

Storebrand 1Q 2017

27 Apr 2017

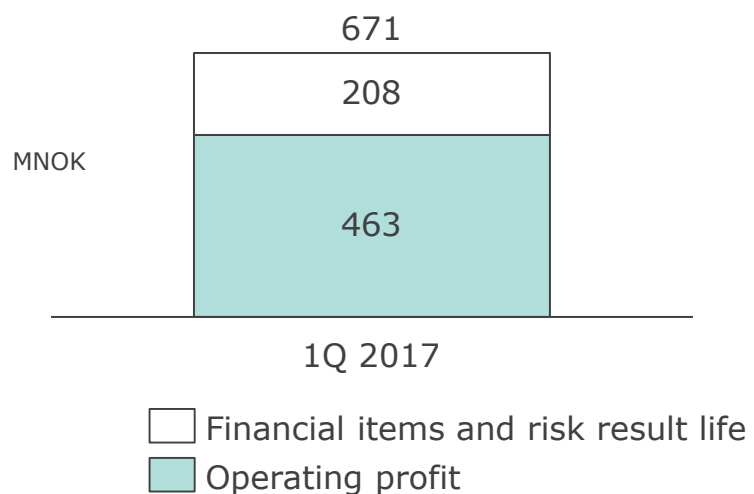
Storebrand celebrates 250 years in 2017



Odd Arild Grefstad – CEO
Lars Aa. Løddesøl – CFO

Highlights 1Q 2017

Group result¹



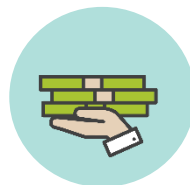
17% Unit Linked AuM growth³



32% Retail Bank lending growth³



159% Solvency II ratio⁴



88.4 NOK pr. share in economic capital

¹ Result before amortisation and write-downs.

² Change from 1Q 2016 to 1Q 2017.

³ Growth figures are from YTD 2016 to YTD 2017.

⁴ 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

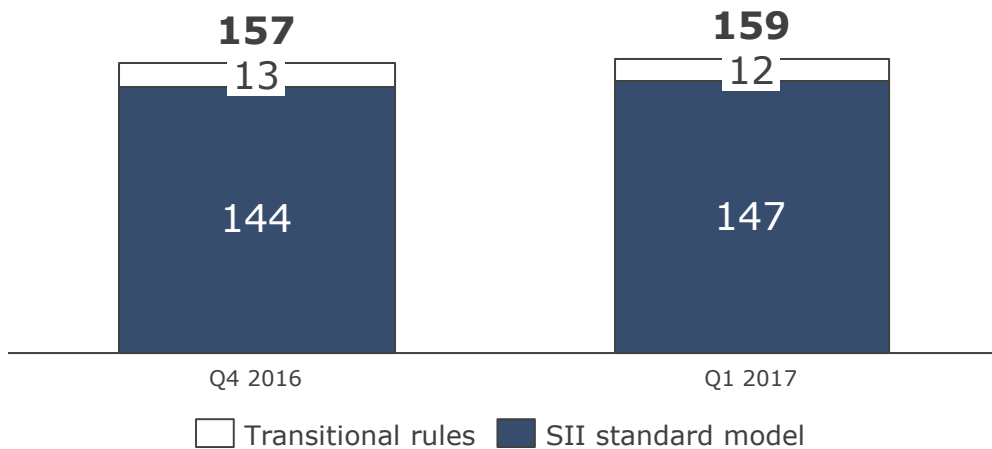
- Market leading **asset gatherer** with strong Insurance offering
- Continued retail growth with **low capital requirements**

From high to low capital requirements and higher quality of earnings

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

Solvency position Storebrand Group

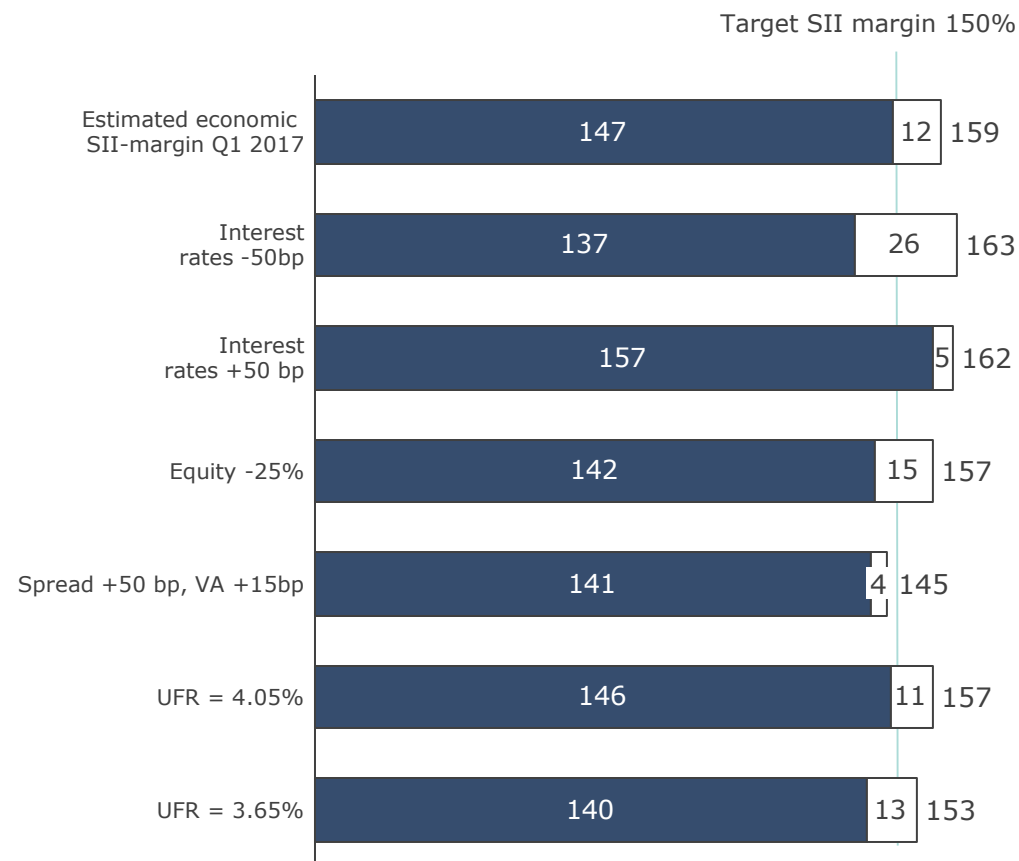
Solvency position(%)¹



Key takeaways

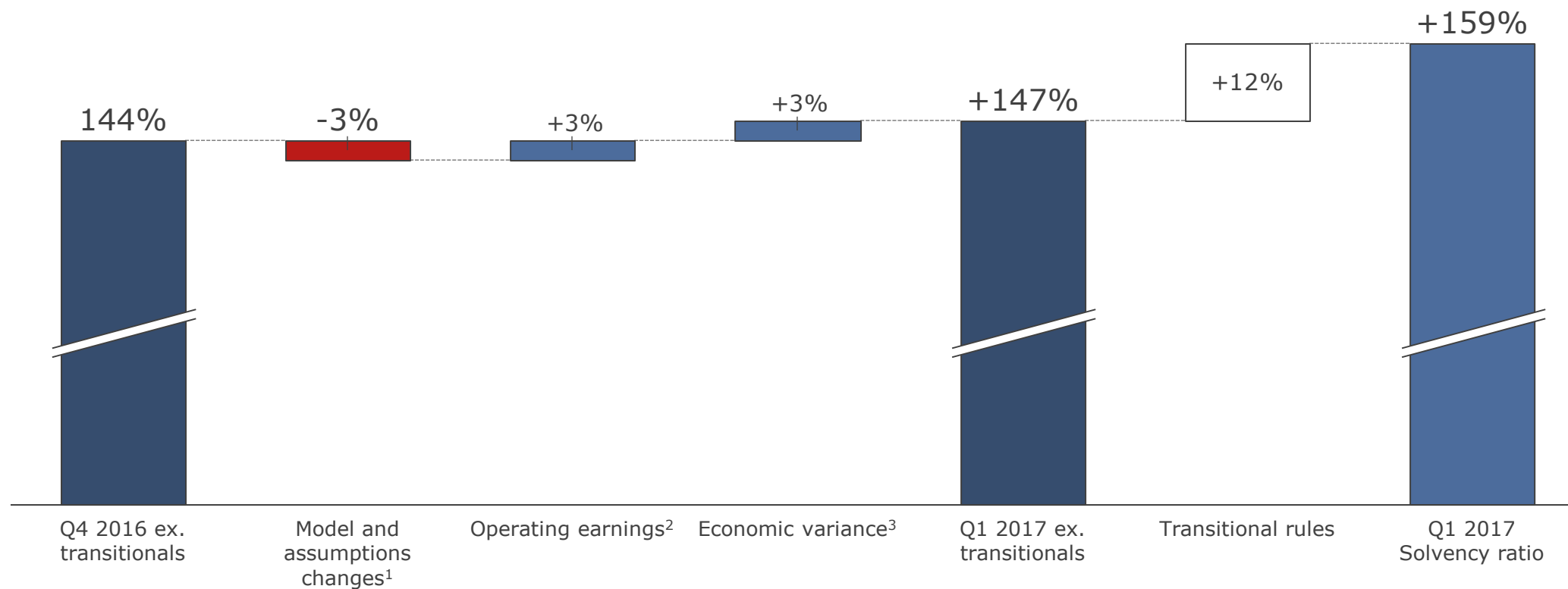
- Strong asset return allow for longevity reserve strengthening and increased buffer capital levels
- Investment portfolios further adopted to Solvency II
- Small changes in value of transitional measures

Estimated sensitivities



¹ The 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.

