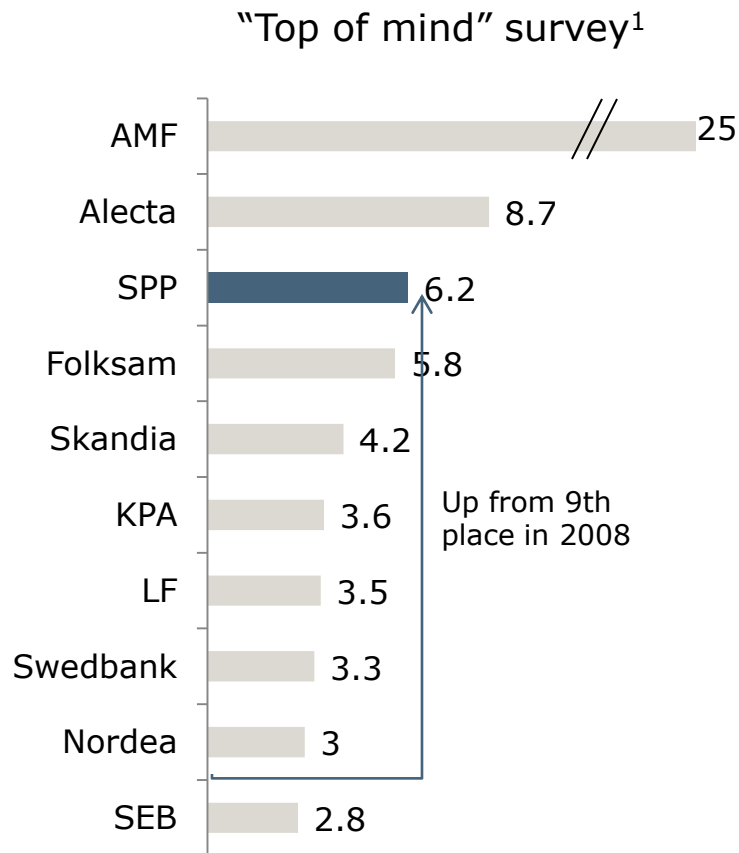
NOK mill.	Q4		Full year	
	2009	2008	2009	2008
Administration result	-37	-104	-101	-103
Risk result	82	95	253	287
Finance result	245	1.184	260	340
Other	17	229	74	307
<b>Profit for Swedish life insurance</b>	<b>307</b>	<b>1.419</b>	<b>487</b>	<b>831</b>

- Increased market share new sales
- Cost synergies realised ahead of plan
- Improvement in underlying operations:
  - Joint IT-organisation
  - Municipal customer administration to Logica
  - Reduced headcount
- Restructuring costs of NOK 30 million in Q4



