

Storebrand  
Q1 2015

MCEV 2014

29 April 2015

Odd Arild Grefstad – CEO  
Lars Aa. Løddesøl – CFO



# Sustainable pensions = better pensions

Exclusion

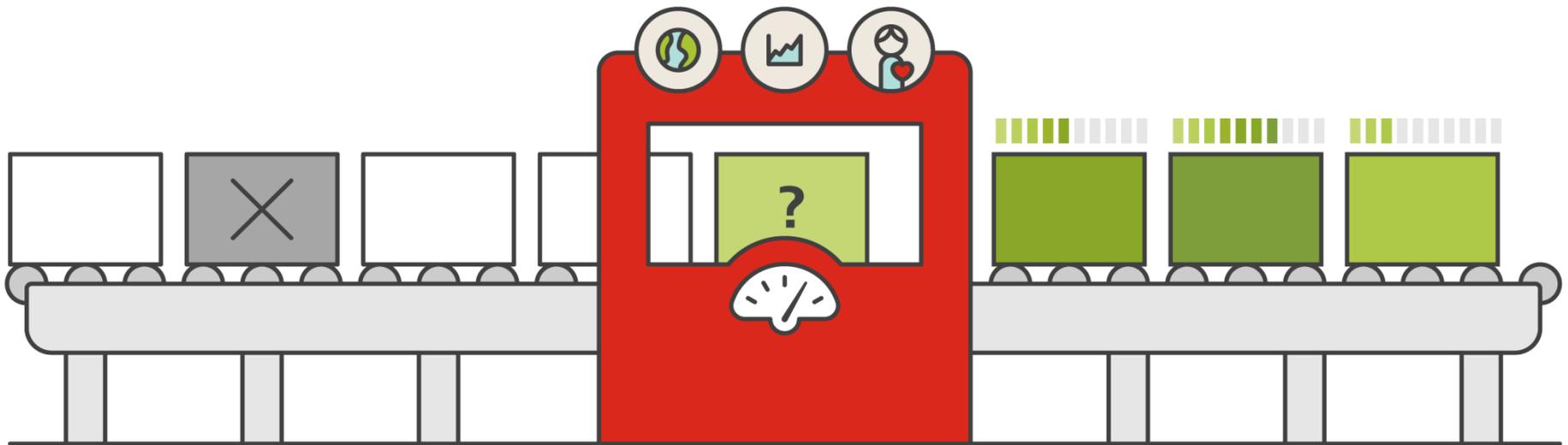
1

Ranking

2

Rating

3



# Highlights Q1 2015

## Result

- Group result of NOK 450 mill in Q1
- 6.6% growth in fee and administration income<sup>1</sup>
- Longevity strengthening prioritised over short term results

## Operations

- Total AuM 558 NOK bn, up 13% last 12 months
- NOK 1.7 bn converted to paid-up policies with investment choice in Q1
- Strong new sales in insurance, 13% premium growth

## Balance sheet

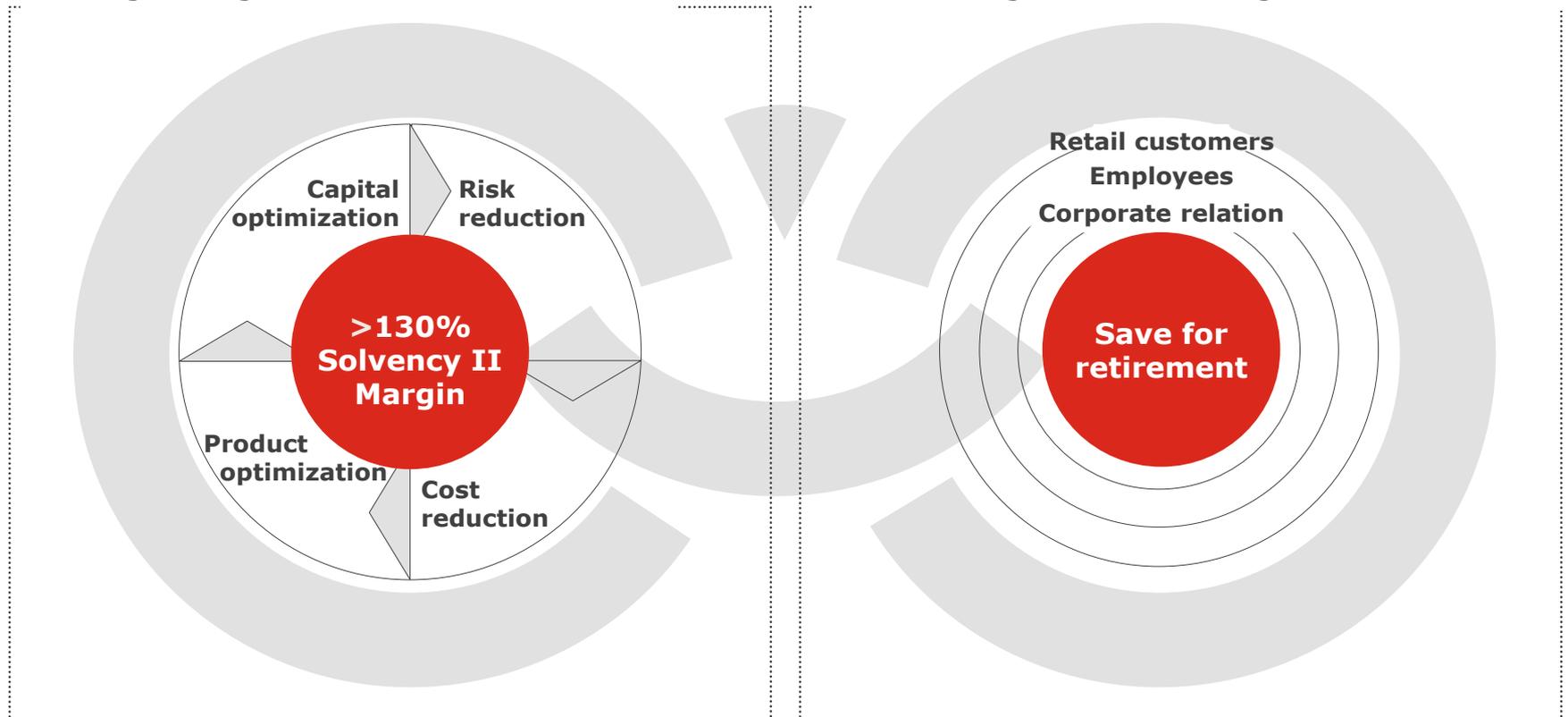
- Longevity reserve strengthening of 1.2 billion in 1Q
- Solvency I ratio 173%, estimated Solvency II ratio 152%
- Group MCEV of NOK 34.2 bn in 2014, assumptions aligned with SII

# Transformation of the business model continues

## Dual strategy reiterated and reinforced

### Manage the guaranteed balance sheet

### Continued growth in savings and insurance



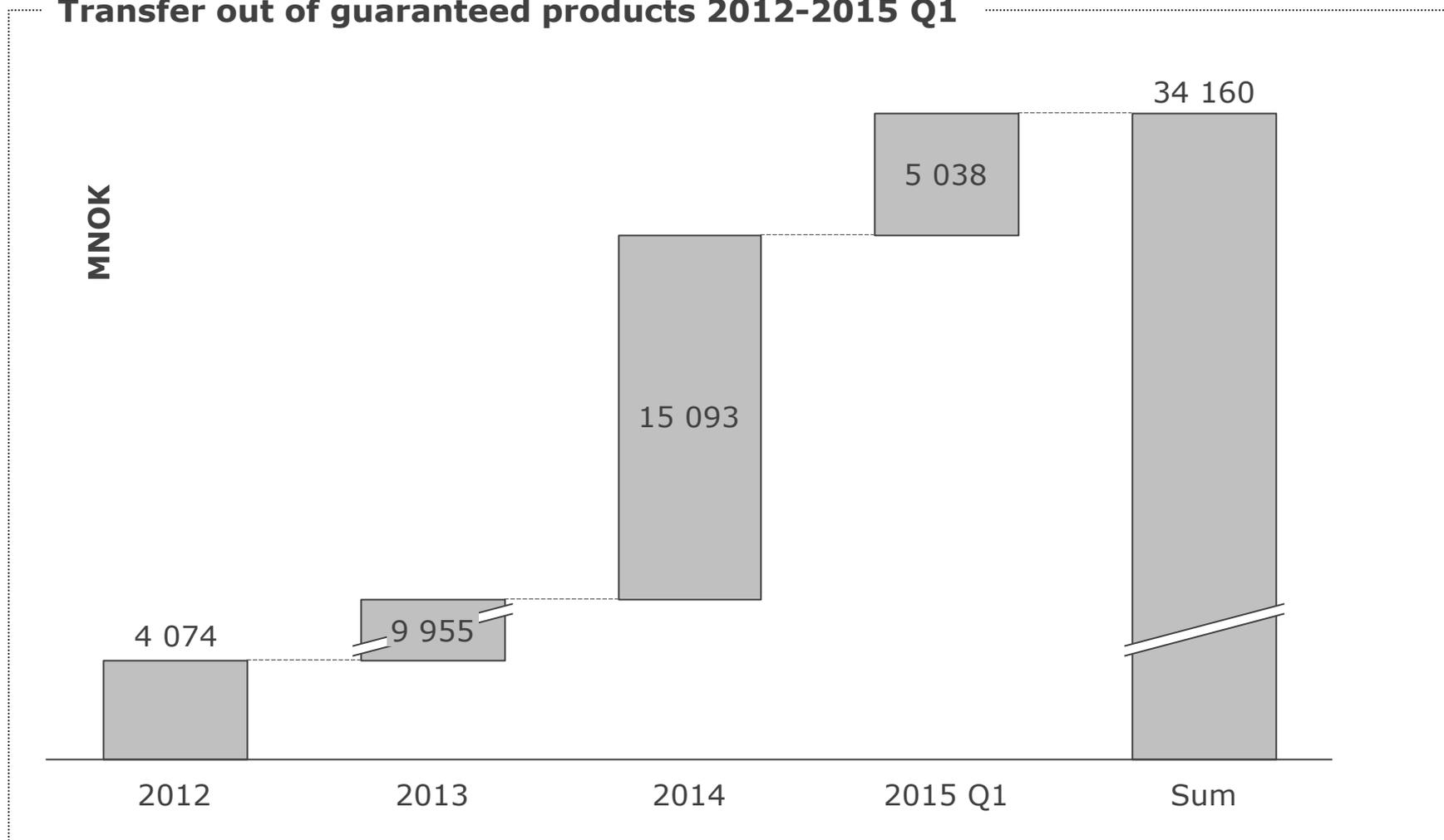
We work hard to reach our vision:

