

Storebrand

Q2 2014

16 July 2014

Odd Arild Grefstad – CEO

Lars Aa. Løddesøl – CFO

Highlights Q2 2014

Result

- Group result of NOK 750 mill in Q2 and 1 477 mill YTD
- Strong investment returns
- Strong profit sharing from guaranteed products SPP: 188 mill in Q2

Operations

- Transition from Guaranteed to Savings continues:
 - Fee and administration income Guaranteed business: -12%
 - Fee and administration income Savings: +13%
- Final rules for conversion to paid-up policies with investment choice

Balance sheet

- Buffer capital and longevity reserve strengthening of 5.8 bn YTD¹
- Longevity reserve strengthening of NOK 2.1 bn² YTD
- NOK 502 bn in AuM in Storebrand Asset Management

¹ See table on page 17 for description

² Consist of unallocated result of 2.0 bn and shareholders direct contribution of 0.2 bn.

Storebrand Group

- strong results



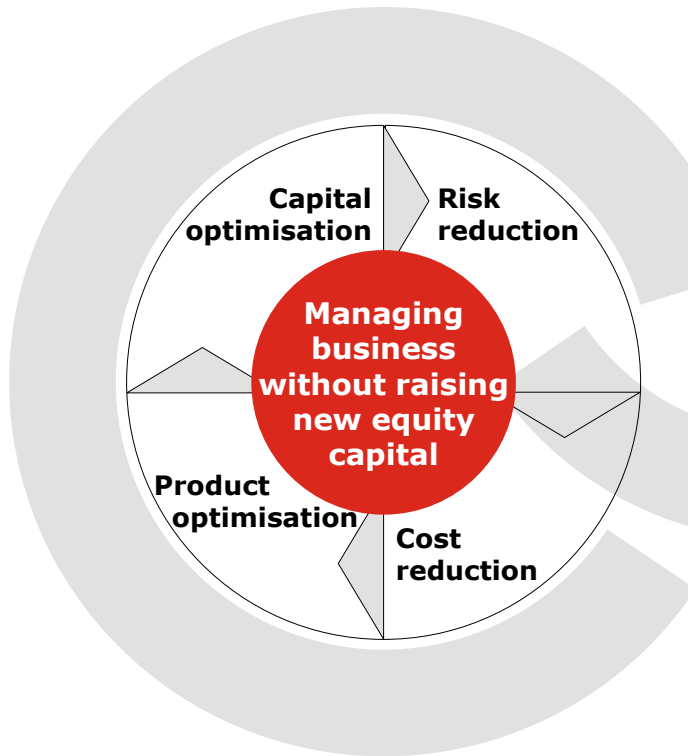
Result

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Fee and administration income	1 028	1 051	2 086	2 072	4 253
Underwriting result	256	268	610	503	1 111
Operational cost (non-recurring items excluded)	-795	-831	-1 580	-1 647	-2 938
Financial result	150	-25	271	-5	97
Result before profit sharing and loan losses	640	463	1 386	923	2 522
Net profit sharing and loan losses	200	56	271	150	416
Shareholder direct equity contribution for longevity	-90	0	-180	0	0
Result before amortisation and write-downs	750	519	1 477	1073	2 938
Amortisation and write downs of intangible assets	-108	-105	-218	-210	-739
Result before tax	642	414	1 259	863	2 199
Tax	-146	125	-253	38	-209
Sold/liquidated business	-0	-2	-0	-2	-4
Profit after tax	496	537	1 006	898	1 987

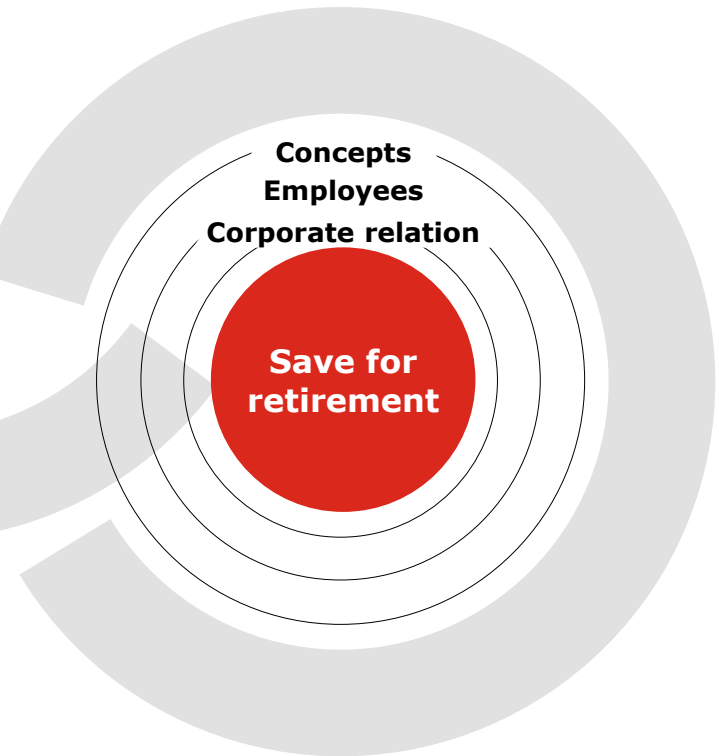
Our strategic response to changing market conditions