# Life and Pensions Sweden (SPP)

## - strengthened market position



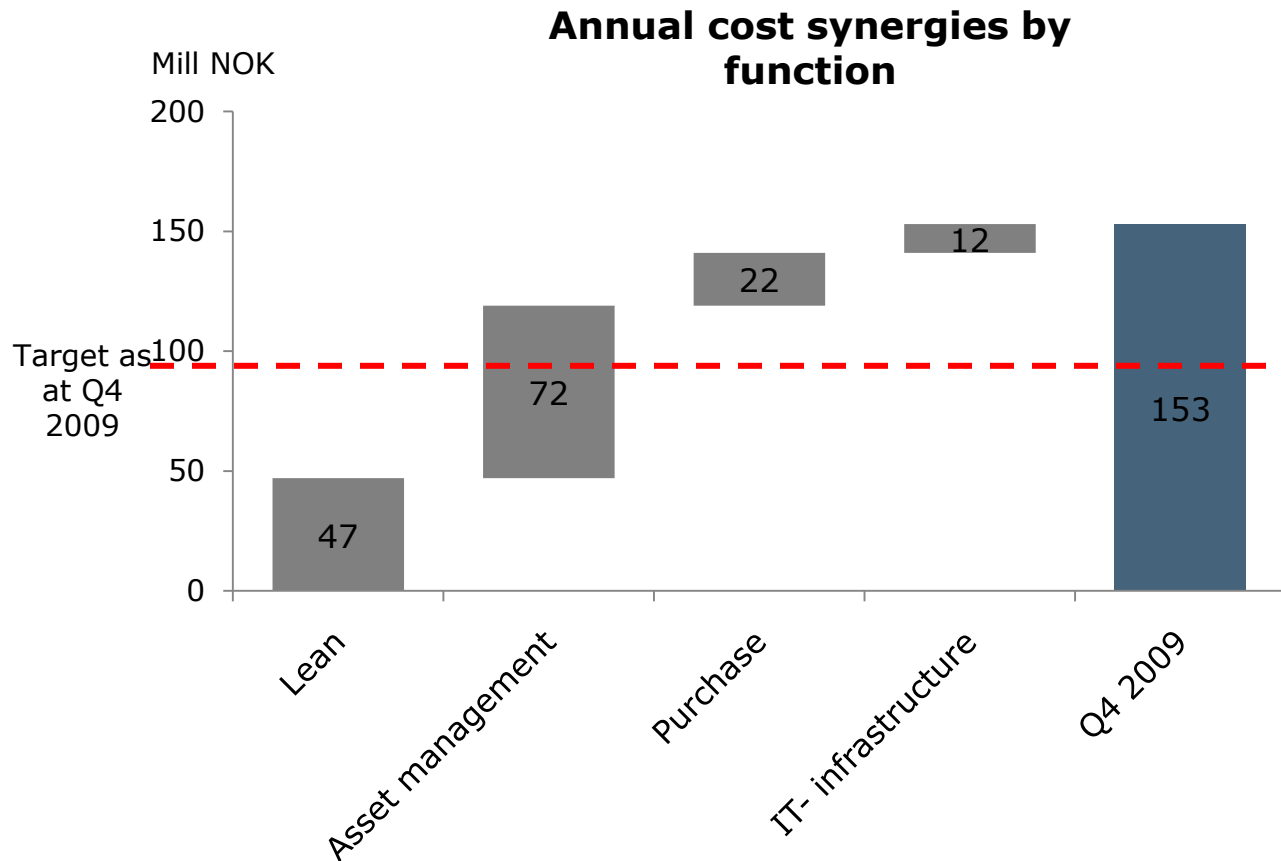
- New sales APE:
  - SPP: +6% in 2009
  - Market share increased to 9.5%\*
- Unit Link represents 55% of new sales
- Top score on all criteria in Söderberg & Partners' Unit Link ranking