**Recommended by our customers**

# Transfer out from public sector and paid up policies in the quarter



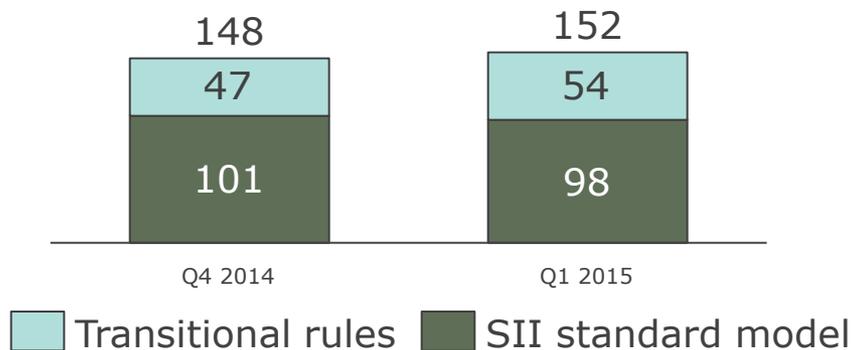
Transfer out of guaranteed products 2012-2015 Q1





# Estimated SII position Life Group and sensitivities

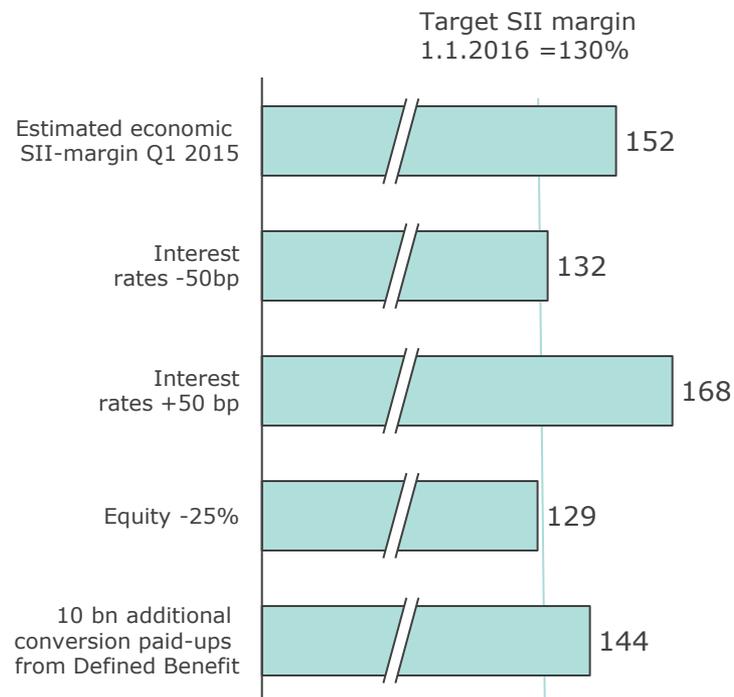
## Economic Solvency position<sup>1</sup>



## Key takeaways

- Falling interest rates between Q4 and Q1 and increased equity stress leads to reduced solvency ratio
- Reserve strengthening ahead of plan
- Program to improve underlying Solvency II rate continues, with an objective of 10% points improvement by year end

## Estimated Sensitivities after 1.1.2016<sup>2</sup>



\*\* In addition to NOK 8 bn included in the projection for 2015.

<sup>1</sup> The estimated Economic solvency position of Storebrand Life Group is calculated using the current Storebrand implementation of the Solvency II Standard model with the company's interpretation of the suggested transition rules from the NFSA. Output is sensitive to changes in financial markets, development of reserves, changes in assumptions and improvements of the calculation framework in the economic capital model as well as changes in the Solvency II legislation and national interpretation of transition rules.

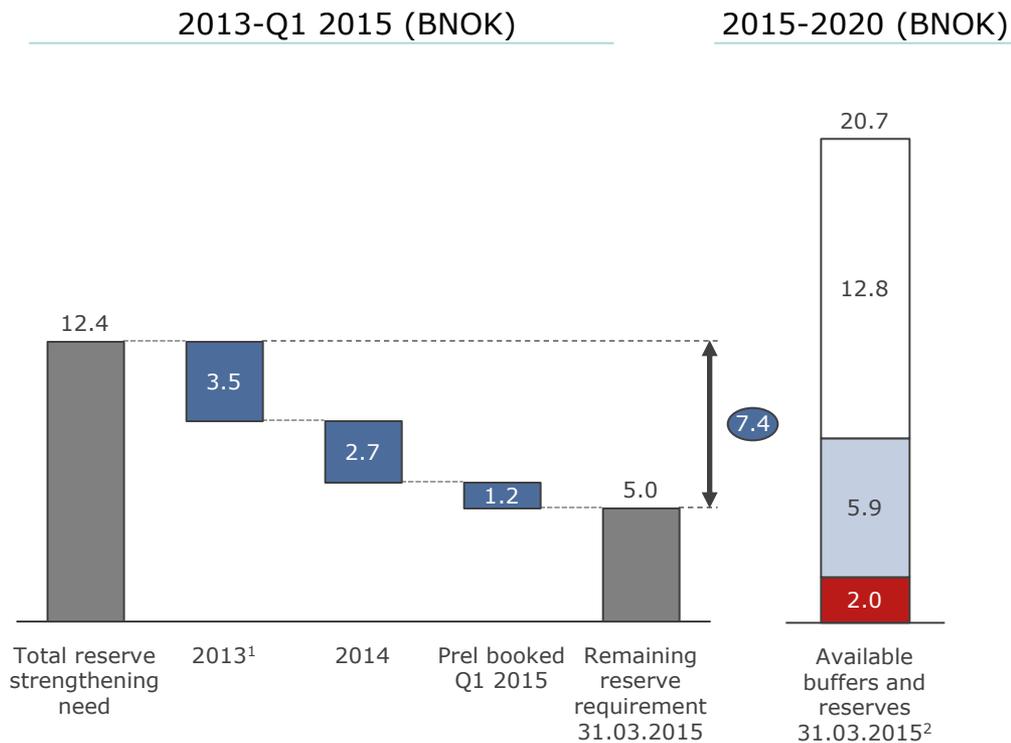
<sup>2</sup> Indicative sensitivities after the implementation of Solvency II in 2016. Market movements in 2015 and until the introduction of Solvency II in 2016 will have a smaller effect than stated in the sensitivities because of the mitigating effects of the transition rules.

# Longevity

## - 60% of reserve strengthening completed



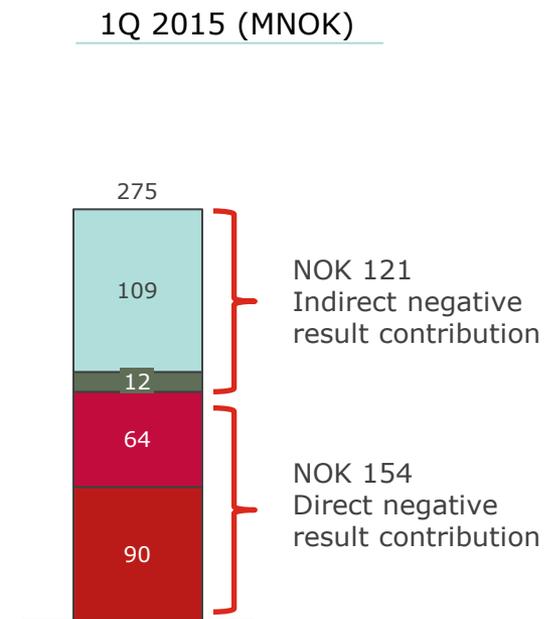
### Reserve strengthening Norwegian guaranteed products



<sup>1</sup> Net surplus allocated to longevity 2011-2013.

Excess value Bond at Amortised Cost  
 Market value adjustment reserve  
 Est. direct result contribution 2015-2020

### Negative result impact in the quarter



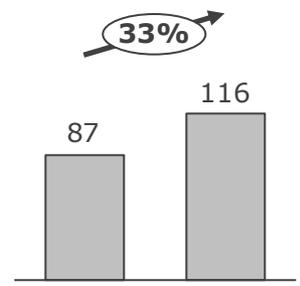
Foregone profit sharing  
 Foregone risk result  
 Charge to convert to non guaranteed  
 Normal charge to results

<sup>2</sup> Buffers that are available to cover the longevity reserve strengthening. Some buffers may not be available if they belong to contracts without reserve strengthening need or are used to cover interest rate guarantee.



