

# Storebrand

Q1 2013

24 April 2013

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# Highlights Q1 2013

## RESULT

- Group result of NOK 552 mill
- Fee and administration income increased with 7.4%
- Cost program ahead of plan

## OPERATIONS

- 17% growth in non-guaranteed pension premiums
- SPP sold part of its guaranteed municipality business<sup>1</sup>
- New mortality tables published by Finanstilsynet

## BALANCE SHEET

- Life group solvency ratio: 165%
- AuM increased 12 bn Q1 to 454 bn
- Buffer capital<sup>2</sup> increased with 1.5 bn

<sup>1</sup> To be booked in Q2 and Q3

<sup>2</sup> Buffer capital: Additional Statutory Reserves, Market Value Adjustment Reserves, Conditional Bonuses, unrealized market value bonds at amortized cost

# Storebrand Group

NOK mill.	Q1		Full year
	2013	2012	2012
Storebrand Life Insurance	213	197	652
SPP	217	355	803
Asset management	46	31	144
Bank	38	56	238
Insurance	97	89	402
Storebrand ASA / other	-58	-61	-279
<b>Group Profit</b>	<b>552</b>	<b>667</b>	<b>1960</b>
Amortisation and write-downs of intangible assets	-105	-95	-401
Pre-tax profit	447	571	1559

# Storebrand Life Insurance

NOK mill.	Q1		Full year
	2013	2012	2012
Administration result	55	20	6
Risk result	-10	50	131
Financial result*	-23	-14	-58
Profit from risk and interest rate guarantee	178	138	545
Other	13	2	28
<b>Profit for Storebrand life insurance</b>	<b>213</b>	<b>197</b>	<b>652</b>

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

- Revenue growth:
  - Price for interest rate guarantee
  - Increased administration revenues
  - Reserve growth DC
- Cost reduction
- Weak DC risk result (disability)
- Created NOK 0.7 bn in available longevity reserves

NOK mill.	Q1		Full year
	2013	2012	2012
Administration result	42	41	98
Risk result	28	45	149
Financial result	118	215	395
Other	29	54	161
<b>Profit for SPP</b>	<b>217</b>	<b>355</b>	<b>803</b>

- Cost program strengthens administration results
- Financial result supported by strong equity markets and contraction in credit spreads
- Indexation fee of 29 mill in Q1
- Solvency ratio of 250%

# Asset Management

NOK mill.	Q1		Full year
	2013	2012	2012
Operating revenue	176	164	671
Operating cost	-127	-128	-590
Operational result	49	36	81
Net performance fees	-7	-8	53
Net financial income	4	3	10
<b>Profit from Asset Management</b>	<b>46</b>	<b>31</b>	<b>144</b>

- Cost program on plan
- Strong sales of mutual funds in Sweden
- Return in excess of benchmarks of 641 mill
- AuM increased by 12 bn to 454 bn

NOK mill.	Q1		Full year
	2013	2012	2012
Net interest income	129	113	490
Net fee and commission income	16	16	71
Other operating income	-16	15	55
Total income	129	144	616
Operating cost	-88	-94	-386
Profit before loan losses	41	50	231
Loan loss provisions	-2	6	8
<b>Profit from banking activities</b>	<b>38</b>	<b>56</b>	<b>238</b>

- Improved net interest margin to 1.28%
- Reduced cost
- Mark to market effect from fixed interest rate loans, negative effect of 12 mill
- Reduced activity corporate loans

# Insurance

NOK mill.	Q1		Full year
	2013	2012	2012
Premiums earned, net	513	470	1 973
Claims incurred, net	-348	-312	-1 333
Operating cost excl amortization	-95	-86	-375
Insurance result	71	72	265
Net financial result	26	17	137
<b>Profit Insurance activities</b>	<b>97</b>	<b>89</b>	<b>402</b>
Combined ratio	87%	85%	87%

- 9% premium growth in Q1
- Cost ratio stable at 19%
- Strong seasonal claims ratio of 68%

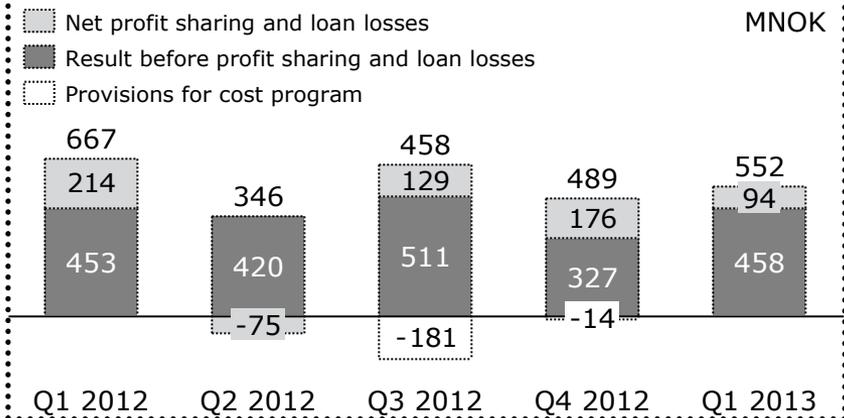
# Storebrand Group – operational reporting

MNOK	Non-guaranteed Savings <sup>1</sup>	Insurance & risk	Guaranteed Savings (Life and pensions)	Other	Total Q1 2013	Total Q1 2012
Fee and administration income	480	-	514	55	1 050	978
Risk result life & pension	-	-	63	-	63	88
Insurance premiums f.o.a.	-	718	-	-	718	599
Claims f.o.a.	-	-556	-	-	-556	-396
Operational cost	-335	-118	-323	-67	-844	-841
Financial result	-	31	-	-4	27	25
<b>Result before profit sharing and loan losses</b>	<b>145</b>	<b>74</b>	<b>254</b>	<b>-16</b>	<b>458</b>	<b>453</b>
Net profit sharing and loan losses	-28	-	119	3	94	214
<b>Group result before amortisation</b>	<b>117</b>	<b>74</b>	<b>373</b>	<b>-12</b>	<b>552</b>	<b>667</b>