<sup>1</sup> Carried out January 2010

\* Market statistics as per 31.12.2009

# Life and Pensions Sweden (SPP)

- cost synergies realised ahead of plan



# Storebrand Investments

## - strong improvement in results

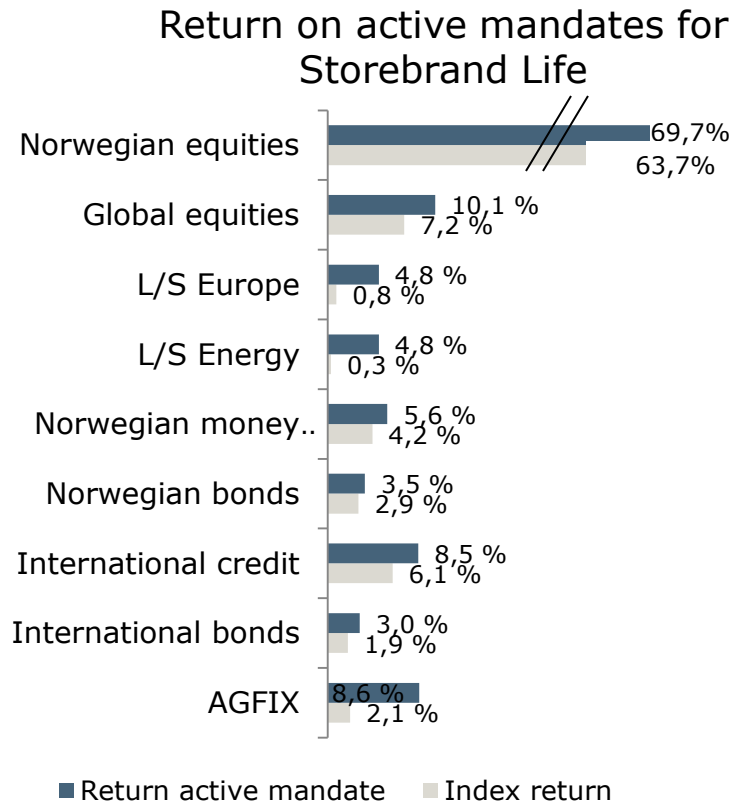
NOK mill.	Q4		Full year	
	2009	2008	2009	2008
Total income*	203	139	496	403
Total costs	-90	-68	-339	-264
Net financial/other	25	25	83	80
<b>Result asset management</b>	<b>138</b>	<b>96</b>	<b>240</b>	<b>218</b>

- Good returns and high value creation
- Market development and new sales increases basis for volume based income
- Transfer of SPP assets, increased assets under management

\* Total income includes volume based income and net performance-based income

# Storebrand Investments

## - good returns

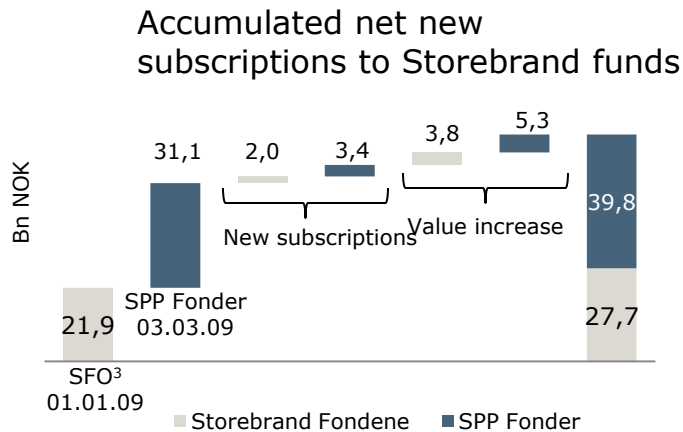


- Active management provided return to Storebrand Life of NOK 977 mill above benchmark indices i 2009
- 90% of Storebrand mutual funds performed better than benchmark in 2009 \*
- 64% of Storebrand mutual funds have performed better than benchmark last 5 years \*

\* Actively managed funds, measured after management fees

# Storebrand Investments

## - strong sales in funds



- Positive net new subscriptions to funds in 2009
  - SPP fonder: NOK 3.4 bn<sup>2</sup>
  - STB funds: NOK 2 bn<sup>1</sup>
  
- NOK 14.5 bn increase in assets under management in 2009
  - SPP fonder: NOK 8.7 bn
  - STB funds: NOK 5.8 bn

1) Excl. group customers  
 2) For the period when the company has had operations, 30.03.2009-31.12.2009  
 3) Storebrand fondene

