

Storebrand

Q1 2014

7 May 2014

Odd Arild Grefstad – CEO

Sigbjørn Birkeland – Finance Director

Highlights Q1 2014

Result

- Group result of NOK 728 mill in Q1 2014
- Strong risk results
- Nominal cost reductions of 5.4%¹ from Q1 2013

Operations

- Clarity on longevity reserve strengthening
- 16% growth in occupational DC premiums
- 137 companies in Q1 on higher DC saving rates than previous max

Balance sheet

- Life group solvency ratio: 182%
- 7.2 bn guaranteed reserves transferred out
- Longevity reserve strengthening of NOK 1.9 bn² in Q1

¹Currency adjusted

²Consist of unallocated result of 1.8 bn, whereof the major part will be used for longevity strengthening and shareholders direct contribution of 0.1 bn.

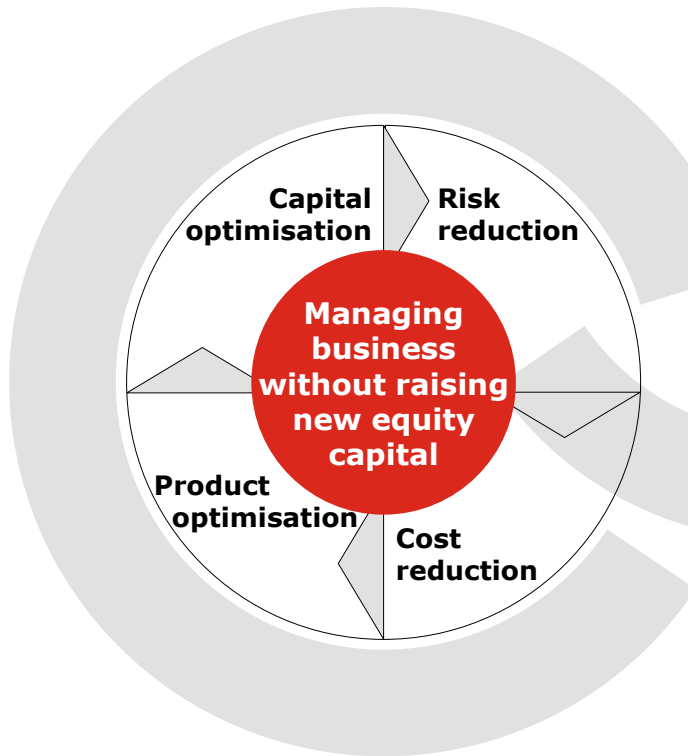
Result

NOK million	Q1		Full year
	2014	2013	2013
Fee and administration income	1 057	1 021	4 253
Underwriting result	353	234	1 111
Operational cost (non-recurring items excluded)	-785	-816	-2 938
Financial result	121	20	97
Result before profit sharing and loan losses	747	459	2 522
Net profit sharing and loan losses	71	95	416
Shareholder direct equity contribution for longevity	-90	0	0
Result before amortisation and write-downs	728	554	2 938
Amortisation and write downs of intangible assets	-111	-104	-739
Result before tax	617	449	2 199
Tax	-108	-88	-209
Sold/liquidated business	-2	-1	-4
Profit after tax	509	361	1 987

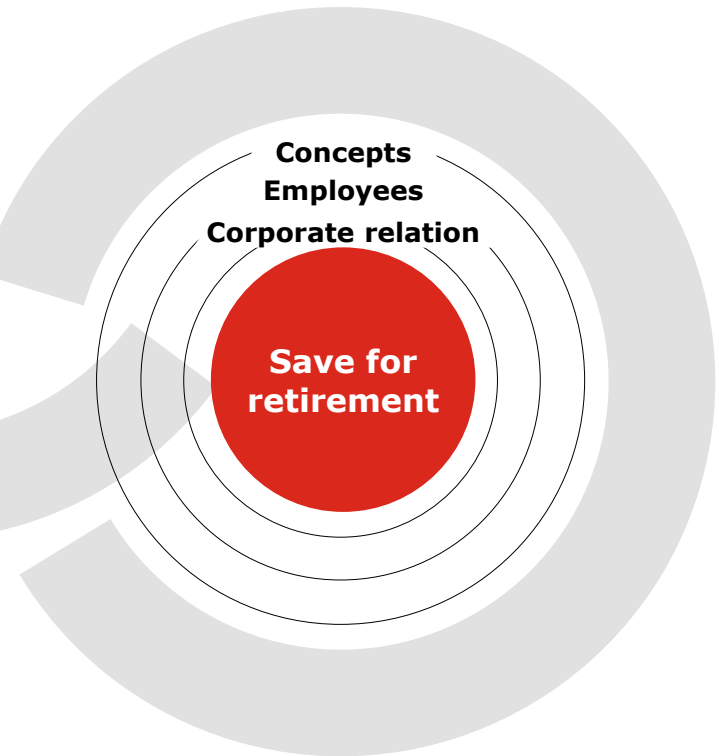
Our strategic response to changing market conditions

