

Storebrand  
3Q 2017

25 Oct 2017

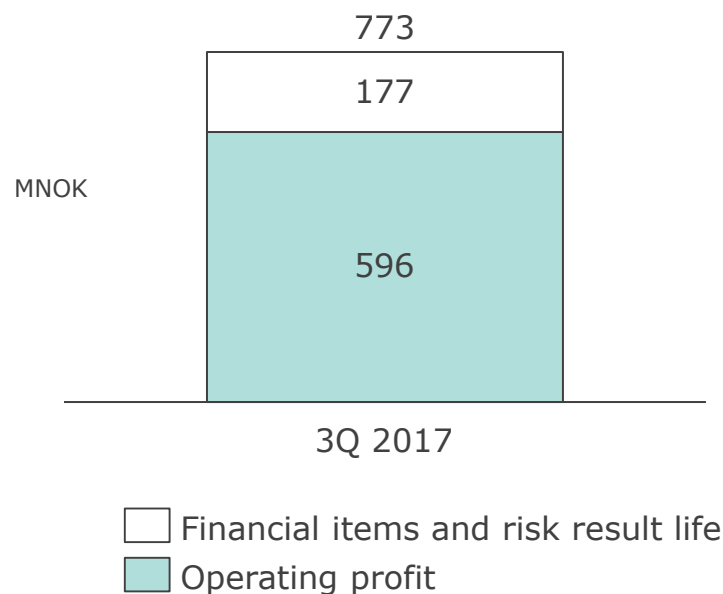
Storebrand celebrates 250 years in 2017



Odd Arild Grefstad – CEO  
Lars Aa. Løddesøl – CFO

# Highlights 3Q 2017

## Group result<sup>1</sup>



## High organic growth and strong solvency

- 28% Unit Linked growth
- 10% AUM asset management growth
- 26% Retail Bank lending growth
- 160% Solvency II position

## Storebrand acquires Skagen Fondene and Silver



<sup>1</sup> Result before amortisation and write-downs.  
<sup>2</sup> Growth figures are from YTD 2016 to YTD 2017.  
<sup>3</sup> Including transitional rules.

# Our strategy

## 1 Manage the guaranteed balance sheet

*>150% SII margin*

- **Cost reductions** through automation and outsourcing
- Manage for future **capital release** and increased **dividend capacity**

## 2 Continued growth in Savings and Insurance

*Capital-light and profitable growth*

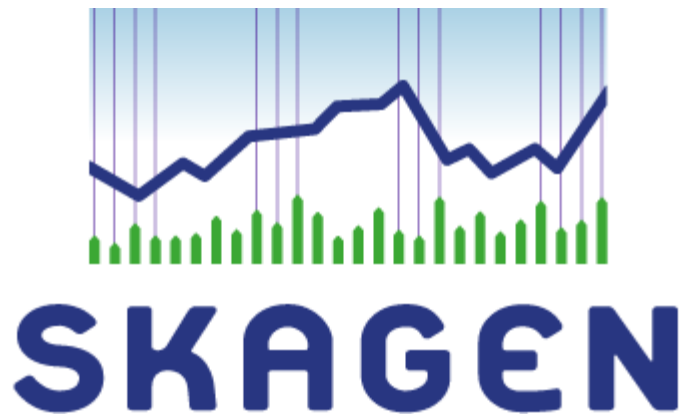
- Market leading **asset gatherer** with strong Insurance offering
- Continued retail growth with **low capital requirements**

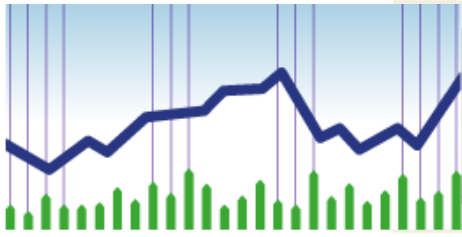
*Lower capital requirements and higher quality of earnings*

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

# Building a well diversified savings business positioned to grow in an attractive market

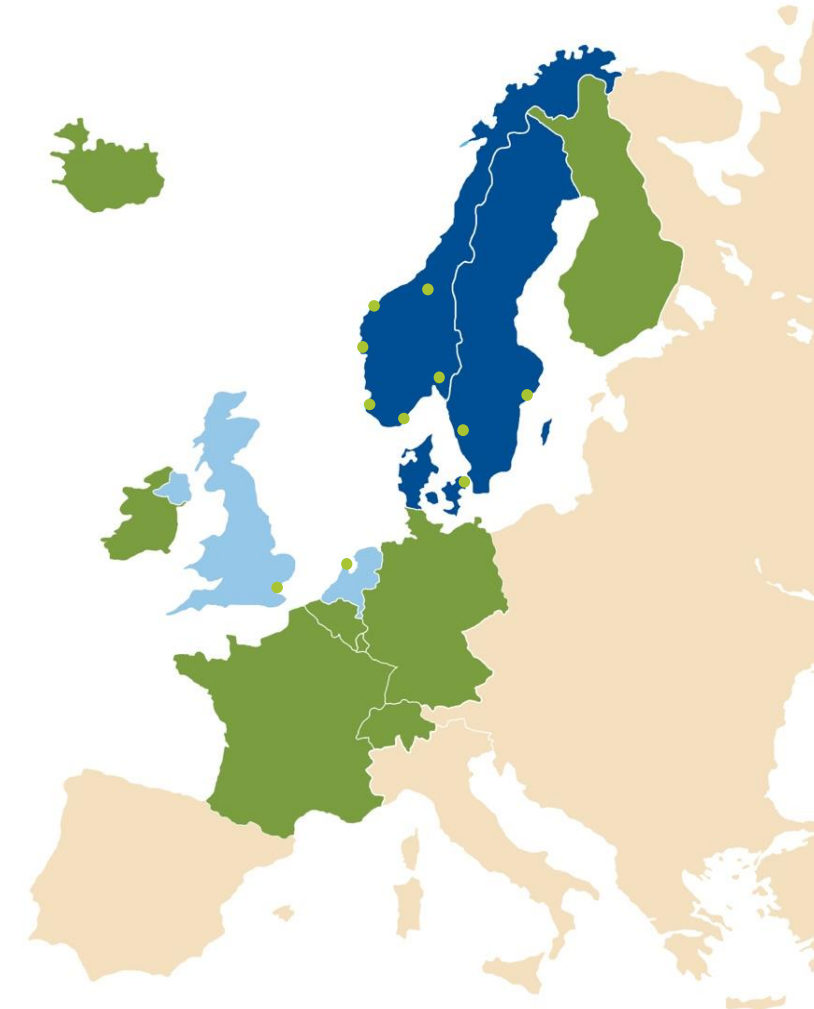
Storebrand acquires SKAGEN AS



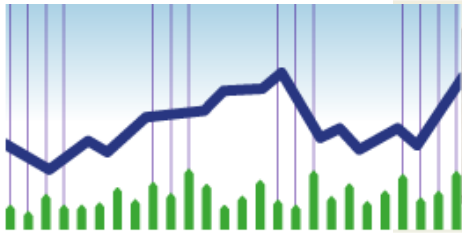


# SKAGEN

- Scandinavian investment management company, established in 1993
- Around 140.500 unit holders and approx. NOK 80 billion under management
- Diversified client base and international footprint: 11 offices in 5 countries, with marketing permission for an additional 8
- Award winning portfolio managers with world class funds
- An active investor with a value-based investment philosophy that has been applied consistently since start
- ESG factors incorporated in the investment process since 2002 – 3<sup>rd</sup> place in Morningstar’s Sustainability Rating in 2016

