



# Investor Presentation

Q2 2019

*Compelling combination of self-funded savings growth  
and capital return from maturing guaranteed back-book*

## Important information:

This document may contain forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may be beyond the Storebrand Group's control. As a result, the Storebrand Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in these forward-looking statements. Important factors that may cause such a difference for the Storebrand Group include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) market related risks such as changes in equity markets, interest rates and exchange rates, and the performance of financial markets generally.

The Storebrand Group assumes no responsibility to update any of the forward looking statements contained in this document or any other forward-looking statements it may make.

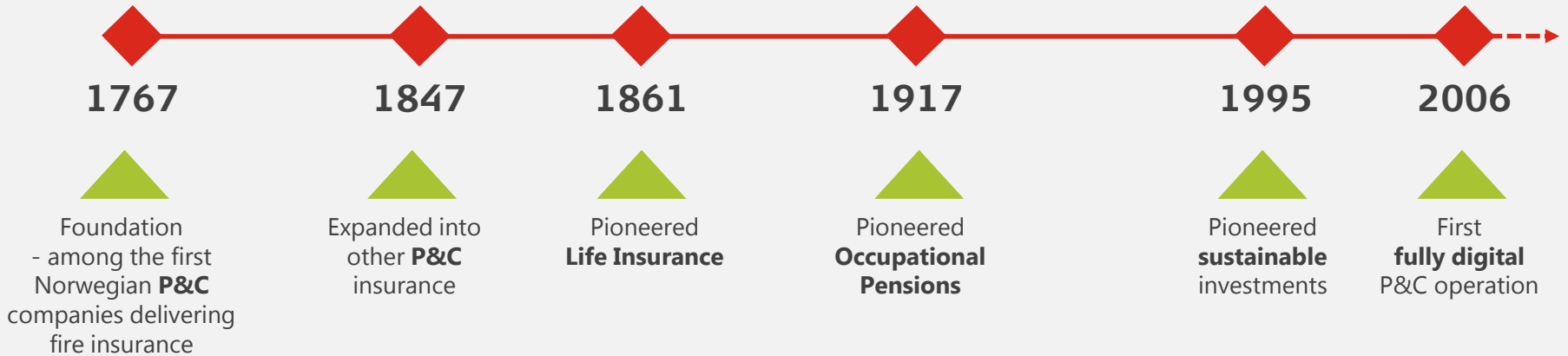


## Key Takeaways

- Delivered on financial targets
- Transformed business from guaranteed to non-guaranteed
- Well positioned to capture capital light and profitable savings growth
- Back book capital consumption has peaked: increased capital return to shareholders

# Strategy

# 250 years of pioneering in the Nordic financial industry





# Storebrand - An Integrated Financial Service Group

## Insurance

- Health, P&C and group life insurance
- NOK 4.5bn in portfolio premiums

## Asset Management

- NOK 752bn in AuM of which 33% external assets
- 100% of investments subject to sustainability screening

## Pension & Savings

- 40k corporate customers
- 2m individual customers
- NOK ~460bn of reserves of which 43% Unit Linked



## Retail Bank

- Internet Bank
- NOK 46bn of net lending

- Capital synergies
- Customer synergies
- Cost synergies
- Data synergies

# Delivered on Financial Targets

	Target	Actual 2018	
 Return on equity <sup>1</sup>	> 10%	8.2%/13.7%	✓
 Dividend pay-out ratio <sup>1</sup>	> 50%	68%	✓
 Solvency II margin Storebrand Group <sup>2</sup>	> 150%	173%	✓

# Leading position in Norway and strong contender in Sweden

## Market share occupational pensions (Defined Contribution)



### Clear value proposition



- ✓ **Best customer satisfaction** with all time high score for large Norwegian corporates



- ✓ **Best customer service** in Sweden

### World leader in corporate sustainability



2017: #2 overall  
2018: #1 insurance

<sup>1</sup> Finance Norway. Gross premiums defined contribution with and without investment choice. Q4 2018

<sup>2</sup> Insurance Sweden. Segment Unit Linked pensions 'Other occupational pensions' (written premiums) Q4 2018

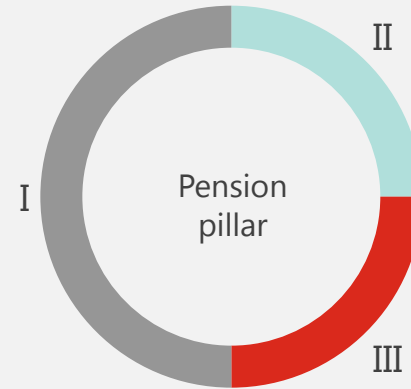
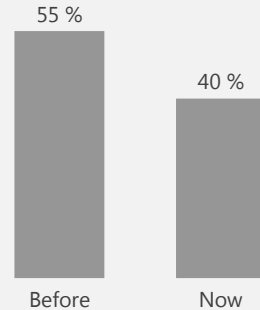


# Demographic change has driven pension reforms in Norway with opportunities emerging

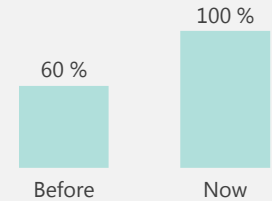
## Workers per pensioner



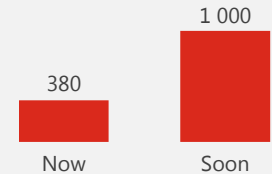
## Public pension replacement rate<sup>1</sup>