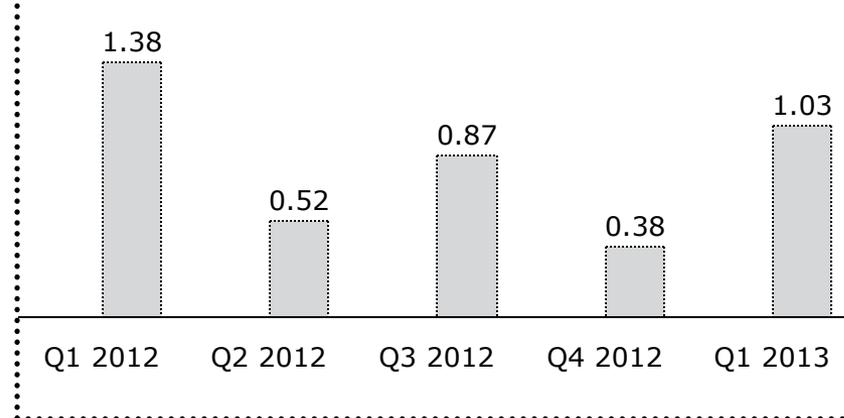
<sup>1</sup>Including retail banking and institutional asset mgmt

# Key figures

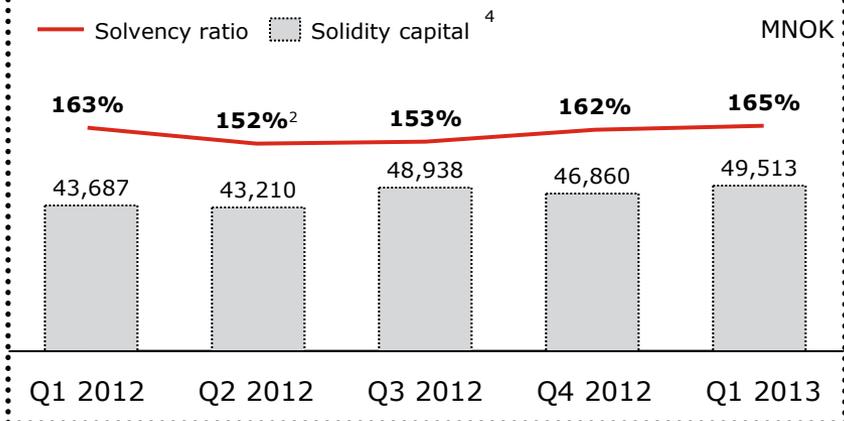
## Result development



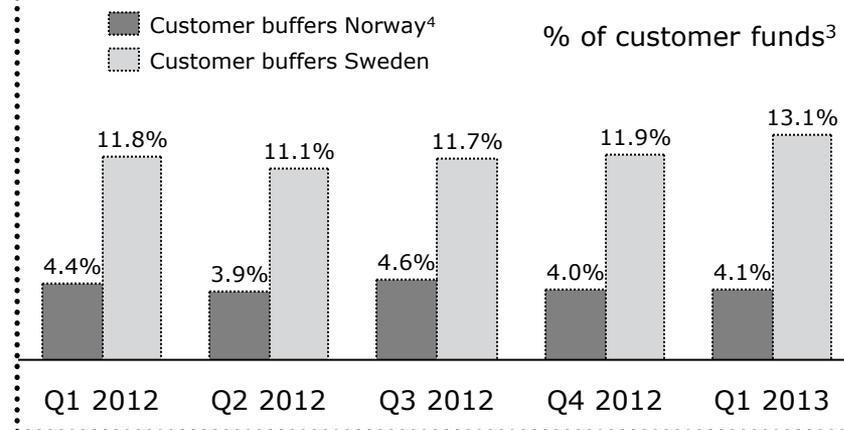
## Earnings per share<sup>1</sup>



## Solvency ratio Storebrand Life Group



## Customer buffers development



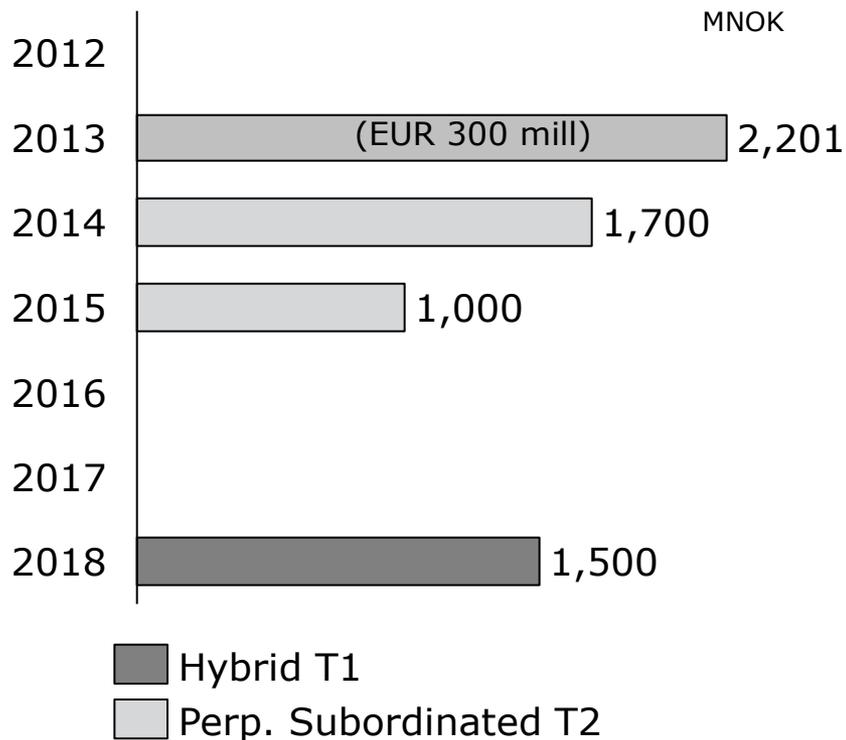
<sup>1</sup> Earnings per share after tax adjusted for amortisation of intangible assets.

<sup>2</sup> Based on changed methodology as noted in stock exchange notification dated 25 June 2012

<sup>3</sup> Swedish buffer levels are restated due to sale of Benco to Storebrand Livsforsikring AS. Customer buffers in Benco are 2.7 bn.