# Growth in Savings and Insurance continues

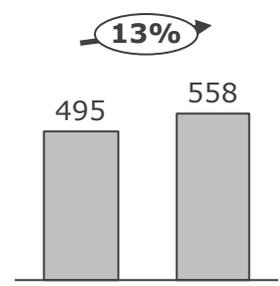
## Unit Linked



UL reserves (BNOK)

- 17% Premium growth
- Paid-up policies w/investment choice adds growth
- Strong return

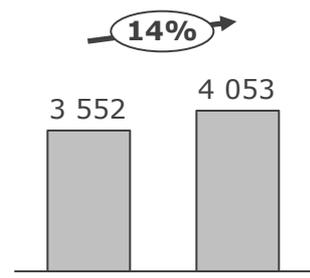
## Asset management



AuM (BNOK)

- Gathering assets from life company
- Strong sales
- Strong return

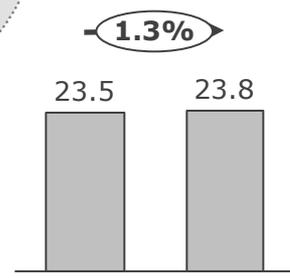
## Insurance



Written Premiums (BNOK)

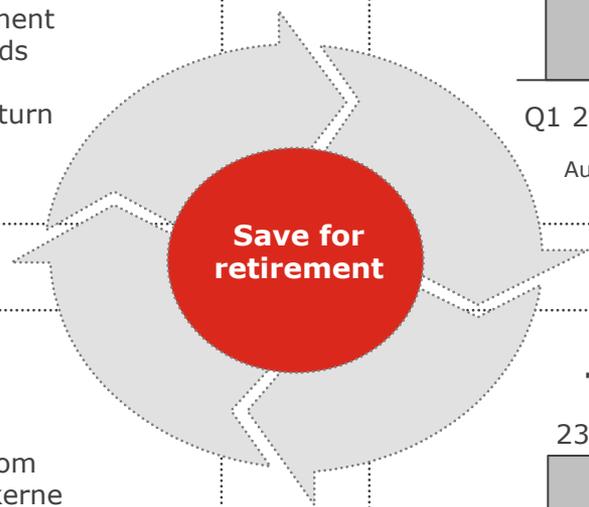
- Premium growth from Akademikerne
- Sales to large customers

## Retail loans



Balance (BNOK)

- Stable development



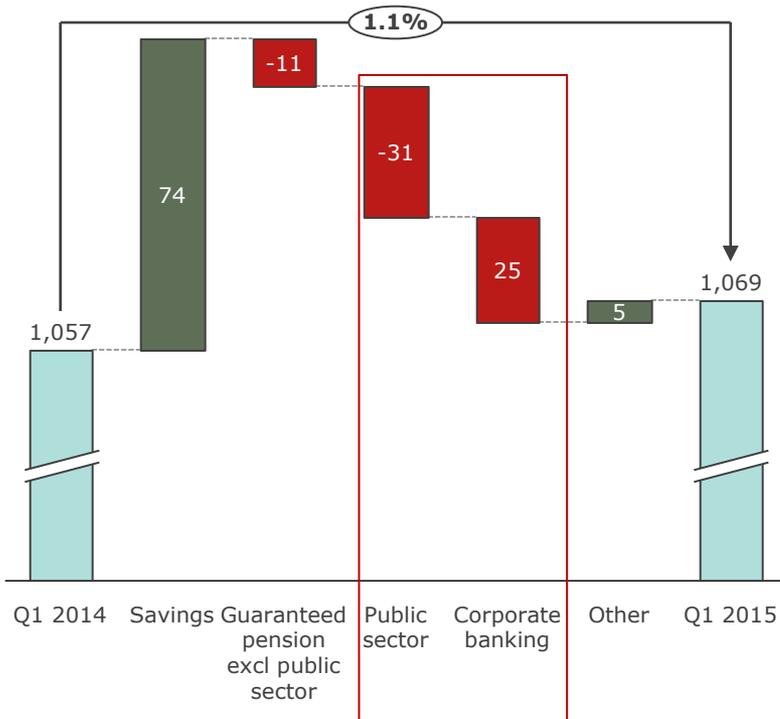
<sup>1</sup> All growth figures in CAGR

# Fee and administration income shifts from Guaranteed to Savings

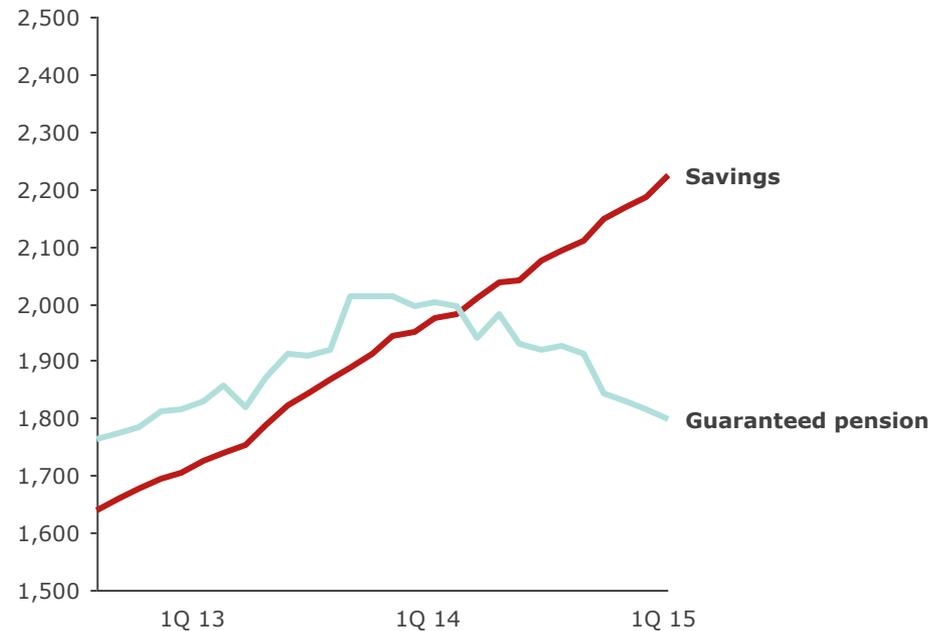
- Income in Savings grows with 14% compared to 1Q last year
- Income in Guaranteed pension reduced with 9% compared to 1Q last year

## Income growth of 6.6% adjusted for business in run-off<sup>1</sup>

Storebrand Group income development  
Q1 2014 compared to Q1 2015 (NOK Mill)



Fee- and admin income 12 months rolling  
Savings and Guaranteed pension (NOK mill)



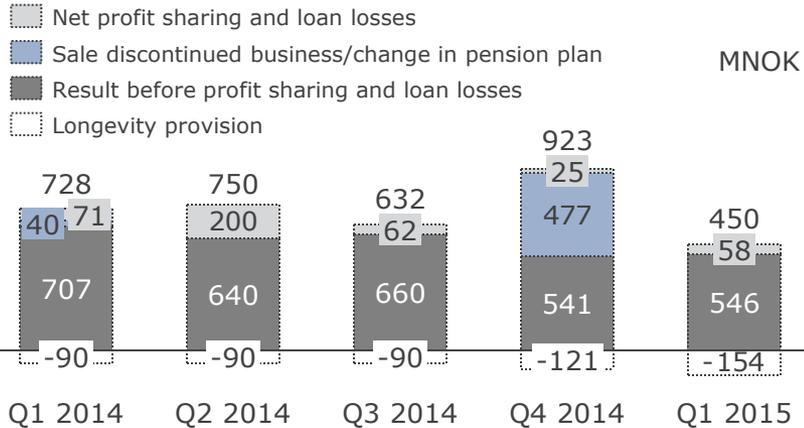
<sup>1</sup> Adjusted for business in run off (corporate banking and public sector) and FX



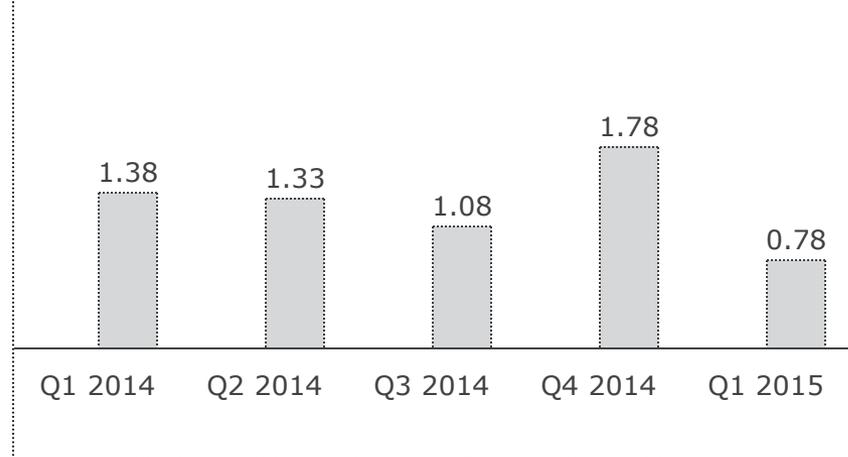
Group

# Key figures

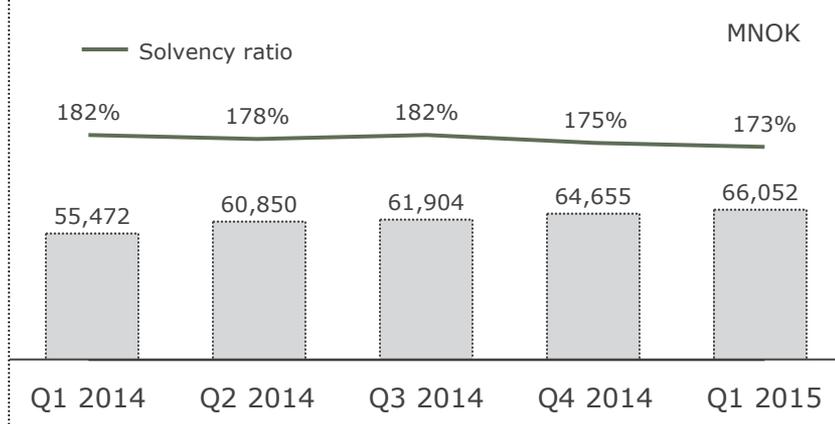
## Result development



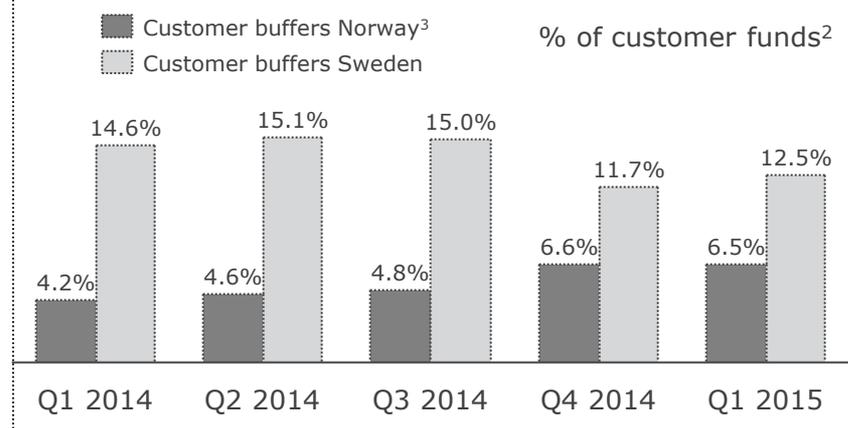
## Earnings per share<sup>1</sup>



## 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> Customer buffers in Benco of NOK 2.0 bn not included

<sup>3</sup> Solidity capital/customer buffers does not include provisions for future longevity reservations