Solvency movement from Q4 2016 to Q1 2017



¹ Improved modelling of investments (+), reduced lapse fees Sweden (-), Increased equity stress (-), Reduced Volatility Adjustment (-)

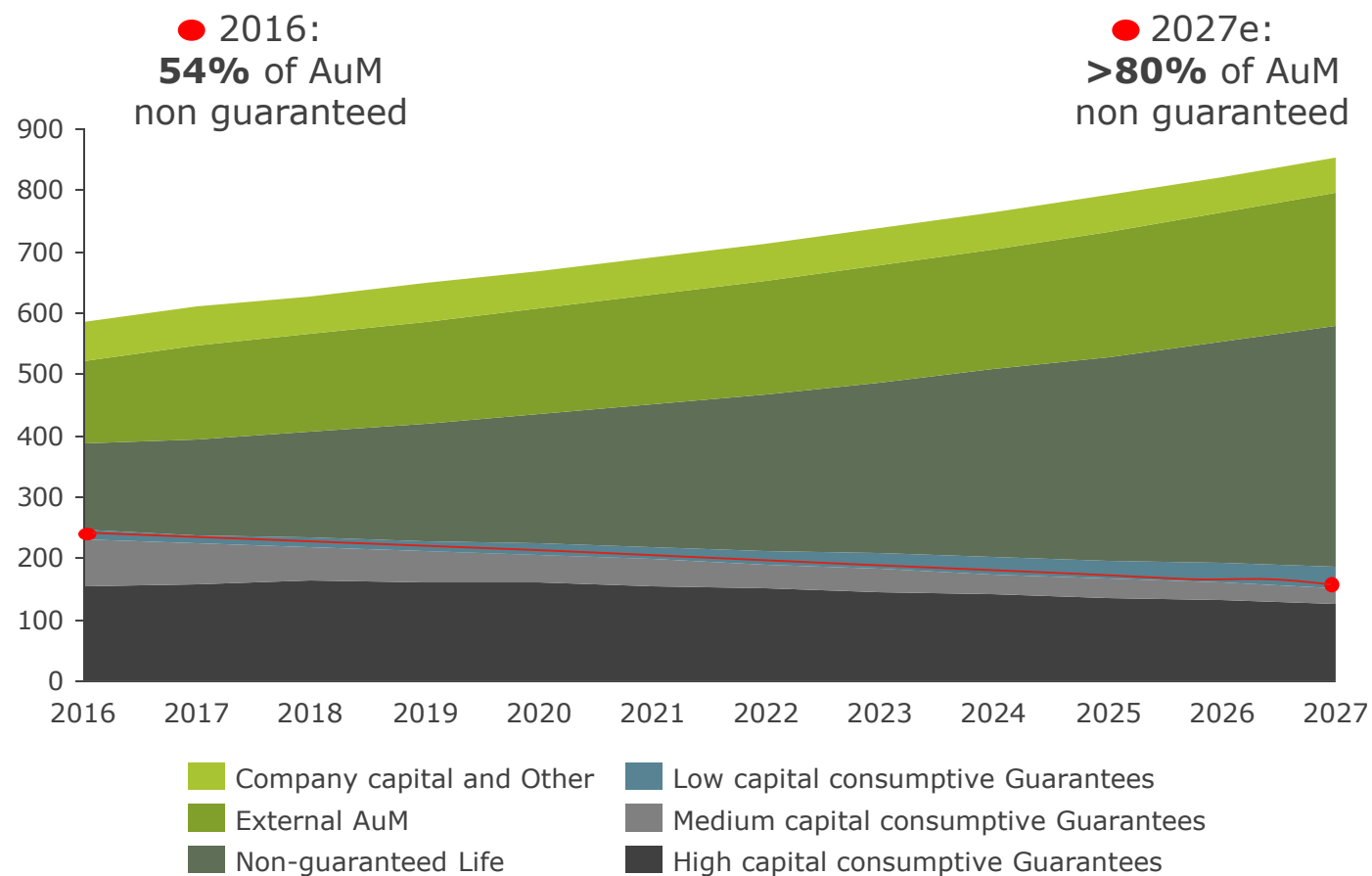
² Operating earnings refers to increased own funds from operations and expected normalised return, and implementation of investment strategy (+)

³ Investments return above normal risk premiums and changes in liabilities (+)

Balance Sheet Shifts to capital efficient products

Forecast assets under management (NOKbn)

ILLUSTRATION

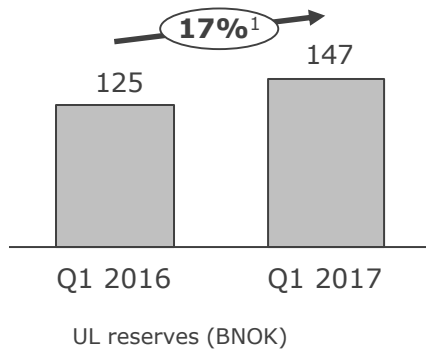


Implications for capital

1. Guaranteed portfolio has reached peak capital consumption
2. New growth in Savings and Insurance need little new capital
3. Will increase free cash flow and dividend capacity

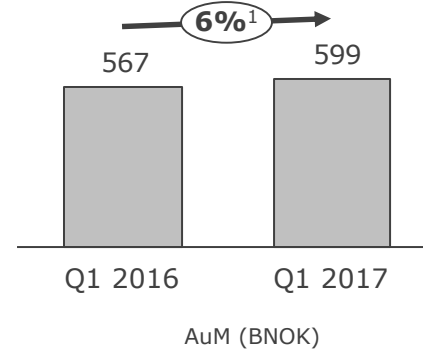
Growth in Savings continues, Insurance growth paused by changes in distribution

Unit Linked



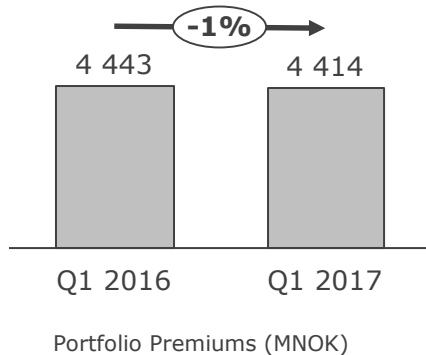
- 20% growth in Sweden (SEK)
- 23% growth in Norway

Asset management



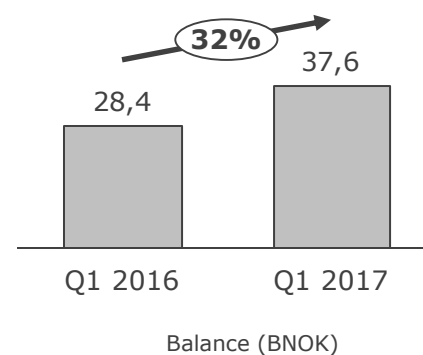
- Growth driven by non-guaranteed and external mandates
- 8.7% adjusted for weakening of SEK

Insurance



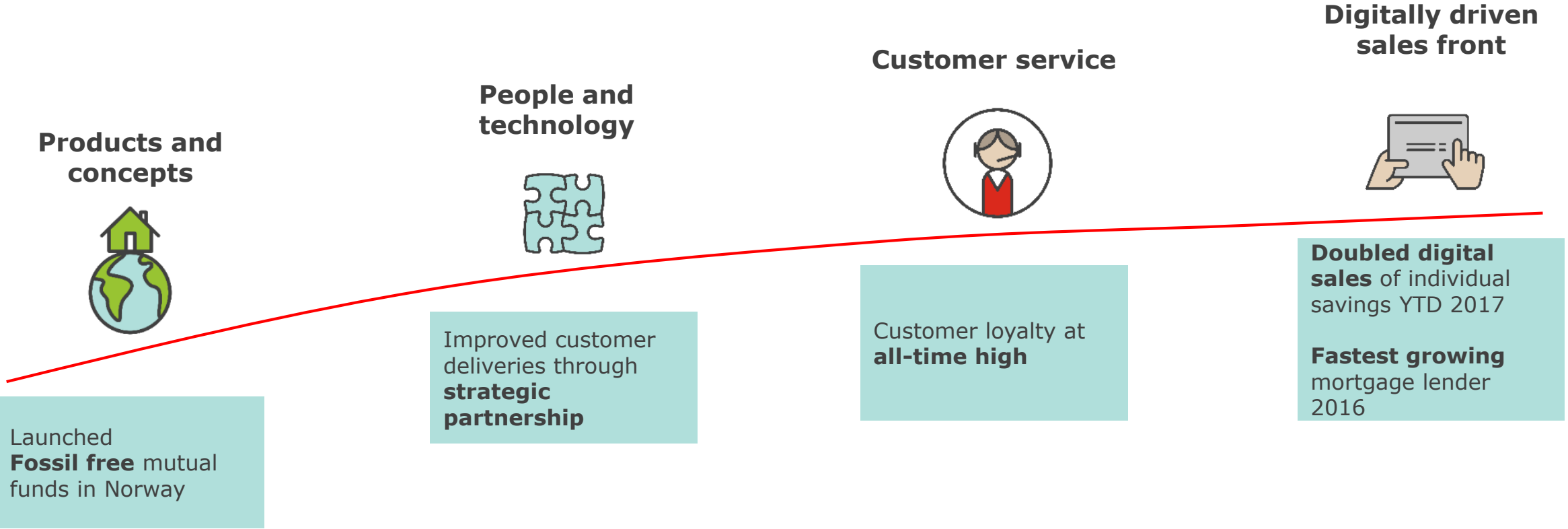
- Changes in distribution and new disability product temporarily dampens growth
- New product launches and partnerships to boost growth

Retail loans



- NOK 12bn placed on life balance sheet as of 1Q 2017
- Margin improvement in Q1

Innovating the customer journey

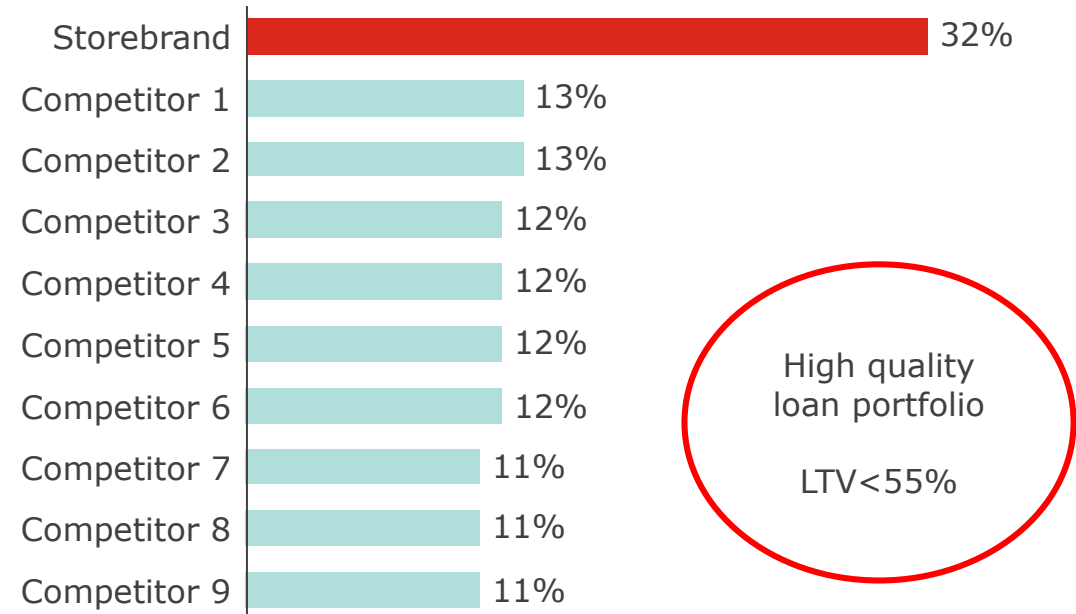


Individuals change mortgage provider more frequently - Storebrand Bank fastest growing in 2016

Increased customer awareness

- 25% of Norwegian mortgage customers have changed provider or negotiated terms during the last year¹
- Storebrand's customer offer and capital advantages have led to strong growth

Fastest growing mortgage banks 2016 (%)



¹ Finance Norway: Forbruker- og finanstrender 2017 – Bank.