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

Managing the balance sheet



Developing the business

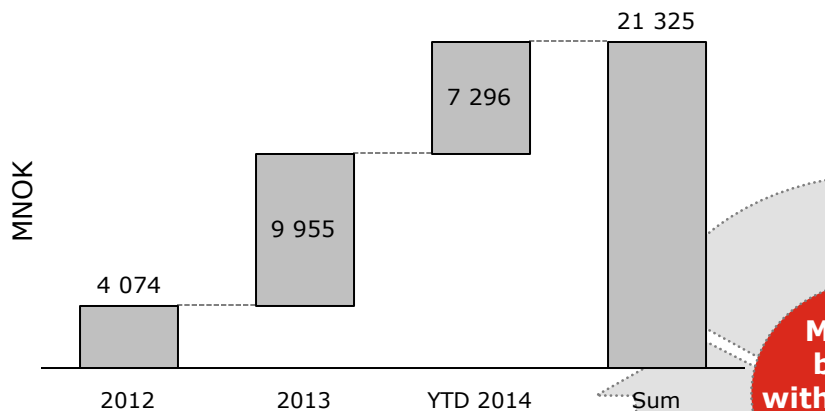


Managing the balance sheet

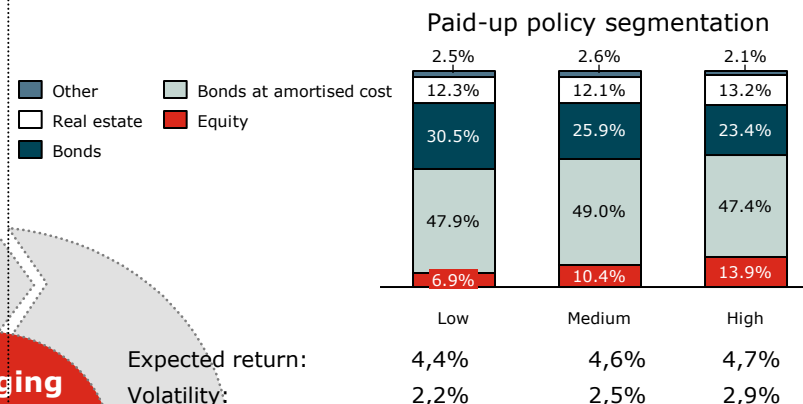


Capital optimization

Transfer out of guaranteed products



Risk reduction



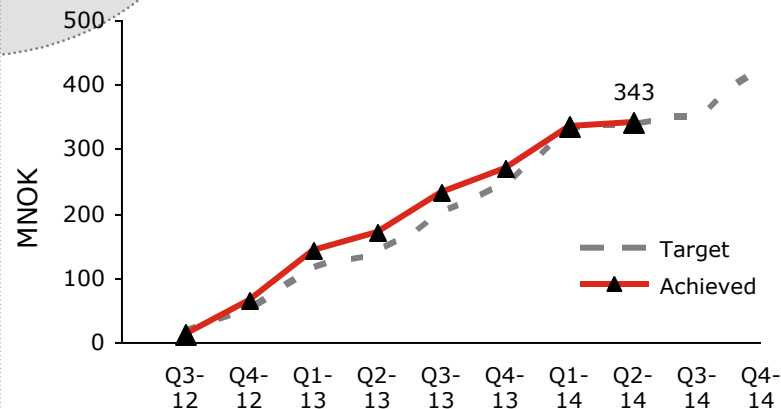
Managing business without raising new equity capital

Product optimization

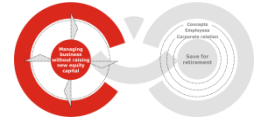
- 85 public sector customers with 5 bn in reserves to be transferred out in 2H 2014
- 7 bn in closed pension fund solutions sold to municipalities in 1H
- Corporate bank exposure reduced by 36% last 12 months

Cost reduction

Accumulated run-rate, annual effects

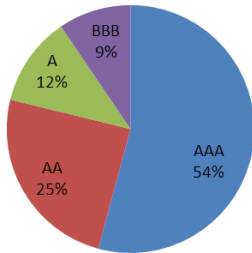


Challenging interest rate environment



Mitigating actions

Norway: Strong hold-to-maturity portfolio



- YTM in portfolio is 4.8%
 - Average rating in portfolio is above AA
 - Average time to maturity in portfolio is 6.7 years
- Last trades YTM 4.0% – 4.5%
- Surplus value of 8.9 bn

Sweden: Strong duration matching of assets and liabilities

Result effects from declining rates

Short term:

- Increased profit sharing in SPP
- Strong returns in company portfolios

Long term:

- Decreased profit sharing from lower returns
- Lower returns from company portfolios

Balance sheet effects

Short term:

- Increased buffer capital
- Increased surplus values in HTM

Long term:

- Lower reinvestment yields

Solvency

Solvency I:

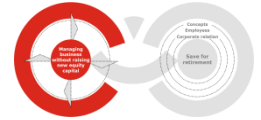
- Norway: unchanged
- Sweden: decrease

Solvency II:

- Reduced solvency II position

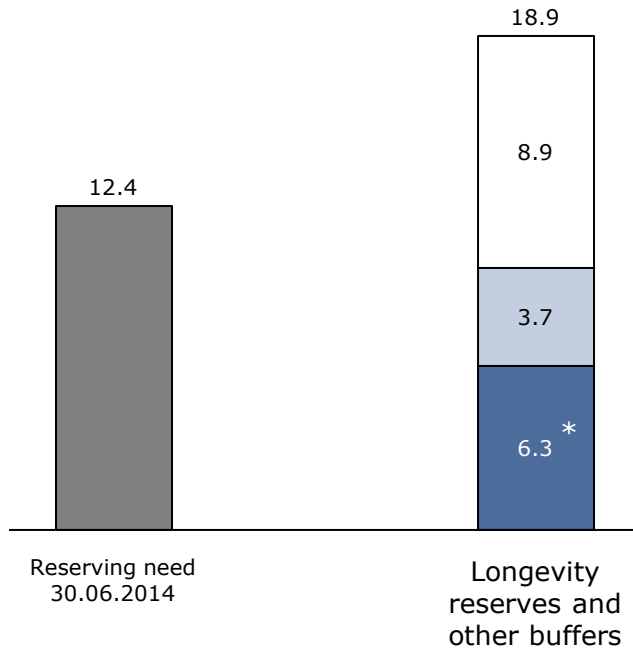
Longevity

- 2.1 bn reserved for longevity YTD



Reserving needs and reserves

- Reserving need
- Excess value Bond at Amortised Cost
- MVAR
- Reserved by 30.06.2014 *