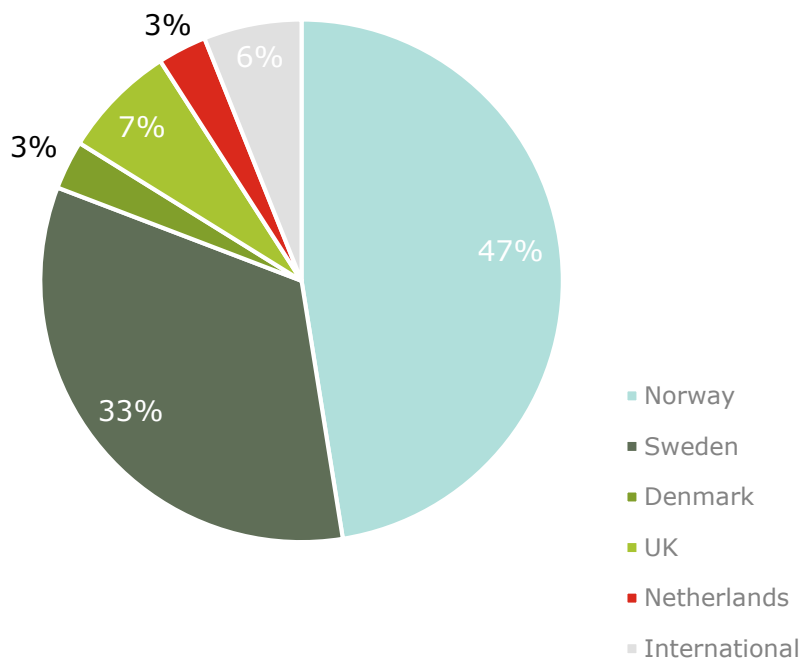


■ Home markets  
■ Offices  
■ Marketing approval

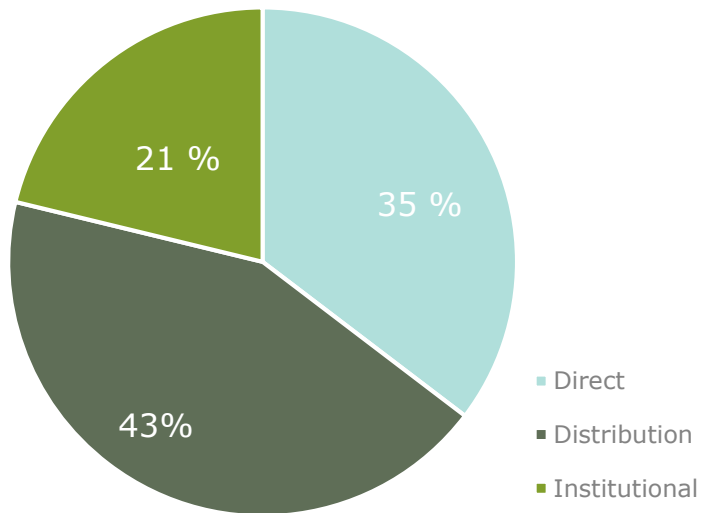


# SKAGEN

AUM by Market Area



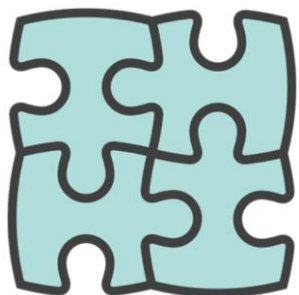
Client mix – all Markets



- Home markets
- Offices
- Marketing approval

# The transaction has clear strategic and financial benefits

## Strategic benefits positioning Storebrand + SKAGEN for continued growth



**Complementary strengths and customer base**

**Combined no. 2 market position in attractive retail market**

**European institutional distribution**

**Scalable platform for growth**

## Financial benefits supporting cash generation and shareholder values



**Increased scale in Asset Management**

**New revenue stream from assets without guarantees**

**Synergies in operations and administration**

**Cash generation for increased long term dividend capacity**



# Storebrand is growing by building a well-diversified savings business

Aging population and reduced state pensions increases savings

Individualisation of savings and pension market

Consolidation in European asset management industry



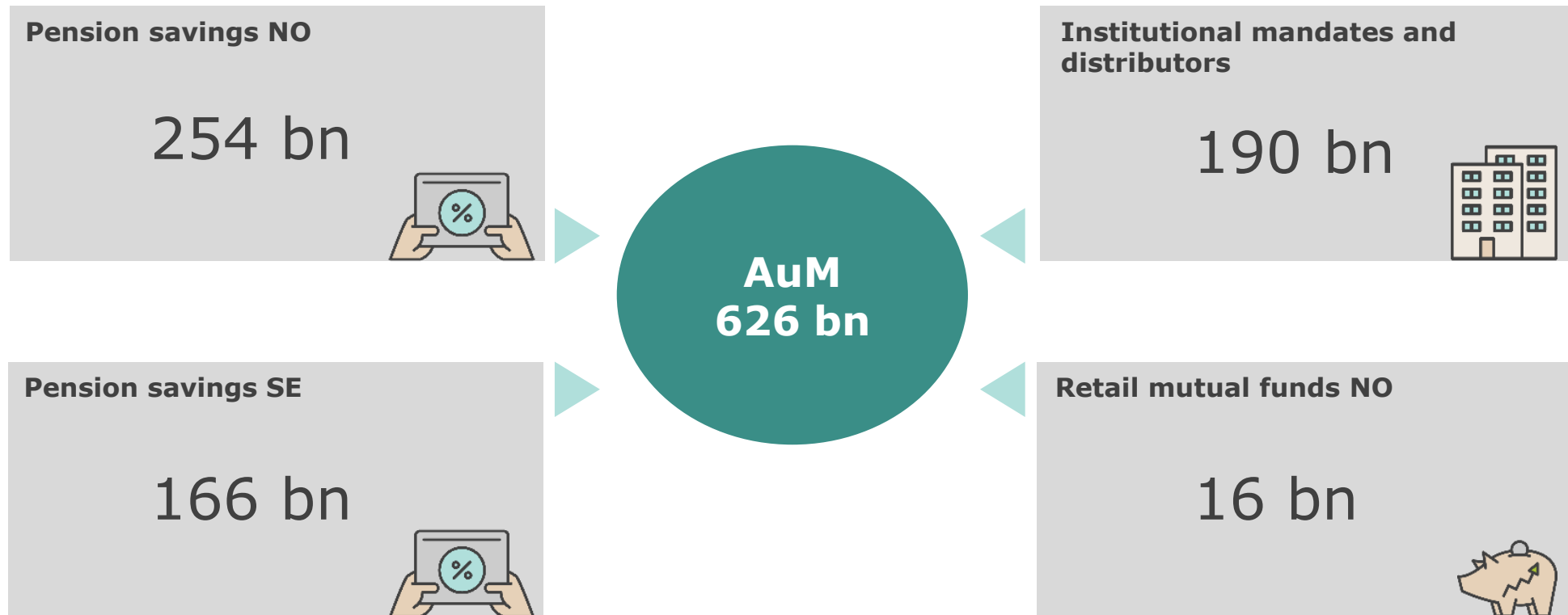
Strengthened position in attractive growth market with long term value creation

Attractive operational and administrative synergies



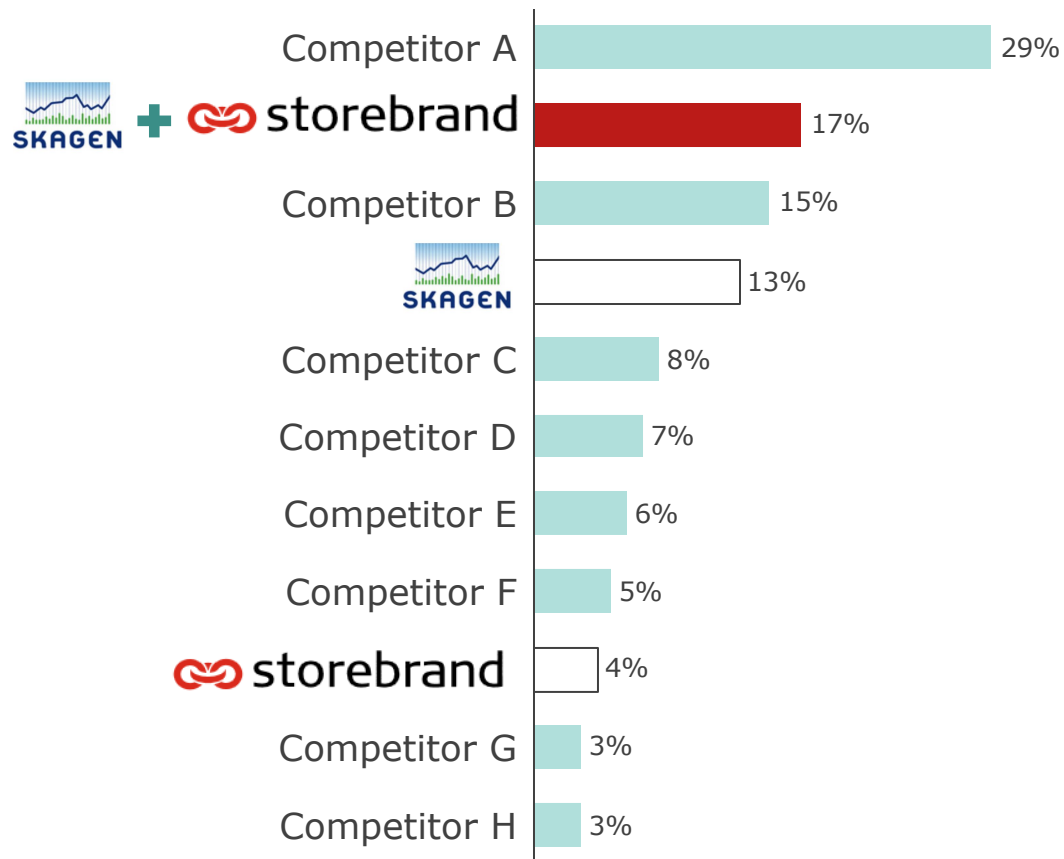
# Pension and savings is becoming one market and represent key growth opportunities for the Group

## Storebrand's main channels for assets under management (NOK bn)



# SKAGEN and Storebrand strong combined no 2 position in fast growing retail savings market

Market share AuM mutual funds Norway Q2 2017 (%)



Market size  
NOK 221 bn<sup>1</sup>

Combined Norwegian retail AuM  
NOK 37 bn

Attractive expected market  
growth 10% annually until  
2025<sup>1</sup>

<sup>1</sup> Market for retail savings: Mutual funds, pension certificates, individual unit linked solutions. Source: Storebrand estimates.