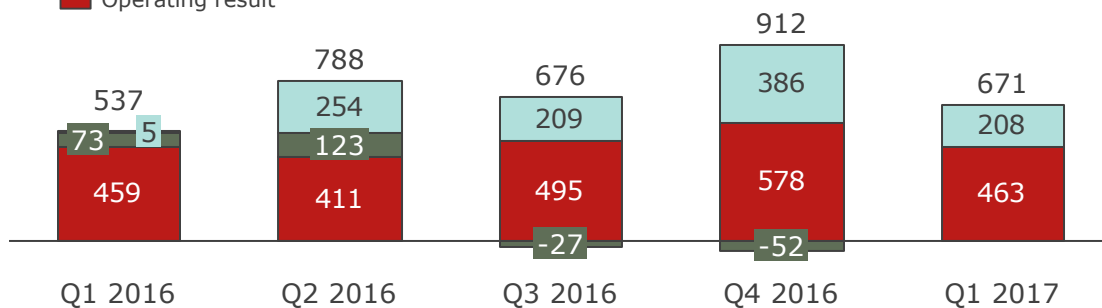
² Growth in retail mortgages Norway. <https://www.dn.no/nyheter/2017/03/19/1020/Finans/sterk-utlansvekst-i-bankene>.

Key figures

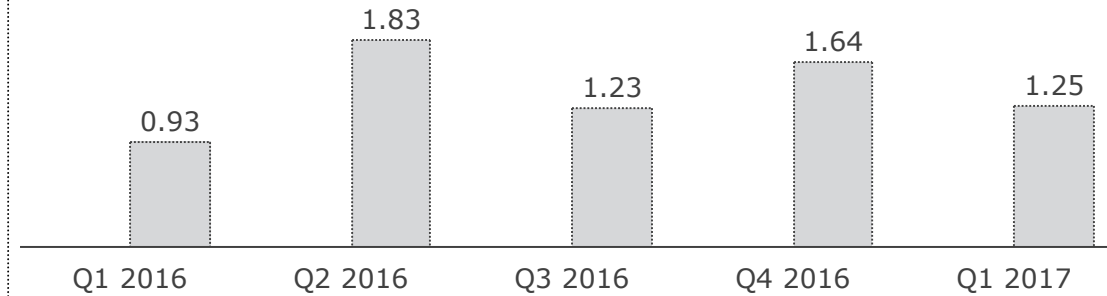
Result development¹

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

MNOK

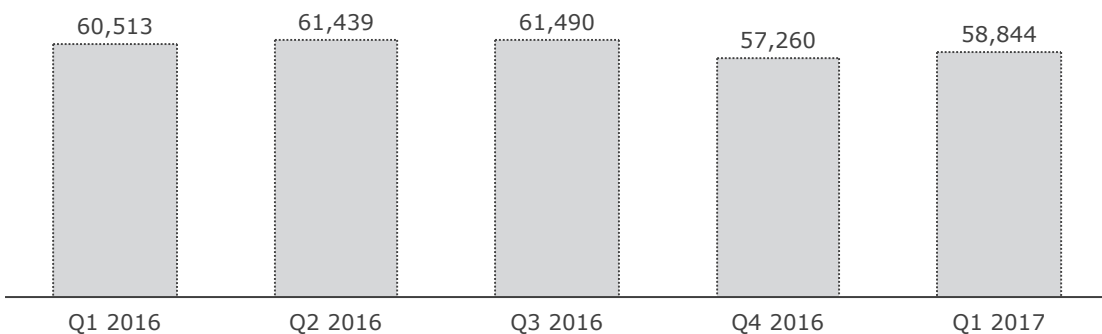


Earnings per share²



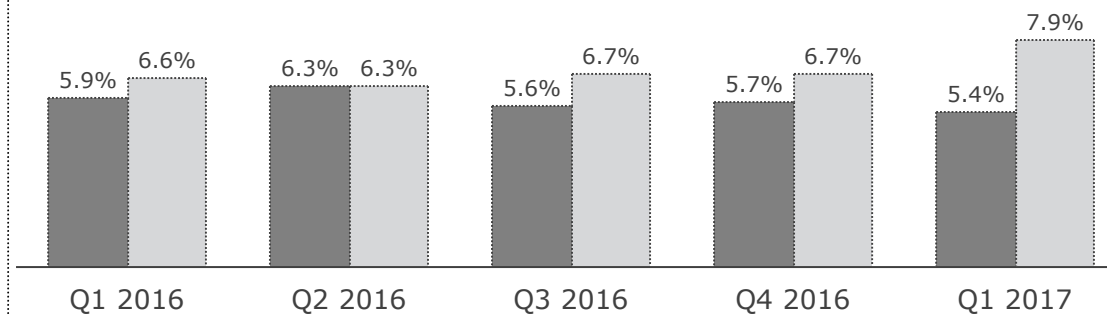
Solidity capital Storebrand Life Group

MNOK



Customer buffers development

- Customer buffers Norway⁴
 - Customer buffers Sweden
- % of customer funds³



¹ Result before amortisation, write-downs.

² Earnings per share after tax adjusted for amortisation of intangible assets.

³ Customer buffers in Benco not included.

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

Profit¹

| NOK million | 1Q | | Full year |
|---|------------|------------|--------------|
| | 2017 | 2016 | 2016 |
| Fee and administration income | 1 019 | 1 052 | 4 235 |
| Insurance result | 275 | 219 | 945 |
| Operational cost ² | -831 | -812 | -3 191 |
| Operating profit | 463 | 459 | 1 989 |
| Financial items and risk result life | 208 | 78 | 924 |
| Result before amortisation | 671 | 537 | 2 913 |
| Amortisation and write-downs of intangible assets | -98 | -106 | -406 |
| Result before tax | 573 | 430 | 2 506 |
| Tax | -109 | -120 | -364 |
| Profit after tax | 465 | 311 | 2 143 |

¹ The result includes special items. Please see storebrand.com/ir for a complete overview.

² The operational cost in Q1 2017 includes around NOK 30 million of costs either related to 2016 or of a one-time nature.

Profit

| NOK million | 1Q | | Full year |
|--------------------------------------|------------|------------|--------------|
| | 2017 | 2016 | 2016 |
| Fee and administration income | 1 019 | 1 052 | 4 235 |
| Insurance result | 275 | 219 | 945 |
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| Operating profit | 463 | 459 | 1 989 |
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| Profit before amortisation | 671 | 537 | 2 913 |

Profit per line of business

| NOK million | 1Q | | Full year |
|-----------------------------------|------------|------------|--------------|
| | 2017 | 2016 | 2016 |
| Savings - non-guaranteed | 240 | 273 | 1 063 |
| Insurance | 171 | 120 | 575 |
| Guaranteed pension | 201 | 15 | 870 |
| Other profit | 59 | 129 | 405 |
| Profit before amortisation | 671 | 537 | 2 913 |

Savings (non-guaranteed) - continued growth



Profit

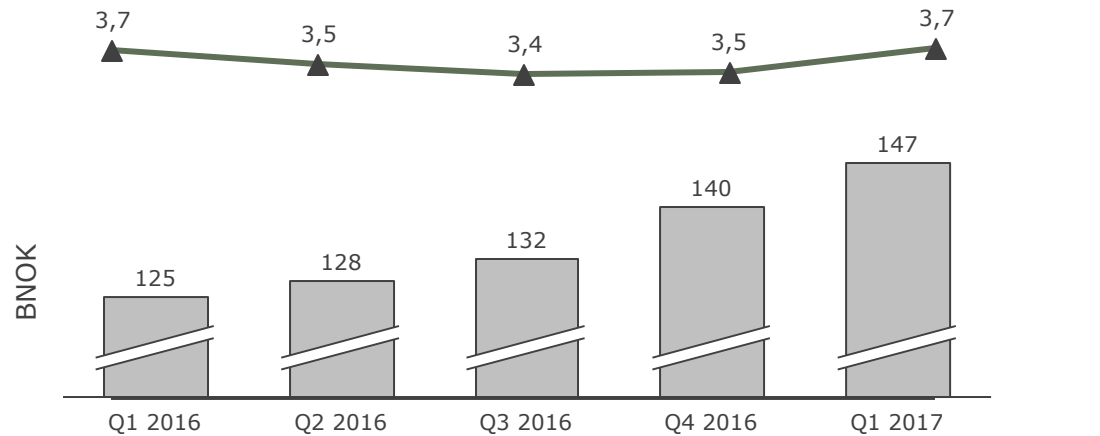
| NOK million | 1Q | | Full year |
|--------------------------------------|------------|------------|--------------|
| | 2017 | 2016 | 2016 |
| Fee and administration income | 700 | 697 | 2 758 |
| Operational cost | -459 | -419 | -1 700 |
| Operating profit | 241 | 279 | 1 058 |
| Financial items and risk result life | -2 | -6 | 5 |
| Profit before amortisation | 240 | 273 | 1 063 |

Profit per product line

| NOK million | 1Q | | Full year |
|-----------------------------------|------------|------------|--------------|
| | 2017 | 2016 | 2016 |
| Unit linked Norway | 69 | 84 | 242 |
| Unit linked Sweden | 46 | 27 | 175 |
| Asset Management segment | 98 | 127 | 518 |
| Retail banking | 26 | 34 | 127 |
| Profit before amortisation | 240 | 273 | 1 063 |

Savings (non-guaranteed) - strong growth in retail lending

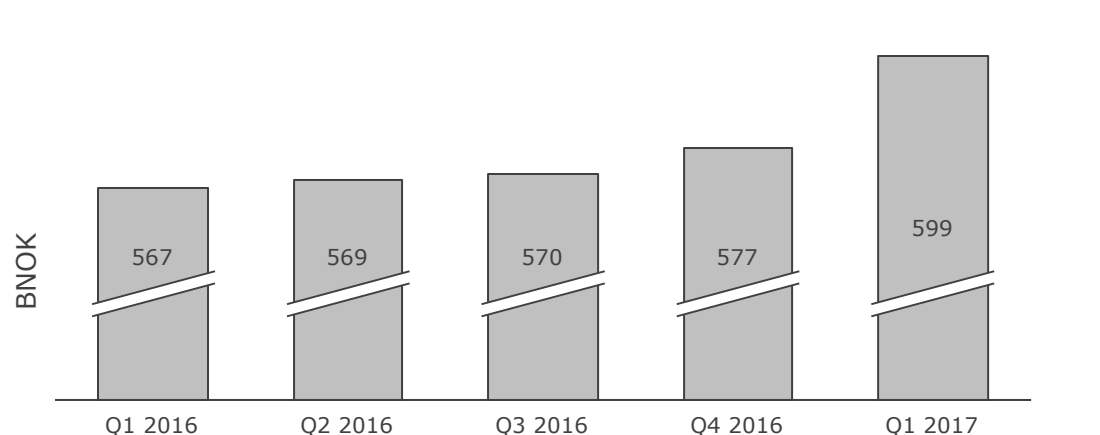
Reserves and premiums Unit Linked



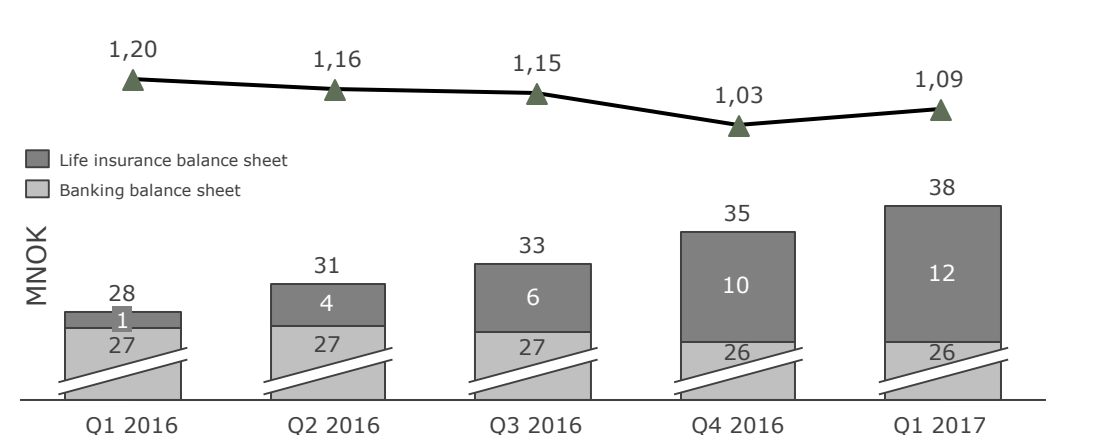
Comments

- 7% premium growth in UL premiums¹
- 32% retail lending growth²
- Higher allocated costs negatively affects results

Assets Under Management



Retail bank balance and Net Interest margin (%)



¹ Excluding transfers. Growth from YTD 2016 to YTD 2017.