## Result

NOK million	Q1		Full year
	2015	2014	2014
Fee and administration income	1 069	1 057	4 272
Risk result life & pensions	9	75	480
Insurance premiums f.o.a.	867	770	3 115
Claims f.o.a.	-652	-492	-2 226
Operational cost	-828	-785	-2 617
Financial result	82	121	363
Result before profit sharing and loan losses	546	747	3 387
Net profit sharing and loan losses	58	71	36
Provision longevity	-154	-90	-391
<b>Result before amortisation and write-downs</b>	<b>450</b>	<b>728</b>	<b>3 032</b>
Amortisation and write-downs of intangible assets	-105	-111	-431
<b>Result before tax</b>	<b>346</b>	<b>617</b>	<b>2 601</b>
Tax	-87	-108	-516
Sold/liquidated business	0	0	-1
<b>Profit after tax</b>	<b>258</b>	<b>509</b>	<b>2 085</b>

# Storebrand Group

## Result

NOK million	Q1		Full year
	2015	2014	2014
Fee and administration income	1 069	1 057	4 272
Risk result life & pensions	9	75	480
Insurance premiums f.o.a.	867	770	3 115
Claims f.o.a.	-652	-492	-2 226
Operational cost	-828	-785	-2 617
Financial result	82	121	363
<b>Result before profit sharing and loan losses</b>	<b>546</b>	<b>747</b>	<b>3 387</b>
Net profit sharing and loan losses/Longevity provision	-96	-19	-355
<b>Result before amortisation and write-downs</b>	<b>450</b>	<b>728</b>	<b>3 032</b>

## Result per line of business

NOK million	Q1		Full year
	2015	2014	2014
Savings - non-guaranteed	210	186	1 047
Insurance	159	226	675
Guaranteed pension	81	302	1 074
Other	1	14	236
<b>Result before amortisation and write-downs</b>	<b>450</b>	<b>728</b>	<b>3 032</b>

# Savings (non-guaranteed) - strong results growth



## Result

NOK million	Q1		Full year
	2014	2013	2014
Fee and administration income	582	509	2 148
Risk result life & pensions	-4	-2	-11
Operational cost	-371	-321	-1 151
Financial result	-	-	-
Result before profit sharing and loan losses	207	186	987
Net profit sharing and loan losses	2	0	60
Provision longevity	-	-	-
<b>Result before amortisation</b>	<b>210</b>	<b>186</b>	<b>1 047</b>

## Result per product line

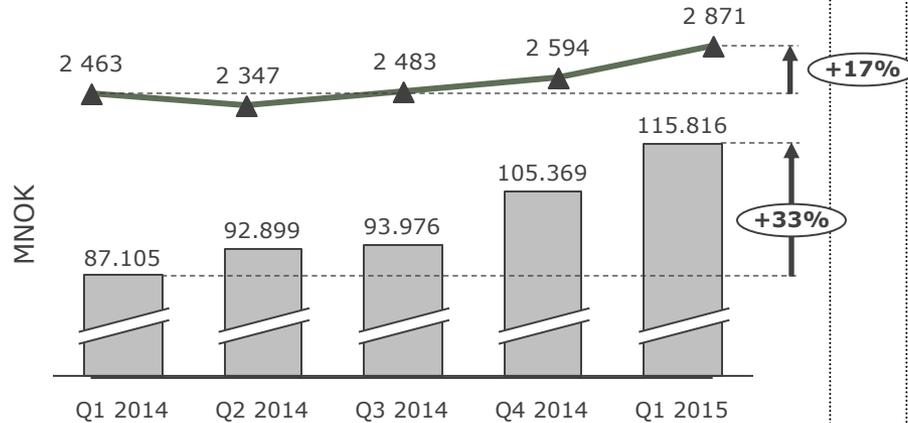
NOK million	Q1		Full year
	2014	2013	2014
Unit Linked Storebrand	43	31	166
Unit linked Sweden	30	36	130
Asset Management	89	67	513
Retail Banking	48	53	238
<b>Result before amortisation</b>	<b>210</b>	<b>186</b>	<b>1 047</b>

# Savings (non-guaranteed)

## - strong growth in UL reserves and premiums



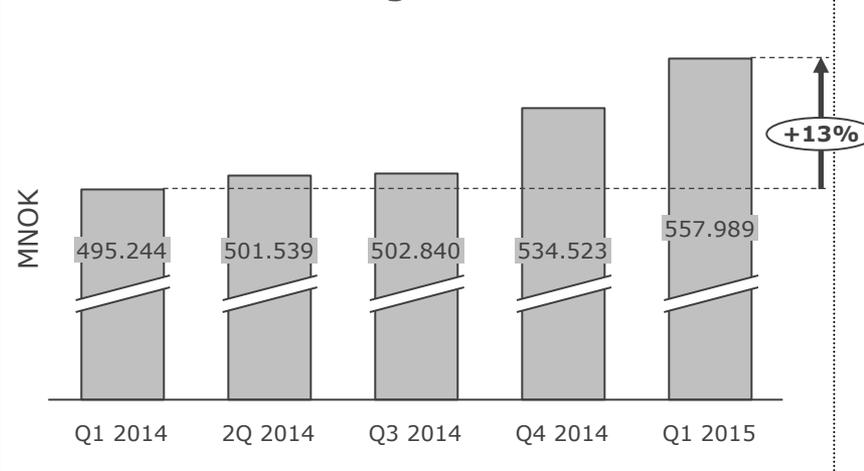
### Reserves and premiums Unit Linked



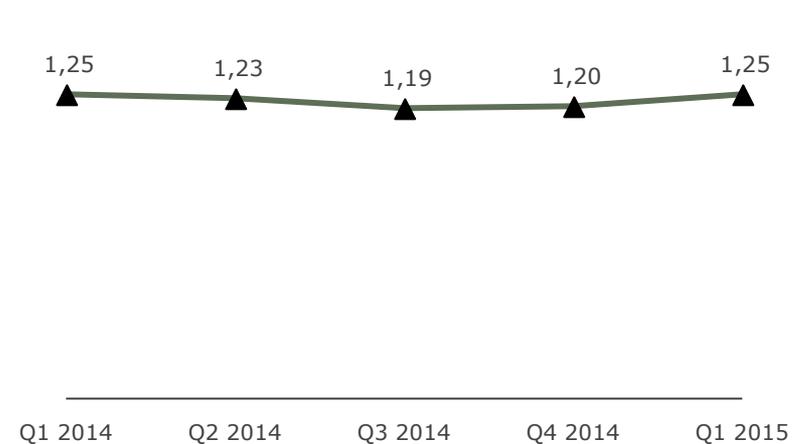
### Comments

- 17% premium growth in UL occupational pension premiums<sup>1</sup>
- 14% top line growth in Savings
- Strong development in Asset Management continues

### Assets Under Management



### Interest margin retail banking (%)



# Insurance

## - continued P&C growth



### Result

NOK million	Q1		Full year
	2015	2014	2014
Insurance premiums f.o.a.	867	770	3 115
Claims f.o.a.	-652	-492	-2 226
Operational cost	-128	-125	-387
Financial result	72	74	173
<b>Result before amortisation</b>	<b>159</b>	<b>226</b>	<b>675</b>

### Result per product line

NOK million	Q1		Full year
	2015	2014	2014
P&C & Individual life <sup>1</sup>	78	69	340
Health & Group life <sup>2</sup>	19	48	190
Pension related disability insurance Nordic <sup>3</sup>	62	109	144
<b>Result before amortisation</b>	<b>159</b>	<b>226</b>	<b>675</b>

<sup>1</sup> Individual life and disability, property and casualty insurance

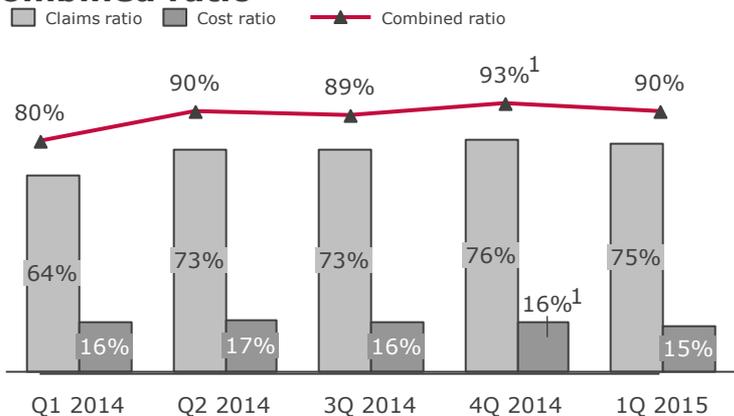
<sup>2</sup> Group life, workers comp and 50% of result in Storebrand Health insurance