# Complementary businesses strengthening the customer offering and competitive position



## Distribution



- No 1 market share **Pension** Norway
- Strong relationship and distribution to **40k Nordic corporations**
- Leading **institutional investor** in Norway and Sweden
- Strong **growth** track record



- No 3 market share **retail savings**
- Customer base of more than **100 000** individuals
- **International institutional** distribution
- Strong customer **brand**

## Product Offering

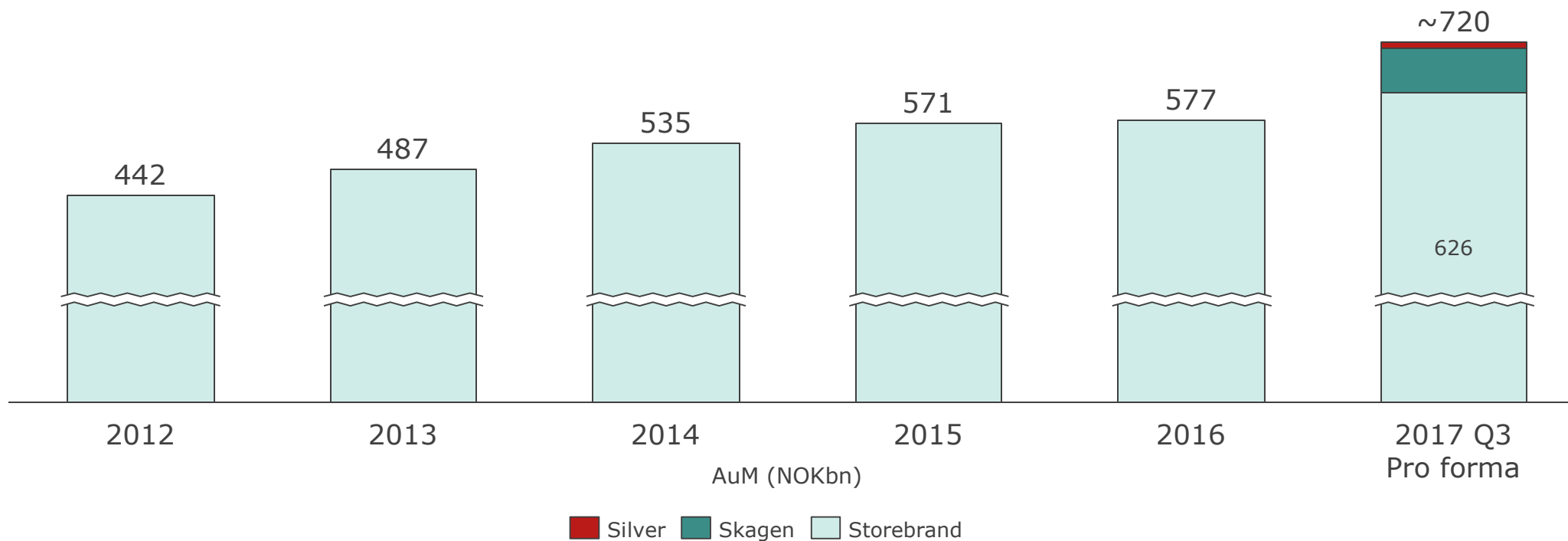


- **Broad customer offering** to meet savings needs of both institutions and individuals
- **Holistic advisor approach** ensuring client value and long term satisfaction



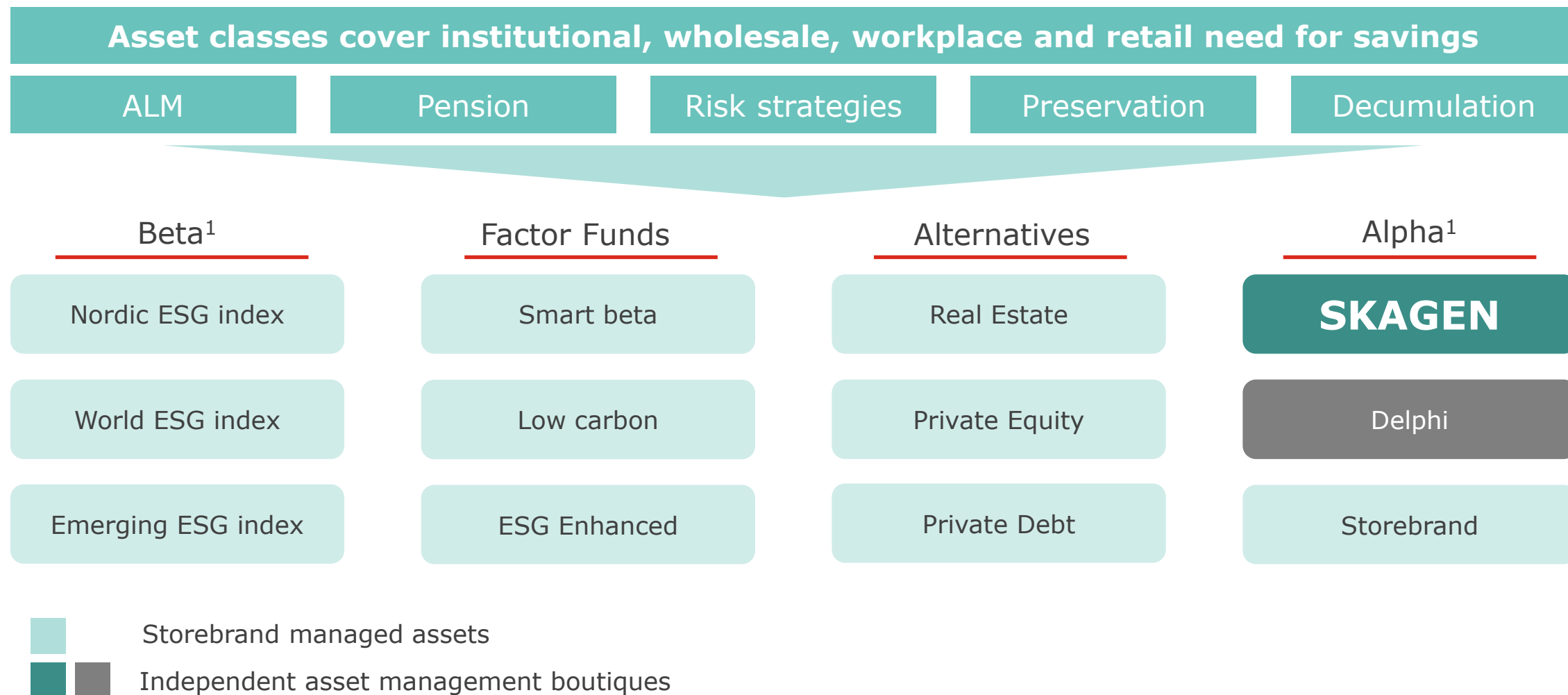
- **Value focused investment** philosophy with strong track record
- **Focused** and independent team

# Increased operational leverage by building additional scale



**Future of asset management requires sufficient scale and a broad product offering**

# Broad customer offering to meet all saving needs



# Delivering customer value key focus whilst harvesting synergies from new combined cost base

## Key focus and principles for integration

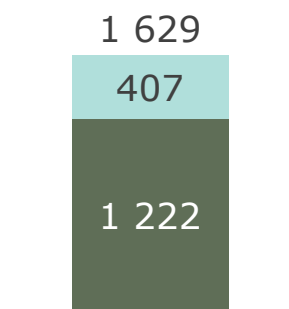
- Keep SKAGEN legal set up, brand and investment independence
- Key focus to deliver excellent investment performance for clients from day 1
- Offer combined value proposition to relevant clients
- Group CEO Odd Arild Grefstad Chairman of the Board
- Implementation team led by EVP Asset Management Jan Erik Saugestad
- Øyvind Schanke continues as SKAGEN CEO with strong management team

## Financial impact

- First phase cost synergies to reduce combined cost base by NOK 50 million
- Key areas: leverage administrative and operational scale
- Structured approach for development of distribution capabilities

# Transaction structure – acquisition of 91% of outstanding shares

## Initial payment in shares and cash



- NOK 1,629m paid to the sellers on closing
- 75% in shares (NOK 1,222m)
- 25% in cash (NOK 407m)

## Capital implication Group

- Expected initial impact on solvency ratio of -2 percentage points
- Non guaranteed cash flow diversifies Group's earnings and increases dividend capacity

## Potential earnout based on profit, revenue and performance

- Subject to net profit<sup>1</sup> for 2017 and net revenue<sup>1</sup> development for 2018-2019
- Profit split of net performance fees in period 2017-2022

## Multiples and timeline

- Pre synergies ~ PE 11,5 on initial payment based on 2016 net profit (adj excess cash)
- Closing expected during Q4 subject to regulatory approvals

1) Net profit and net revenue excluding contribution from fees paid out based on fund performing above their respective benchmarks ("Performance fees")





# Storebrand welcomes new customers from Silver

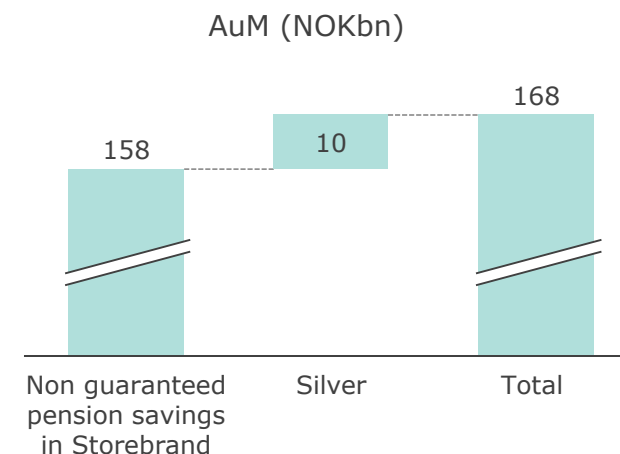
Using own web-based solutions and existing product infrastructure