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

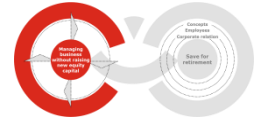
Managing the balance sheet



Developing the business

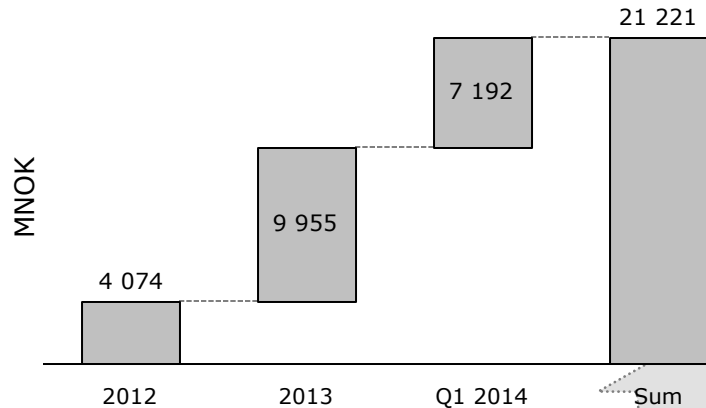


Managing the balance sheet



Capital optimization

Transfer out of guaranteed products



Risk reduction

- Portfolio segmentations paid-up policies

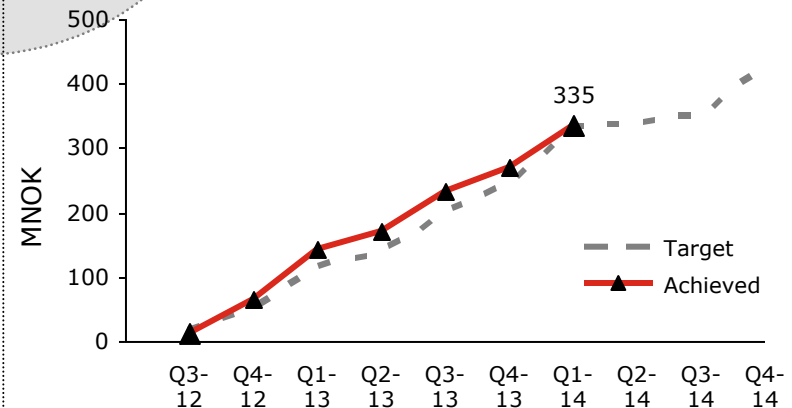
Managing business without raising new equity capital

Product optimisation

- Completed sales of SPP Pension Services
- New mortality tables implemented in products – increased risk results

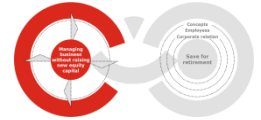
Cost reduction

Accumulated run-rate, annual effects



Longevity

- 1.9 bn reserved for longevity in Q1

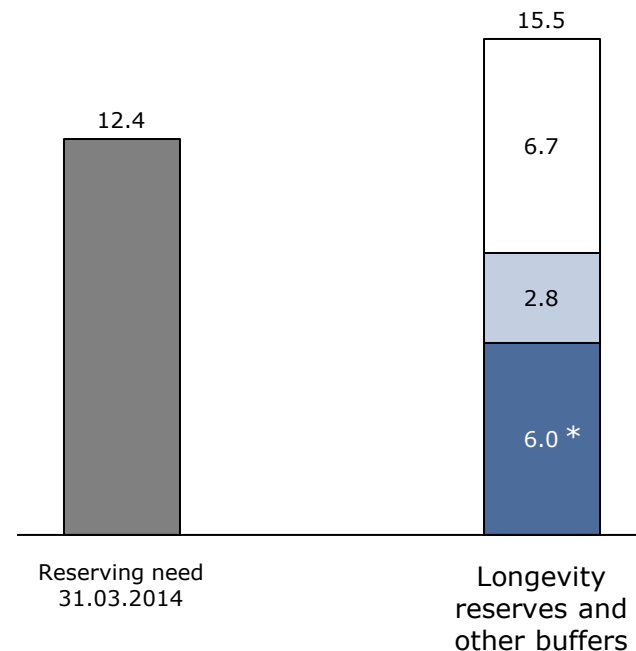


Final reserving rules

- Step up plans can have a maximum duration of seven years (up until 2020).
- The reserves may be funded with excess return in customer portfolios. Surplus return in one contract cannot be used to strengthen reserves on other contracts (no "solidarity").
- The Insurance companies should contribute at least 20 percent of the increased reserves. Allocations shall be made to every contract.
- The reserve strengthening must as a minimum be linear over the course of the step up plan.

Reserving needs and reserves

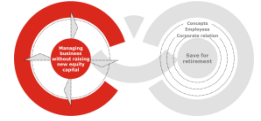
- Reserving need
- Excess value Bond at Amortised Cost
- MVAR
- Reserved by 31.03.2014 *