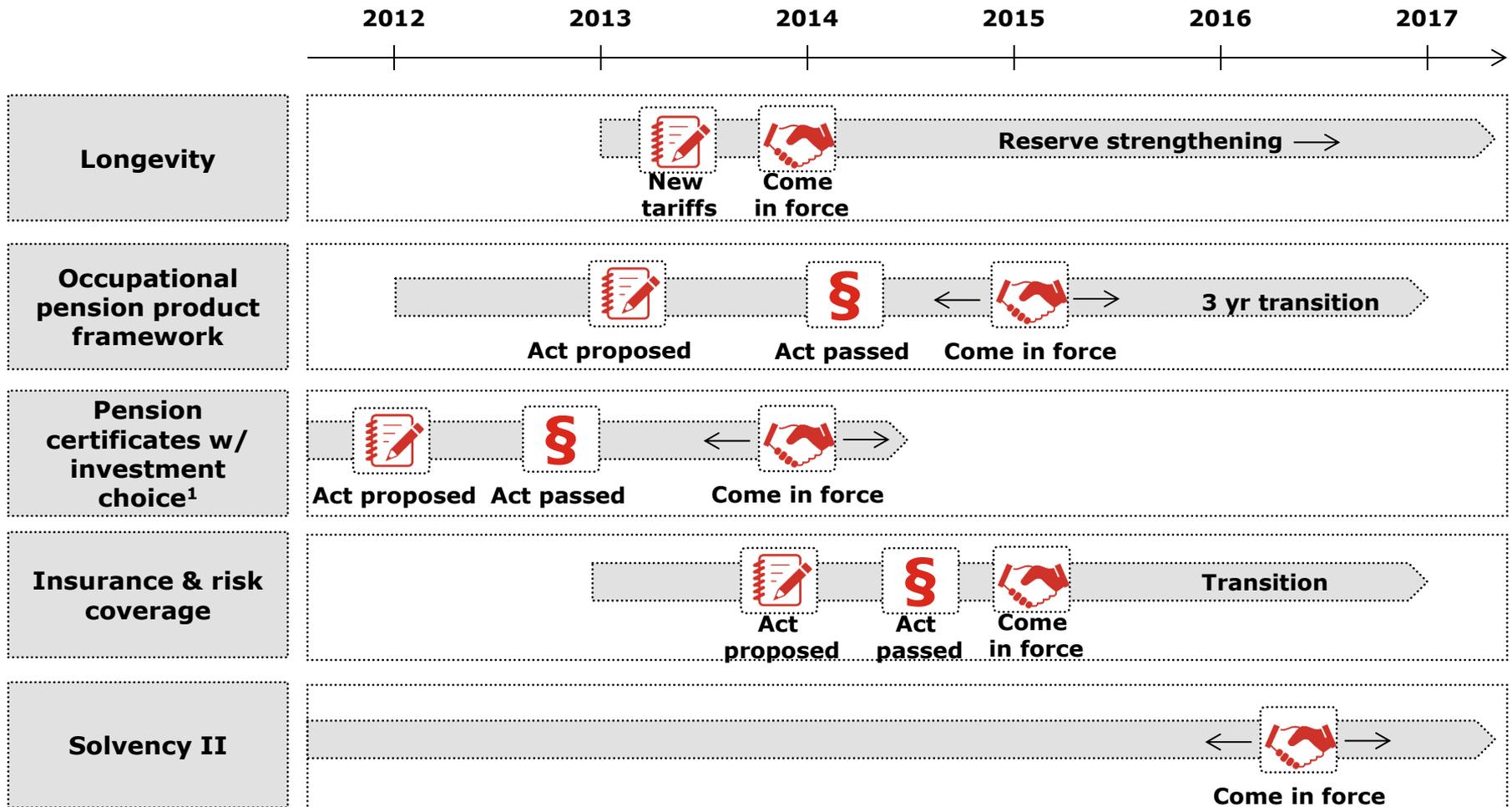
<sup>4</sup> Solidity capital/customer buffers does not include provisions for future longevity reservations

# Term structure bond debt



- New subordinated loan of EUR 300 million signed
- 30 year term, right to repurchase after 10 years
- To replace existing EUR 300 million loan with call date in June 2013
- 6,875 %-point fixed-rate
- Compliant with existing and expected future Solvency regulation