Key focus on customer service in onboarding process



Non guaranteed pension savings builds scale in strategic core



# Storebrand acquires Silvers insurance portfolio

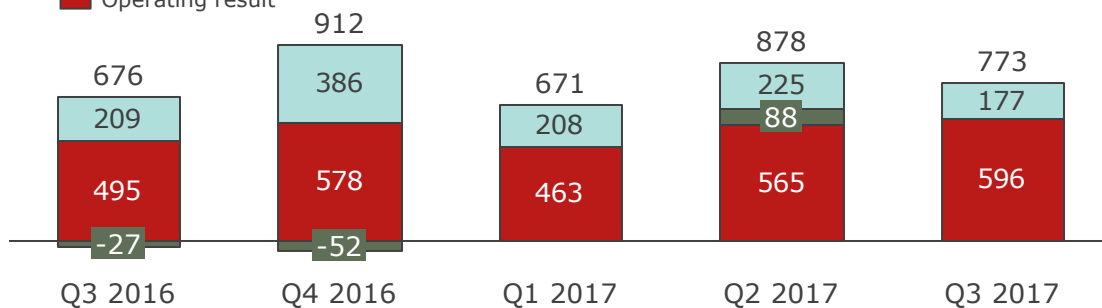
<b>Customers &amp; portfolio</b>	<ul style="list-style-type: none"><li>• 21 000 policies to be transferred to Storebrand Livsforsikring AS</li><li>• NOK 8,5bn paid up polices with investment choice (no financial guarantees)</li><li>• NOK 1,5bn risk products</li></ul>
<b>Purchase price</b>	<ul style="list-style-type: none"><li>• NOK 520m financed by liquidity in Storebrand Livsforsikring AS</li><li>• Total liquidity in Storebrand Livsforsikring as of 3Q 2017 NOK 18.1bn</li></ul>
<b>Financial effects</b>	<ul style="list-style-type: none"><li>• NOK ~60m in annual pre tax administration results expected</li><li>• NOK ~45m negative non recurring result effect in 2018</li><li>• NOK 300m deferred tax asset expected in 2018 due to tax loss carried forward in Silver AS</li><li>• 1 percentage point initial reduction in solvency</li></ul>
<b>Other terms</b>	<ul style="list-style-type: none"><li>• Closing expected in January 2018</li><li>• The agreement with the administration board presupposes that no more than 20% of Silver's customers object to the solution by the deadline set by Silver and public approvals.</li></ul>

# Key figures

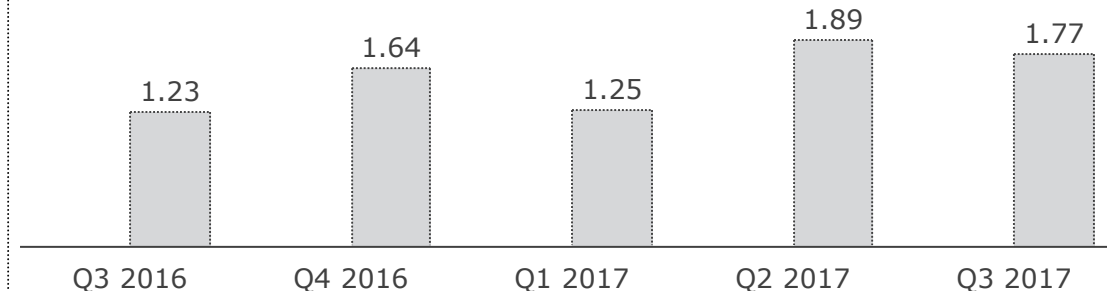
## Result development<sup>1</sup>

- Financial items and risk result life
- Special items
- Operating result

MNOK

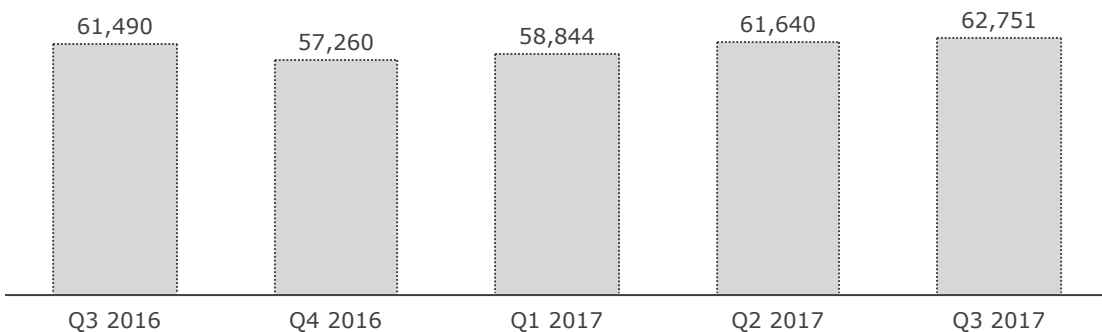


## Earnings per share<sup>2</sup>



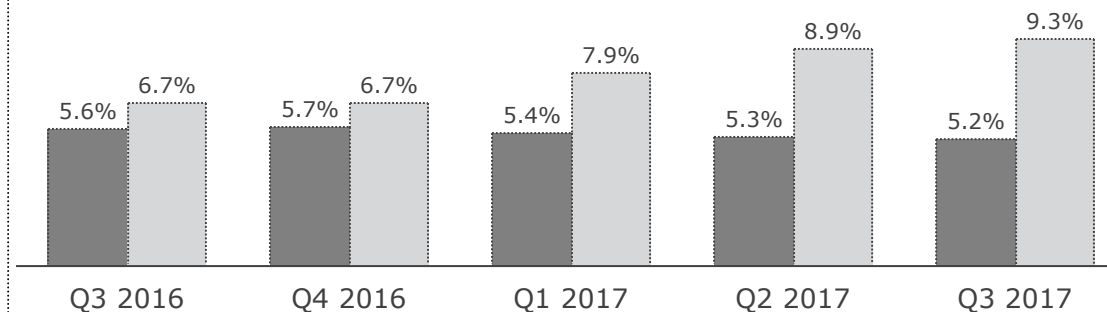
## Solidity capital Storebrand Life Group

MNOK



## Customer buffers development

- Customer buffers Norway<sup>4</sup>
  - Customer buffers Sweden
- % of customer funds<sup>3</sup>



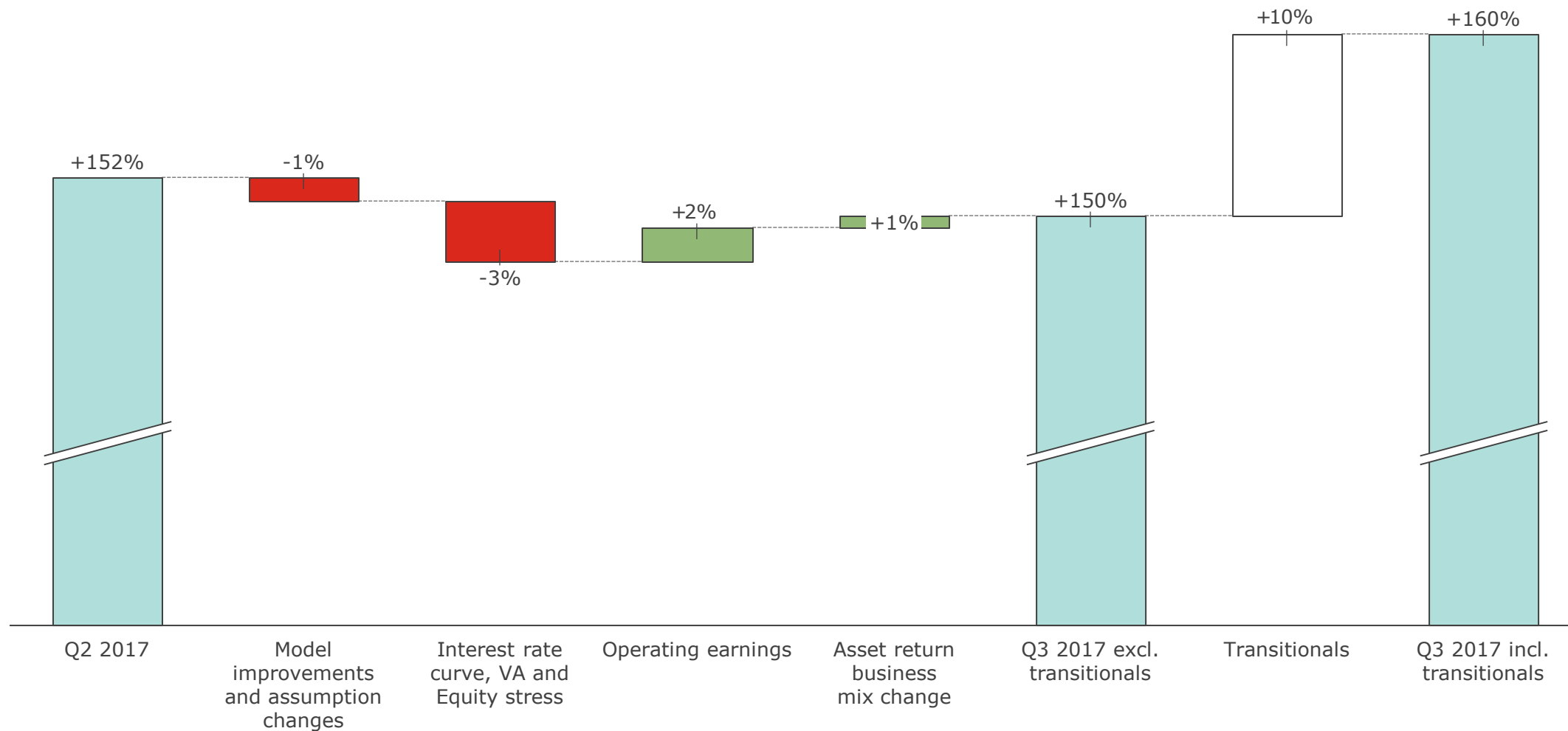
<sup>1</sup> Result before amortisation, write-downs.