## Occupational pension coverage<sup>2</sup>

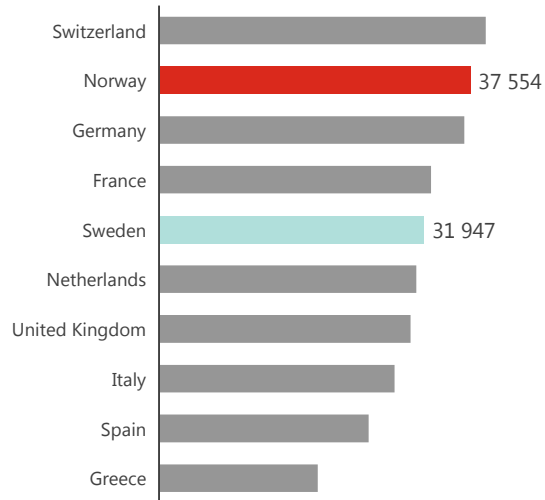


## Retail savings (AuM, bn NOK)<sup>3</sup>

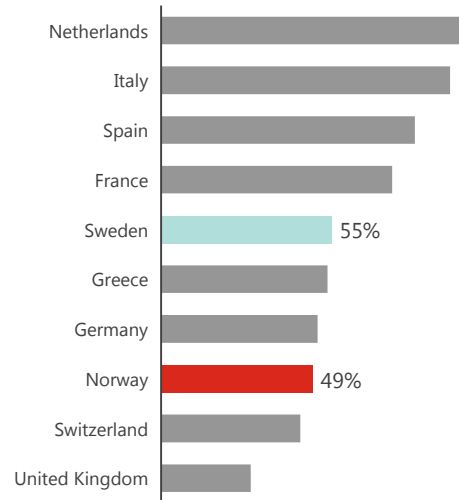


# Moderate replacement rates and a wealthy population with an overweight in bank deposits fuel growth potential in retail market for savings

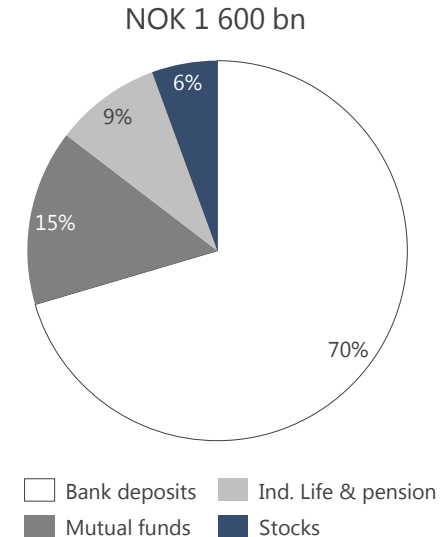
## Household disposable income<sup>1</sup>