Comments

- Total reserve strengthening need 12.4 bn
- Longevity reserve strengthening of 2.1 bn YTD
- NOK 180 mill YTD in direct contribution from shareholders for longevity reserve strengthening
- Surplus value in Bonds at Amortised cost increased with 2.2 bn in Q2, 3.7 bn YTD

*Includes unallocated customer results as of 30.06.2014 and previously allocated reserves for longevity. Previously allocated reserves are calculated on a solidarity basis. A "no solidarity" principle will reduce the reserves by approximately 500 mill. It also includes shareholders direct contribution of 180 mill



Transition rules:

- Transition rules published on 27th June:
 - A paid-up policy must be fully reserved for longevity before it can be converted to an investment choice solution
 - Technical calculation rate of 3% during the payout phase of the product, will allow for equalization of pension payments
 - Clear rules on customer advise
- Conversion of paid-up policies from 1st September

Storebrand is ready

- 29 bn of paid-up policies with a clear value proposition for conversion
- Early conversion may trigger higher contribution from shareholders for longevity reserving

The screenshot shows the Storebrand website with a red header. The main content area is titled "Nye muligheter for din pensjon" (New opportunities for your pension). Below the title, there is a sub-headline: "Finansdepartementet har nå gitt grønt lys for at norske fripolisekunder selv kan velge hvordan pensjonsmidlene forvaltes. De nye reglene vil gi kunder med fripoliser økt valgfrihet", sier finansminister Siv Jøansen i en pressemelding.

There are two main articles visible:

- Bør jeg bytte til fripolise med investeringsvalg?**
Ved å endre til fripolise med investeringsvalg kan du selv styre med å påvirke avkastningen og dermed din fremtidige pensjon. Det vil imidlertid ikke lønne seg for alle. Vi ønsker at du skal gjøre gode valg for din pensjon. Det er derfor viktig for oss å vise deg hvilke muligheter denne løsningen gir, slik at du kan velge hva som er best for deg og din situasjon. Vi jobber med å avklare hva de nye mulighetene vil bety for deg og din pensjon. Vi tar kontakt med kunder dette vil lønne seg for etter sommeren. Har du andre spørsmål om sparing og pensjon kan du gjerne ringe oss på [22 31 20 00](tel:+4722312000).
- Passer dette for meg?**
Pensjonslospart Øyrtind Rist i Dine Penger mener at de nye reglene kan gi deg 10 000 kroner årlig ekstra i rutte med i alderdommen. Vi vil gi råd om å flytte til fripoliser med investeringsvalg når kunden kan forventes å få en vesentlig høyere pensjonsutbetaling. Dette gjelder for mange av kundene våre, siden en mer langiktig forvaltning av pensjonsmidlene vil gi en høyere forventet pensjonsutbetaling, sier konsernsjef i Storebrand Odd Aul Grethstad. Til tross for at alle med fripolise hos oss finne sine beregninger her på storebrand.no. Da vil hver enkelt kunne berette hva en ending av dagens fripolise vil kunne bety for pensjonen. Hold deg oppdatert på denne siden.

Below these are sections for "Hva er fripolise?" and "Hva er fripolise med investeringsvalg?".

Hva er fripolise?
En fripolise er en oppspart pensjon du har fra din tidligere arbeidsgiver.
- Fripolisene har i dag årlig rentegaranti, noe som gjør at en veslig lav andel av pensjonsmidlene investeres i aksjer. Dette gir fripolisevorne en svært lav avkastning på pensjonsmidlene sine, sier Ivar Kreutzer fra Finans Norge.
[Les mer](#)

Hva er fripolise med investeringsvalg?
En fripolise med investeringsvalg gir hver enkelt muligheten for selv å være med å påvirke avkastningen. Denne avkastningen har ingen garanti, men vil for mange kunne gi forventet høyere avkastning.
[Les mer](#)

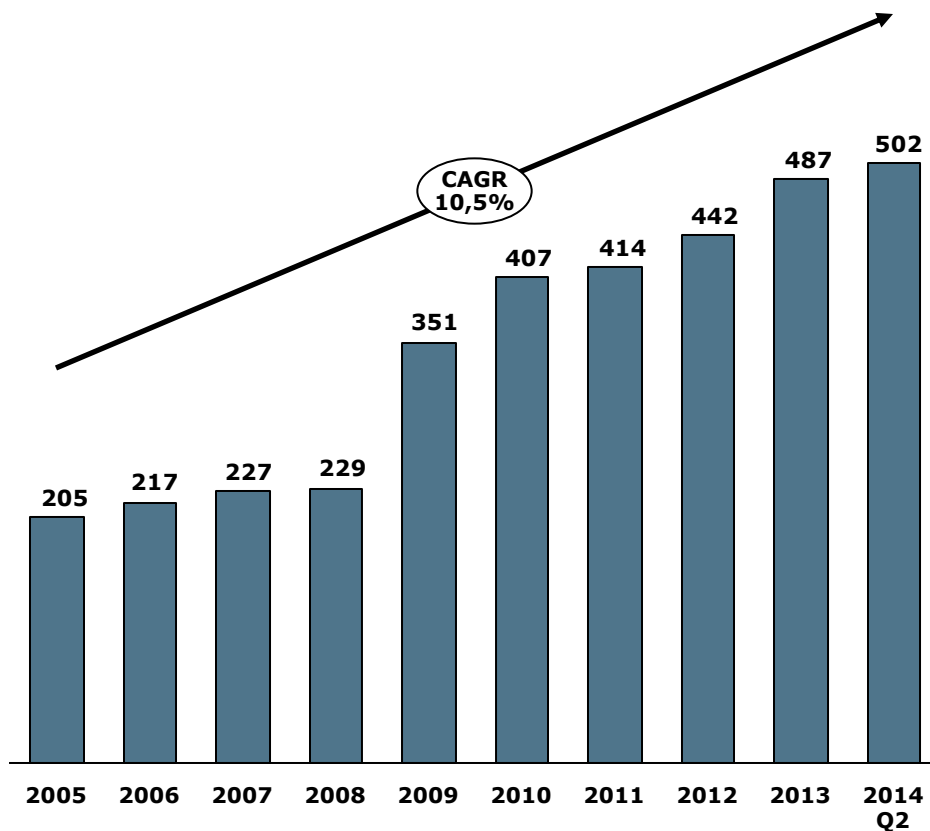
Les hva andre skriver
- Pressemelding fra Finansdepartementet
- "Nå kan du bestemme mer over pensjonen din" - Dine Penger
- "Må være" - VG
- "Fra 1. september vil det bli mulig for flere av fripoliser å kunne velge disse til fripoliser med investeringsvalg" - Finans Norge
- "Det er lett å la seg velge" - Dagens Næringsliv
- Storebrands pressemelding

At the bottom, there is a footer with navigation links: "Om politikk og personopplysninger", "Sosiale medier", "Inn Engelsk", and "Om Storebrand".