<sup>2</sup> Earnings per share after tax adjusted for amortisation of intangible assets.

<sup>3</sup> Customer buffers in Benco not included. In addition there are unallocated investment results of NOK 4.3 billion in Norwegian guaranteed that will be allocated at year end.

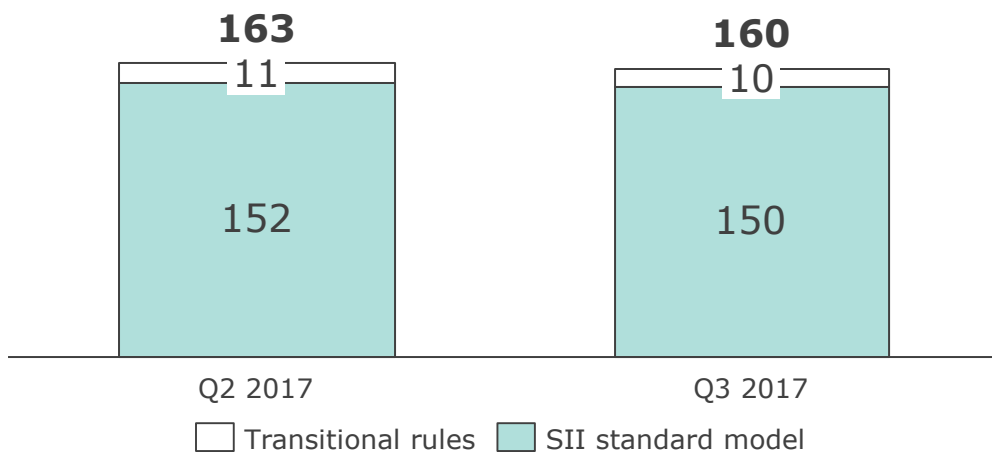
<sup>4</sup> Solidity capital/customer buffers does not include provisions for future longevity reserves.

# Storebrand Group Solvency movement from Q2 2017 to Q3 2017

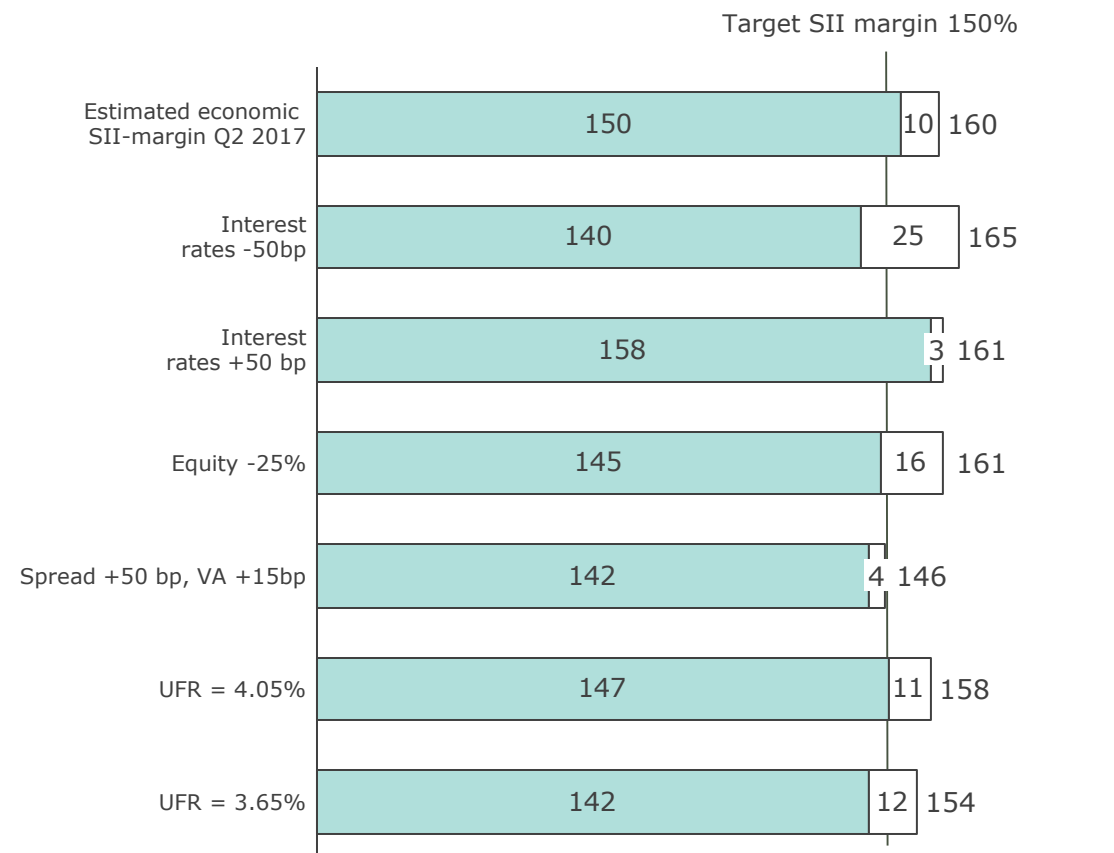


# SII position and sensitivities Storebrand Group

**Solvency position(%)<sup>1</sup>**



**Estimated sensitivities**



**Key takeaways**

- Group results strengthens the Solvency ratio
- Strong asset return allow for increased buffer capital
- Increased interest rate levels in the forward rates
- Small changes in value of transitional measures

<sup>1</sup> The estimated solvency position of Storebrand Group is calculated using the current Storebrand implementation of the Solvency II Standard model with the company's interpretation of the 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.

## Profit<sup>1</sup>

NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Fee and administration income	1 103	1 040	3 201	3 097	4 235
Insurance result	320	238	885	694	945
Operational cost	-826	-811	-2 462	-2 330	-3 191
<b>Operating profit</b>	<b>596</b>	<b>468</b>	<b>1 624</b>	<b>1 461</b>	<b>1 989</b>
Financial items and risk result life	177	209	698	540	924
<b>Result before amortisation</b>	<b>773</b>	<b>676</b>	<b>2 322</b>	<b>2 001</b>	<b>2 913</b>
Amortisation and write-downs of intangible assets	-101	-101	-299	-311	-406
Result before tax	672	576	2 023	1 690	2 506
Tax	27	-135	-111	-224	-364
<b>Profit after tax</b>	<b>698</b>	<b>441</b>	<b>1 912</b>	<b>1 466</b>	<b>2 143</b>

<sup>1</sup> The result includes special items. Please see [storebrand.com/ir](http://storebrand.com/ir) for a complete overview.