# Storebrand Bank

## - weak net interest margin

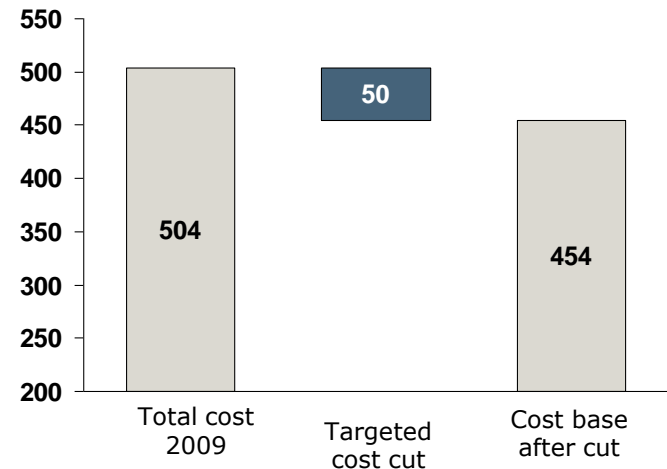
NOK mill.	Q4		Full year	
	2009	2008	2009	2008
Net interest income	104	110	423	512
Net fee and commission income	20	12	76	62
Other income	57	42	148	89
Total income	181	164	647	663
Operating expenses	-134	-132	-504	-473
Profit before loss	47	31	144	190
Loan loss provisions	-23	-85	-81	-122
<b>Profit from banking activities</b>	<b>24</b>	<b>-54</b>	<b>63</b>	<b>68</b>

- Cost reducing measures
- Measures to improve net interest income
- Solid balance sheet
  - High deposit/loan ratio
  - Low losses
  - Stable development in non-performing loans

# Storebrand Bank

- cost reducing measures proceeding as planned

- Cost reducing measures being implemented
  - Reduction in headcount
  - Tasks moved to service center Storebrand Baltic
  - Consolidate Ring offices
  - Streamline and simplify IT structure
- 23 FTEs cut in Q4
- Restructuring costs 2009 – NOK 12 million



# Life and Pensions Norway

## - priority given to building customer buffers

NOK mill.	Group defined benefit *	Defined contribution and unit linked*	Risk products	Individual and paid-up policies**	Company portfolio	Total Q4	2009
Administration result	-10	-6	-8	5		-19	-169
Risk result	6		54	1		61	229
Finance result <sup>1</sup>		-2	10	17	-9	17	201
Profit from risk and interest rate guarantees	125					125	478
Other	3				5	9	20
<b>Profit for Norwegian life insurance</b>	<b>125</b>	<b>-8</b>	<b>56</b>	<b>24</b>	<b>-4</b>	<b>193</b>	<b>759</b>

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

Invested assets (NOK billion) <sup>1</sup>	78	15	3	80	9	185	
Change in invested assets (NOK billion)	0	2	-1	1	-1	1	

- Value adjusted and booked return customer portfolios with interest guarantee : 1.5% in Q4, 4.6% in 2009