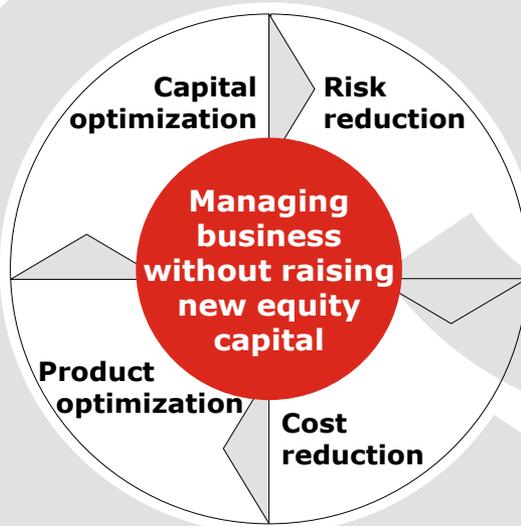
# Important regulatory changes



# Our strategic response to changing market conditions

We work hard to reach our vision:  
**Recommended by our customers**

## Managing the balance sheet



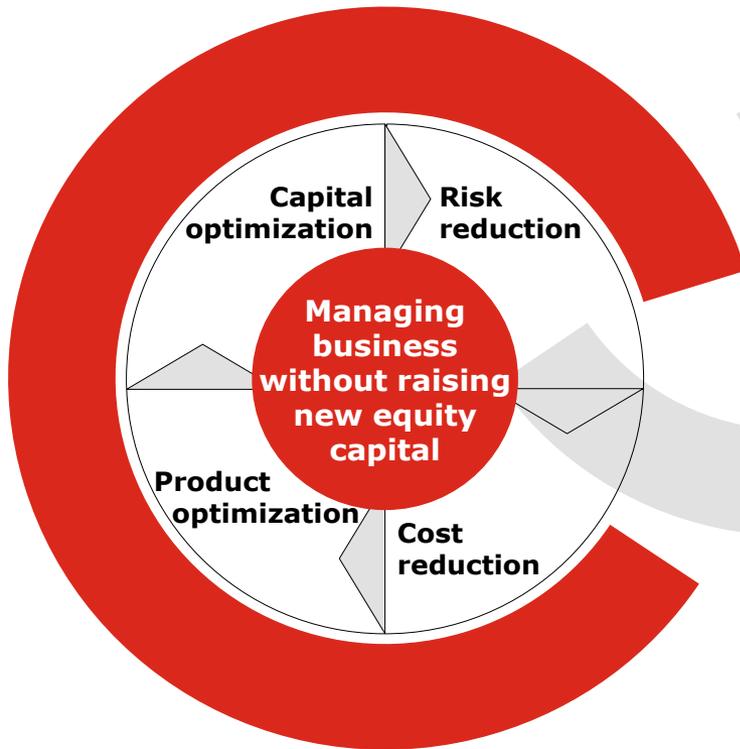
## Developing the business



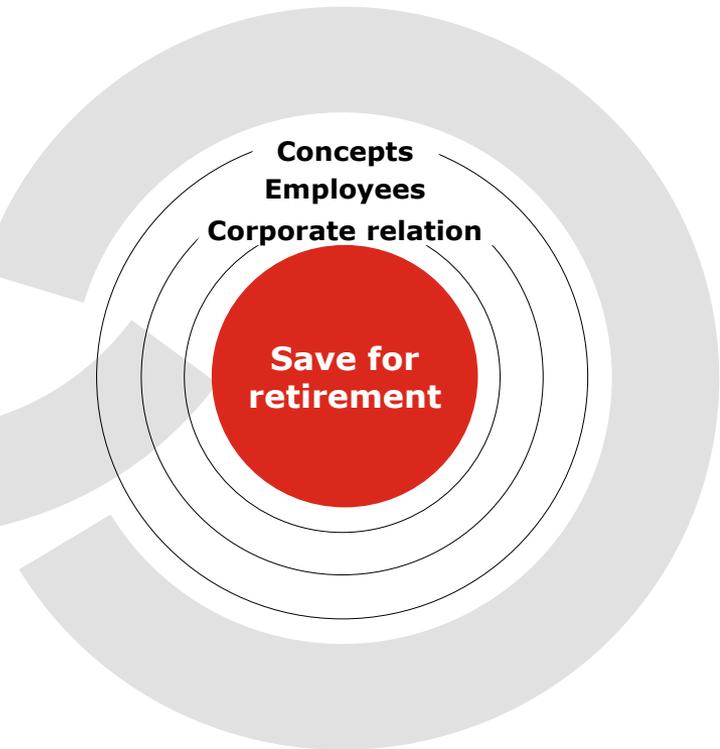
# Our strategic response to changing market conditions

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## Developing the business



# Completed actions in 2013



## Capital optimization

- ✓ 1 BNOK converted from guaranteed to non-guaranteed products
- ✓ New subordinated loan of 300 million euro to SBL

## Risk reduction

- ✓ Optimized real-estate portfolio – sold 7 shopping centers (13% of real estate portfolio)

## Product optimization

- ✓ SPP electable in largest collective pension platform ITP from July 2013
- ✓ SPPs pension service sold to KPA

## Cost reduction

- ✓ Annual savings of 143 MNOK

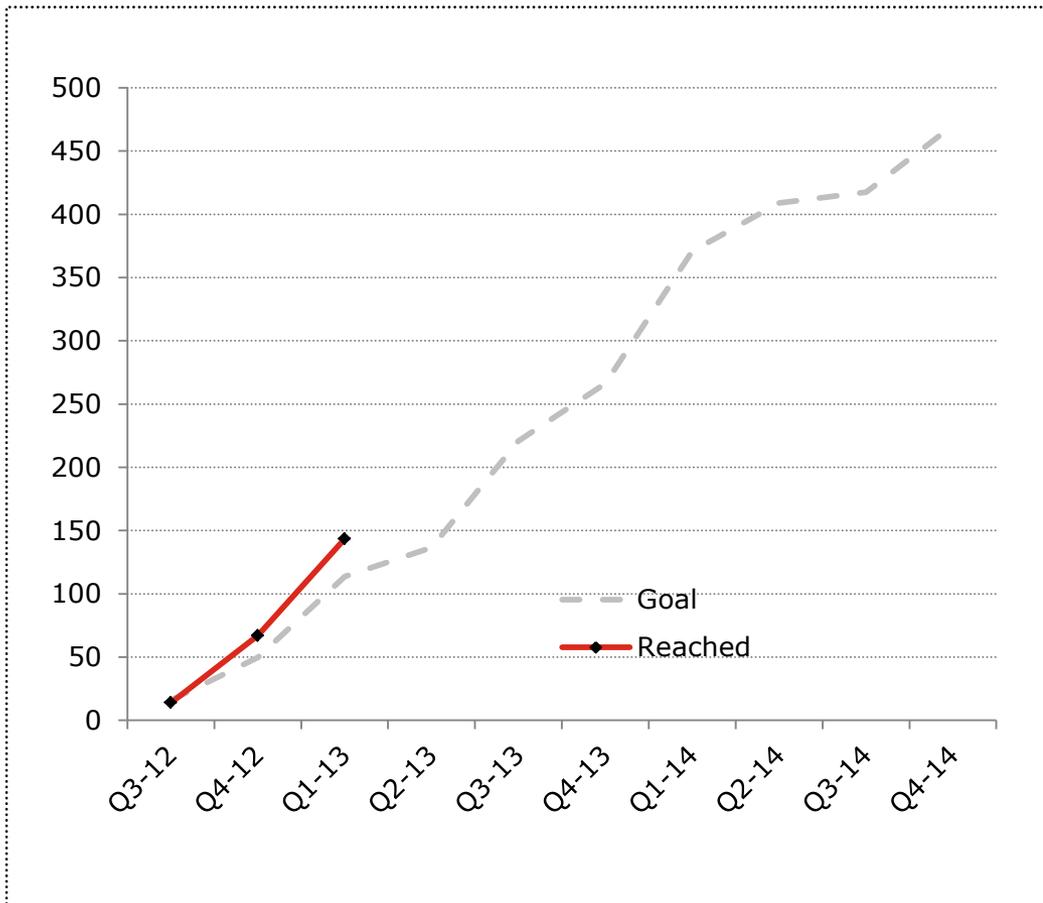
Managing business without raising new equity capital