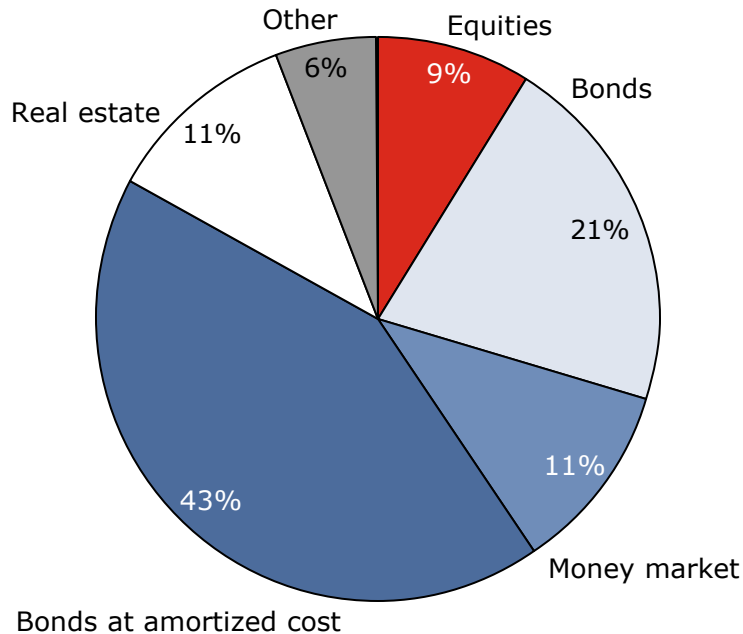
*Includes unallocated customer results and as of 31.03.2014 and previously allocated reserves for longevity. Both is somewhat overstated, as "no solidarity" principle will reduce both by approximately 500 mill. It also includes shareholders direct contribution of 90mill

Longevity

- result impact dependent of financial returns



Asset allocation



Expected result effects

Annual booked return	Expected result effect	Annual result effect
4 %	~3 500	~500
4.4%	~2 300	~330
4.5 %	~2 100	~300
5 %	~1 100	~160

- NOK 90 million booked as result impact in Q1 2014, in addition to lack of profit sharing of 149 million in Q1

1 In addition to lack of profit sharing of approximately 1.1 bn in the period



Comments:

- Hearing period concluded:
 - Longevity reserving
 - Pay out profiles
 - Advising
- Based on final regulations, Storebrand are ready to start conversion from autumn 2014
- 29 bn of paid-up policies with a clear value proposition from converting to investment choice
- Segmentation of investment portfolio

Pro and cons of converting

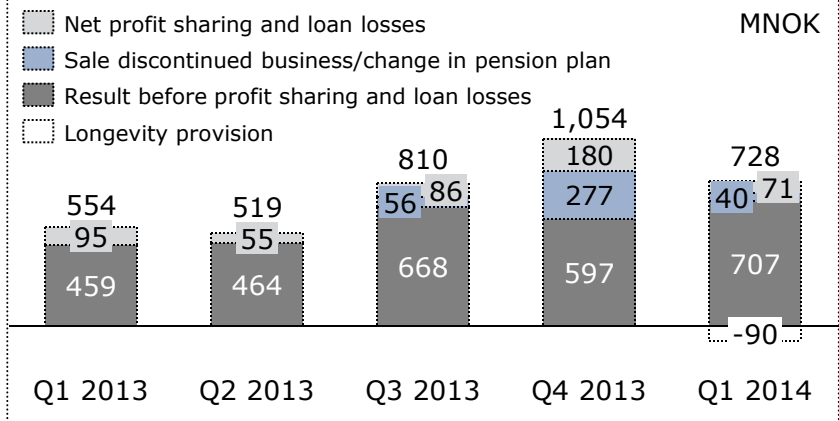
- Early conversion may trigger higher contribution from shareholders for longevity reserving
- Positive elements from conversion to paid-up policies with investment choice:
 - Strong customer value proposition
 - Capital release
 - Cross selling
 - Fee based