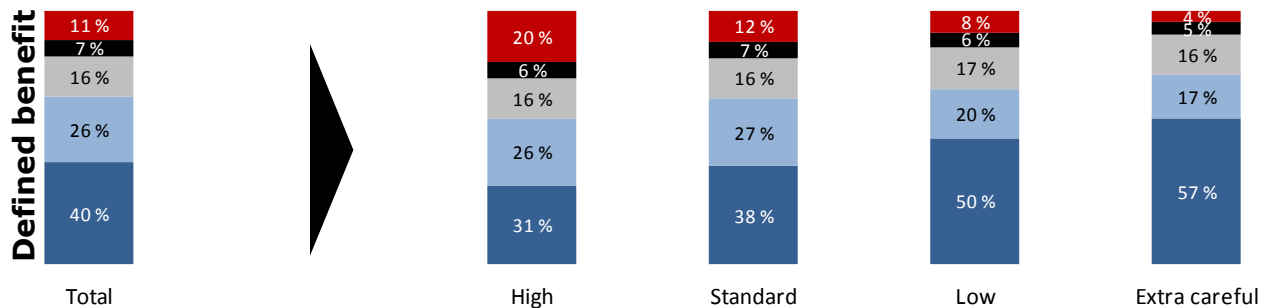
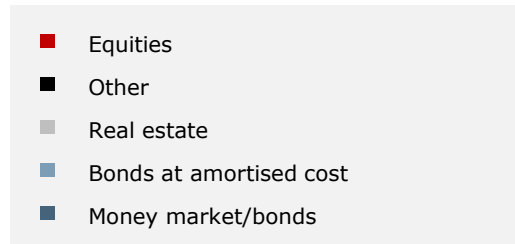
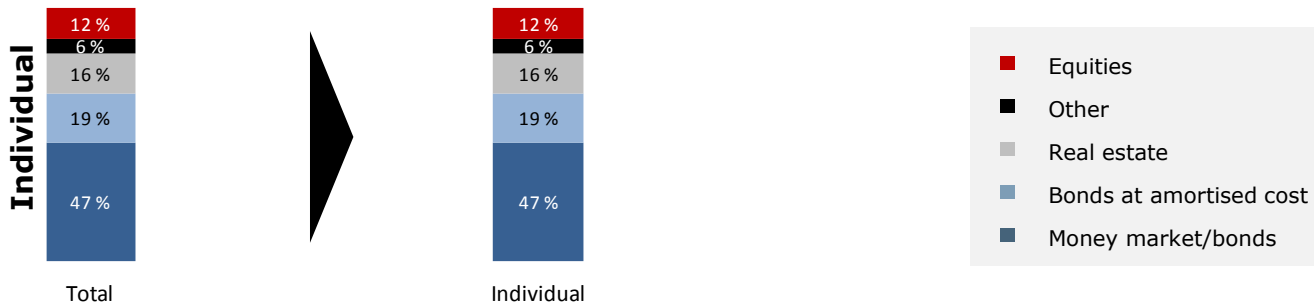
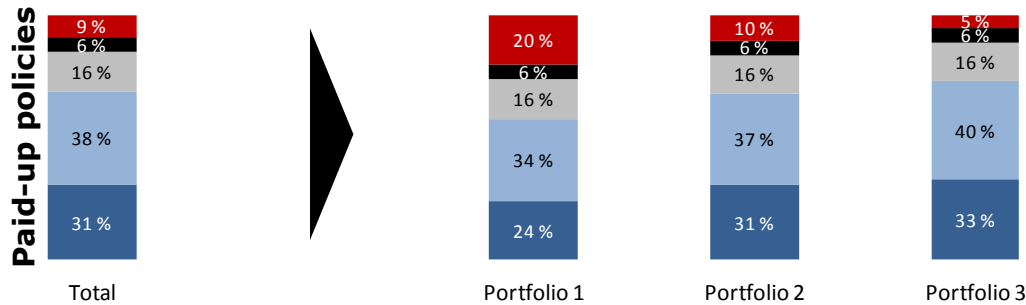
\* Fee based

\*\* Profit sharing



# Life and Pensions Norway

- the paid-up policies portfolio is split in risk customised sub-portfolios





# Life and Pensions Sweden (SPP)

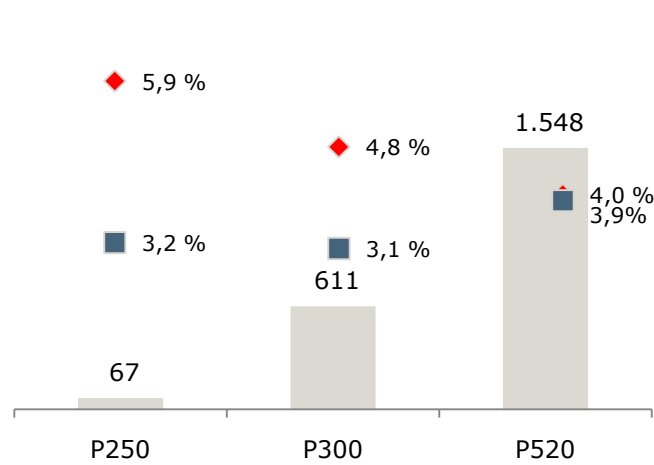
- good return and changes in reserves give strong financial result