# Cost reduction: q1 2013

- program executed on plan



Accumulated run-rate, annual effects



## Important realized cost reductions in Q1 2013

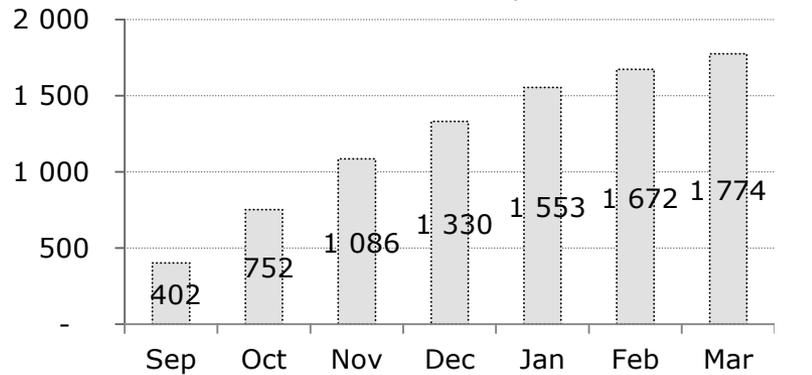
- Reduced number of employees
- Renegotiated sourcing contracts
- Reduced used of consultants

# Conversion to products without guarantees



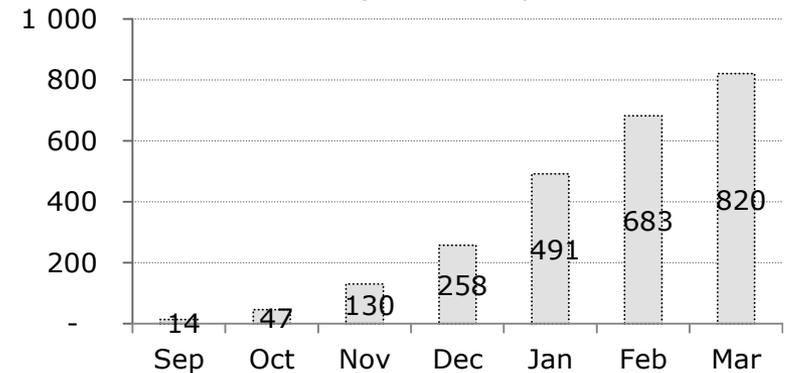
## Storebrand Life Insurance

MNOK Net transfer out of individual portfolio, accumulated



## SPP

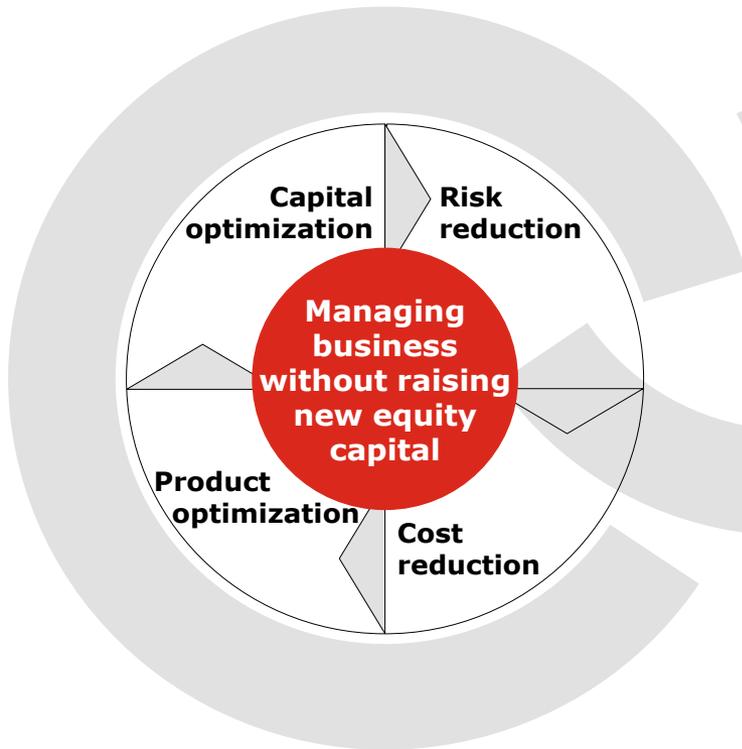
MNOK Net transfer from guaranteed products, accumulated



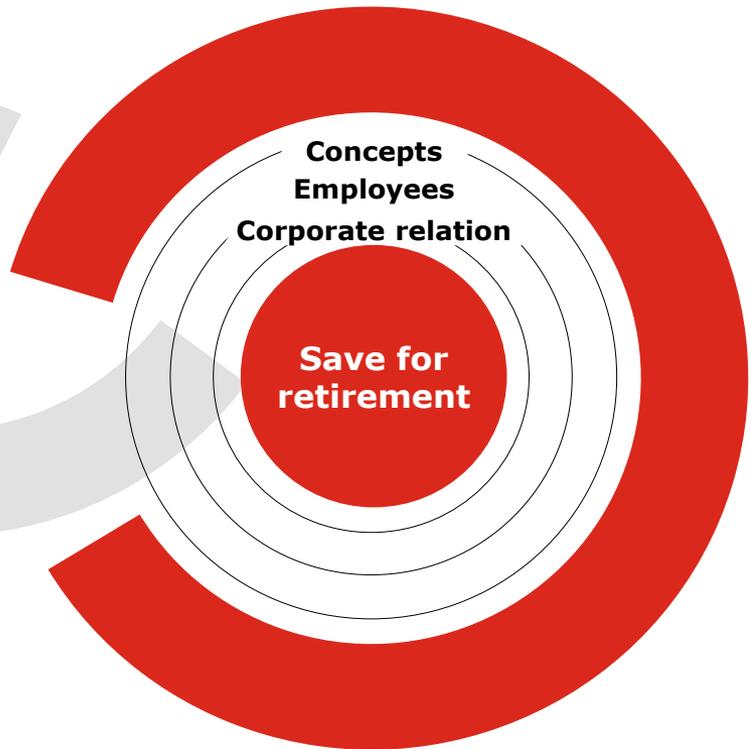
# Our strategic response to changing market conditions