² Growth figures from YTD 2016 to YTD 2017.

Profit

| NOK million | 1Q | | Full year |
|-----------------------------------|------------|------------|------------|
| | 2017 | 2016 | 2016 |
| Insurance premiums f.o.a. | 940 | 947 | 3 828 |
| Claims f.o.a. | -665 | -728 | -2 883 |
| Operational cost | -172 | -146 | -602 |
| Operating profit | 103 | 73 | 342 |
| Financial result | 68 | 47 | 233 |
| Profit before amortisation | 171 | 120 | 575 |

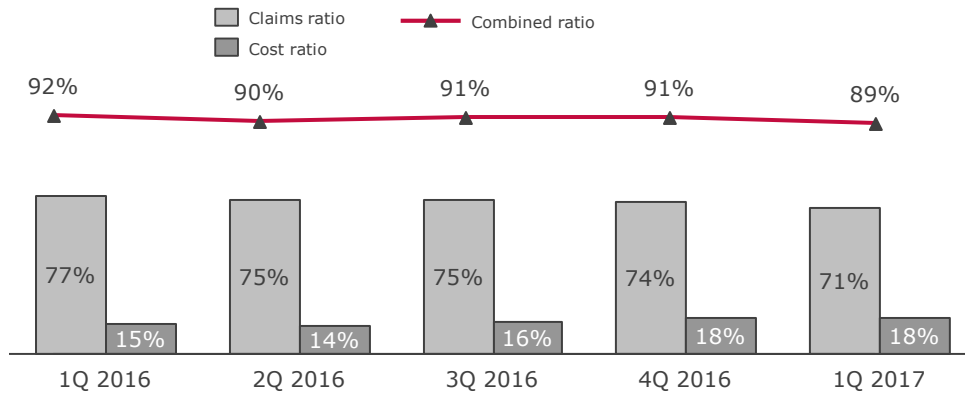
Profit per product line

| NOK million | 1Q | | Full year |
|---|------------|------------|------------|
| | 2017 | 2016 | 2016 |
| P&C & Individual life | 96 | 104 | 293 |
| Health & Group life | 66 | 39 | 149 |
| Pension related disability insurance Nordic | 9 | -23 | 133 |
| Profit before amortisation | 171 | 120 | 575 |

Insurance

- combined ratio on target level

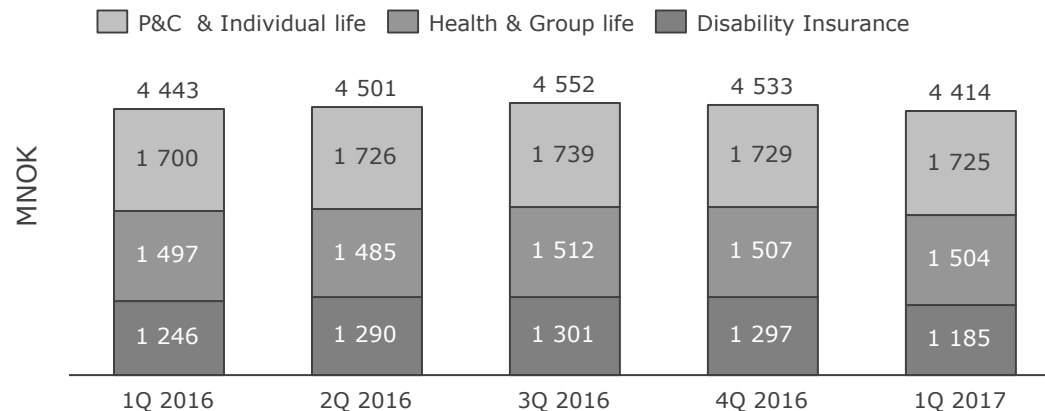
Combined ratio



Comments Combined ratio and results

- Combined Ratio 89%
- Reduced premiums due to on-going shift to more cost-effective distribution and new disability product
- Growth ambition maintained

Portfolio premiums



Comments premiums and growth¹

- 1% premium growth within P&C & Individual life
- 0% premium growth within Health & Group life
- -5% premium growth in Pension related disability Nordic

Guaranteed pension - strong quarter but long term run off



Profit

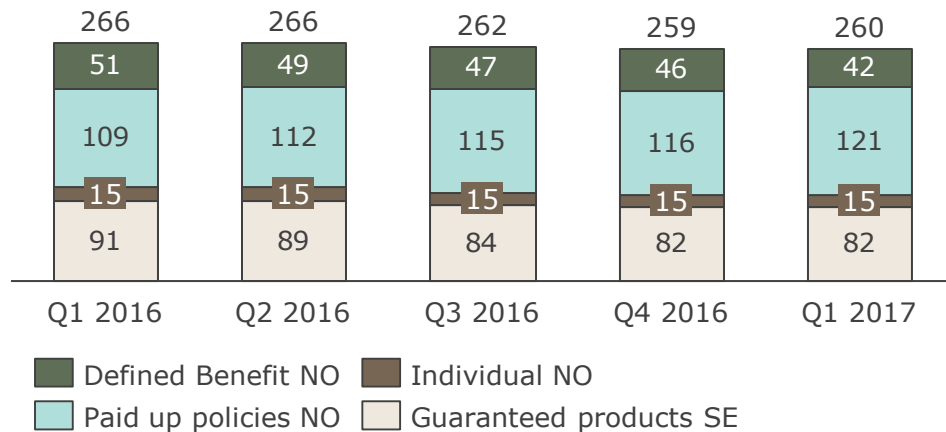
| NOK million | 2017 | 1Q | 2016 | Full year 2016 |
|------------------------------------|------------|----|------------|-------------------|
| Fee and administration income | 358 | | 404 | 1 566 |
| Operational cost | -221 | | -271 | -981 |
| Operating profit | 137 | | 132 | 585 |
| Risk result life & pensions | 34 | | 4 | -37 |
| Net profit sharing and loan losses | 30 | | -122 | 322 |
| Profit before amortisation | 201 | | 15 | 870 |

Profit per product line

| NOK million | 2017 | 1Q | 2016 | Full year 2016 |
|-------------------------------------|------------|----|-----------|-------------------|
| Defined benefit (fee based) | 67 | | 89 | 340 |
| Paid-up policies, Norway | 27 | | -6 | 46 |
| Individual life and pension, Norway | 2 | | 2 | 147 |
| Guaranteed products, Sweden | 105 | | -70 | 336 |
| Profit before amortisation | 201 | | 15 | 870 |

Guaranteed pension - reserves in decline

Reserves guaranteed products



Comments

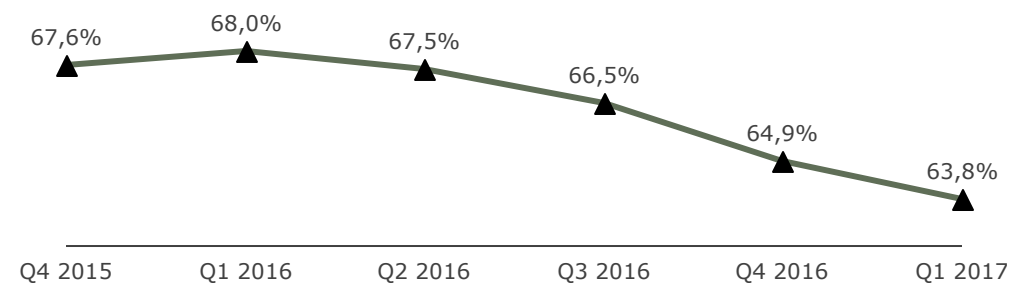
- As companies convert to DC schemes, the migration from DB to lower-margin paid up policies continues to reduce fee income in Guaranteed pensions
- Strong profit sharing and risk results in the quarter

Buffer capital

| NOK million | 2017 | | 2016 | Change |
|---|---------------|---------------|---------------|------------|
| | 1Q | 4Q | | |
| Market value adjustment reserve | 2 321 | 2 684 | 2 684 | -363 |
| Excess value of bonds at amortised cost | 8 814 | 8 785 | 8 785 | 29 |
| Additional statutory reserve | 6 814 | 6 794 | 6 794 | 20 |
| Conditional bonuses Sweden | 6 109 | 5 663 | 5 663 | 446 |
| Total | 24 058 | 23 926 | 23 926 | 132 |