- Total financial result of NOK 245 mill in Q4 and NOK 260 mill in 2009
  
- Good return in the quarter:
  - Profit sharing NOK 75 mill
  - Recovery of DCC\* NOK 231 mill
  - Hedge result/other minus NOK 61 mill
  
- Net change in reserve assumptions give positive DCC effect of NOK 82 mill

\*DCC – deferred capital contribution

# Life and Pensions Sweden (SPP)

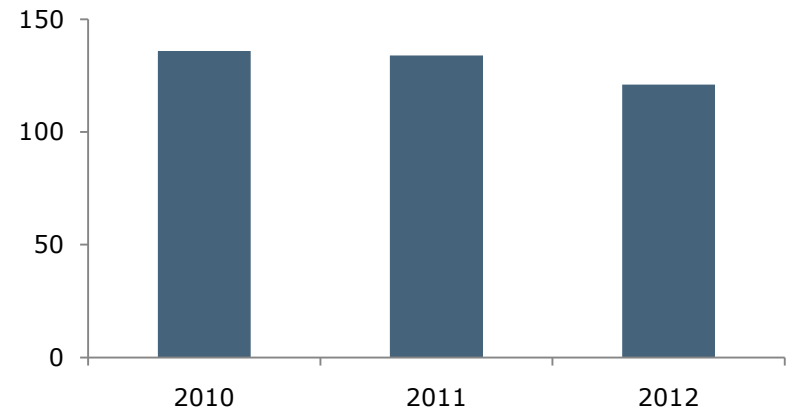
## - expected DCC\* recovery



- Discount rate
- ◆ Expected rate of return
- DCC in the portfolio (MNOK)

\*DCC – deferred capital contribution

Expected DCC recovery\*\*



\*\*

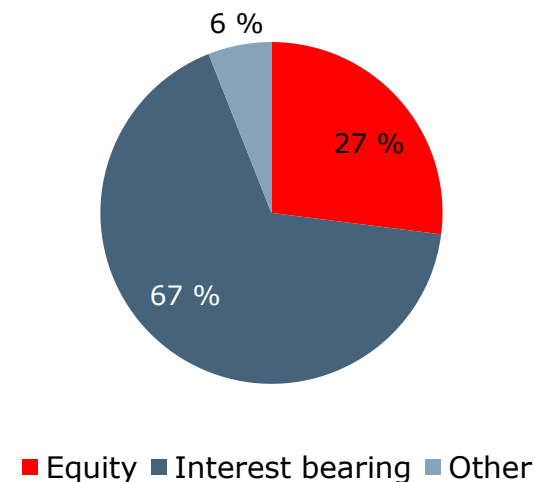
- Expected DCC recovery provided expected return is achieved and no changes in the discount rate arises
- Actual DCC recovery will deviate from expectations
- A negative hedge result will arise which will partly counteract this

# Life and Pensions Sweden

## - improved business model DB\*

- New business model for DB portfolio introduced from 1 January
- Most important changes:
  - Market interest rates used to calculate result to owner
  - Indexation fee (40+40 bp), replaces profit sharing
- Most important consequences:
  - Improved risk management
  - Higher expected return
  - Improved quality of earnings