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## Profit per line of business

NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Savings - non-guaranteed	314	236	872	742	1 063
Insurance	221	161	576	432	575
Guaranteed pension	244	126	735	378	870
Other profit	-5	154	140	449	405
<b>Profit before amortisation</b>	<b>773</b>	<b>676</b>	<b>2 322</b>	<b>2 001</b>	<b>2 913</b>



# Savings (non-guaranteed) - continued growth



## Profit

NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Fee and administration income	763	681	2 210	2 014	2 758
Operational cost	-445	-442	-1 342	-1 274	-1 700
<b>Operating profit</b>	<b>318</b>	<b>239</b>	<b>868</b>	<b>739</b>	<b>1 058</b>
Financial items and risk result life	-4	-3	4	2	5
<b>Profit before amortisation</b>	<b>314</b>	<b>236</b>	<b>872</b>	<b>742</b>	<b>1 063</b>

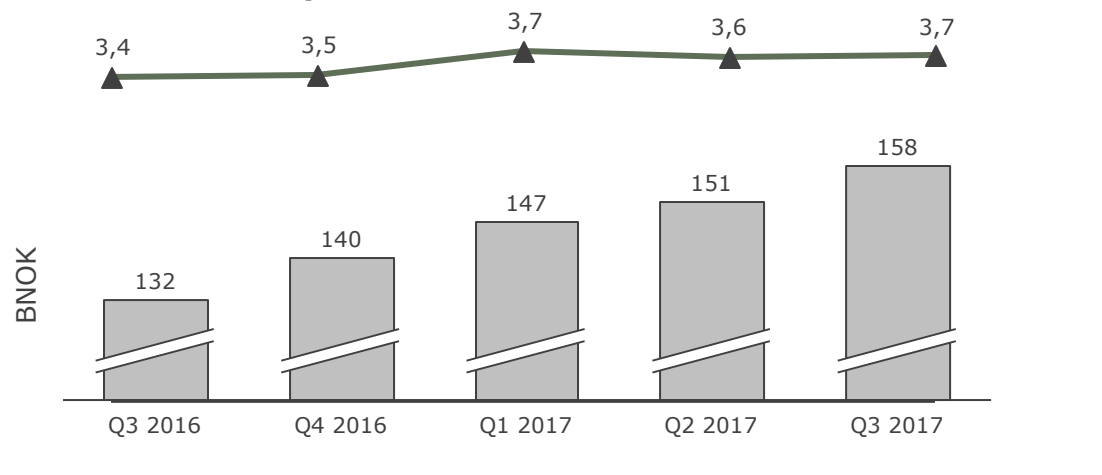
## Profit per product line

NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Unit linked Norway	82	56	220	178	242
Unit linked Sweden	53	43	182	120	175
Asset Management segment	132	107	353	340	518
Retail banking	46	29	117	103	127
<b>Profit before amortisation</b>	<b>314</b>	<b>236</b>	<b>872</b>	<b>742</b>	<b>1 063</b>

# Savings (non-guaranteed)

## - strong growth in assets and retail lending

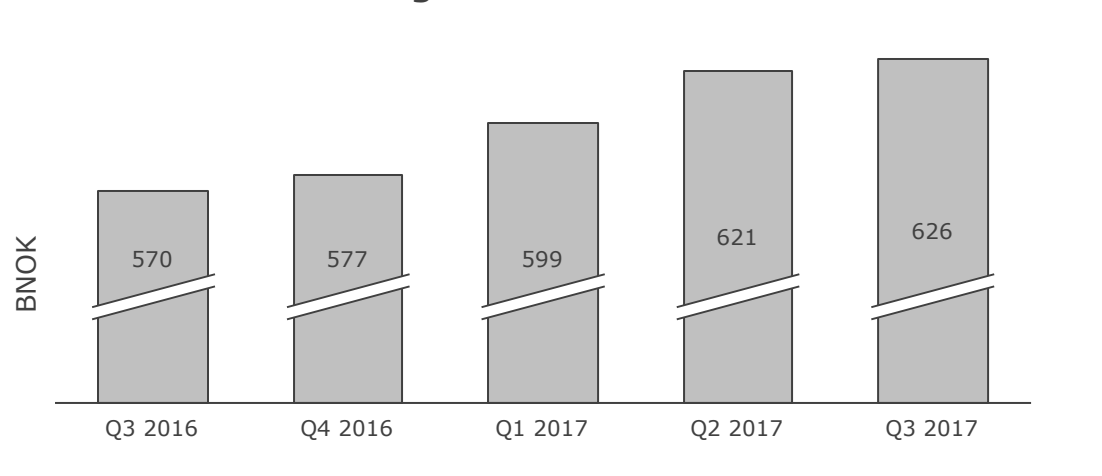
### Reserves and premiums Unit Linked



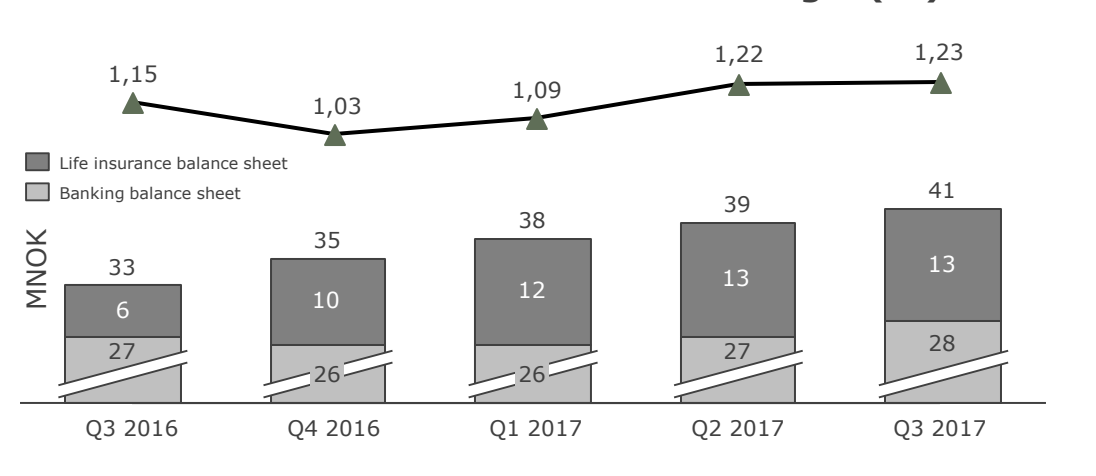
### Comments

- 7% premium growth in UL premiums<sup>1</sup>
- 26% retail lending growth<sup>2</sup>
- 10% growth in assets under management<sup>2</sup>

### Assets under management



### Retail bank balance and net interest margin (%)



## Profit

NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Insurance premiums f.o.a.	993	962	2 904	2 871	3 828
Claims f.o.a.	-674	-724	-2 019	-2 177	-2 883
Operational cost	-175	-152	-519	-435	-602
<b>Operating profit</b>	<b>145</b>	<b>87</b>	<b>366</b>	<b>259</b>	<b>342</b>
Financial result	76	74	209	173	233
<b>Profit before amortisation</b>	<b>221</b>	<b>161</b>	<b>576</b>	<b>432</b>	<b>575</b>

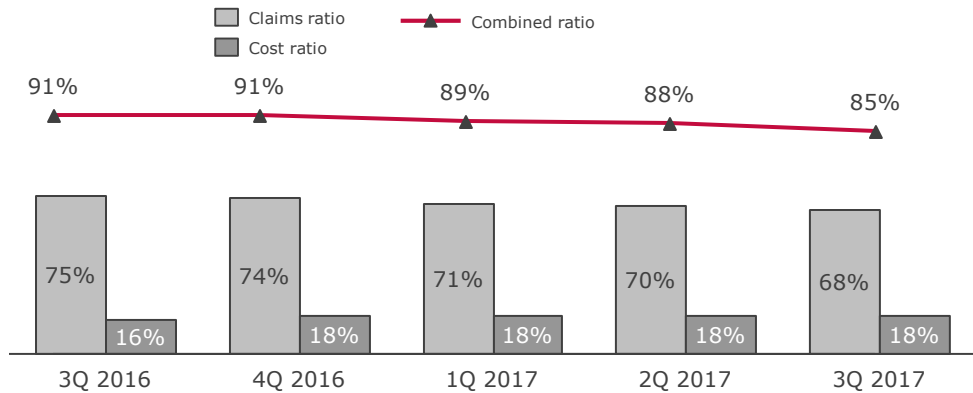
## Profit per product line

NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
P&C & Individual life	80	63	247	245	293
Health & Group life	116	41	263	96	149
Pension related disability insurance Nordic	24	57	66	91	133
<b>Profit before amortisation</b>	<b>221</b>	<b>161</b>	<b>576</b>	<b>432</b>	<b>575</b>

# Insurance

## - Lagging growth, strong combined ratio

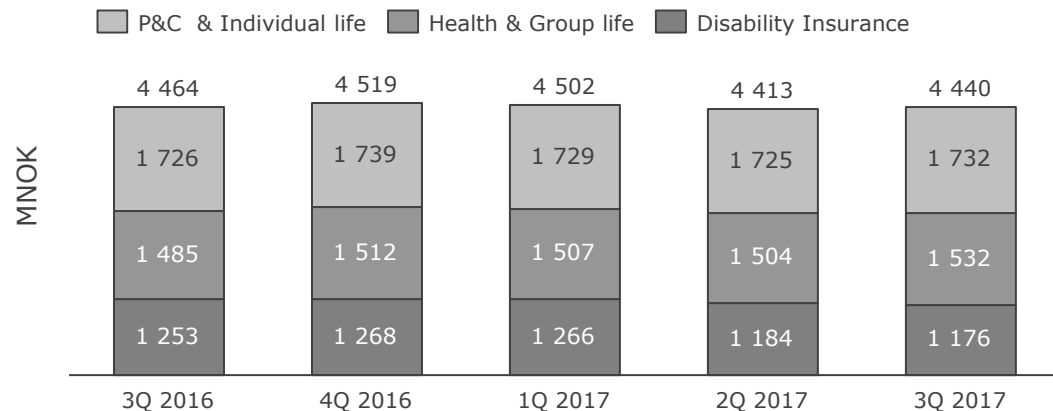
### Combined ratio



### Comments Combined ratio and results

- Combined Ratio 85%
- Reduced premiums due to on-going shift to more cost-effective distribution and new disability product

### Portfolio premiums



### Comments premiums and growth<sup>1</sup>

- Flat premium development within P&C & Individual life
- 3% premium growth within Health & Group life
- -6% premium decline in Pension related disability Nordic