## Net replacement rate<sup>2</sup>

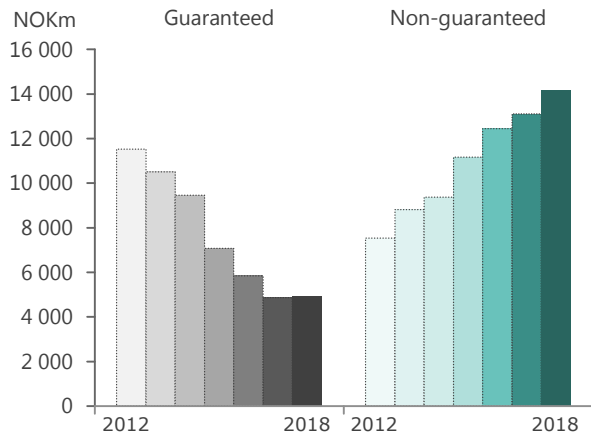


## Household financial assets Norway<sup>3</sup>

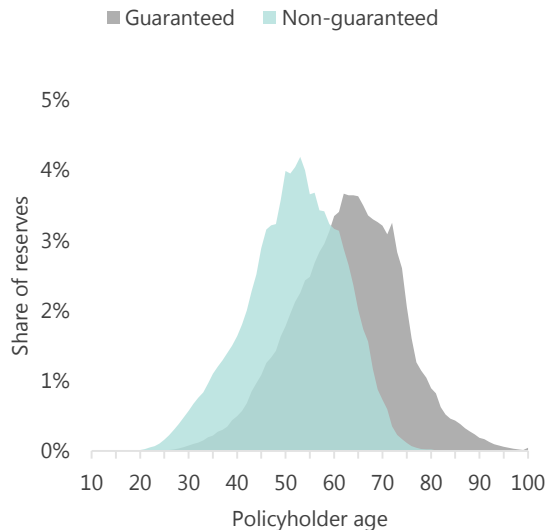


# Continued shift from Guaranteed to Non-guaranteed pension

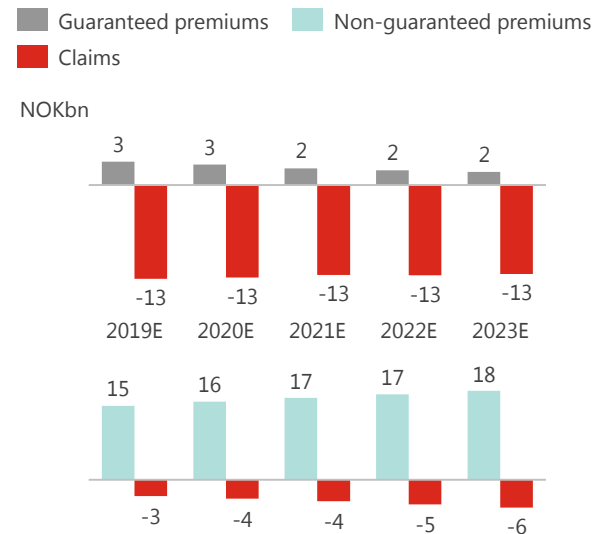
## Historic premium income<sup>1</sup>



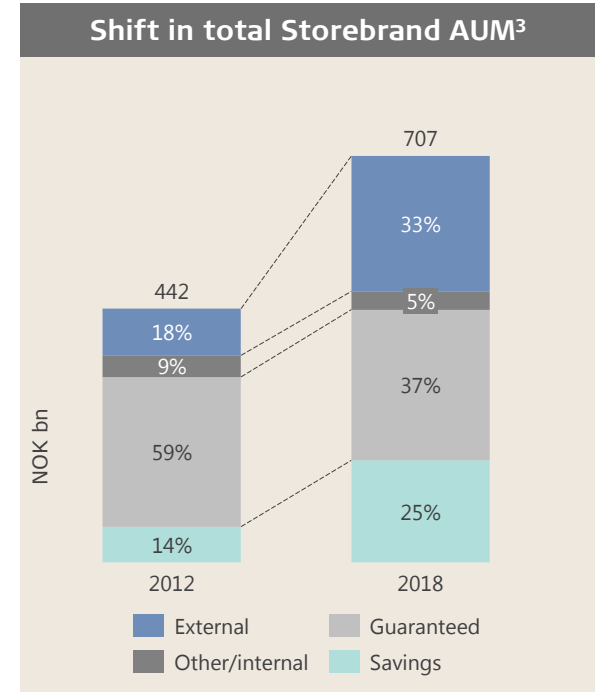
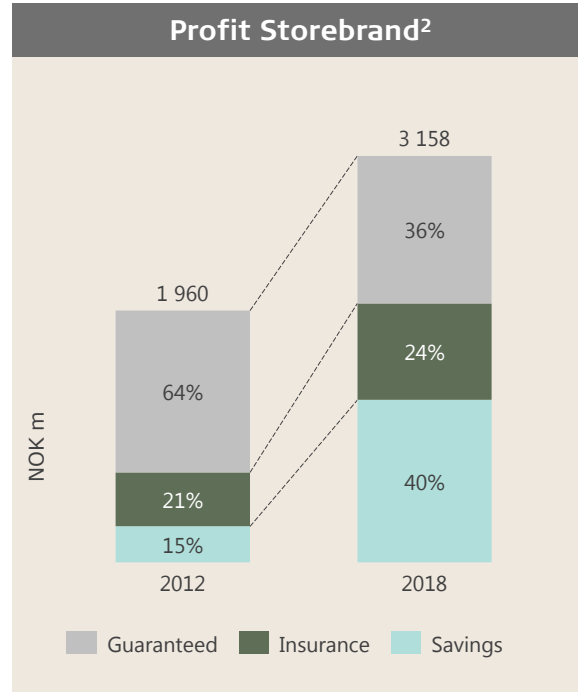
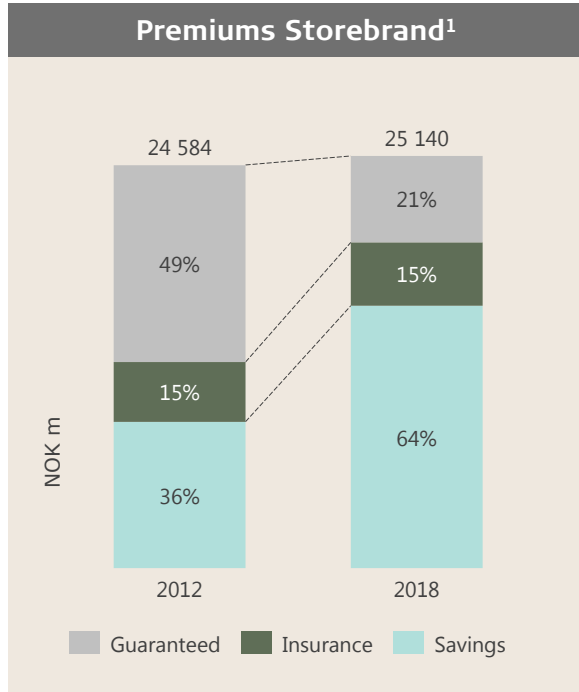
## Current share of reserves<sup>2</sup>



## Expected flow of reserves<sup>3</sup>



# Successful transition from Guaranteed to non-guaranteed Savings



<sup>1</sup> Pension premiums in Guaranteed products, Insurance and Unit Linked products, Storebrand Group.  
<sup>2</sup> Profit before amortisation. "Guaranteed" includes "Other" segment.

<sup>3</sup> Savings: Unit linked reserves, Guaranteed: Guaranteed reserves, External: External AUM in Storebrand Asset Management, Other/internal: residual group internal AUM including company portfolio.