DB portfolio SPP



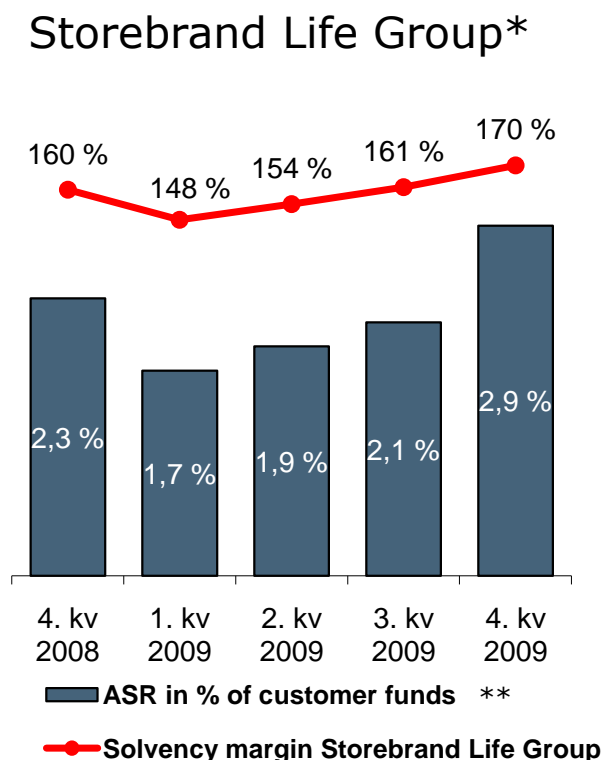
### Key figures

AuM	30,0 mrd
Conditional Bonuses	3,1 mrd
Expected return	5,2%
Discount rate	4,0%
Consolidation ratio	105%

\* As reported in stock exchange notification 26 November 2009

# Life and Pensions

- good solidity and strengthened customer buffers



- Group contribution from Storebrand Life Group to ASA of NOK 610 mill
- Group contribution from SPP to Storebrand Holding AB of NOK 360 mill
- Solvency ratio SPP after group contribution 184% \*\*\*
- ASR strengthened by NOK 1.3 bn to NOK 4.6 bn
- Conditional bonuses strengthened by NOK 455 mill to NOK 8.7 bn

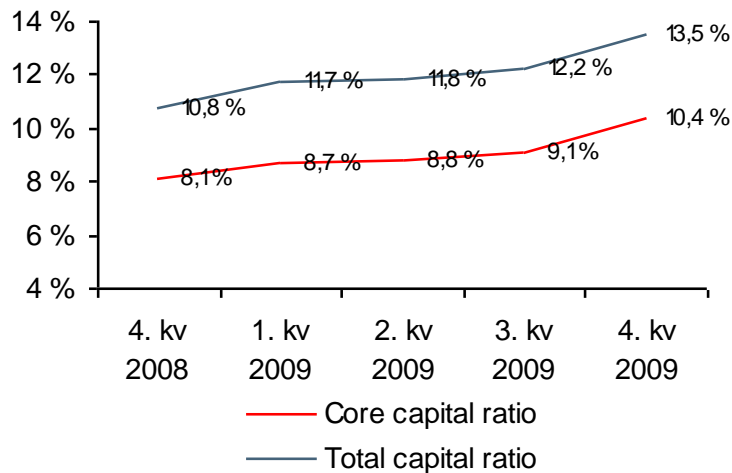
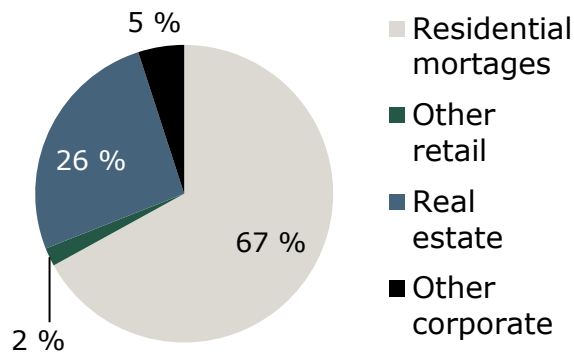
\* Solvency margin shown for Storebrand Life Group, interim numbers only include 50% of result