Key figures

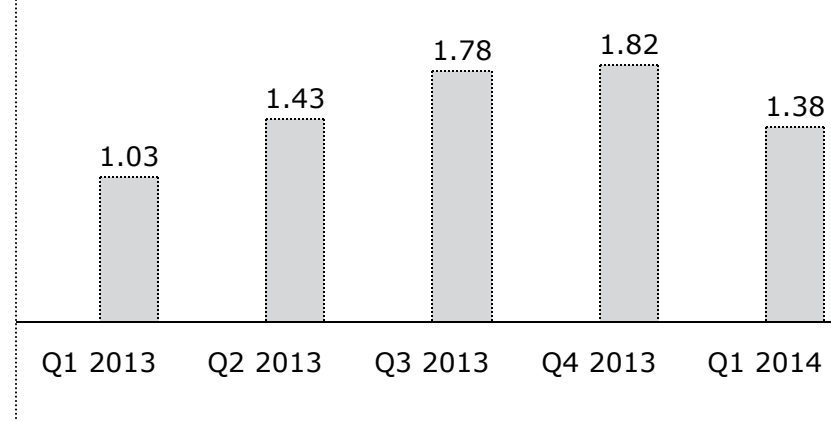


Group

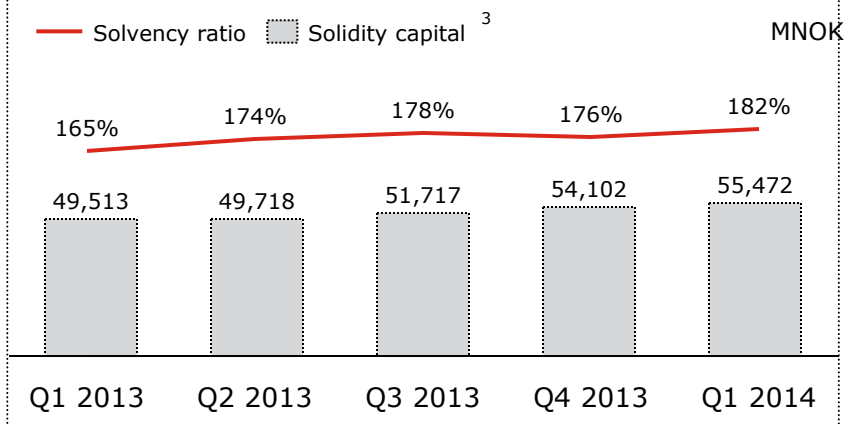
Result development



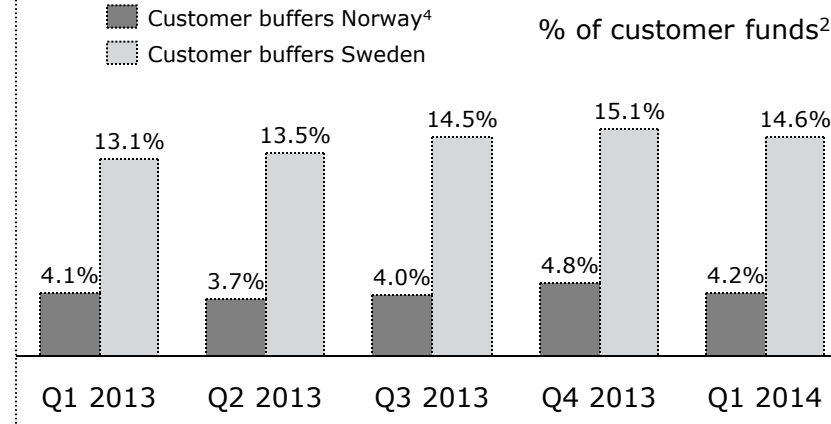
Earnings per share¹



Solvency ratio Storebrand Life Group



Customer buffers development



¹ Earnings per share after tax adjusted for amortisation of intangible assets.

² Customer buffers in Benco of NOK 2.7 bn are not included

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

Storebrand Group

- strong results



Result

NOK million	Q1		Full year
	2014	2013	2013
Fee and administration income	1 057	1 021	4 253
Underwriting result	353	234	1 111
Operational cost (non-recurring items excluded)	-785	-816	-2 938
Financial result	121	20	97
Result before profit sharing and loan losses	747	459	2 522
Net profit sharing and loan losses	71	95	416
Shareholder direct equity contribution for longevity	-90	0	0
Result before amortisation and write-downs*	728	554	2 938

Result per line of business

NOK million	Q1		Full year
	2014	2013	2013
Savings (non-guaranteed)	186	90	670
Insurance	226	95	774
Guaranteed pension	302	380	1 376
Other	14	-11	119
Result before amortisation and write-downs	728	554	2 938

*NOK 300 mill in write down of goodwill attached to corporate banking (not shown in this P&L)

Savings (non-guaranteed)

- continued result improvement



Result

NOK million	Q1		Full year
	2014	2013	2013
Fee and administration income	509	448	1 888
Risk result life & pensions	-2	0	7
Operational cost *	-321	-335	-1 279
Financial result	-	-	-
Result before profit sharing and loan losses	186	113	616
Net profit sharing and loan losses	0	-24	54
Result before amortisation	186	90	670

Result per product line

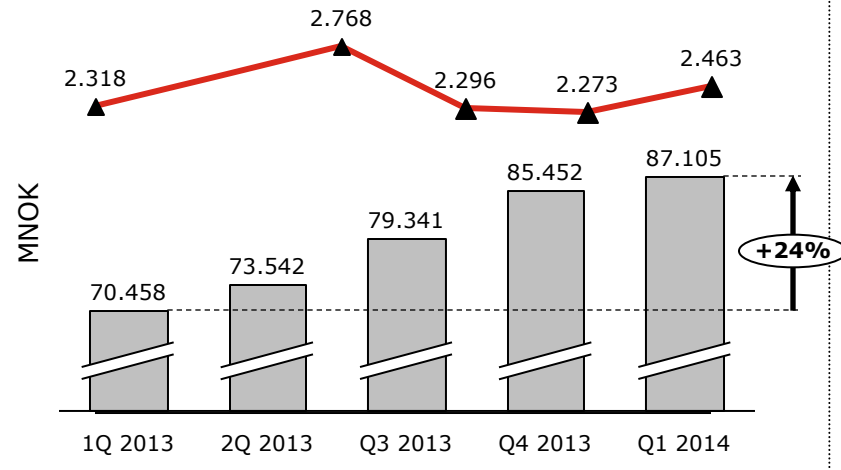
NOK million	Q1		Full year
	2014	2013	2013
Unit Linked Storebrand	31	17	106
Unit Linked SPP	36	15	78
Asset Management	67	46	313
Retail Banking	53	12	173
Result before amortisation	186	90	670

Savings (non-guaranteed)