# Our strategy: A compelling combination of self-funding growth and capital return from maturing guaranteed back-book

1

Build a world class Savings business - supported by Insurance

A

Leading position Occupational Pension

B

Uniquely positioned in growing retail savings market

C

Asset manager with strong competitive position and clear growth opportunities

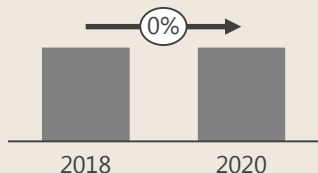
D

Bolt-on M&A

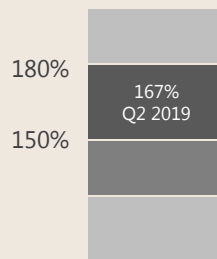
2

Manage balance sheet and capital

A. Cost discipline



B. SII capital management framework

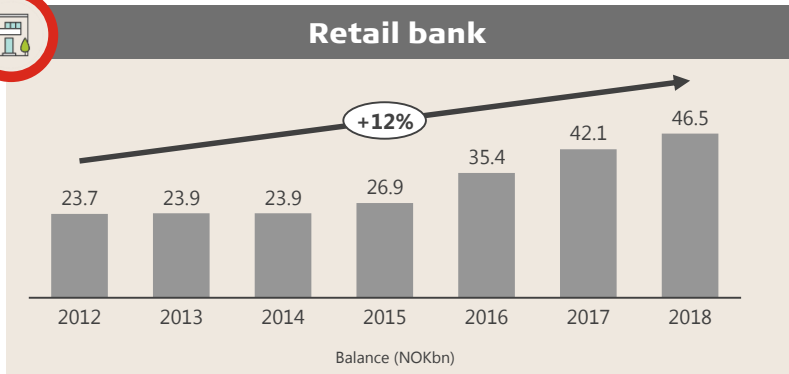
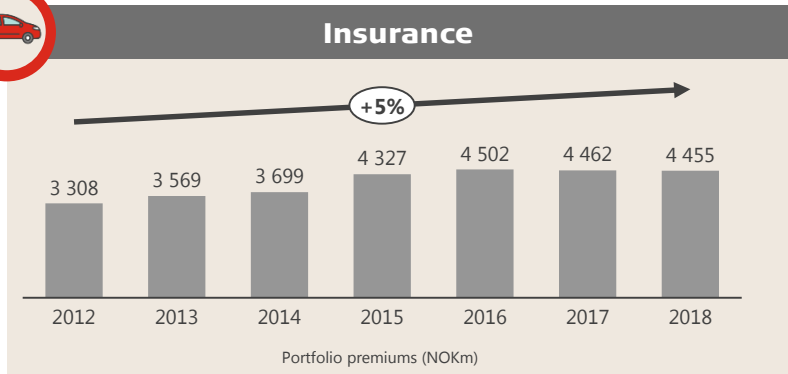
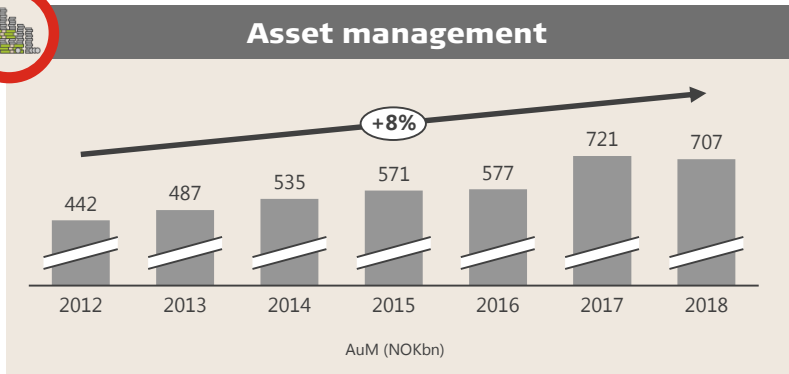
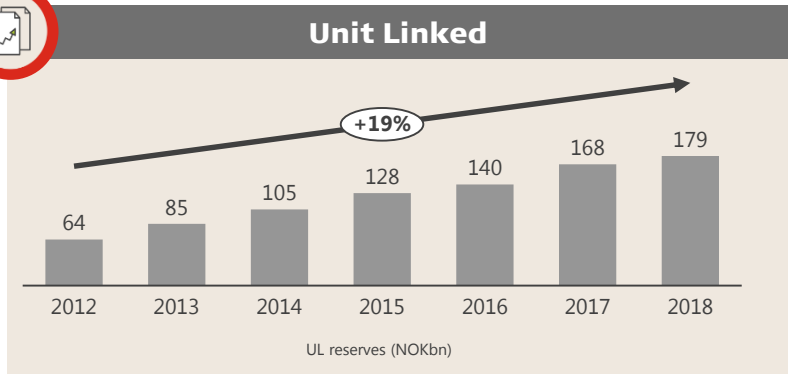