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

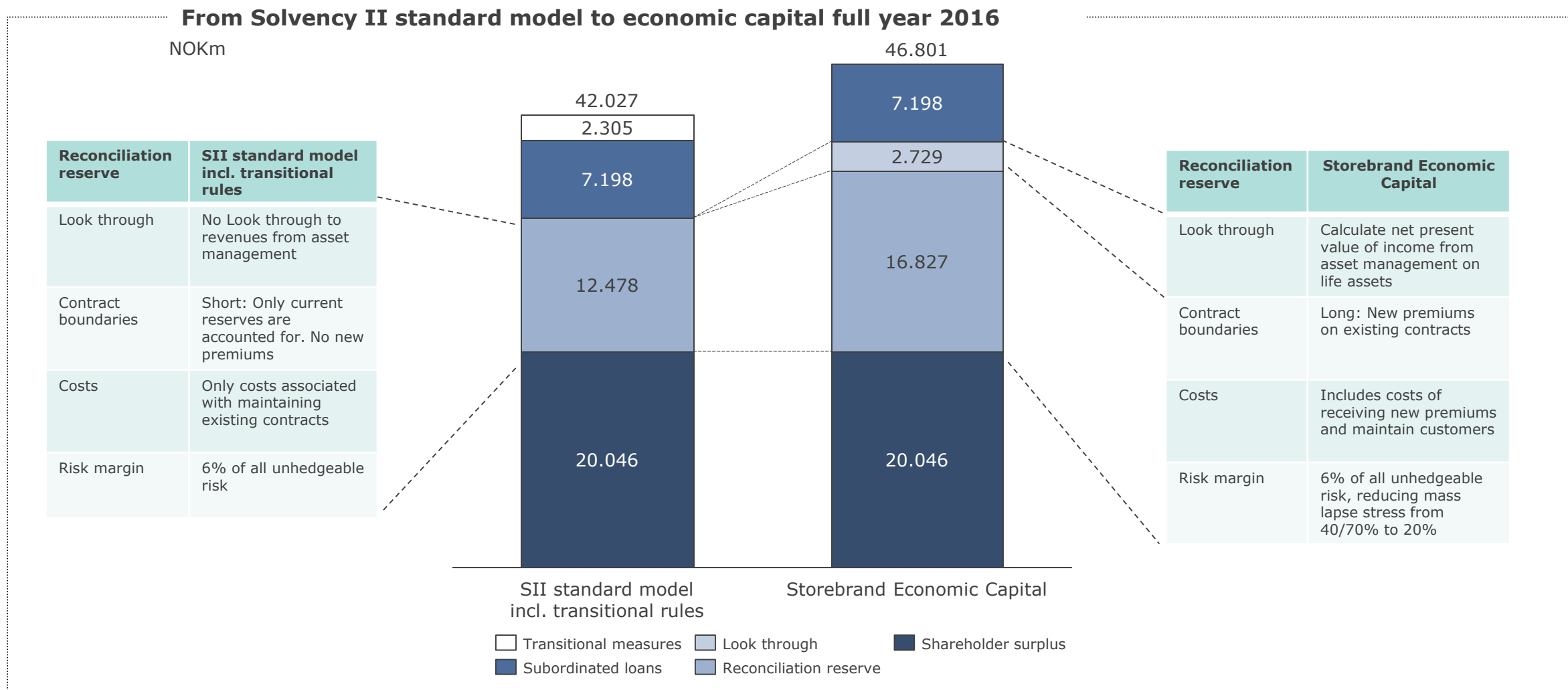
| NOK million | 1Q | | Full year 2016 |
|--------------------------------------|------------|------------|-------------------|
| | 2017 | 2016 | |
| Fee and administration income | 21 | 17 | 145 |
| Operational cost | -39 | -42 | -141 |
| Operating profit | -18 | -25 | 4 |
| Financial items and risk result life | 77 | 154 | 401 |
| Profit before amortisation | 59 | 129 | 405 |

Profit per product line

| NOK million | 1Q | | Full year 2016 |
|---|-----------|------------|-------------------|
| | 2017 | 2016 | |
| Corporate Banking | 14 | -13 | 76 |
| BenCo | 5 | 30 | 44 |
| Holding company costs and net financial results in company portfolios | 40 | 113 | 285 |
| Profit before amortisation | 59 | 130 | 405 |

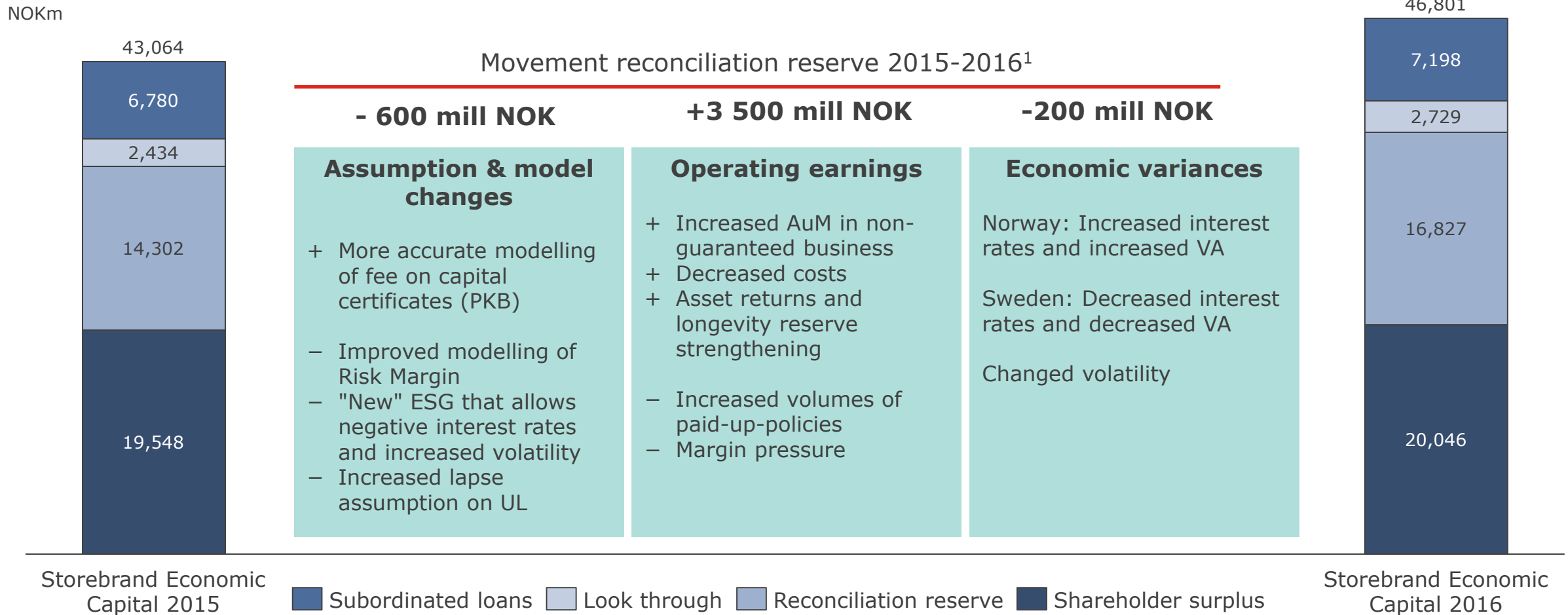
¹ Excluding eliminations. For more information on eliminations, see Supplementary Information.

Economic capital (EC) measures the present value of the Group



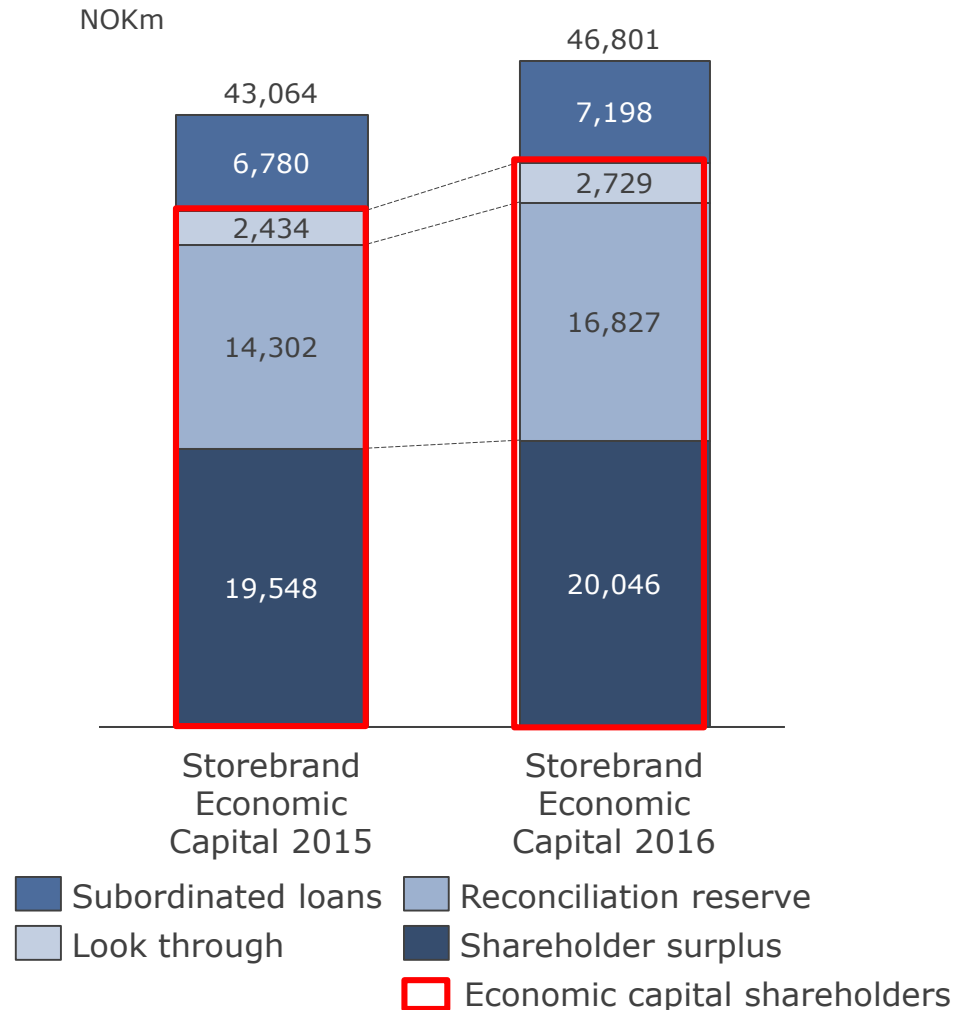
Growth in the value of Storebrand EC driven by operating earnings

- Increase of 3.7 bn in available economic capital



¹ Movement in shareholder surplus and increased subordinated loans account for the rest of the movement in total available economic capital.

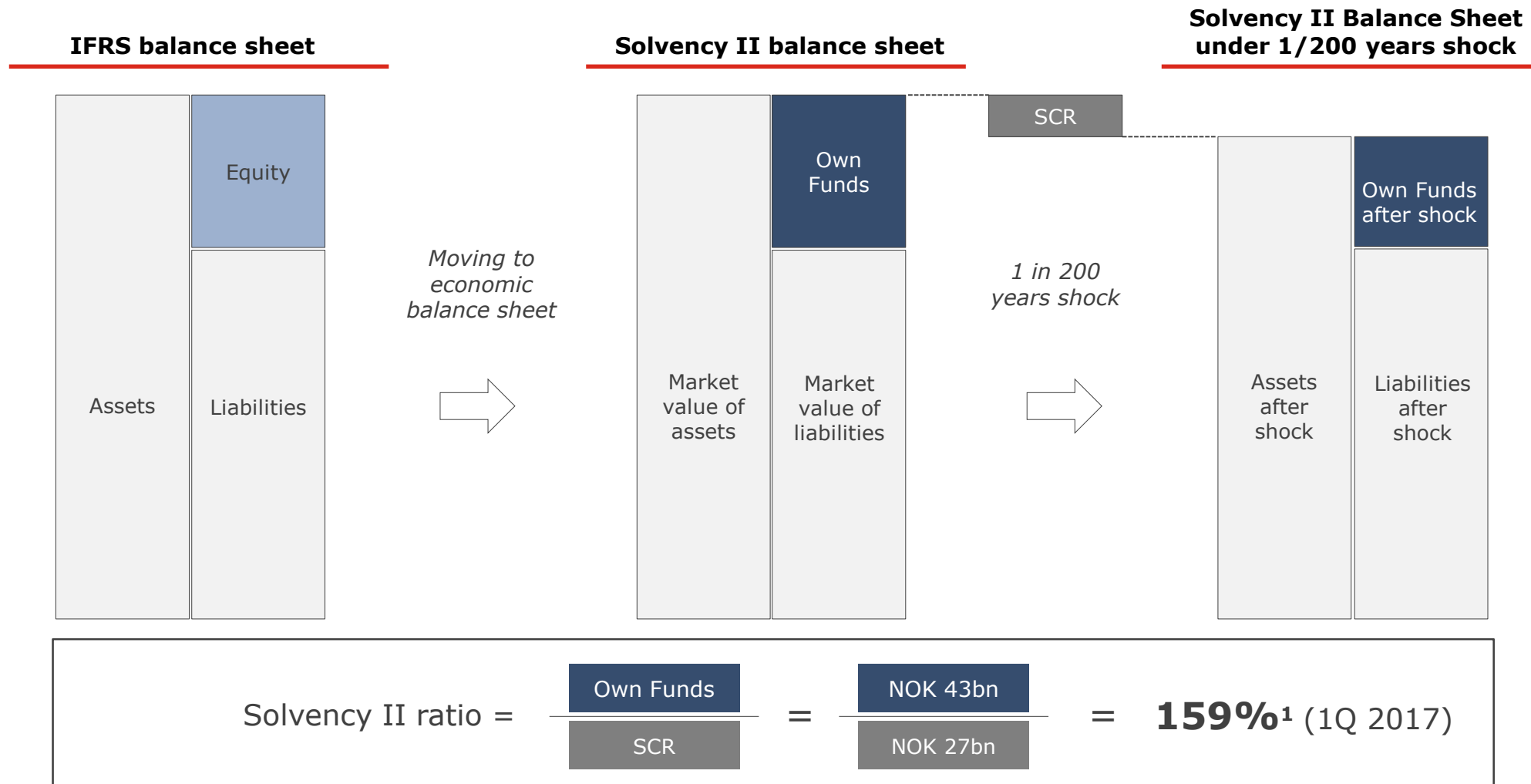
Storebrand Economic Capital - NOK 88.4 per share