- continued growth



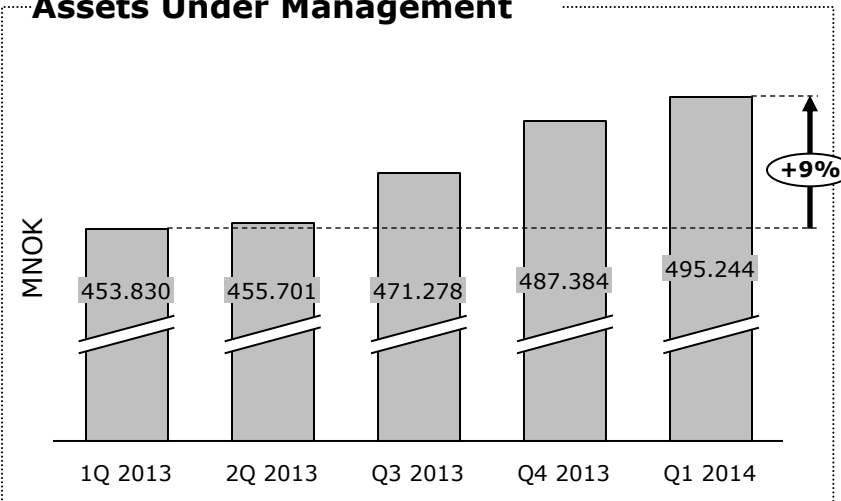
Reserves and premiums Unit Linked



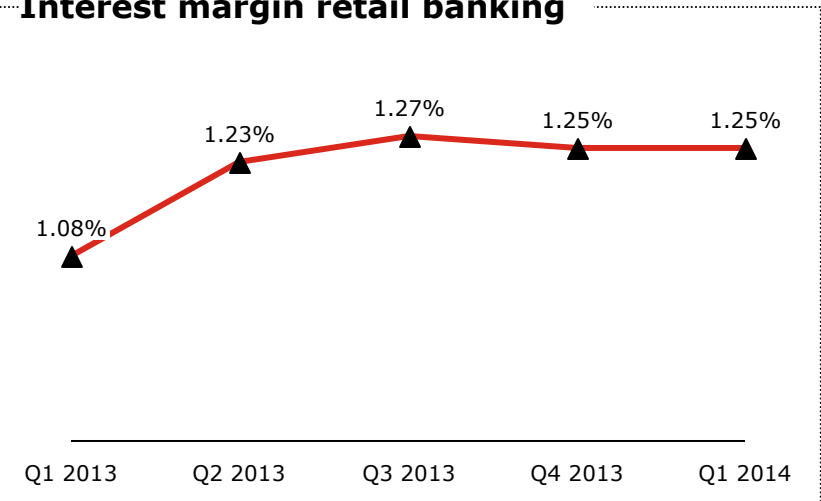
Comments

- 16% growth in occupational pension UL premiums
- Growth in reserves backed by good equity markets

Assets Under Management



Interest margin retail banking



Insurance

- Change in segment reporting



Result

	Q1		Full year
NOK million	2014	2013	2013
Insurance premiums f.o.a.	770	758	3 034
Claims f.o.a.	-492	-566	-1 940
Operational cost	-125	-128	-463
Financial result	74	32	143
Result before profit sharing and loan losses	226	95	774
Net profit sharing and loan losses	0	0	0
Result before amortisation	226	95	774

Result per product line

	Q1		Full year
NOK million	2014	2013	2013
P&C & Individual life*	69	65	314
Health & Group life**	48	30	225
Disability insurance***	109	0	234
Result before amortisation	226	95	774

* Individual life and disability, property and casualty insurance

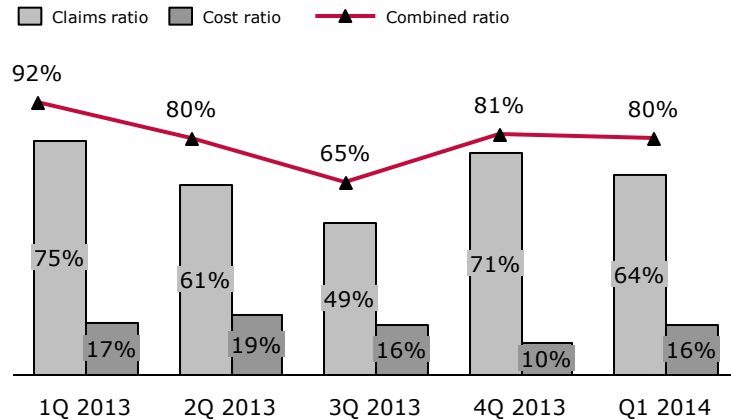
** Group life, workers comp and 50% of result in Storebrand Health insurance