C. Increased return

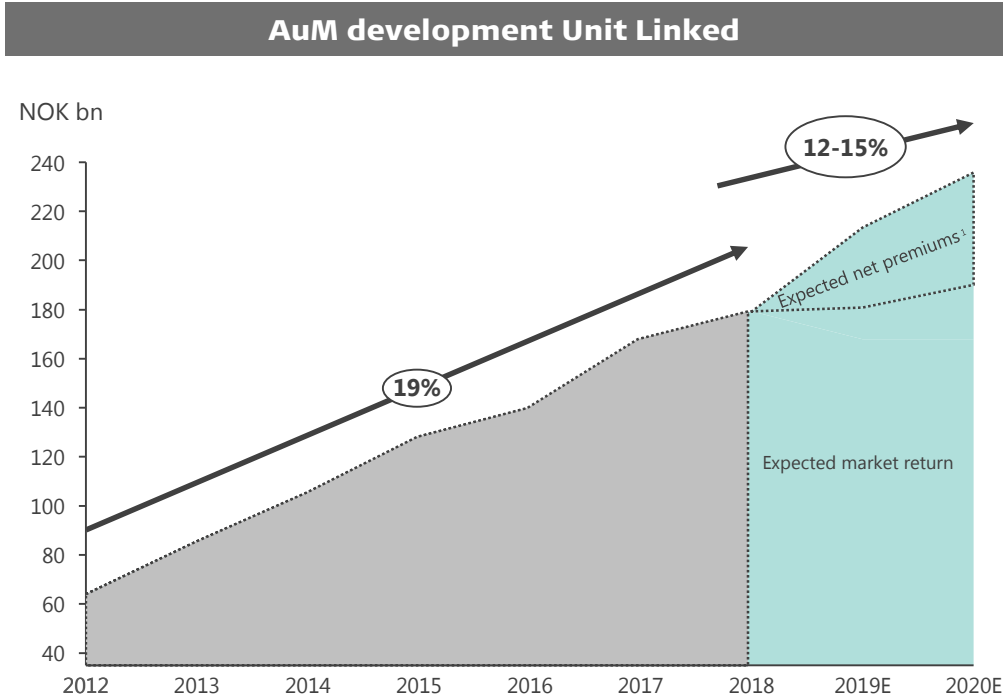


Manage for capital release and increased dividend pay-out ratio

# Growth in Savings and Insurance



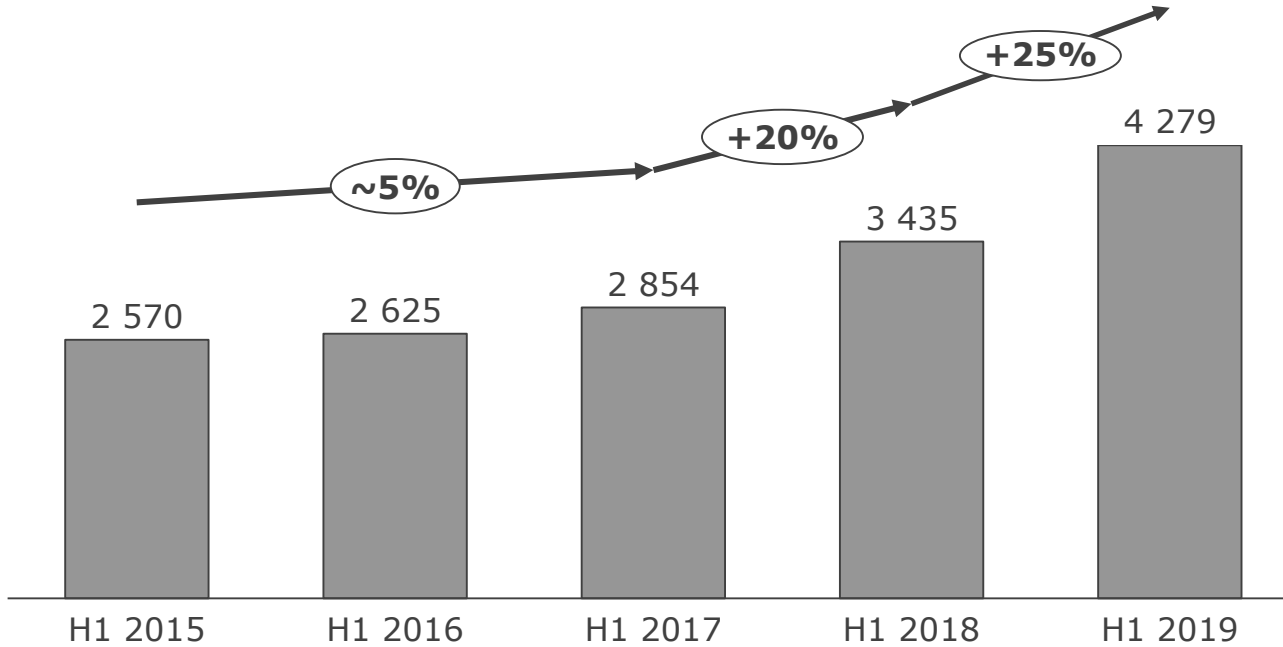
# Net premiums and market return drive AuM growth



## Drivers of expected net premiums

- Majority of premiums generated by active policies
- Growth driven by:
  - Increased salaries and savings rates
  - Population growth
  - Age distribution of policyholders
  - DB conversions
  - New sales
  - New retail savings products
  - Positive transfer balance
  - Market returns

# Strong growth in Swedish Unit Linked<sup>1</sup>

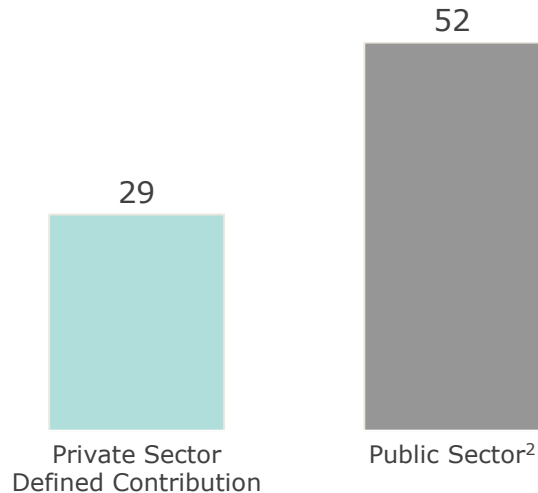




# Storebrand to enter Norwegian public sector pension market

## Large public sector market opening up for competition

Annual market premium NOK bn<sup>1</sup>



## New regulation will make it attractive for Storebrand to enter the market again

- With effect from 2020, the pension system for public employees will be adjusted to better fit the 2010 Norwegian pension reform.
- Market monopoly today.
- Capital efficient product offering.
- 5% expected annual market premium growth.
- Storebrand will build on existing systems and solutions and execute within previously communicated cost target for the group.