- Storebrand group Group Economic Capital of NOK 46.8bn (NOK 43.1 bn in 2015)
- Storebrand Group Economic Capital, excluding subordinated loans of NOK 39.6 bn or NOK 88.4 per share (NOK 37.1 bn or NOK 83.1 per share in 2015)
- Value of new business of NOK 0.5bn

Appendix

The Solvency Calculation – moving to a market consistent balance sheet and risk sensitive capital requirements



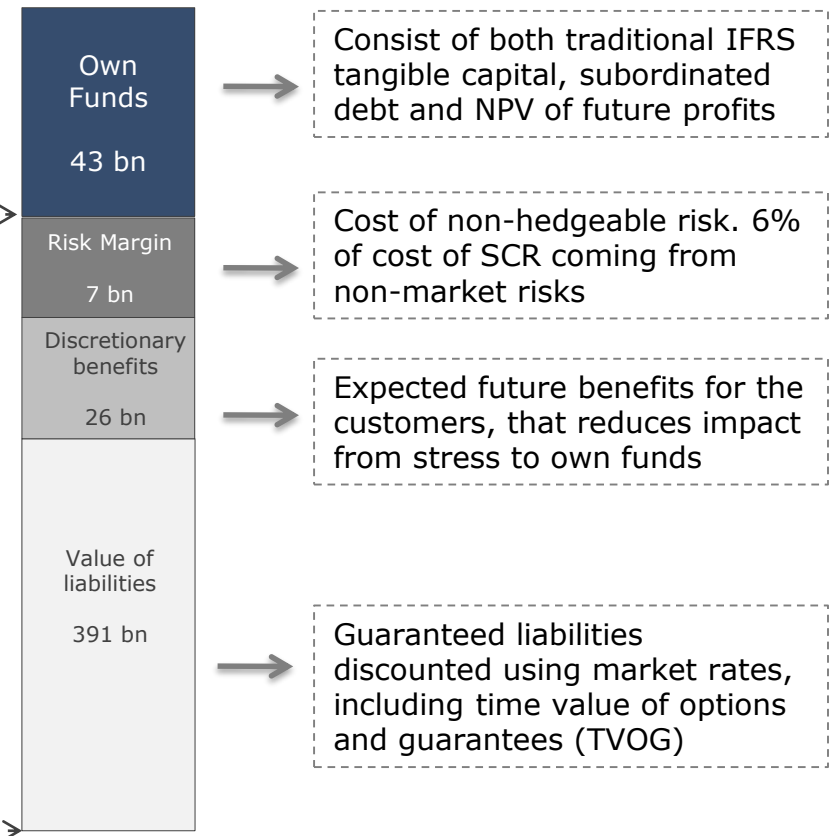
Calculating Market Value of Liabilities under Solvency II

- Both assets and liabilities are mark to market
- For assets this means using observable market prices
- For insurance liabilities there is a standardised methodology for estimating the value of insurance customers contracts
- Own funds is the difference between the market value of assets and liabilities

Solvency II balance sheet

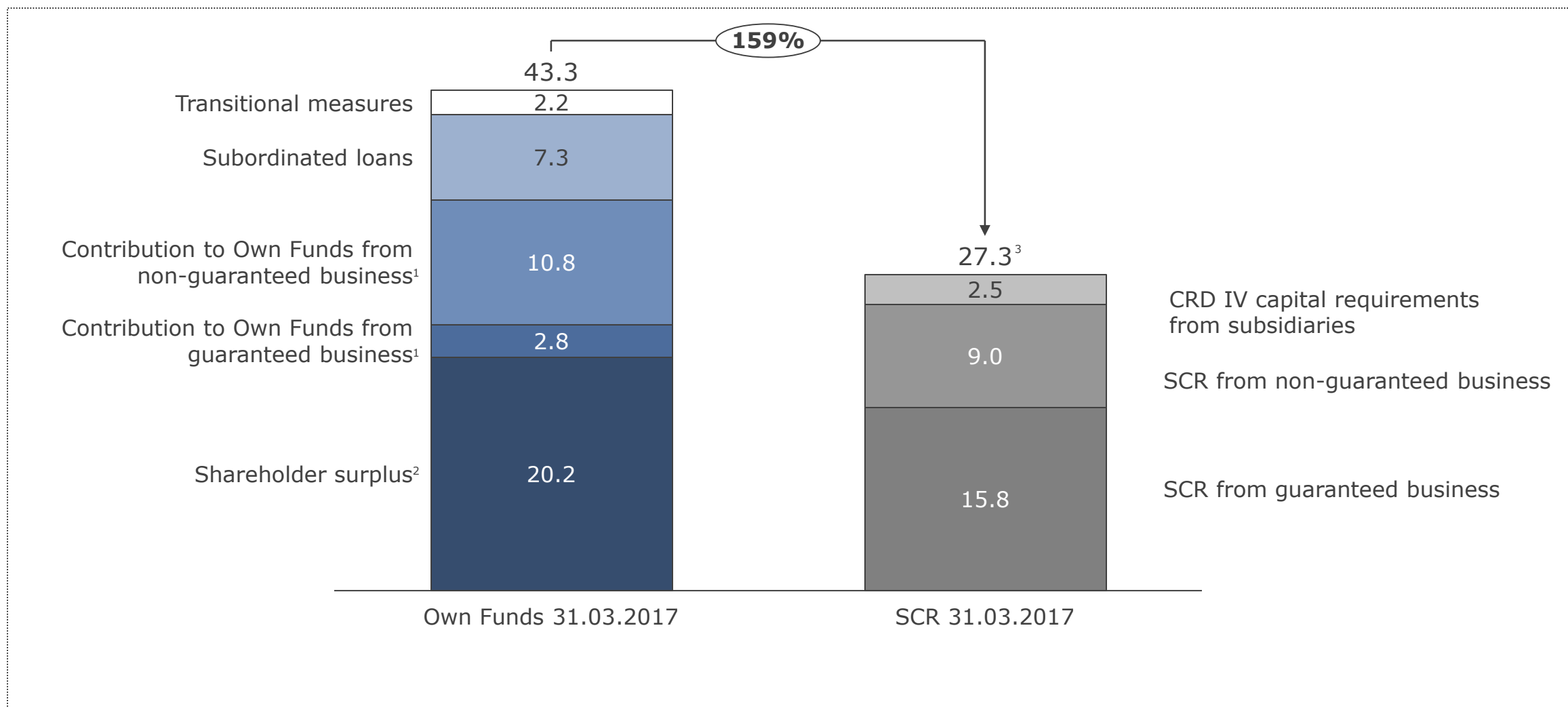


Market value of liabilities



▪ Valuing liabilities using stochastic models in a risk neutral calculation

Solvency II Ratio Storebrand Group Q1 2017



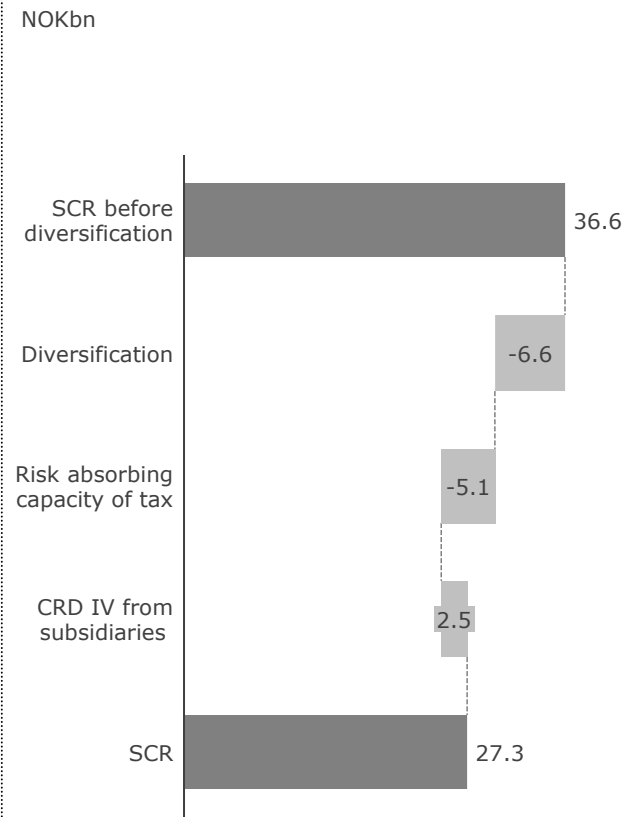
¹ Contribution to Own Funds from products = NPV of future profit – Risk margin. Including LKT for Guaranteed products SPP.

² Shareholder surplus at market value.

³ Includes effect of transitionals on equity of NOK -613m.