*** DC disability risk result Norwegian line of business and risk result from SPP

Insurance

- SPP risk products included in Insurance

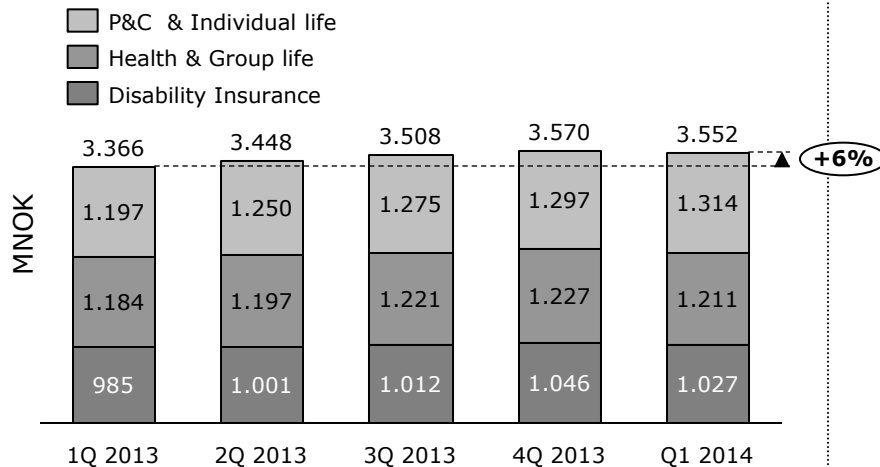
Combined ratio



Comments

- From Q1 2014, SPP risk products are reported under Insurance
- Storebrand Health Insurance is from Q1 2014 no longer consolidated
- Historic figures are updated accordingly
- Combined ratio of 80%, 64% claims ratio, 16% cost ratio

Portfolio premiums



Guaranteed pension

- longevity charge of NOK 90 mill



Result

NOK million	Q1		Full year
	2014	2013	2013
Fee and administration income	474	491	2 013
Risk result life & pensions	78	40	7
Operational cost	-281	-271	-1 016
Financial result	-	-	-
Result before profit sharing and loan losses	272	260	1 016
Net profit sharing and loan losses	120	119	373
Shareholder direct equity contribution for longevity	-90	0	0
Result before amortisation	302	380	1 376

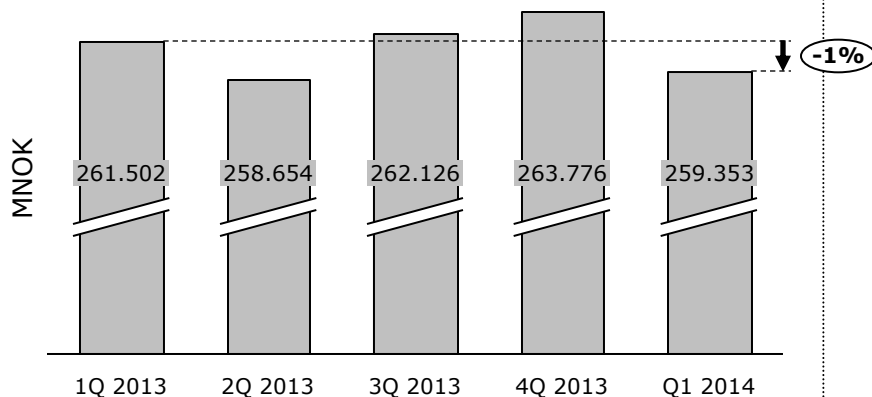
Result per product line

NOK million	Q1		Full year
	2014	2013	2013
Defined Benefit (fee based)	149	225	968
Paid-up policies	-20	-6	19
Traditional individual life and pension	-1	0	21
SPP Guaranteed Products	174	160	366
Result before amortisation	302	380	1 376

Guaranteed pension - strong booked return



Reserves guaranteed products



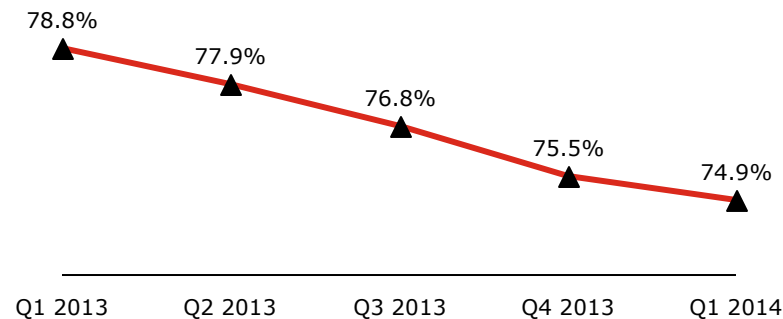
Comments

- Transfer out of guaranteed products of 7,2 bn in Q1
- 2.0% booked return for portfolios with reserving need
- 1.8 bn unallocated result that will mainly be used for longevity reserve strengthening

Buffer capital

NOK million	31.03.2014	31.12.2013	Change in 2014
Market value adjustment reserve	2 793	3 823	-1 030
Excess value of bonds at amortised cost	6 698	5 160	1 538
Additional statutory reserve	4 443	4 458	-15
Provisions for new mortality tables	4 096	4 558	-462
Unallocated customer results	1 762	0	1 762
Shareholders direct contribution, provisions for new mortality tables	90	0	90
Conditional bonuses SPP	10 417	11 010	- 539
Total	30 299	29 009	1 290

Guaranteed reserves in % of total reserves



Result

NOK million	Q1		Full year
	2014	2013	2013
Fee and administration income	74	82	353
Risk result life & pensions	-1	2	3
Operational cost	-58	-82	-180
Financial result	47	-12	-46
Result before profit sharing and loan losses	62	-10	129
Net profit sharing and loan losses	-48	-1	-11
Result before amortisation*	14	-11	119

Result per product line

NOK million	Q1		Full year
	2014	2013	2013
Corporate Banking	-23	26	113
BenCo	9	9	46
Holding company costs and net financial results in company portfolios	28	-46	-39
Result before amortisation	14	-11	119