<sup>1</sup> Private sector as of 2018, Public sector est. 2018

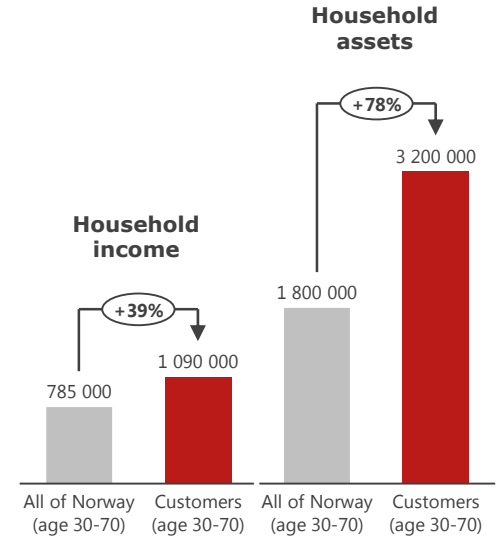
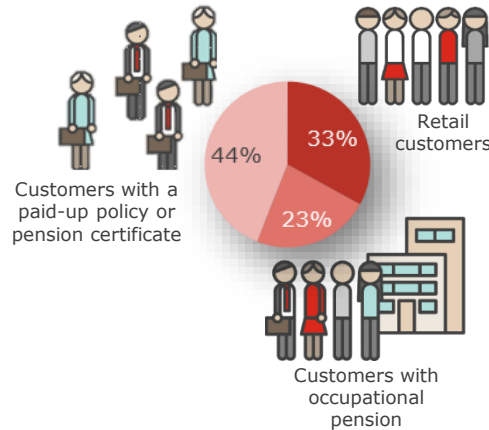
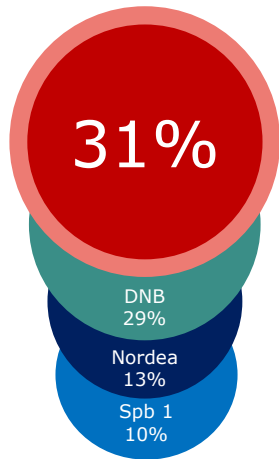
<sup>2</sup> Norwegian municipalities, does not include pay as you go scheme for state employees.

# Building on our relationship with employers to reach out to individuals

Our position in the Norwegian occupational pension market...

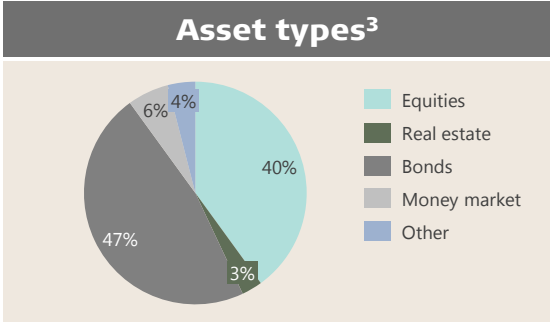
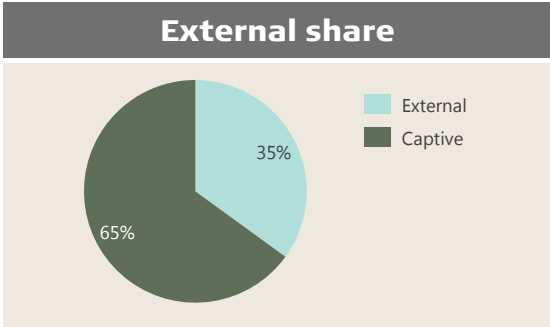
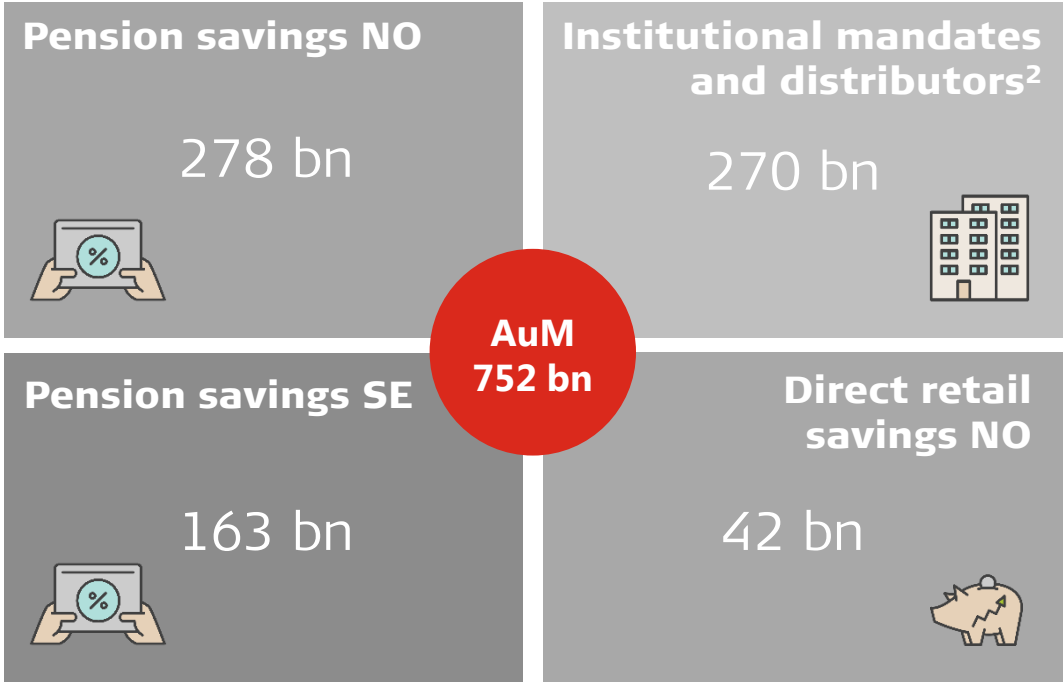
...gives us a customer base of 1.3 million individuals..