Storebrand asset management exceeds NOK 500 bn in AuM!



Asset under management:



Transparent customer menu

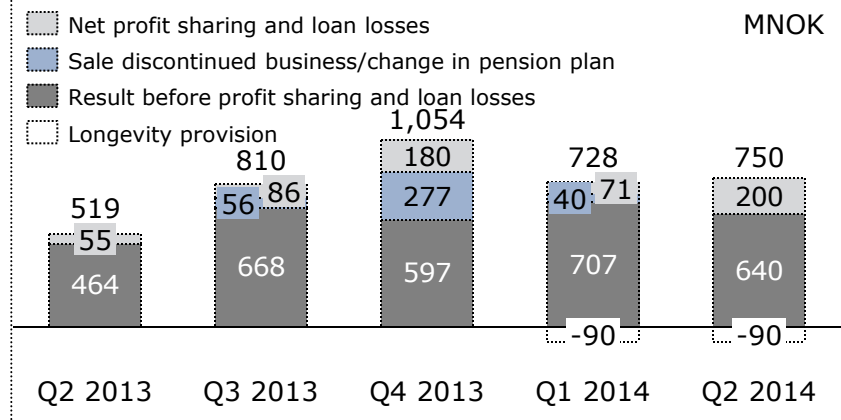
α Active

$\beta+$ Factor funds

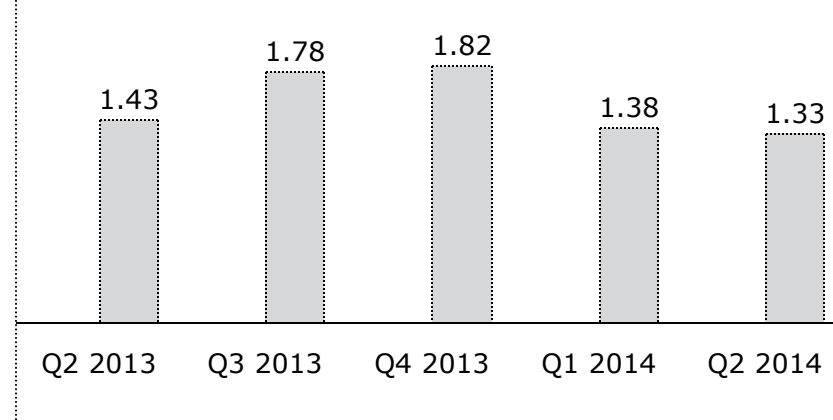
β Index funds

- Transparent fee structure
- Active funds have clear positions from benchmark
- All investments are screened by sustainability criteria

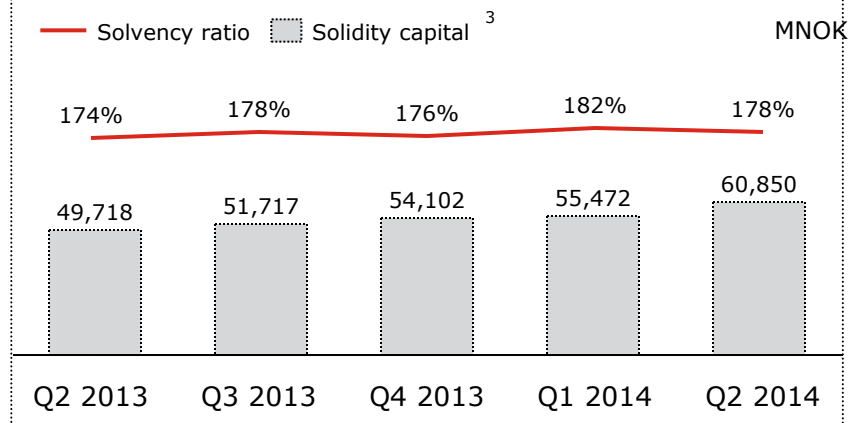
Result development



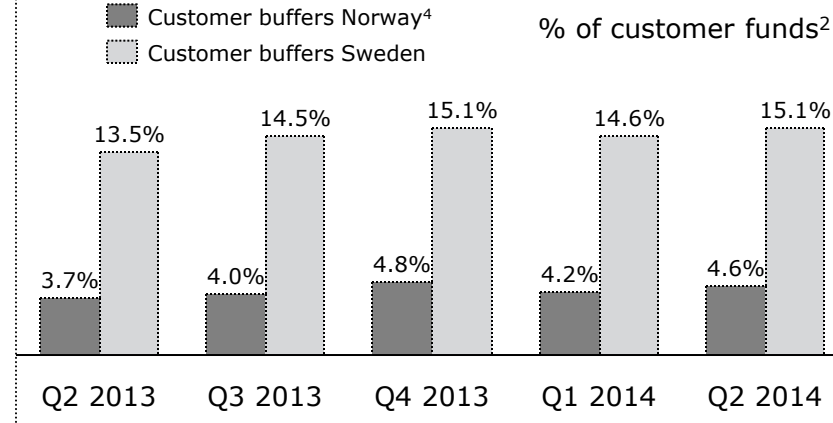
Earnings per share¹



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 2.9 bn are not included

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

Storebrand Group

- strong investment returns



Result

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Fee and administration income	1 028	1 051	2 086	2 072	4 253
Underwriting result	256	268	610	503	1 111
Operational cost	-795	-831	-1 580	-1 647	-2 938
Financial result	150	-25	271	-5	97
Result before profit sharing and loan losses	640	463	1 386	923	2 522
Net profit sharing and loan losses	110	56	91	150	416
Result before amortisation and write-downs	750	519	1 477	1 073	2 938