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## Managing the balance sheet



## Developing the business

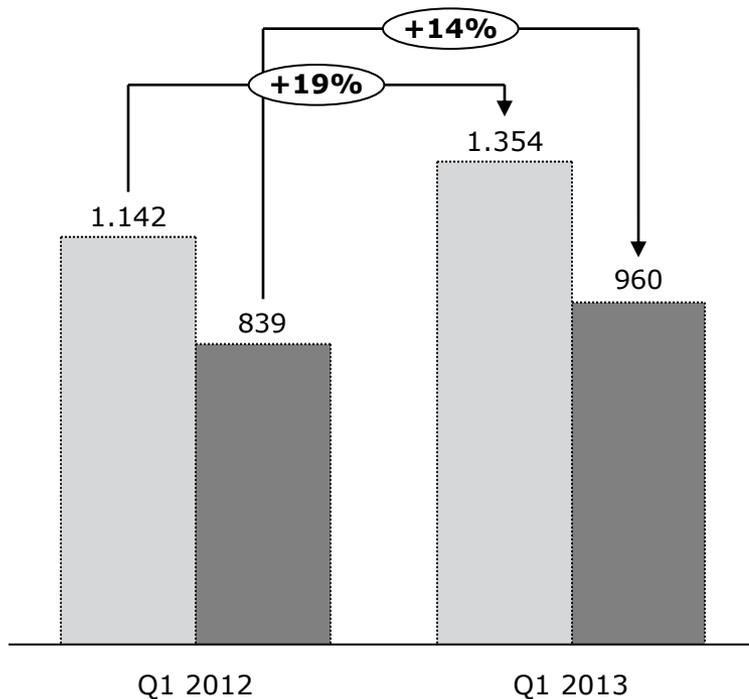


# Strong DC growth in Q1



## DC premiums Q1

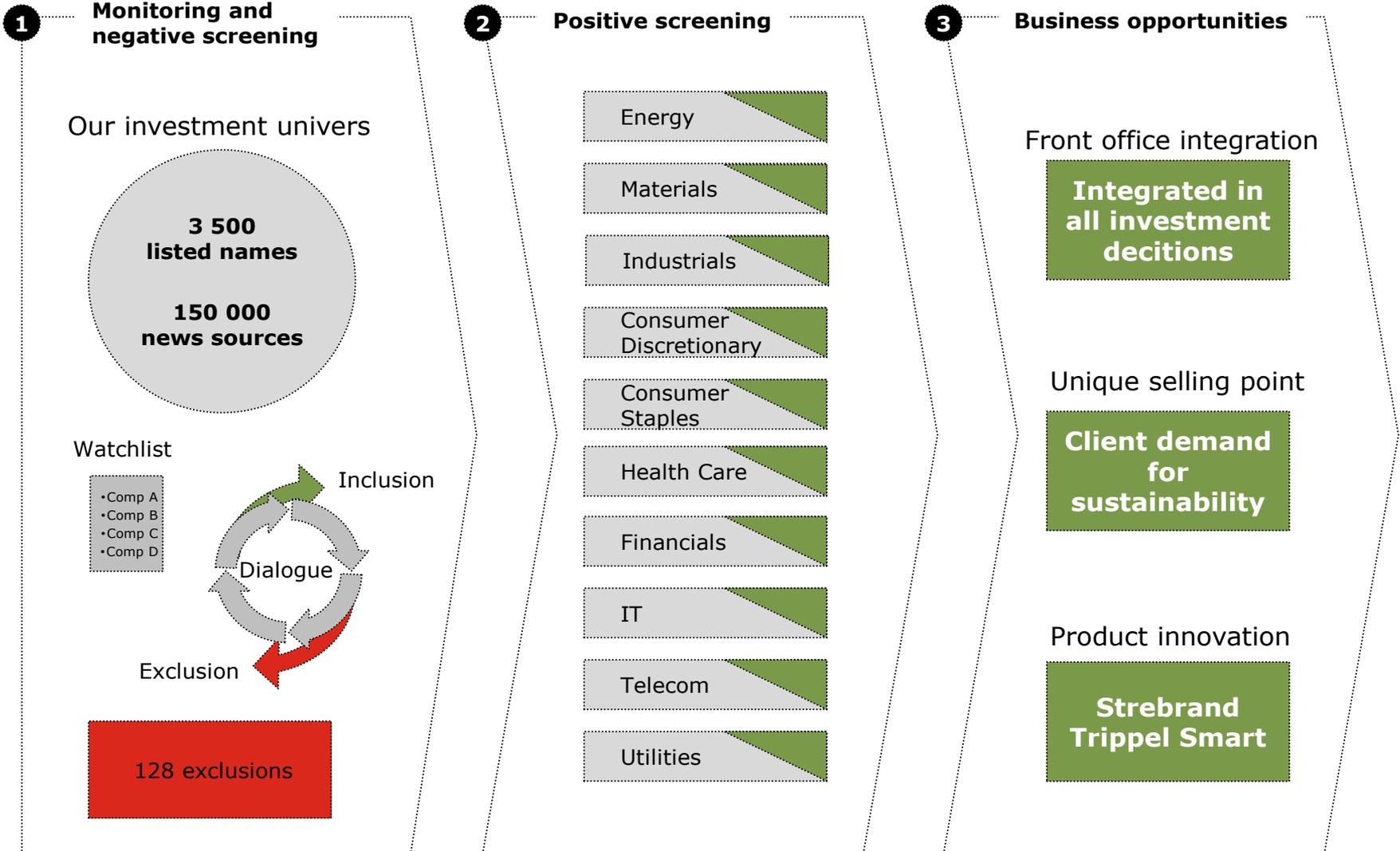
Storebrand Life Insurance  
SPP



- 19% increase in DC premiums in SBL on Q1
- 14% increase UL premiums in SPP
- Net new retail customers increased 3x compared to Q1 2012
- Strong sales in all product lines

# Sustainable investment

- Ensure stable return in the long run



# Summary

- Increased buffer capital
- Revenue growth
- Cost program on plan
- Balance sheet transition