..with above average financials and savings capacity



# Fast growing Nordic asset manager with a blend of captive pension assets and external clients

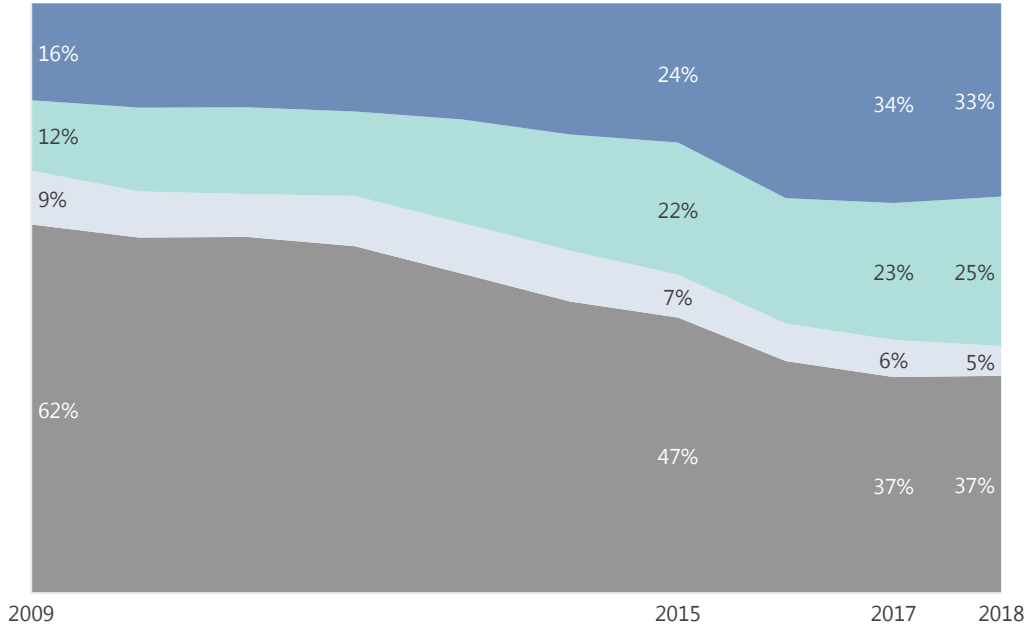
## Main channels for AuM (NOK bn)<sup>1</sup>



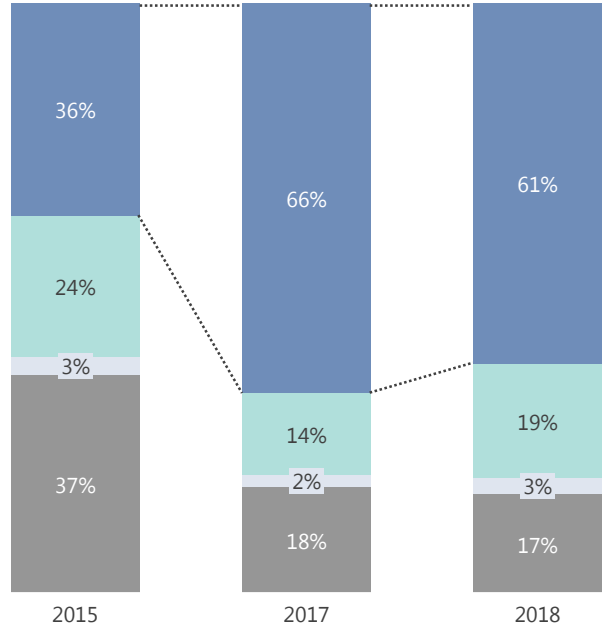
<sup>1</sup> Data as of Q2 2019.  
<sup>2</sup> Includes company capital.  
<sup>3</sup> Cubera not included.