Result per line of business

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Savings (non-guaranteed)	184	138	370	227	670
Insurance	154	181	381	277	774
Guaranteed pension	313	255	614	635	1 376
Other	99	-55	112	-66	119
Result before amortisation and write-downs	750	519	1 477	1 073	2 938

Savings (non-guaranteed)

- growth and profitability



Result

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Fee and administration income	522	461	1 031	909	1 888
Risk result life & pensions	-7	4	-8	4	7
Operational cost	-325	-322	-646	-657	-1 279
Financial result	-	-	-	-	-
Result before profit sharing and loan losses	191	142	377	256	616
Net profit sharing and loan losses	-6	-5	-7	-29	54
Result before amortisation	184	138	370	227	670

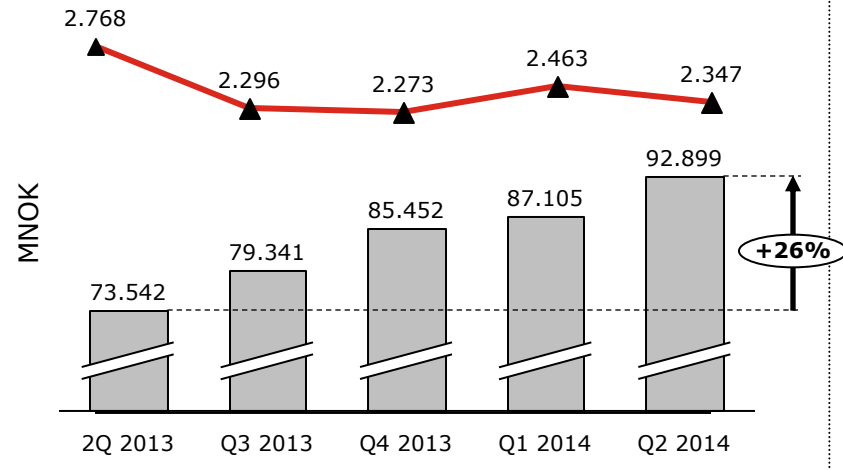
Result per product line

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Unit Linked Storebrand	32	33	62	49	106
Unit Linked SPP	18	9	55	24	78
Asset Management	86	44	153	90	313
Retail Banking	48	52	100	64	173
Result before amortisation	184	138	370	227	670

Savings (non-guaranteed) - continued growth



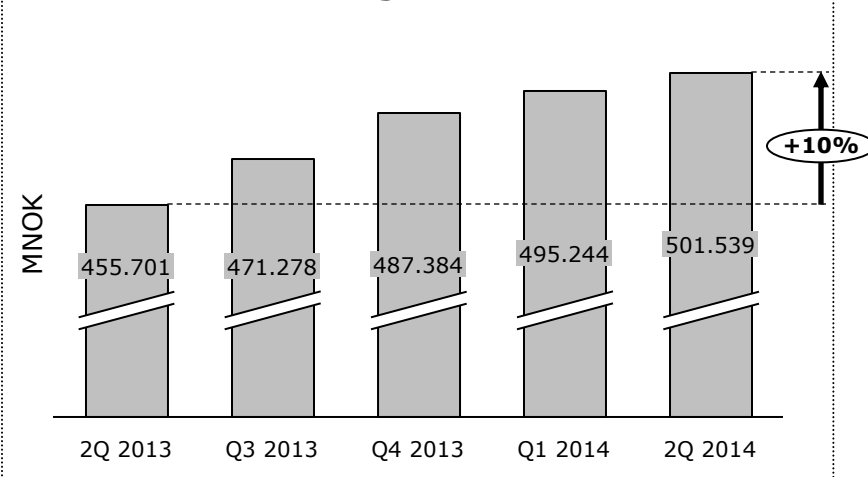
Reserves and premiums Unit Linked



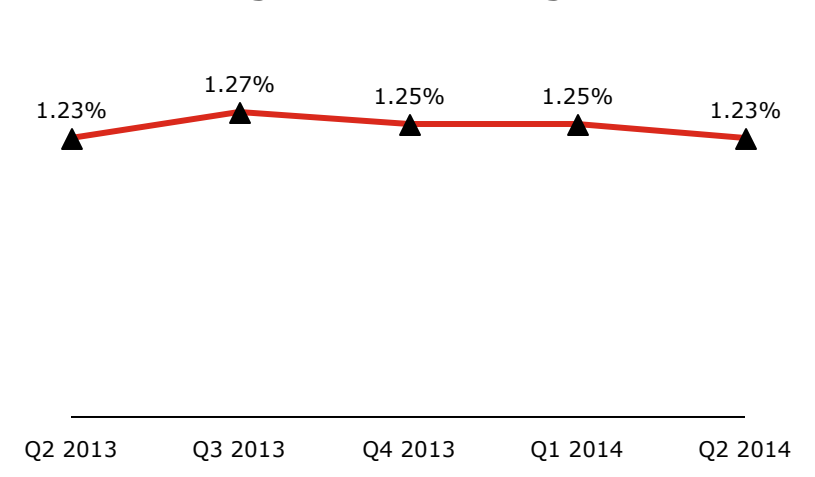
Comments

- Increasing share of saving agreements
- Reduction in premiums in SPP of 13% YTD due to withdrawal from municipality sector

Assets Under Management



Interest margin retail banking



Insurance

- strong group life result



Insurance

Result

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Insurance premiums f.o.a.	770	707	1 540	1 464	3 034
Claims f.o.a.	-558	-430	-1 050	-996	-1 940
Operational cost	-131	-132	-256	-260	-463
Financial result	74	36	147	68	143
Result before profit sharing and loan losses	154	181	381	277	774
Net profit sharing and loan losses	0	0	0	0	0
Result before amortisation	154	181	381	277	774