# Guaranteed pension

- strong quarter but long term run off



## Profit

NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Fee and administration income	380	403	1 108	1 190	1 566
Operational cost	-212	-257	-649	-721	-981
<b>Operating profit</b>	<b>169</b>	<b>146</b>	<b>459</b>	<b>469</b>	<b>585</b>
Risk result life & pensions	9	-18	49	-24	-37
Net profit sharing and loan losses	66	-2	227	-67	322
<b>Profit before amortisation</b>	<b>244</b>	<b>126</b>	<b>735</b>	<b>378</b>	<b>870</b>

## Profit per product line

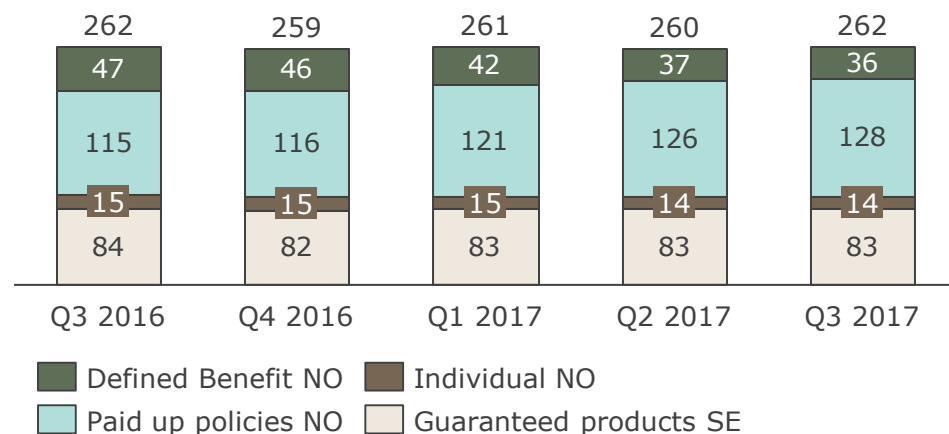
NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Defined benefit (fee based)	83	82	222	278	340
Paid-up policies, Norway	38	9	94	33	46
Individual life and pension, Norway	20	2	36	6	147
Guaranteed products, Sweden	104	32	383	60	336
<b>Profit before amortisation</b>	<b>244</b>	<b>126</b>	<b>735</b>	<b>378</b>	<b>870</b>

# Guaranteed pension

- reserves in long term decline and robust buffer situation



## Reserves guaranteed products



## Comments

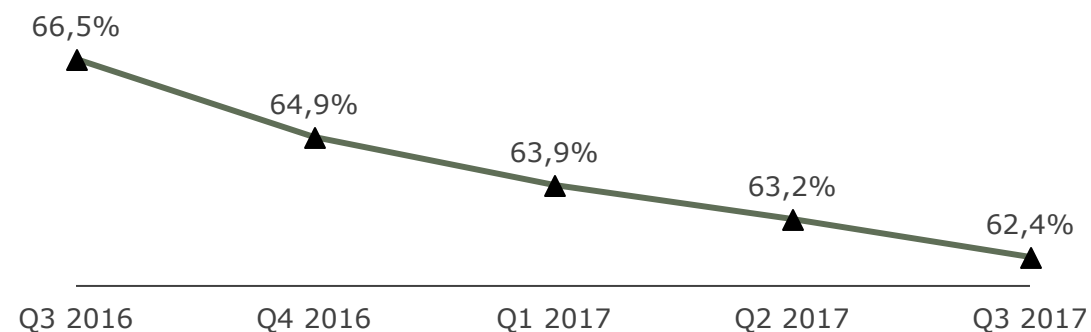
- As companies convert to DC schemes, the migration from DB to lower-margin paid up policies continues to reduce fee income in Guaranteed pensions
- Strong profit sharing results in the quarter

## Buffer capital

NOK million	2017	2016	Change
	3Q	3Q	
Market value adjustment reserve	2 104	4 220	-2 116
Excess value of bonds at amortised cost	8 610	11 562	-2 952
Additional statutory reserve	6 721	5 190	1 531
Unallocated results	4 827	3 546	1 281
Conditional bonuses Sweden	7 067	5 258	1 809
<b>Total</b>	<b>29 329</b>	<b>29 775</b>	<b>-446</b>

1) The term Buffer capital in this table is not consistent with the definition of buffer capital made in the IFRS accounting

## Guaranteed reserves in % of total reserves



**Profit**

NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Fee and administration income	19	31	63	102	145
Operational cost	-53	-35	-132	-108	-141
<b>Operating profit</b>	<b>-35</b>	<b>-4</b>	<b>-69</b>	<b>-6</b>	<b>4</b>
Financial items and risk result life	30	158	209	456	401
<b>Profit before amortisation</b>	<b>-5</b>	<b>154</b>	<b>140</b>	<b>449</b>	<b>405</b>

**Profit per product line**

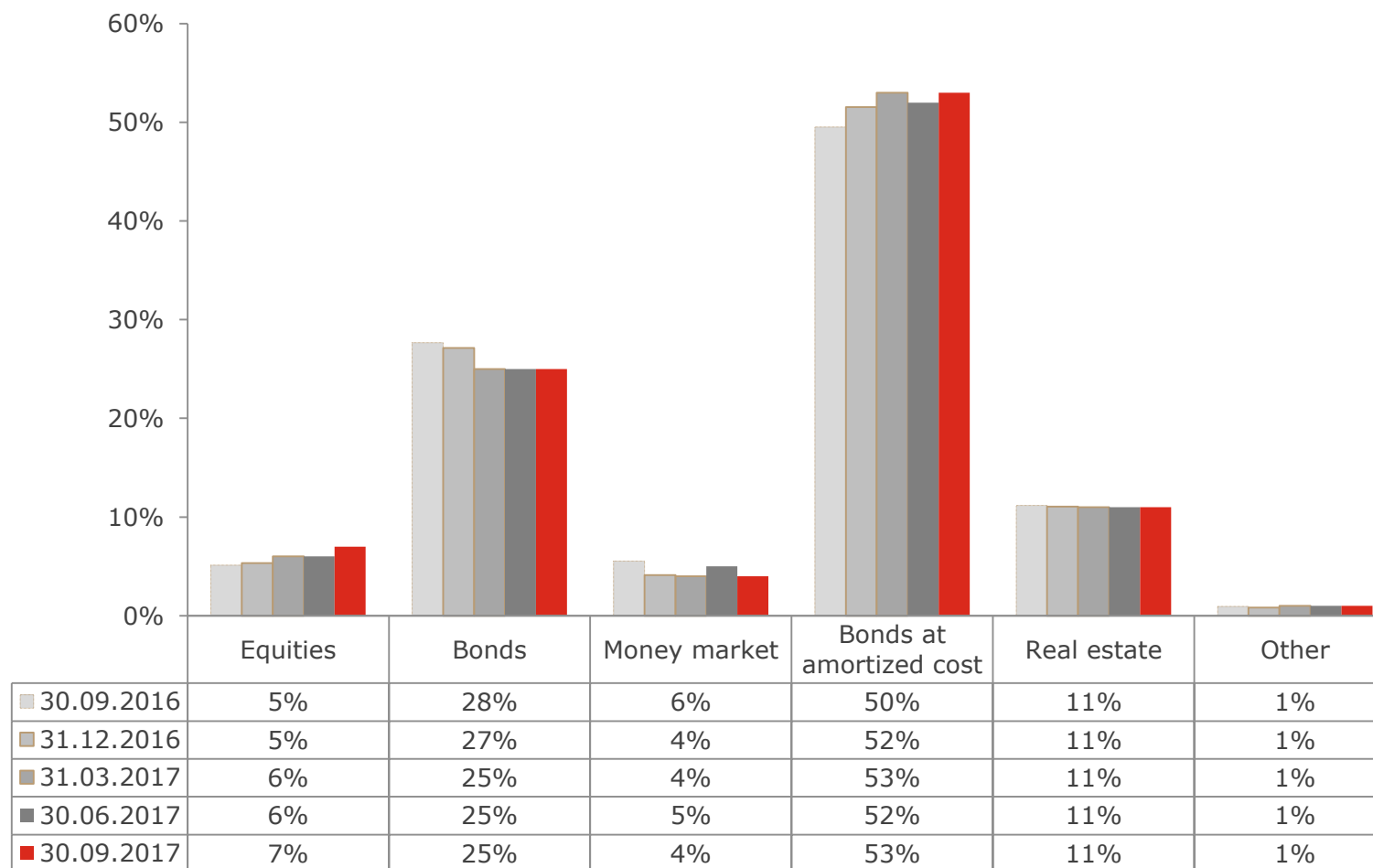
NOK million	3Q		01.01-30.09		Full year
	2017	2016	2017	2016	2016
Corporate Banking	20	34	38	69	76
BenCo	8	7	18	43	44
Holding company costs and net financial results in company portfolios	-33	113	84	337	285
<b>Profit before amortisation</b>	<b>-5</b>	<b>154</b>	<b>140</b>	<b>449</b>	<b>405</b>

<sup>1</sup> Excluding eliminations. For more information on eliminations, see Supplementary Information.