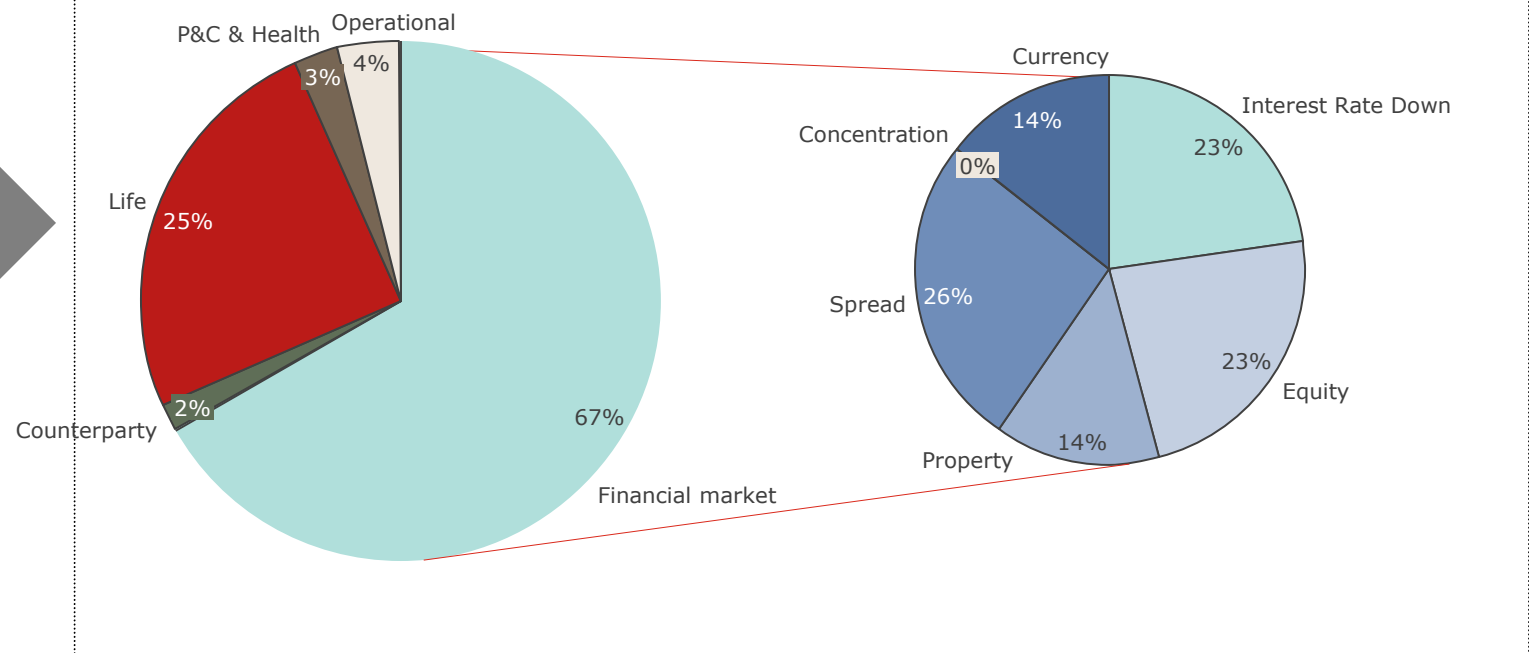
Solvency Capital Requirements (SCR)

SCR calculation Q1 2017

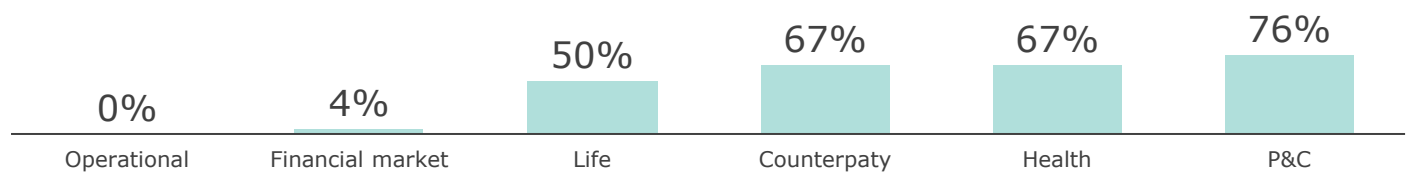


SCR includes effect of transitionals on equity of NOK -613m.

SCR dominated by financial market risk...

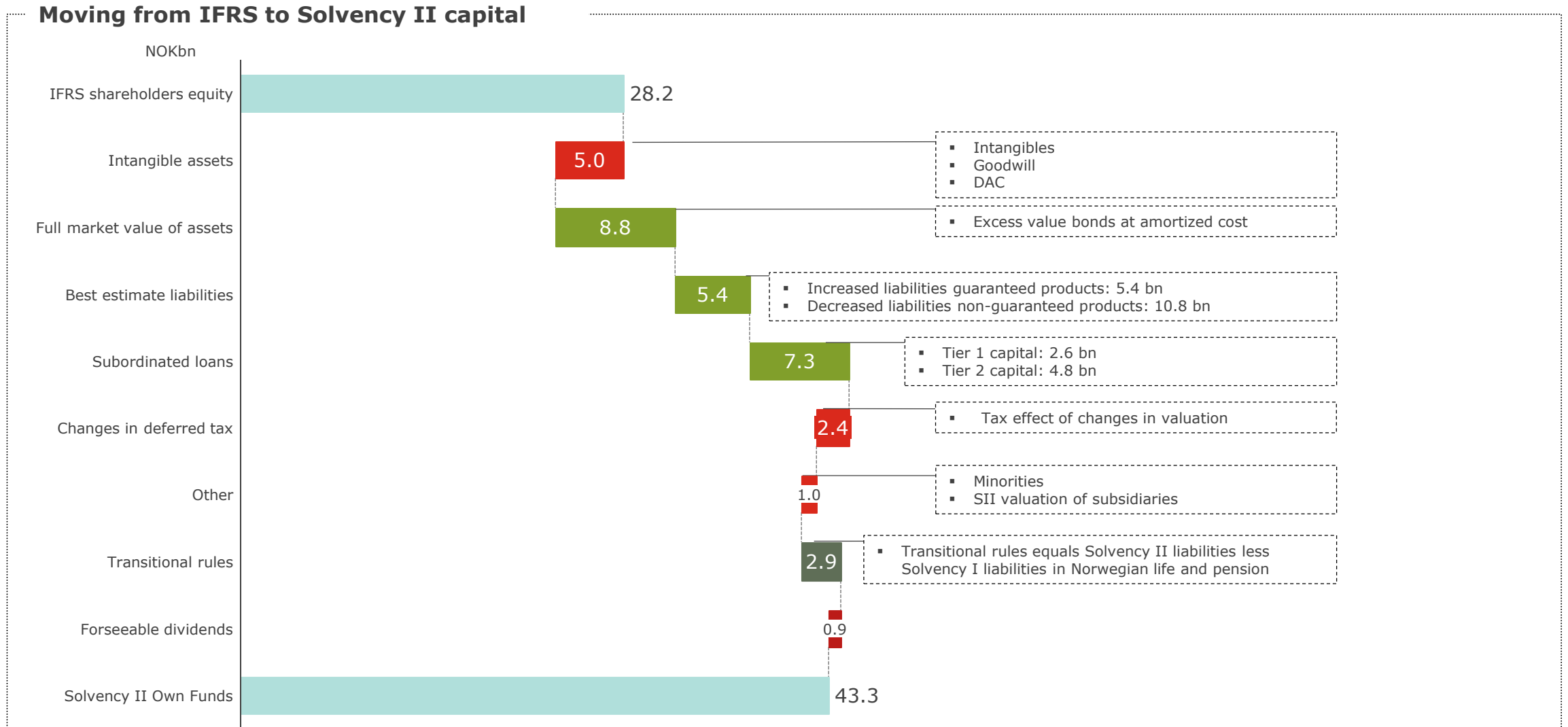


... which is the risk with the lowest diversification factor.¹



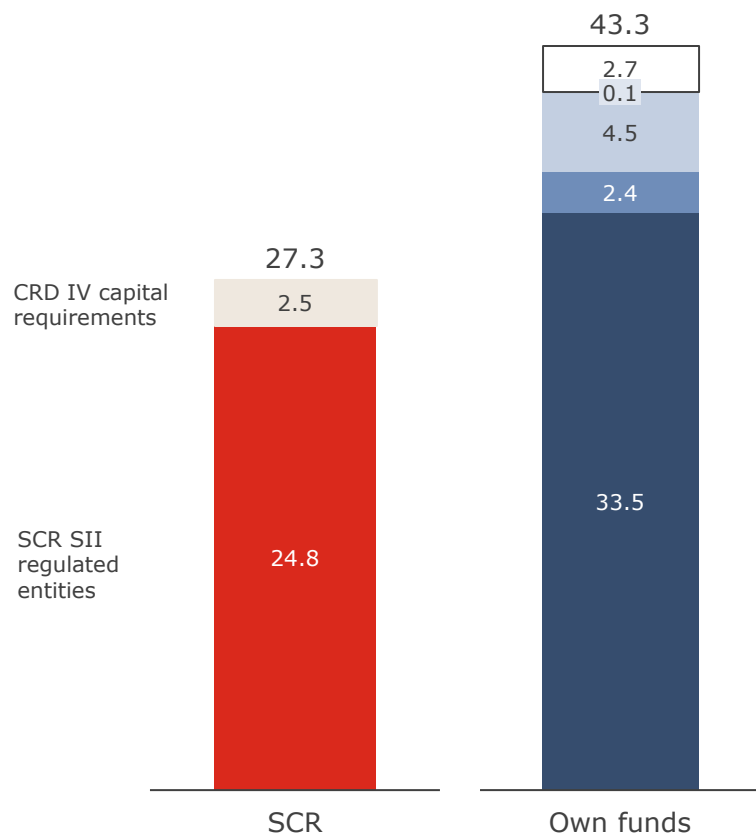
¹ E.g. a NOK 100m increase of Market SCR leads to a NOK 96m increase of Basic SCR, because 4% are absorbed by diversification benefit.

From IFRS Values to Solvency II Own Funds



High quality capital base

SCR and own funds Q1 2017 (NOK bn)



Own funds in % of SCR (excluding CRD IV subsidiaries)

| | Regulatory limit | OF % of SCR | OF % of total |
|---------------------|------------------------------------|-------------|---------------|
| Tier 3 | $\leq 15\%$ SCR | 0.5% | 0.3% |
| Tier 2 | $\leq 50\%$ SCR $\Sigma T2+T3$ | 18% | 11% |
| Tier 1 Restricted | $\leq 20\%$ T1 | 10% | 6% |
| Tier 1 Unrestricted | $\geq 50\%$ SCR Σ All T1 | 135% | 83% |

CRD IV capital
 Tier 3
 Tier 2
 Tier 1 restricted
 Tier 1 unrestricted

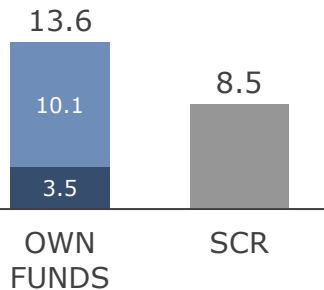
Solvency Capital allocation pr segment

– most of the capital allocated to the guaranteed segment

ILLUSTRATIVE PRO FORMA ALLOCATION BASED ON 159% SOLVENCY RATIO PR Q1 2017¹

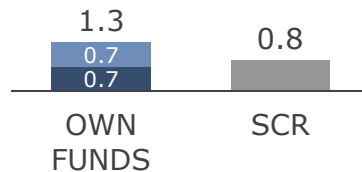
Savings

Solvency II:
Unit Linked reserves 147bn
CRR/CRD IV:
Retail mortgage lending 26bn
Asset management 599bn