Result per product line

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
P&C & Individual life*	76	70	145	135	314
Health & Group life**	25	85	73	115	225
Disability insurance***	53	27	163	27	234
Result before amortisation	154	181	381	277	774

* Individual life and disability, property and casualty insurance

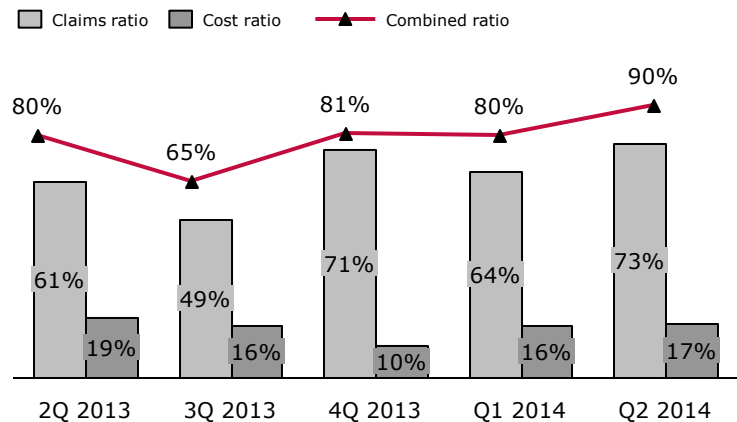
** Group life, workers comp and 50% of result in Storebrand Health insurance

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

Insurance

- reduced growth

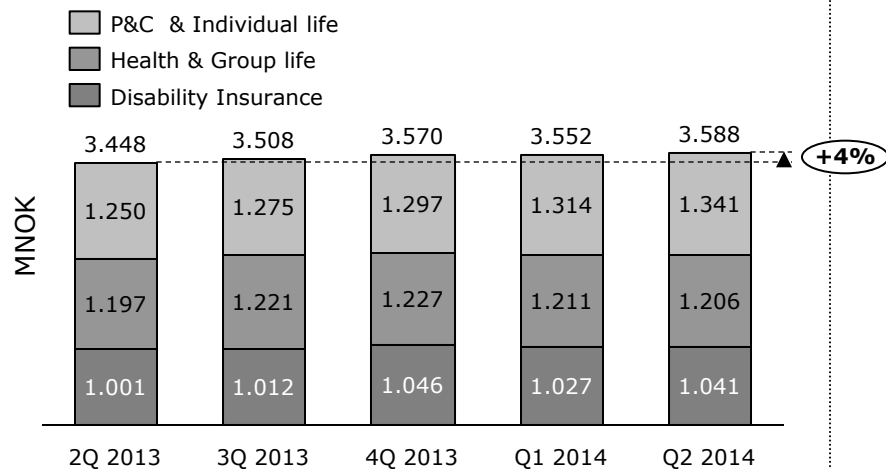
Combined ratio



Comments

- 11% growth and strong results in P&C
- Reduced growth and weaker results within group life
- Weaker disability results from Sweden, as previously announced

Portfolio premiums



Reporting adjustments

- From Q1 2014, SPP risk products are reported under Insurance
- Storebrand Health Insurance (j/v) no longer consolidated
- Historic figures are updated accordingly

Guaranteed pension

- reduced fee and administration income



Result

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Fee and administration income	439	496	913	987	2 013
Risk result life & pensions	48	-19	126	22	7
Operational cost	-281	-275	-562	-545	-1 016
Financial result	-	-	-	-	-
Result before profit sharing and loan losses	206	203	478	463	1 003
Net profit sharing and loan losses	197	52	317	171	373
Longevity provision	-90	-	-180	-	-
Result before amortisation	313	255	614	635	1 376

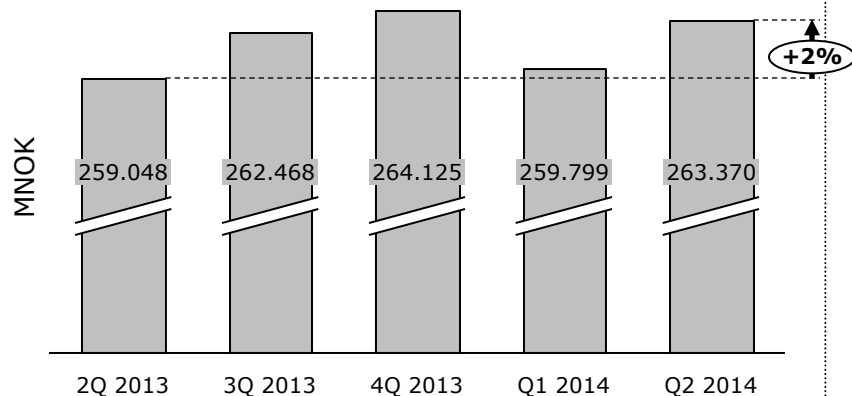
Result per product line

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Defined Benefit (fee based)	135	232	284	457	968
Paid-up policies	-35	-35	-55	-41	19
Traditional individual life and pension	1	0	0	0	21
SPP Guaranteed Products	212	59	385	218	366
Result before amortisation	313	255	614	635	1 376

Guaranteed pension - strengthened buffer capital



Reserves guaranteed products



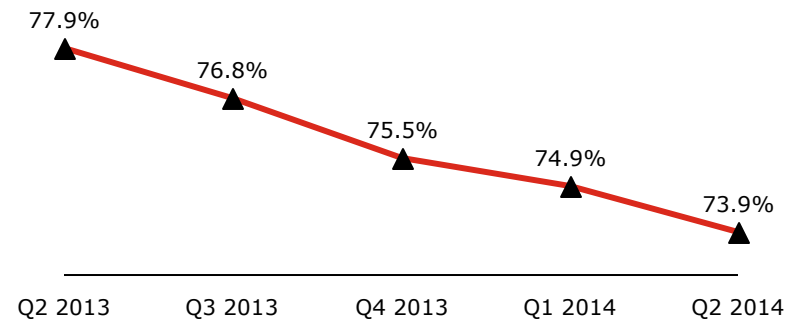
Comments

- Reserve growth due to declining interest rates (Sweden)
- Buffer capital increased with 5.8 bn
- 2.1 bn allocated to longevity reserve strengthening YTD