<sup>3</sup> DC disability risk result Norwegian line of business and disability risk result from SPP

# Insurance

## - strong financial results

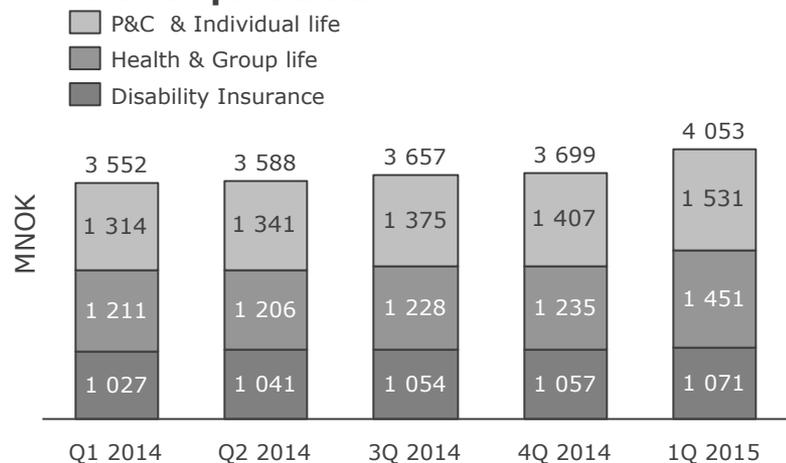
### Combined ratio



### Comments Combined ratio and financial result

- Good cost control
- Claims ratio affected by high claims in group life
- Strong financial results

### Portfolio premiums



### Comments premiums and growth

- 14% growth in written premiums
- Strong sales to Akademikerne
- 7 000 new retail customers

<sup>1</sup> Combined- and cost ratios adjusted for special items. Unadjusted cost ratio is 1 % and unadjusted combined ratio is 78 % in 4Q 2014.

# Guaranteed pension - lower results is the new normal



## Result

NOK million	Q1		Full year
	2015	2014	2014
Fee and administration income	432	474	1 842
Risk result life & pensions <sup>1</sup>	16	78	483
Operational cost	-277	-281	-921
Financial result	-	-	-
Result before profit sharing and loan losses	171	272	1 404
Net profit sharing and loan losses	64	120	61
Provision longevity	-154	-90	-391
<b>Result before amortisation</b>	<b>81</b>	<b>302</b>	<b>1 074</b>

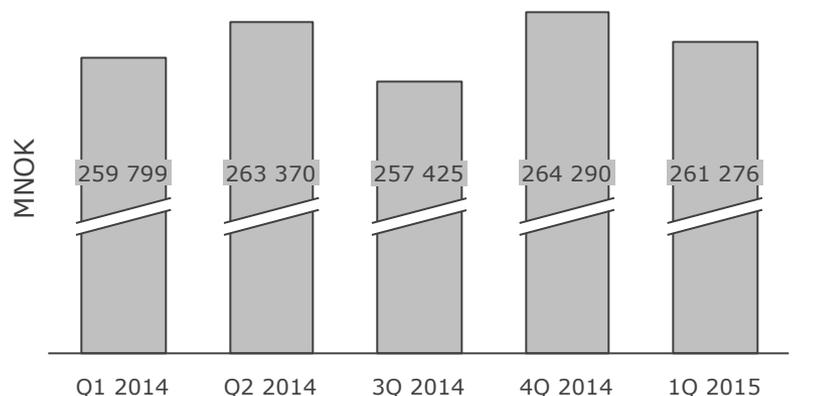
## Result per product line

NOK million	Q1		Full year
	2015	2014	2014
Defined benefit (fee based)	77	149	592
Storebrand Paid-up policies	-93	-20	-117
Storebrand Individual life and pension	-	-	-
SPP Guaranteed products	98	174	599
<b>Result before amortisation</b>	<b>81</b>	<b>302</b>	<b>1 074</b>

# Guaranteed pension - reserves below 70% of total reserves



## Reserves guaranteed products



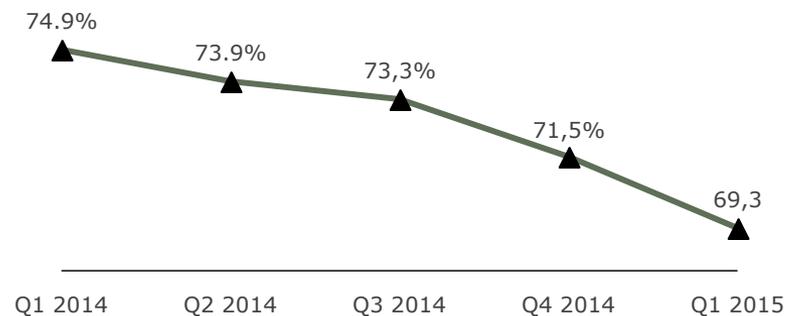
## Comments

- Results in Norwegian guaranteed reduced by longevity reserve strengthening and success with conversion to non-guaranteed
- Indexation fee and profit sharing give result contribution from the Swedish business

## Buffer capital

NOK million	Q1	Q4	Change
	2015	2014	
Market value adjustment reserve	5 856	5 814	41
Excess value of bonds at amortised cost	12 836	13 364	-528
Additional statutory reserve	4 881	5 118	-237
Provisions for new mortality tables <sup>1</sup>	3 964	4 125	-161
Unallocated results	1 100	-	1 100
Conditional bonuses SPP	9 567	9 147	450
<b>Total</b>	<b>38 234</b>	<b>37 568</b>	<b>666</b>

## Guaranteed reserves in % of total reserves<sup>1</sup>



# Other



## Result

NOK million	Q1		Full year
	2015	2014	2014
Fee and administration income	54	74	282
Risk result life & pensions	-4	-1	8
Operational cost	-52	-58	-158
Financial result	10	47	190
Result before profit sharing and loan losses	9	62	322
Net profit sharing and loan losses	-8	-14	-85
<b>Result before amortisation</b>	<b>1</b>	<b>14</b>	<b>236</b>

## Result per product line

NOK million	Q1		Full year
	2015	2014	2014
Corporate Banking	-3	-23	-10
BenCo	14	9	94
Holding company costs and net financial results in company portfolios	-10	28	153
<b>Result before amortisation</b>	<b>1</b>	<b>14</b>	<b>236</b>

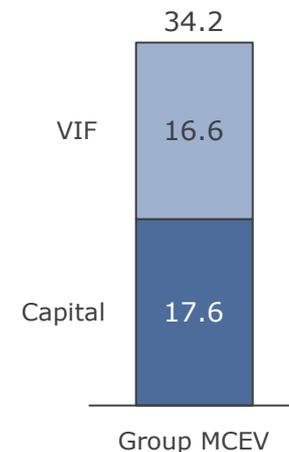
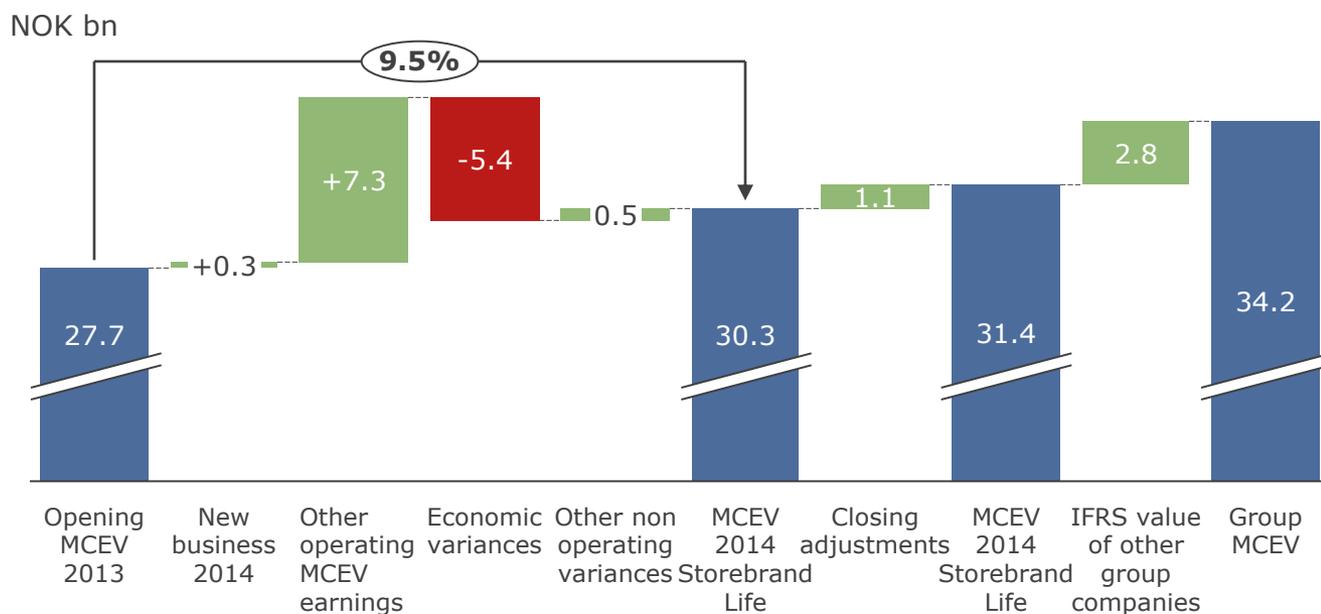
# Reporting adjustments from 2Q 2015

- Storebrand will align segment eliminations with official reporting and move subsidiaries that are under the financial result in the segment 'Other' to the segment 'Savings' in 2Q. This does not affect the result as such, but there will be some changes in the cost and income lines.
- Historical restated figures will be published on June 3<sup>rd</sup> 2015.