\*\* Shows ASR as percentage of customer funds excl. ASR

\*\*\* Solvency before group contribution 194%

# Storebrand Bank

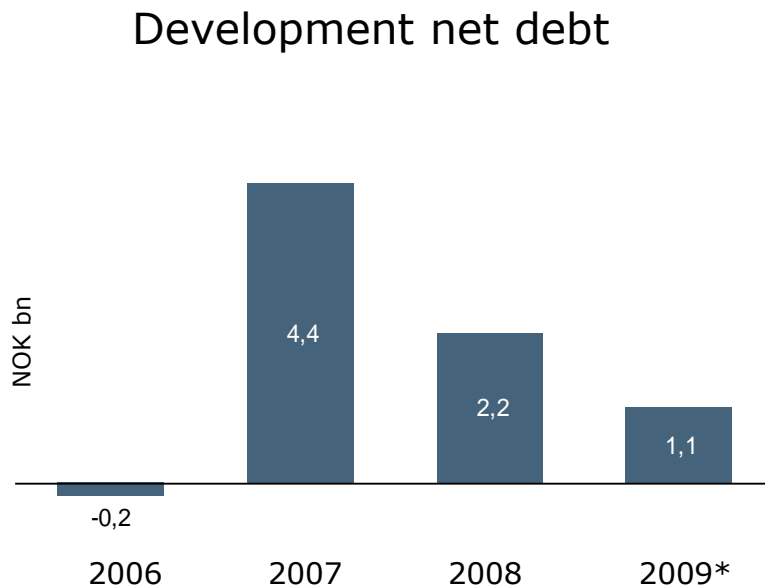
## - strengthened capital ratio



- Reduced net lending by NOK 1 bn in the quarter
- Core capital strengthened to 10.4%
- New liquidity requirements will have little effect on the bank

# Storebrand ASA

## - reduced net debt



- Receive NOK 823 mill in group contributions
- NOK 2.1 bn in liquid assets
- Target net debt ratio of 0
- Next maturity December 2010

\* Calculated after receipt of group contributions



# Pension reform

## – increased requirement for flexibility

### Framework

- Possibility for flexible withdrawals, also from occupational pensions
- New savings rates for defined contribution
- Minor initial adaptations for defined benefit
- Other products not much affected

### Product development and system adaptations

- Possible new products
- Strong focus on system adaptations in

### Communication

- New simulation solutions at [storebrand.no](https://storebrand.no)
- Ongoing guidance for companies / individuals
- Building capacity for increased number of enquiries and possible early withdrawal of pensions





# Solvency II

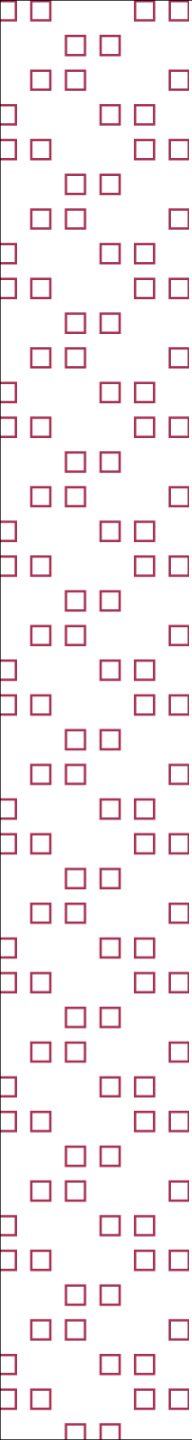
## – Storebrand well prepared

- New regulatory requirements apply to all European insurance companies from 2013
  - Assets and insurance liabilities to be valued at market value
  - Capital requirement to reflect actual economic risk
- Main adaptation themes:
  - Macro model for discounting pension liabilities (Europe)
  - Infrastructure/ alternative investments (Europe)
  - Treatment of customer buffers (Norway and Sweden)
  - Annual interest guarantee and terms for transfer rights (Norway)
- Focused efforts towards successful implementation
  - Group wide project
  - Developing internal models
  - Good dialogue with authorities



# Summary

- Positive development in results and strengthened market position
- Reduced costs and increased efficiency
- Strengthened solidity and increased customer buffers
- Active adjustments to new regulatory frameworks



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