Buffer capital

NOK million	30.06.2014	31.12.2013	Change in 2014
Market value adjustment reserve	3 701	3 823	-122
Excess value of bonds at amortised cost	8 866	5 160	3 707
Additional statutory reserve	4 310	4 458	-148
Provisions for new mortality tables*	4 196	4 558	-362
Unallocated customer results	2 687	0	2 687
Shareholders direct contribution, provisions for new mortality tables	180	0	180
Conditional bonuses SPP	10 838	11 010	-172
Total	34 778	29 008	5 770

Guaranteed reserves in % of total reserves



*Provisions for new mortality tables are calculated on a solidarity basis. A "no solidarity" principle will reduce the reserves by approximately 500 mill.

Result

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Fee and administration income	67	94	142	176	353
Risk result life & pensions	3	6	2	9	3
Operational cost	-58	-102	-116	-185	-180
Financial result	76	-61	124	-73	-46
Result before profit sharing and loan losses	89	-63	151	-73	129
Net profit sharing and loan losses	9	8	-39	7	-11
Result before amortisation	99	-55	112	-66	119

Result per product line

NOK million	Q2		01.01 - 30.06		Full year
	2014	2013	2014	2013	2013
Corporate Banking	26	15	2	41	113
BenCo	15	9	23	30	46
Holding company costs and net financial results in company portfolios	58	-91	87	-137	-39
Result before amortisation	99	-55	112	-66	119

Summary

- Good results driven by investment returns
- Strong buffers
- Balance sheet transition from guaranteed to non-guaranteed continues
- Operating cost down 5,4% YTD*
- AuM in Storebrand Asset Management: NOK 502 bn

*Currency adjusted



Capital Markets Day
London 18. November 2014

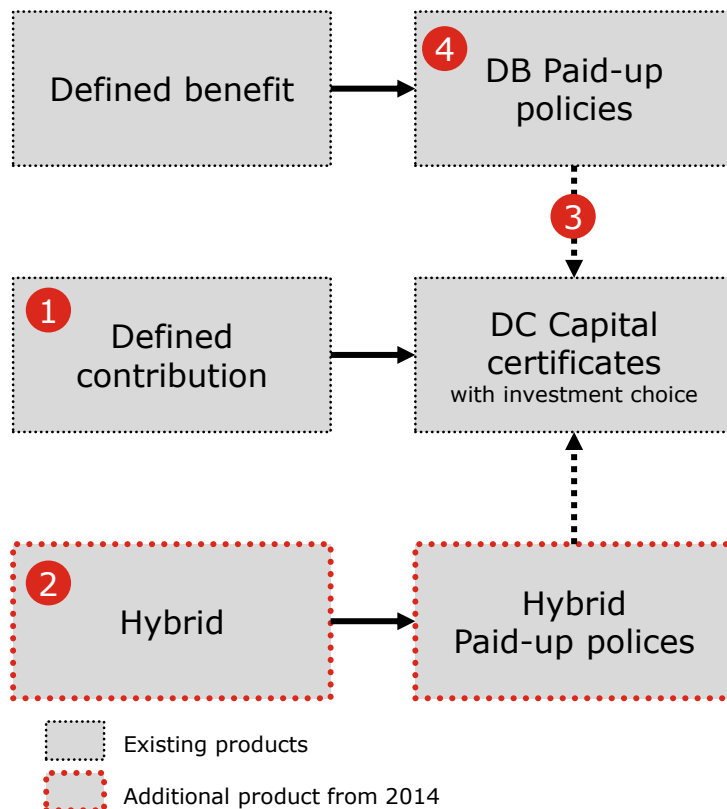
Appendix:

Market impacted by extensive product reform

– important regulatory changes in place



New legal framework for Norwegian occupational pension



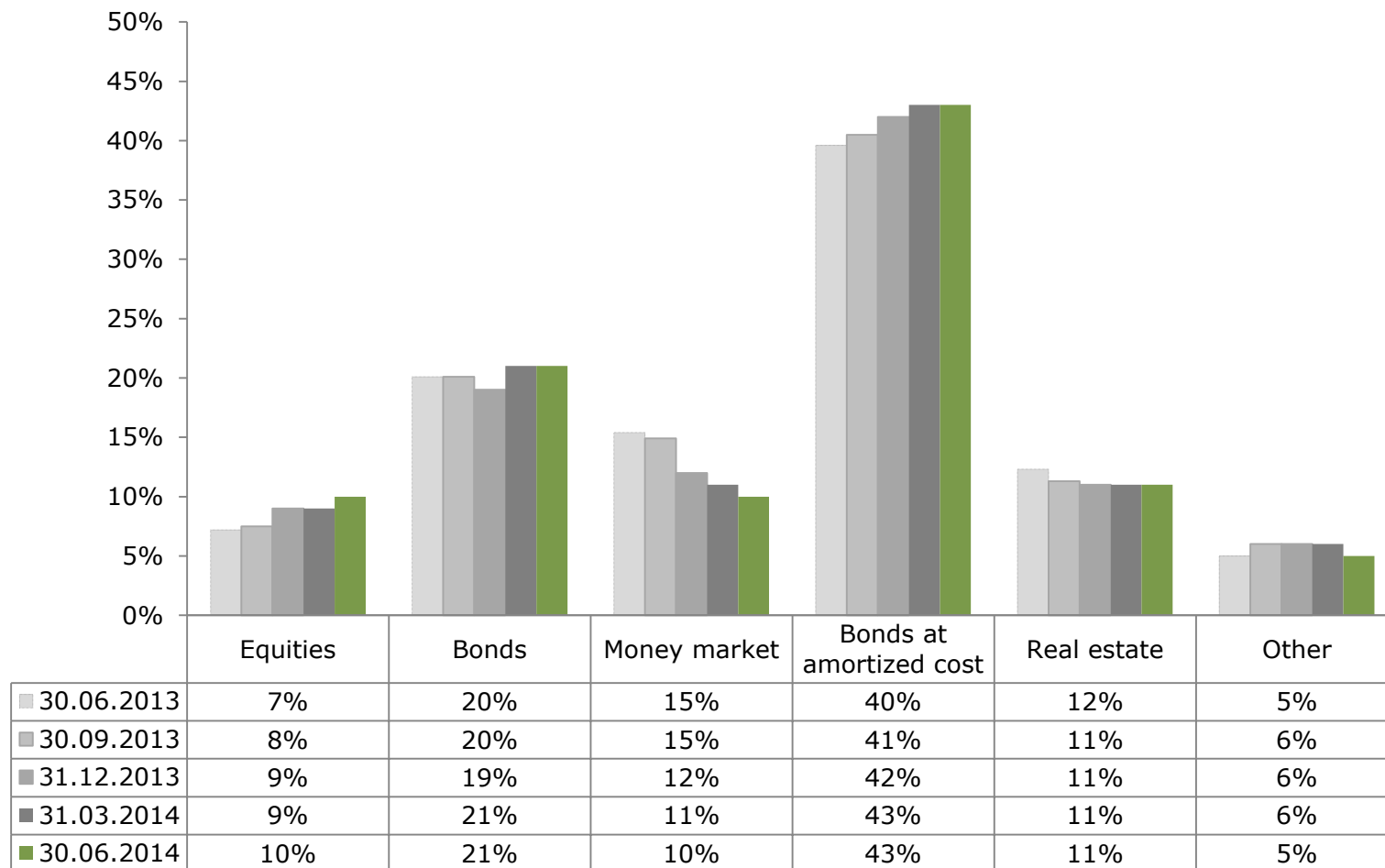
Important changes

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
3. Clarified transition rules for Paid-up policies to Paid-up policies with investment choice

Next steps

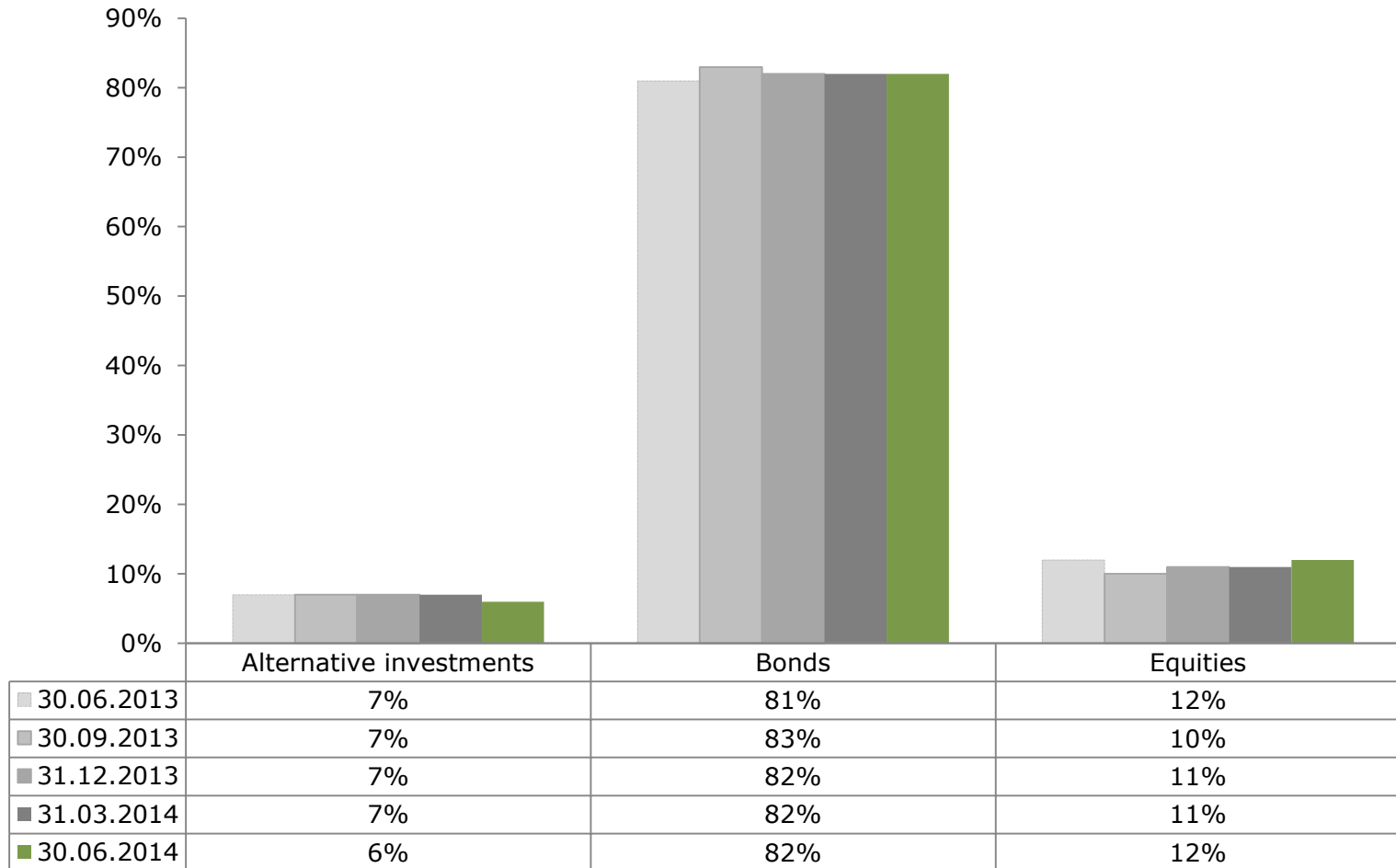
4. Transition rules for guaranteed reserves into Solvency II
5. Introduce tax favorable individual pension

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.