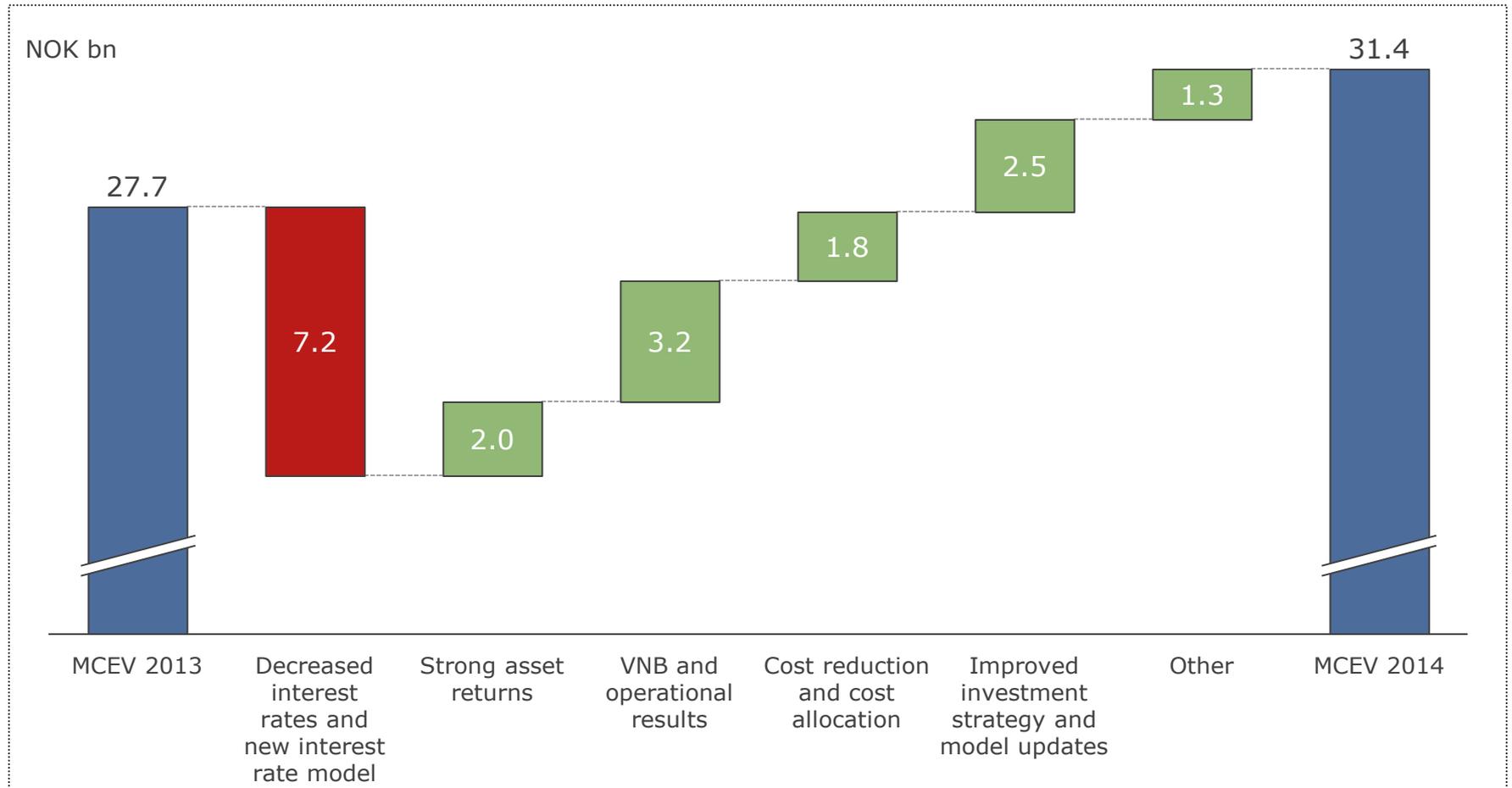
# Storebrand Group

## - highlights of MCEV 2014 results

- 2014 embedded value earnings of + NOK 2.6 bn
  - + 9.5 % return on opening embedded value
  - + 27.3 % operating return
- Storebrand Group MCEV of NOK 76.6 per share (NOK 67.6 in 2013)
- Weak value of new business due to changes in cost allocation

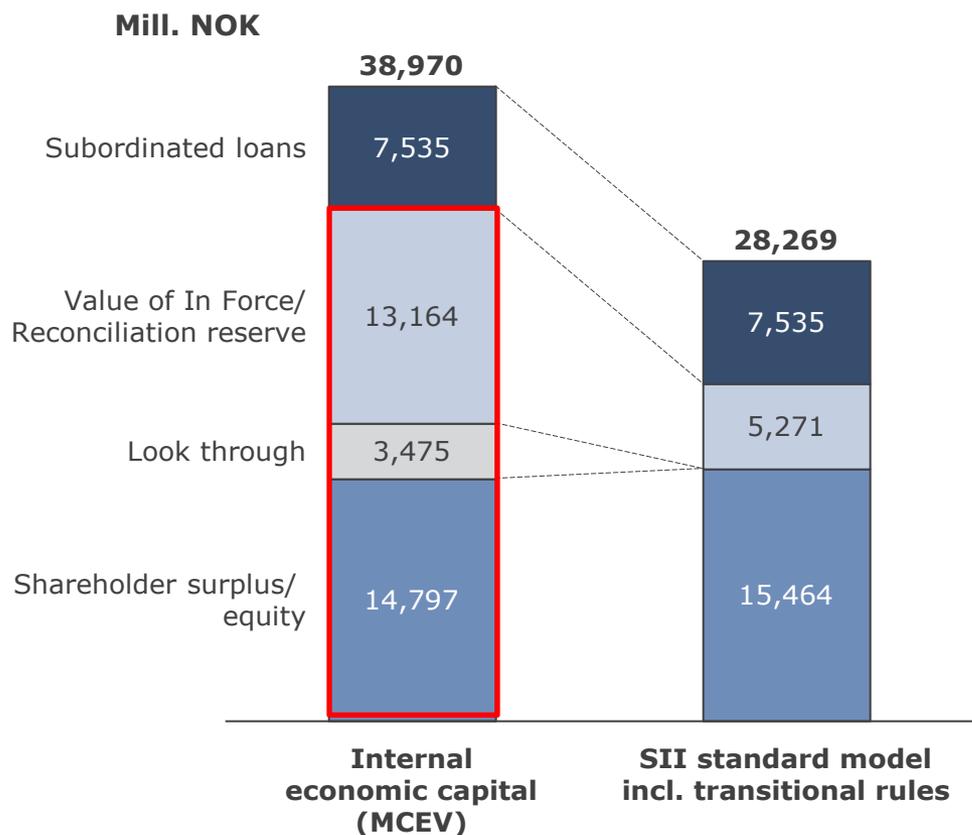


# Storebrand Life Group MCEV – Development 2014



# MCEV and Solvency II calculated using same assumption

## Economic capital Life Group Q4 2014



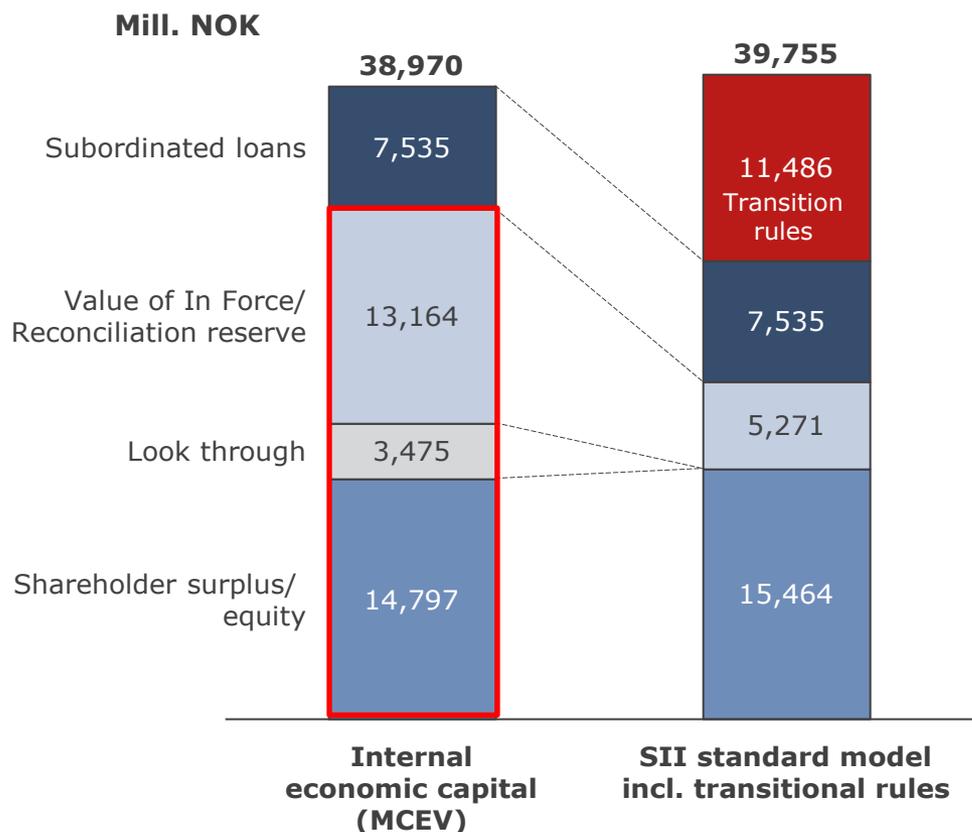
Reported MCEV excludes subordinated loans. Shareholder surplus in MCEV exclude Risk Equalization Fund and this represent the difference from shareholder equity under solvency II

## Main differences MCEV and SII

- Different contract boundaries
  - MCEV allows future premiums on existing contracts
  - Solvency 2 only allows for premiums first year of calculation
  
- More realistic treatment of lapse assumption in MCEV, leads to lower cost on non-hedgeable risk
  