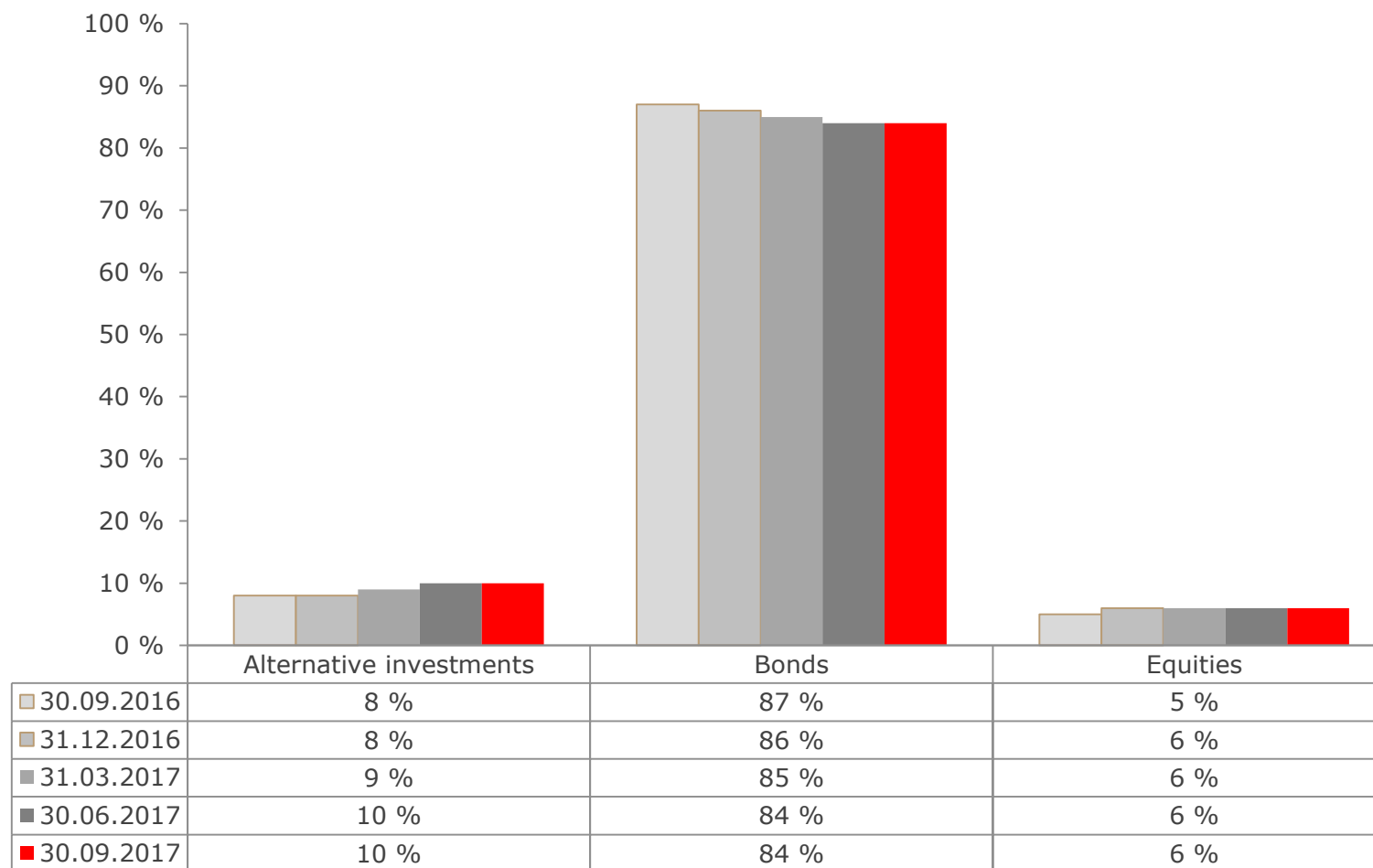
# Appendix

# Storebrand Life Insurance asset allocation



Note: The graph shows the asset allocation for all products with an interest rate guarantee in Storebrand Life Insurance Norwegian operations. Category bonds includes loans on life insurance balance sheet.



# SPP asset allocation



Note: The graph shows the asset allocation for all products with an interest rate guarantee in SPP.

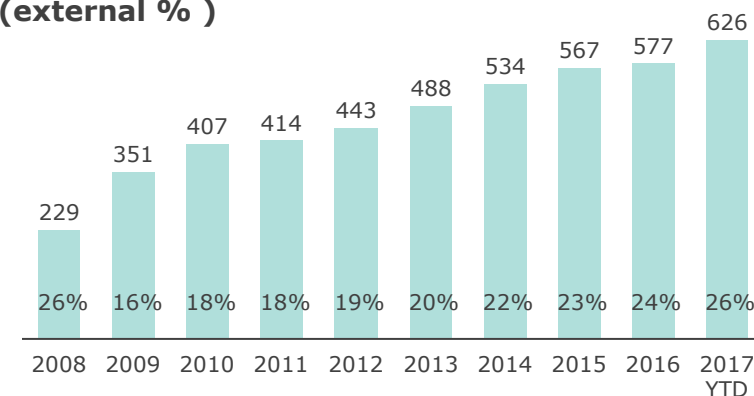
# Key figures SKAGEN and Storebrand Asset Management

## Key figures 2016 (NOKm)

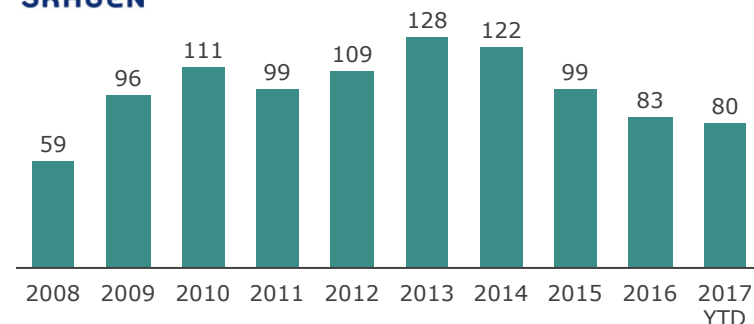
	 storebrand	 SKAGEN	Combined
AUM (NOKbn)	577	83	660
AUM external (NOKbn)	136	83	219
Revenue	1,082	1,000	2,082
Distribution cost	-98	-229	-327
Personnel cost	-217	-381	-598
Other Operating expenses	-223	-183	-406
EBITDA	545	207	752
Net profit	349	148	497
Employees	162	169	331

## AUM development (NOKbn)

### storebrand (external %)

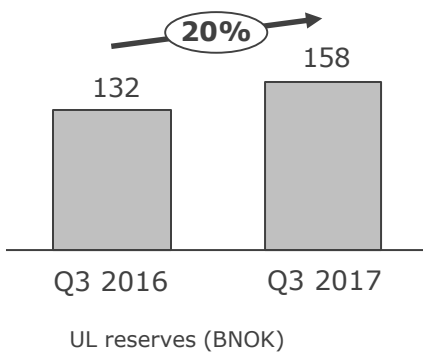


### SKAGEN



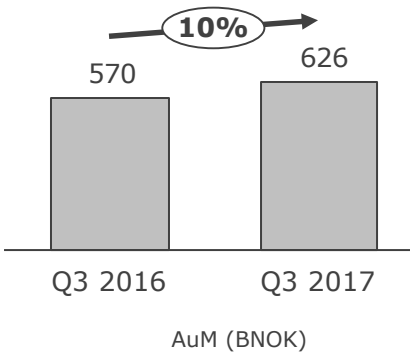
# Growth in Savings continues, Insurance growth paused by changes in distribution

## Unit Linked



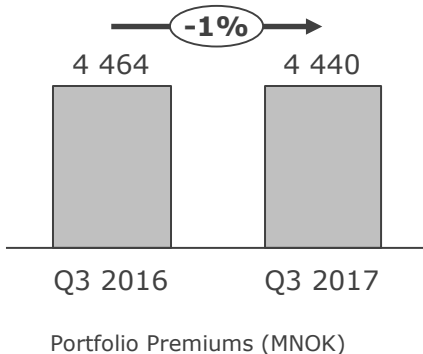
- 18% growth in Sweden
- 23% growth in Norway

## Asset management



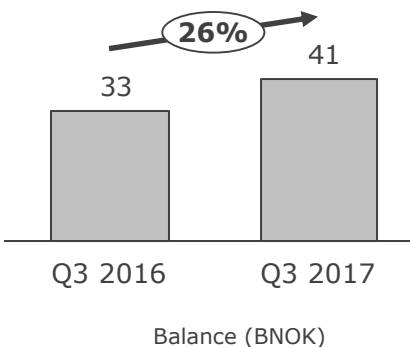
- Growth driven by non-guaranteed and external mandates

## Insurance



- Changes in distribution and new disability product temporarily dampens growth
- New product launches and partnerships to boost growth

## Retail loans



- NOK 12,6bn placed on life balance sheet as of 3Q 2017
- Margin improvement in the quarter



## Investor Relations contacts

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# Our Vision

Recommended by our customers

This document contains Alternative Performance Measures as defined by the European Securities and Market Authority (ESMA). An overview of APMs used in financial reporting is available on [storebrand.com/ir](https://storebrand.com/ir).