# Appendix:

# Storebrand Life Insurance

NOK mill.	Group defined benefit *	Defined contribution and unit linked*	Individual and paid-up policies**	BenCo	Company portfolio	Result Q1 2013	Result Q1 2012
Administration result	16	38	- 7	8	0	55	20
Risk result	35	- 47	0	2	0	- 10	54
Financial result <sup>1</sup>	0	0	1	- 1	- 24	- 23	-18
Profit from risk and interest rate guarantees	174	4	0	0	0	178	138
Other	0	0	0	0	13	13	2
<b>Profit for Storebrand Life Insurance Q4</b>	<b>225</b>	<b>- 6</b>	<b>- 5</b>	<b>9</b>	<b>- 11</b>	<b>213</b>	<b>197</b>
Invested assets (NOK billion)	83	30	94	17	9	233	218
Change in invested assets (NOK billion)	- 3	1	3	0	0	3	

\* Fee based \*\* Profit sharing

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

# Cost reduction:

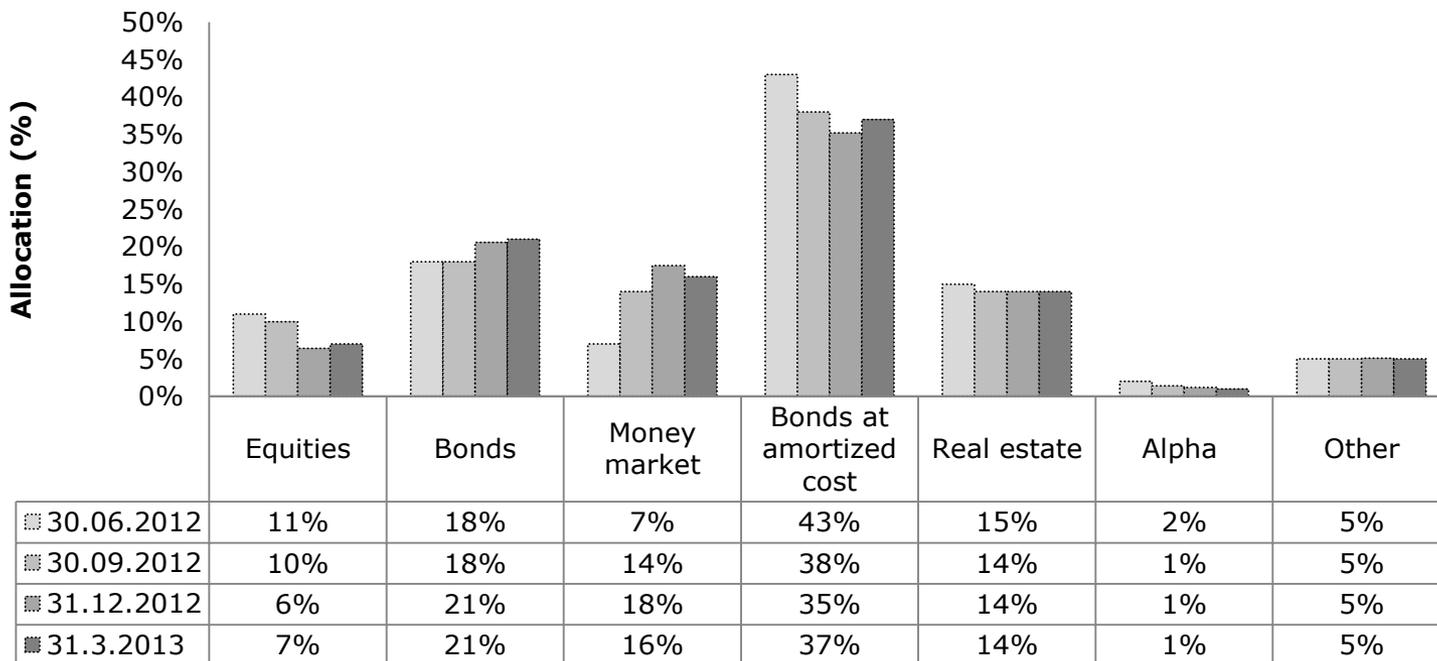
- Reduction of 11 mill in Q1-13

	<b>2011 cost base</b>	<b>2012 cost base<sup>1</sup></b>	<b>Q1 2013 12 mth rolling<sup>1</sup></b>	<b>Target 2014</b>
SBL	1 072	1 134	1 124	
SPP	902	918	930	
Asset Management	481	538	537	
Bank	345	369	363	
Insurance	374	399	409	
ASA	165	180	178	
Adm cost allocated to product with profit sharing	185	218	208	
Costs from subsidiaries	117	117	113	
Total cost <sup>2</sup>	3 641	3 873	3 862	<b>3500</b>

<sup>1</sup> Excluding restructuring cost

<sup>2</sup> Expected cost base 2014 with 2,5 % inflation from 2011 cost base: ~3.900 mill. NOK