- No look-through for earnings created in Asset Management included in the Solvency II calculation

# MCEV and Solvency II calculated using same assumption

## Economic capital Life Group Q4 2014



Reported MCEV excludes subordinated loans. Shareholder surplus in MCEV exclude Risk Equalization Fund and this represent the difference from shareholder equity under solvency II

## Main differences MCEV and SII

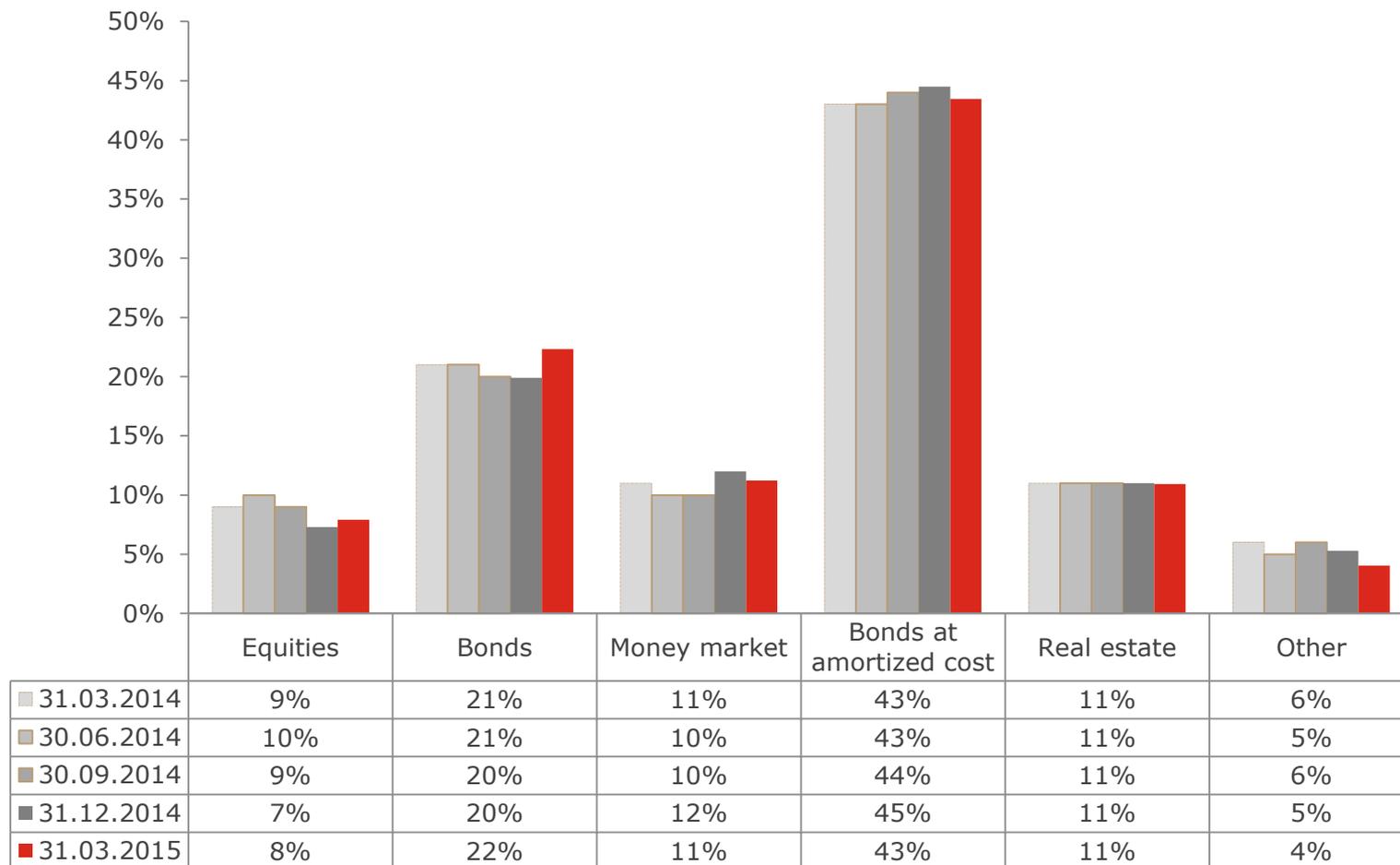
- Different contract boundaries
  - MCEV allows future premiums on existing contracts
  - Solvency 2 only allows for premiums first year of calculation
  
- More realistic treatment of lapse assumption in MCEV, leads to lower cost on non-hedgeable risk
  
- No look-through for earnings created in Asset Management included in the Solvency II calculation

# Key takeaways

- 6.6% growth in fee and administration income
- Strong new sales in Insurance, 13% premium growth
- Longevity strengthening prioritised over short term results
- Solvency II ratio of 152% including transition rules
- Group MCEV of NOK 34.2 bn in 2014

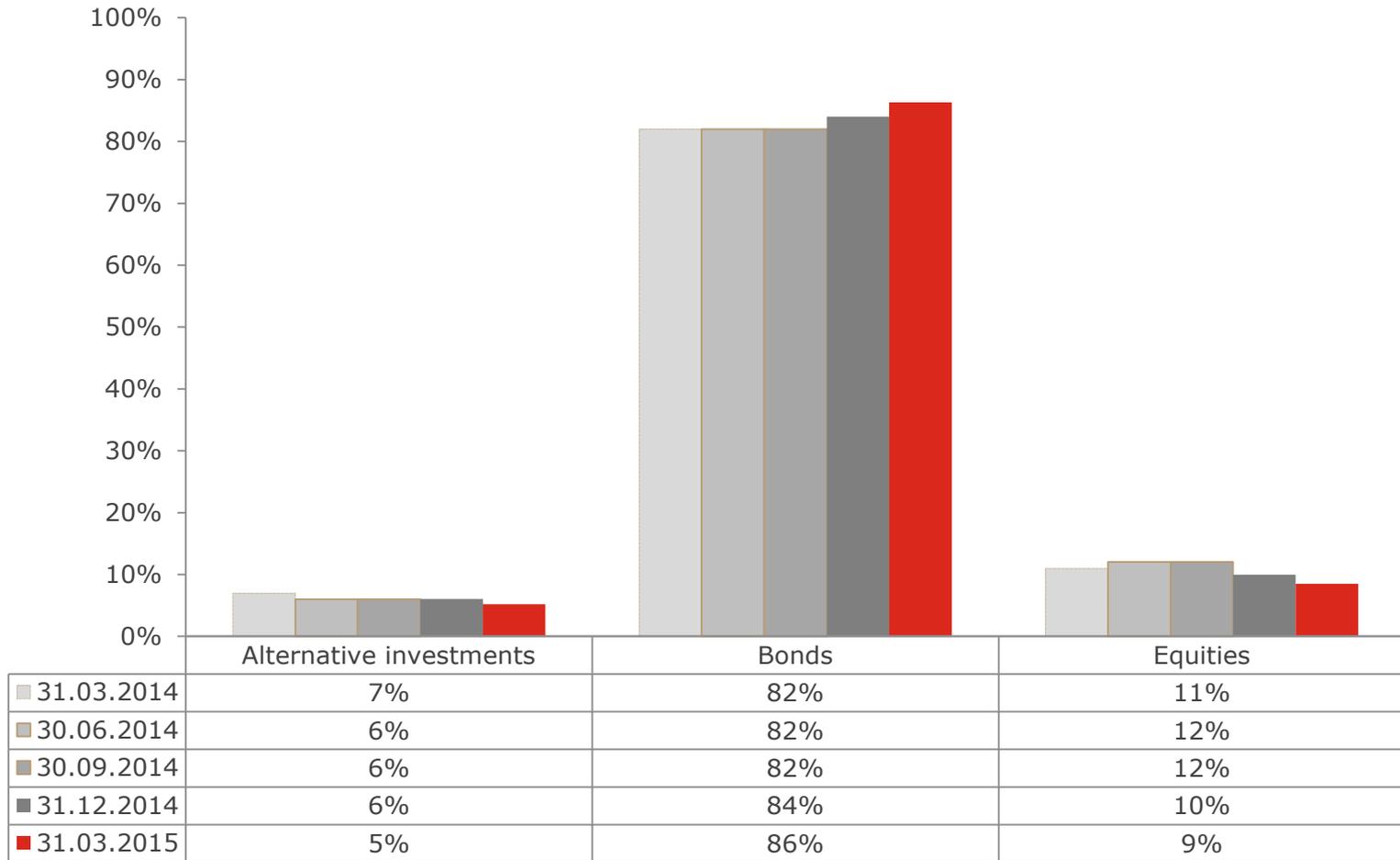
# Appendix

# Storebrand Life Insurance asset allocation



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

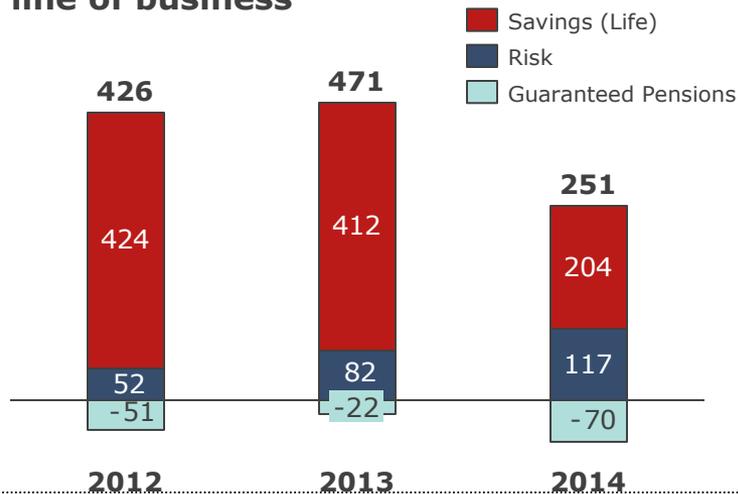
# SPP asset allocation



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

# Value of New Business

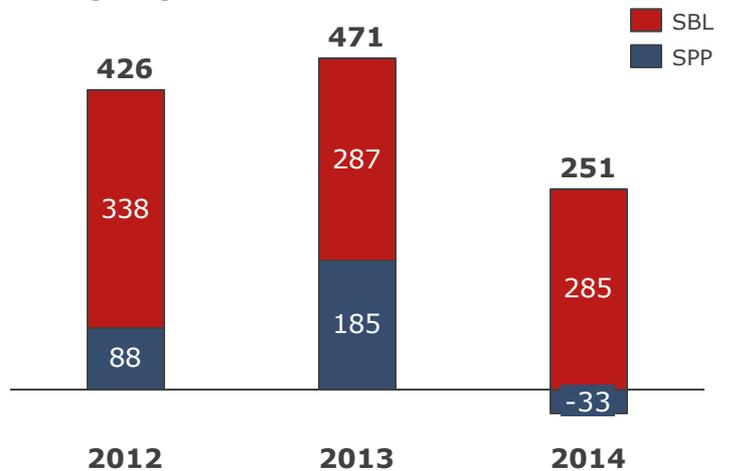
## Per line of business



## Comments

- Reduction in VNB:
  - 12% reduction in APE
  - Increased cost allocation to sales
  - Increased sales of low margin product
- Increased VNB for Risk in SBL due to correction of error in the data extract

