

Norwegian Life Insurer Storebrand Livsforsikring's Proposed SEK1 Billion Subordinated Notes Rated 'BBB-'

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FRANKFURT (S&P Global Ratings) Nov. 21, 2017--S&P Global Ratings today assigned its 'BBB-' rating to the Swedish krona (SEK) 1 billion (€101 million) floating-rate, subordinated Tier 2 notes to be issued by Norwegian Life Insurer Storebrand Livsforsikring AS (BBB+/Positive/--). The rating is subject to our review of the notes' final terms and conditions.

The rating reflects our standard approach for rating subordinated debt issues two notches below the long-term rating on the issuer. This reflects the subordination and interest deferral features, and takes into account our understanding that:

- The notes are subordinated to Storebrand Livsforsikring AS' policy holders and senior creditors;
- The issuer can choose to defer interest, as long as the issuer has not declared or made a dividend or other payment (including payment in relation to redemption or repurchase) on a more junior security in the previous six months;
- Under the notes' terms and conditions, interest deferral is mandatory if a solvency event has occurred, which, under Solvency II, would be a breach of the solvency capital requirement; and
- The notes will be eligible as Solvency II regulatory Tier 2 capital.

We expect to classify the proposed notes as having intermediate equity content, subject to reviewing the bonds' final terms and conditions. We

include securities of this nature, up to a maximum of 25%, in our calculation of total-adjusted capital, which forms the basis of our risk-based capital adequacy analysis of insurance companies. Such inclusion is subject to the proposed notes being considered eligible for regulatory solvency treatment and the aggregate amount of included hybrid capital not exceeding the total eligible for regulatory solvency treatment.

The documentation of the proposed Tier 2 SEK1 billion notes outlines a 30-year maturity. We understand that the instrument is callable on the fifth anniversary of issuance and on any interest payment date thereafter. However, there is no step-up until the 10th anniversary. The notes will bear interest over the three-month Stockholm Interbank Offered Rate plus a credit spread, which will increase by 100 basis points on the 10th anniversary in 2027.

We expect that Storebrand Livsforsikring's financial leverage (debt plus hybrid capital, divided by the sum of economic capital available, debt, and hybrid capital) will remain broadly unchanged at 15%-20%. We also believe that the fixed-charge coverage (EBITDA divided by senior and subordinated debt interest) is likely to remain between 4x and 6x in 2017-2019.

We understand that Storebrand Livsforsikring AS plans to use the proceeds of the notes to partially refinance its Norwegian krone 1,500 million floating rate noncumulative perpetual step-up notes (ISIN NO0010430713).

Our ratings and outlooks on holding company Storebrand ASA (BBB-/Positive/--) and operating subsidiaries Storebrand Livsforsikring AS (BBB+/Positive/--) and Storebrand Bank ASA (BBB+/Positive/A-2) are not affected by this action.

RELATED CRITERIA

- Criteria - Insurance - General: Insurer Hybrid Capital Instruments With Nonviability Contingent Capital (NVCC) Features, July 24, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Criteria - Financial Institutions - General: Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010
- Criteria - Financial Institutions - Banks: Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments, Feb. 9, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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