*

Summary

- Strong results
- 1.9 bn to be available for longevity reserve strengthening
- Cost program on plan: nominal cost reduced by 5%
- Conversion from guaranteed pension to non-guaranteed savings is reflected in balance and revenues



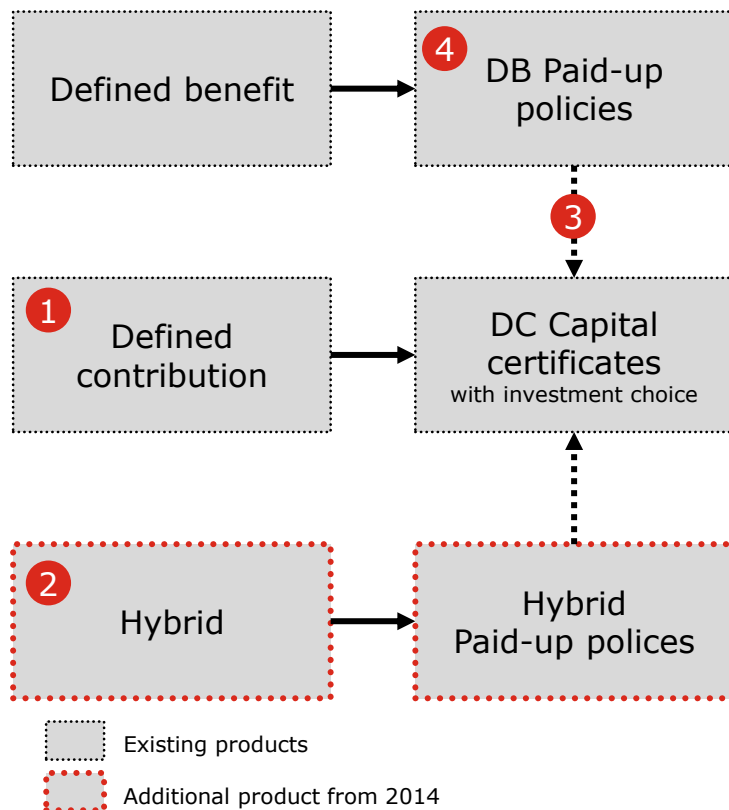
Appendix:

Market impacted by extensive product reform

– important regulatory changes in place



New legal framework for Norwegian occupational pension



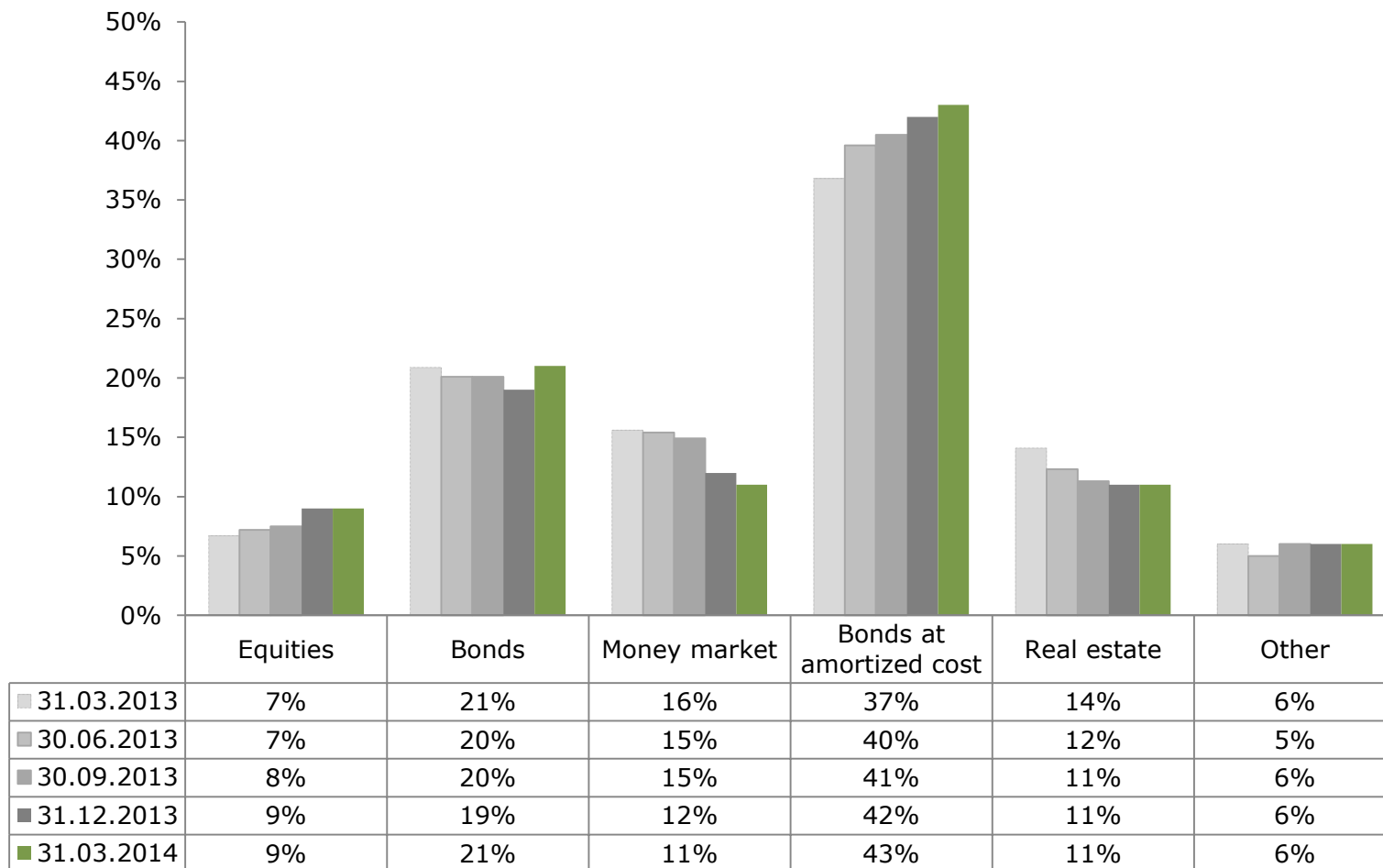
Important changes

1. Increased maximum saving rates in DC schemes, from 1 January 2014
 - Up to 7% for wages up to 7G*
 - Up to 25,1% for wages between 7G and 12G
2. New hybrid occupational pension product from 1 January 2014

Next steps

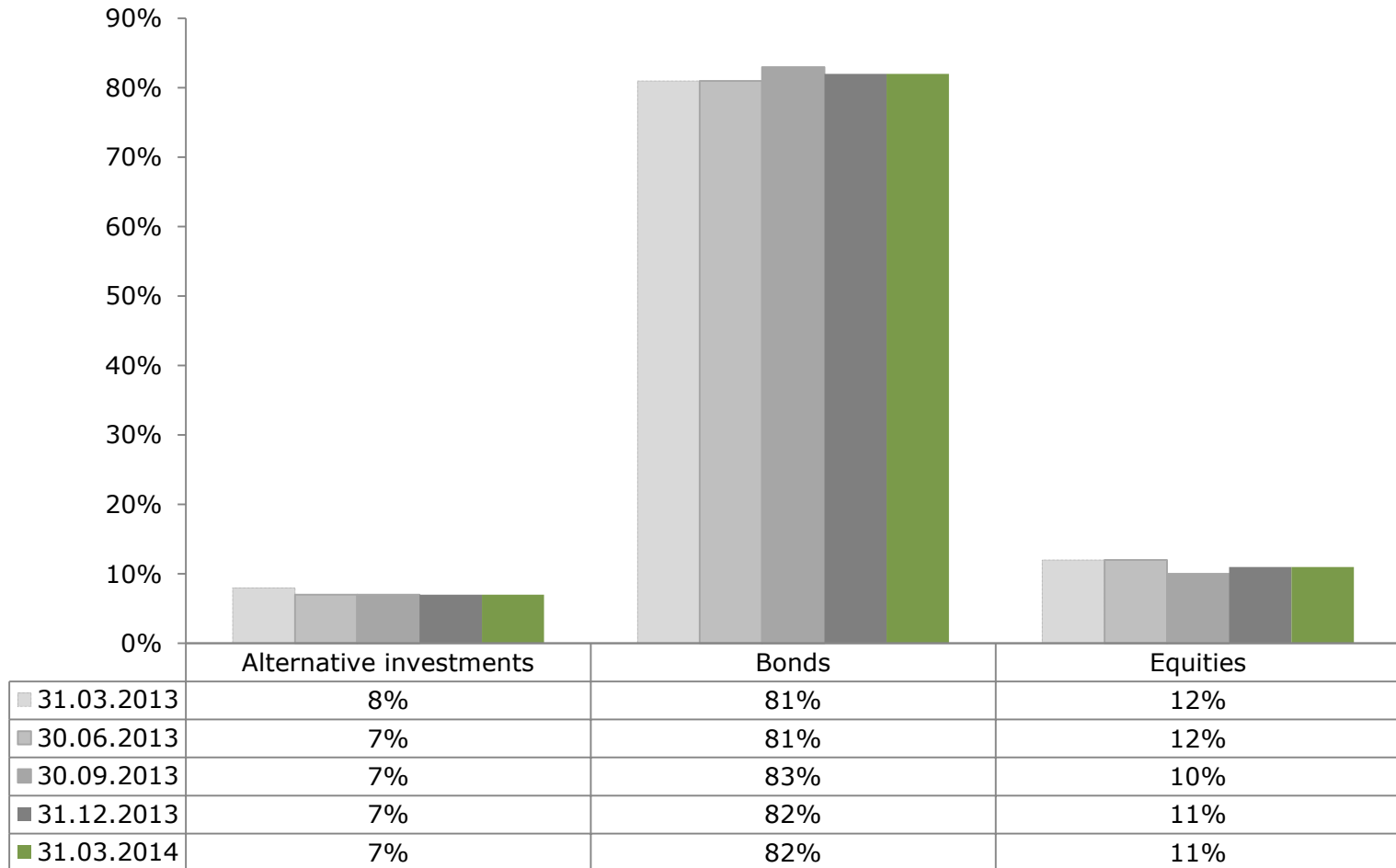
3. Clarify transition rules for Paid-up policies to Paid-up policies with investment choice
4. Transition rules for guaranteed reserves into Solvency II
5. Introduce tax favorable individual pension

Storebrand Life Insurance asset allocation



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

SPP asset allocation



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