## Per company

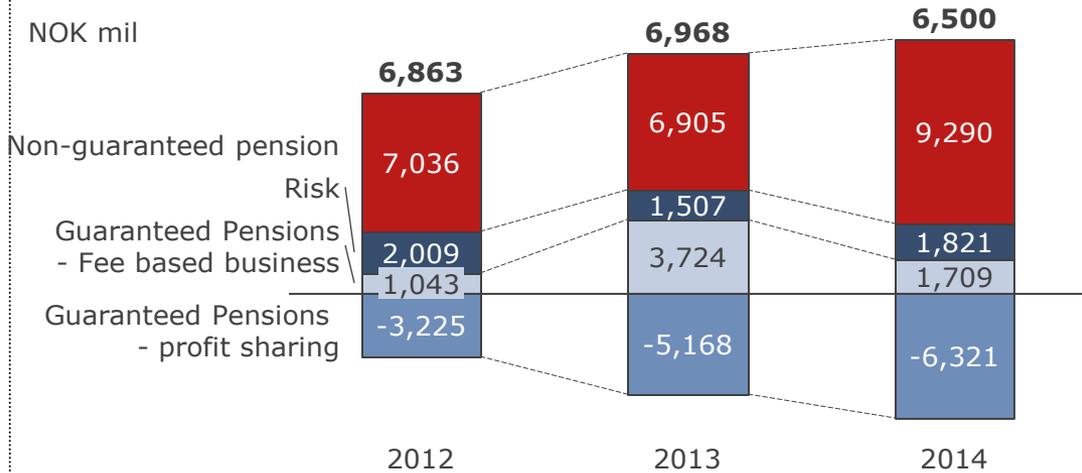


## Comments

- Decrease in VNB for SPP mainly from increased acquisition costs, due to re-allocation of cost between acquisition and maintenance
- No VNB for guaranteed business modelled in SBL in 2014, due to no material impact

# Value of In Force per product group\*

## SBL



## Change from 2013 to 2014

### Savings:

- + strong returns → asset growth
- assumed reduced margin on pension certificates

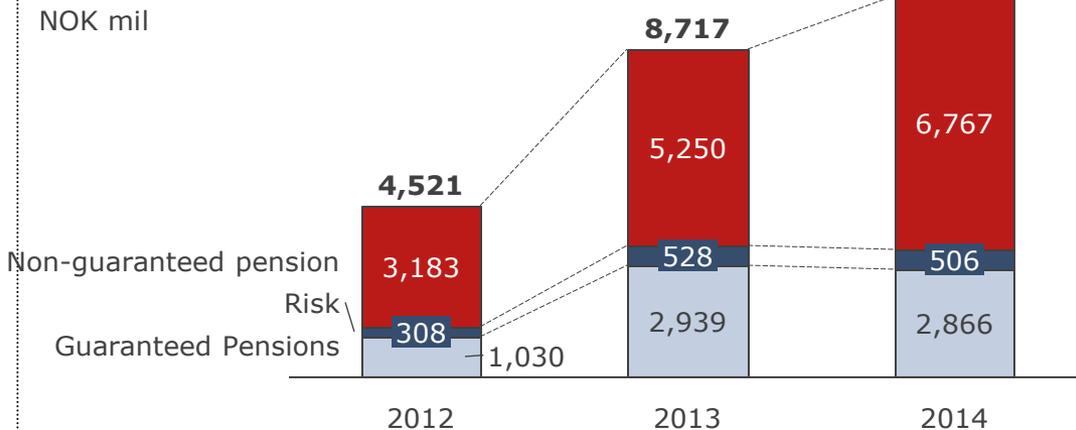
### Fee based:

- decreased volumes
- decreased interest rates
- hard close of contracts included in modelling

### Profit sharing:

- + improved risk reduction strategy
- + improved modelling of new paid-up policies
- reduced interest rates

## SPP



## Change from 2013 to 2014

### Savings:

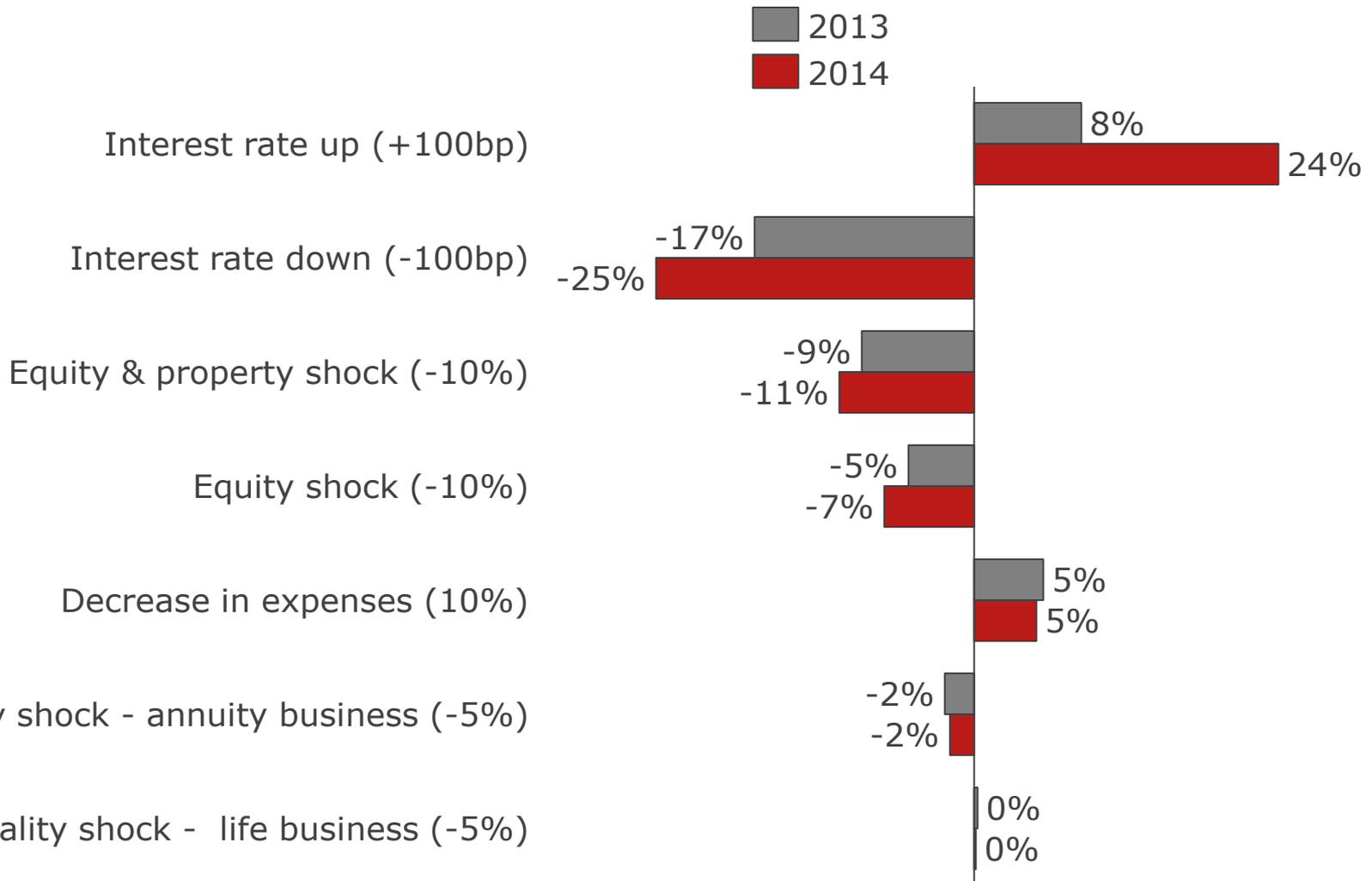
- + strong returns → asset growth
- + reduced cost
- increased lapses

### Guaranteed pensions:

- + reduced costs
- reduced interest rates

# Storebrand Life Group

## - Sensitivities





## Investor Relations contacts

Lars Aa Løddesøl	Group CFO	<a href="mailto:lars.loddesol@storebrand.no">lars.loddesol@storebrand.no</a>	+47 9348 0151
Sigbjørn Birkeland	Finance Director	<a href="mailto:sigbjorn.birkeland@storebrand.no">sigbjorn.birkeland@storebrand.no</a>	+47 9348 0893
Kjetil R. Krøkje	Head of IR	<a href="mailto:kjetil.r.krokje@storebrand.no">kjetil.r.krokje@storebrand.no</a>	+47 9341 2155

# Our Vision

Recommended by our customers