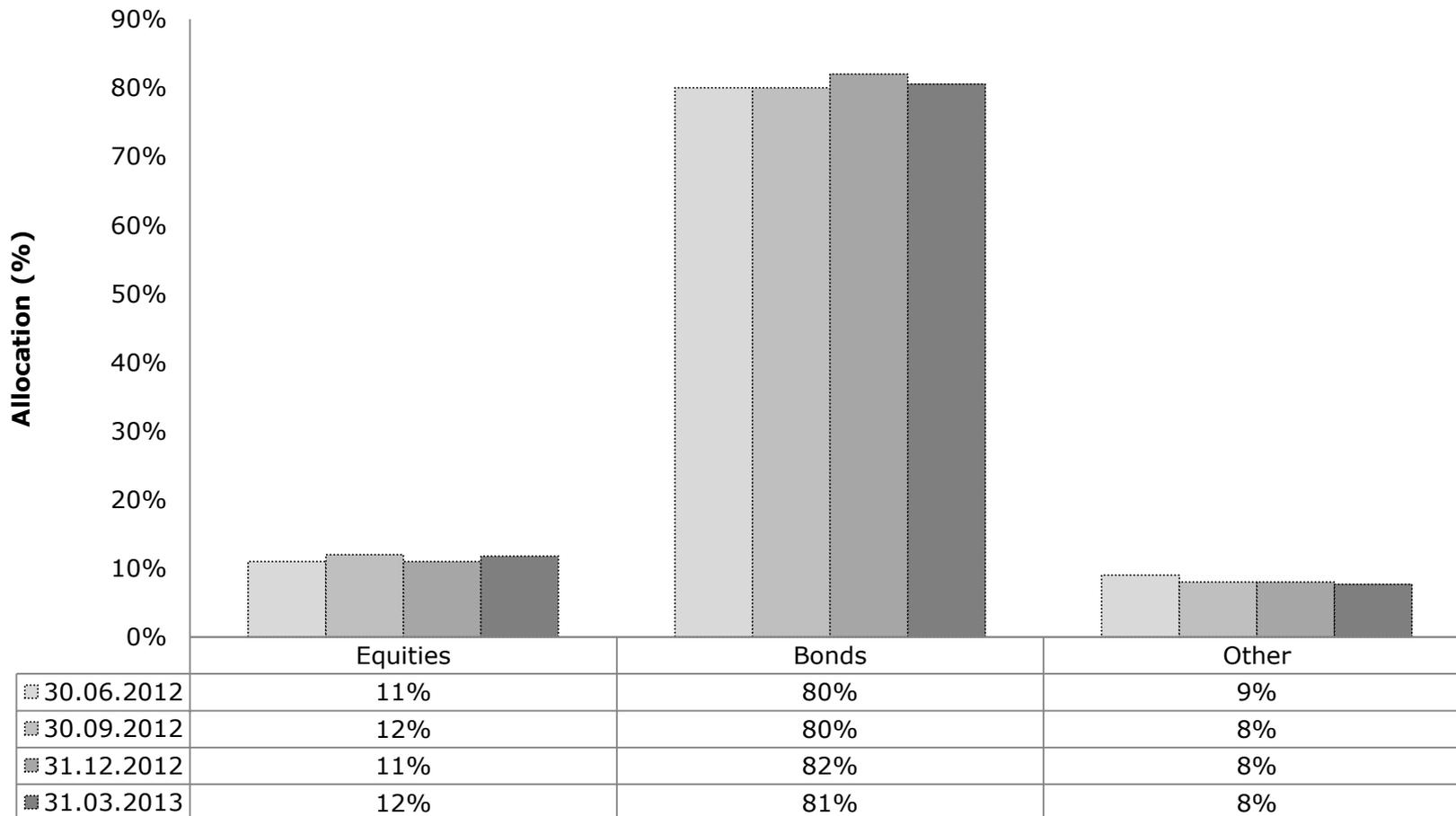
# Storebrand Life Insurance asset allocation



Asset allocation guaranteed products Storebrand Life Insurance AuM NOK 175 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.

# SPP asset allocation



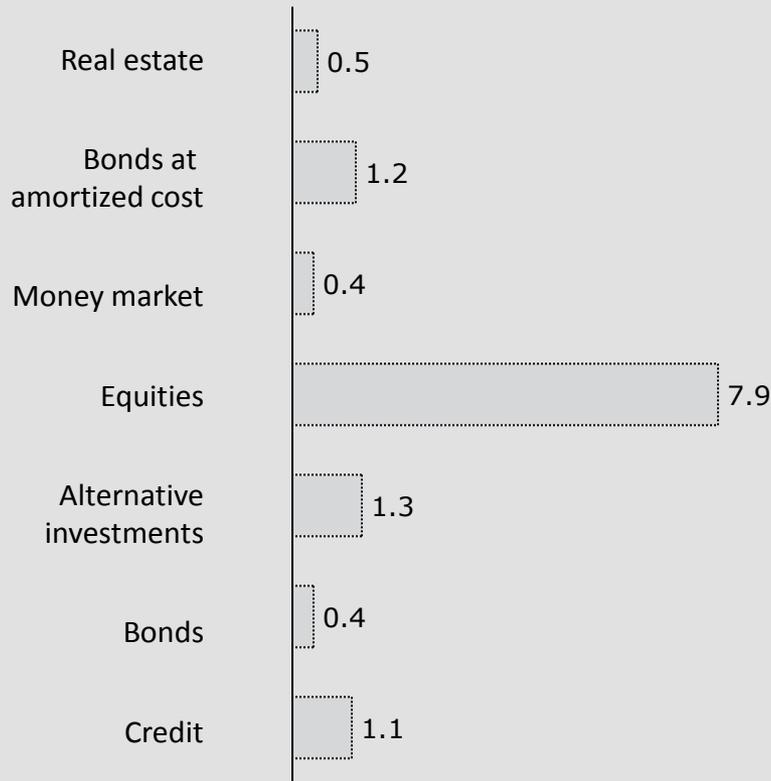
Asset allocation guaranteed products SPP AuM NOK 63 bn<sup>1</sup>

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

# Storebrand Life Insurance

- return by asset class and main portfolios

Return by asset class Q1 2013 (%)



Return Defined Benefit portfolios

	Value adjusted returns (Q1)	Booked Returns (Q1)
DB	1,6%	0,8%
Individual	1,1%	1,0%
Paid up Policies	1,1%	1,0%
Total guaranteed portfolio	1,3%	0,9%

Return Defined Contribution standard profiles

	Value adjusted returns (Q1)
DC – high equity profile	7.2%
DC – balanced equity profile	5.1%
DC – low equity profile	2.4%

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

# Buffer capital strengthened

	<b>31.12.12</b>	<b>31.03.13</b>	<b>Change Q1 2013</b>
Market value adjustment reserves	1 027	1 746	720
Excess value of bonds at amortised cost	5 225	5 279	54
Additional statutory reserves	5 742	5 430	-316*
Provisions for new mortality tables <sup>1</sup>	4 292	4 479	187
<b>Total Storebrand Life Insurance</b>	<b>16 286</b>	<b>16 934</b>	<b>645</b>
Conditional bonus SPP <sup>2</sup>	8 626	9 615	989
<b>Total Storebrand Life Group</b>	<b>24 912</b>	<b>26 549</b>	<b>1 637</b>

\* Whereof 139 mill is due to moves to competitors

<sup>1</sup> Including unallocated customer returns. Year end disposal may change this figure..

<sup>2</sup>Excluding conditional bonus in Benco