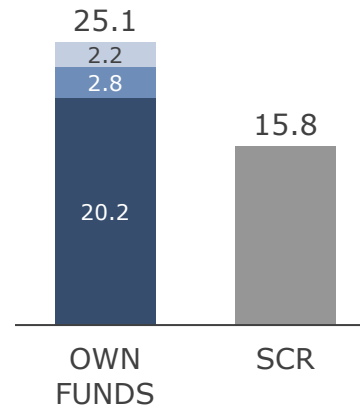
Insurance

Solvency II:
Insurance portfolio premiums 4.1bn



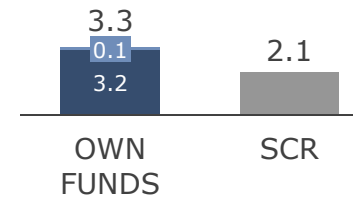
Guaranteed

Solvency II:
Guaranteed reserves 261bn



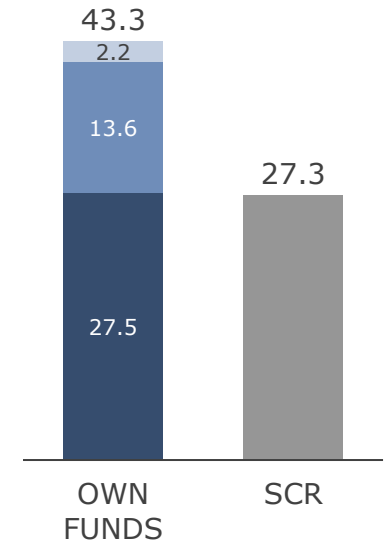
Other

Solvency II:
Company portfolios 25bn
Reserves in BenCo 17bn
CRR/CRD IV:
Corporate banking 1,5bn



Group

Solvency II group calculation



■ Transitional technical provisions
 ■ Products contribution to own funds¹
■ Hard capital
 ■ Solvency capital requirement

¹The equity and debt in the Group sits within different legal units. This allocation of solvency capital is done on a pro-forma basis to reflect an approximation to the solvency II capital consumed in the different reporting segments after group diversification. The estimated allocation is based on the capital consumption under SII and CRD IV adjusted for positive capital contribution to own funds. Storebrand has a target of a solvency ratio above 150%. The pro forma allocation of capital is based on the actual solvency ratio pr. Q1 2017 of 159%. Hard capital is defined as paid in and earned equity, subordinated debt and other tangible capital elements. Products contribution to own funds in Guaranteed includes positive contribution from deferred capital contribution (DCC) in the Swedish business.

Strong Returns on IFRS Equity in Savings and Insurance

ILLUSTRATIVE

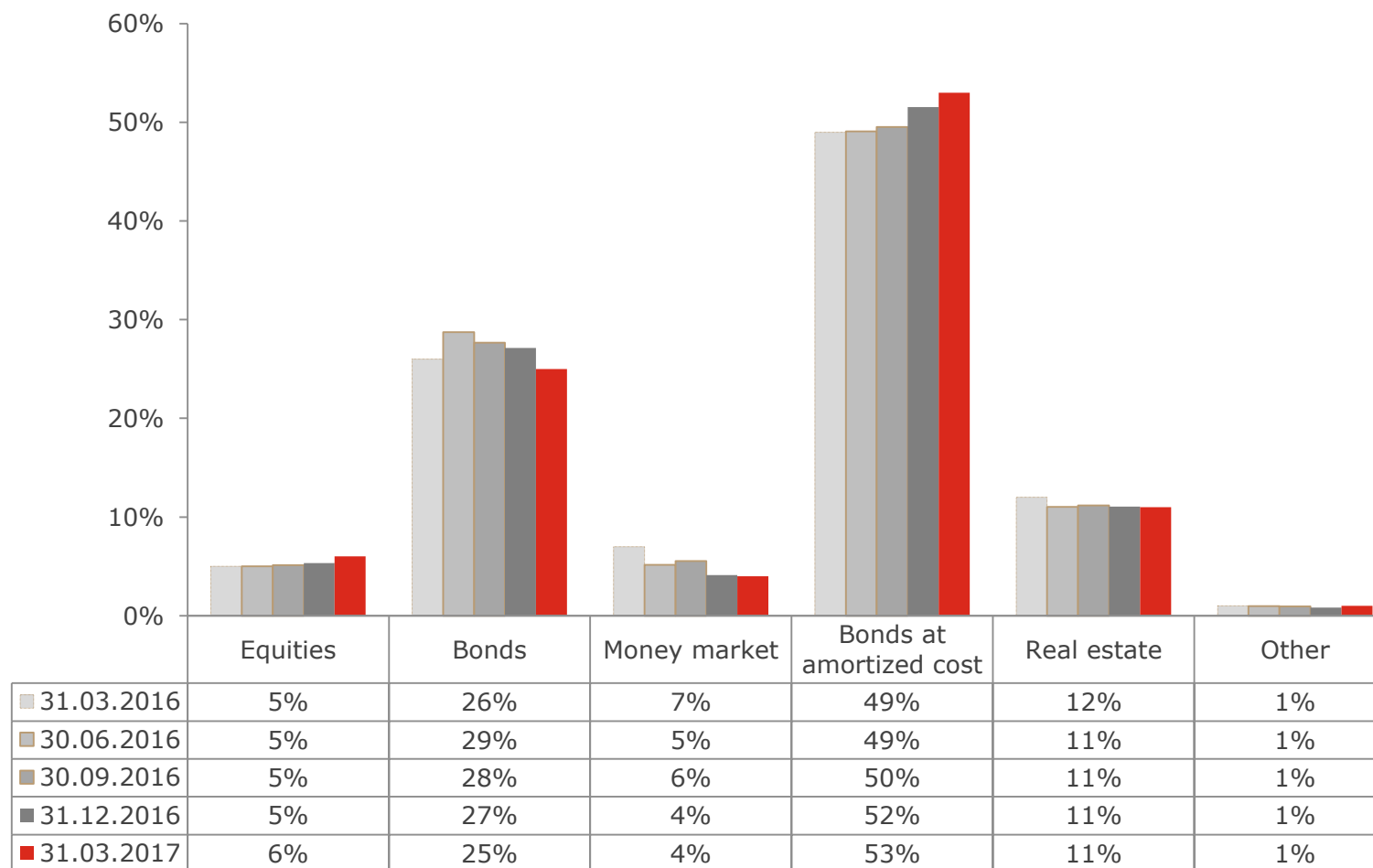
| | <u>Savings</u> | <u>Insurance</u> | <u>Guaranteed</u> | <u>Other</u> | <u>Group</u> |
|--|----------------|------------------|-------------------|--------------|--------------|
| IFRS earnings ¹ (NOKm) | 910 | 554 | 934 | 296 | 2 694 |
| Allocated Equity ² (NOKbn) | 3.6 | 1.7 | 19.7 | 3.3 | 28.2 |
| Pro forma RoE adj(%) | 26% | 33% | 5% | 9% | 9,5% |

The equity in the Group sits within different legal units. This allocation of equity is done on a pro-forma basis to reflect an approximation to the IFRS equity consumed in the different reporting segments after group diversification. The estimated allocation is based on the capital consumption under SII and CRD IV adjusted for positive capital contribution to own funds. The Insurance segment has been allocated an increased capital level which is more in line with long-term expected diversification effects.

¹ Result before amortisation and after tax, Q1 2016 – Q1 2017

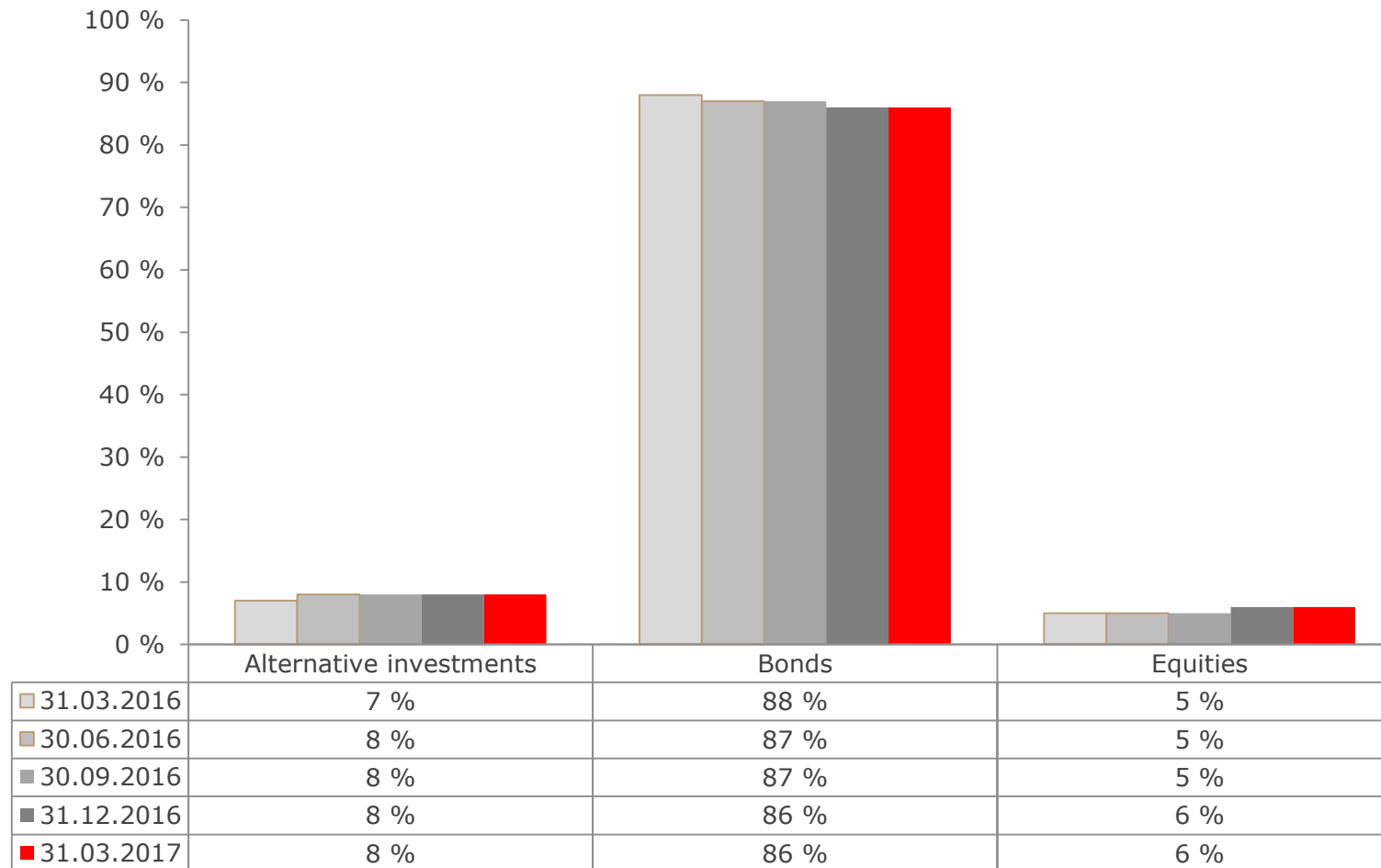
² Based on solvency II position pr. Q1 2017 incl. transitional rules on 159%. IFRS equity allocated on a pro forma basis.

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.

SPP asset allocation



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



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.