# Increased external share in Asset Management

**AuM mix**



**Revenue mix<sup>1</sup>**

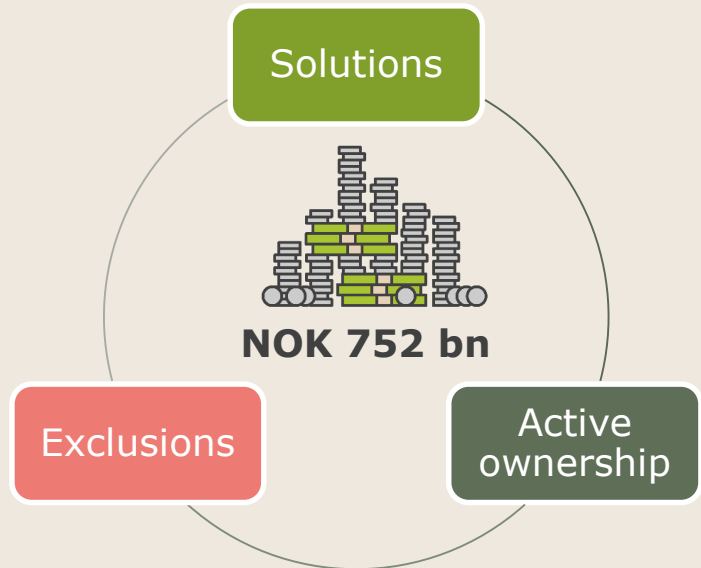


- External
- Unit Linked
- Other
- Guaranteed

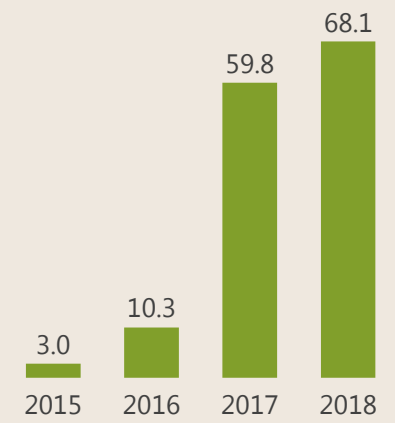
<sup>1</sup> Revenue & AuM include Skagen from 01.01.2017 proforma

# Sustainability at the core of our business

NOK 752 bn AuM aligned to contribute to the UN Sustainability Goals

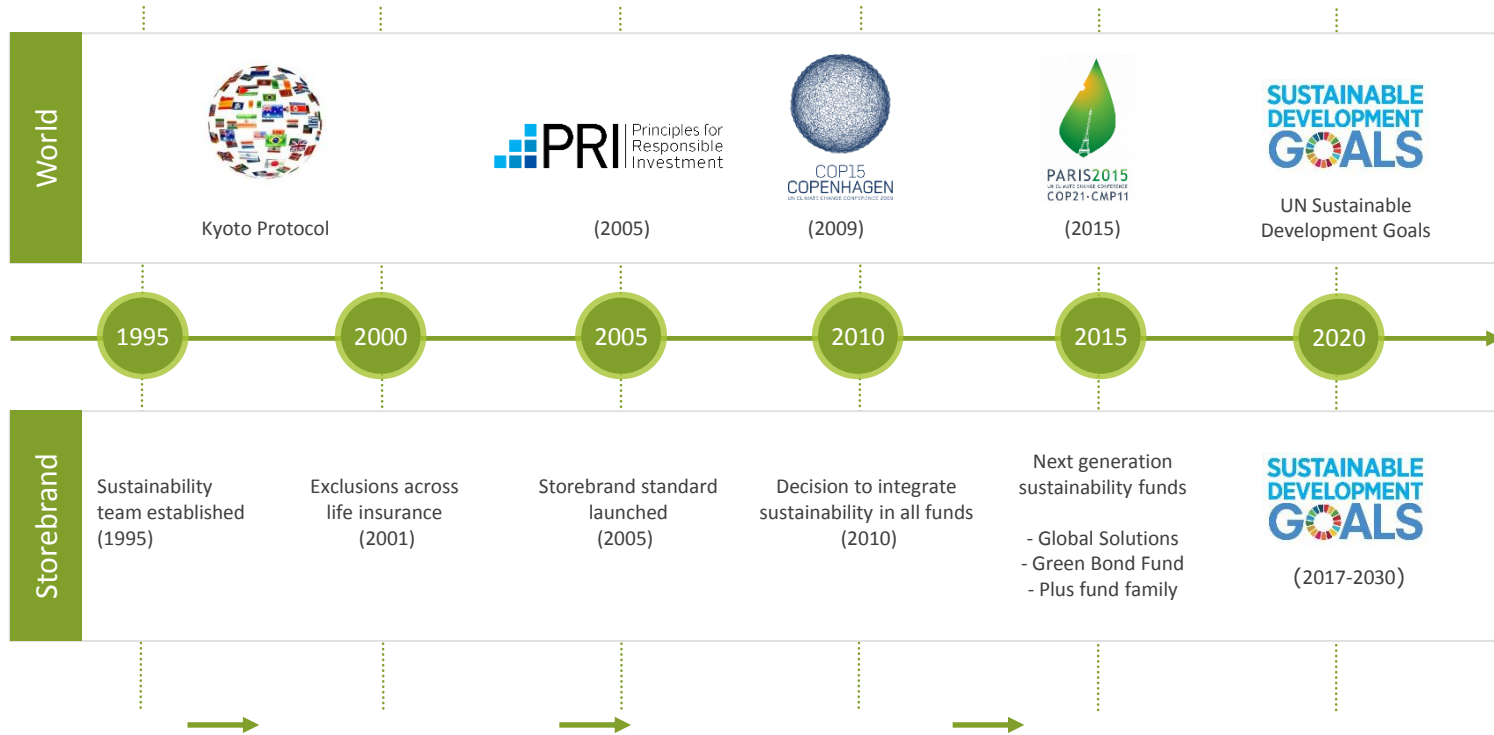


AUM Sustainability Enhanced, NOK bn

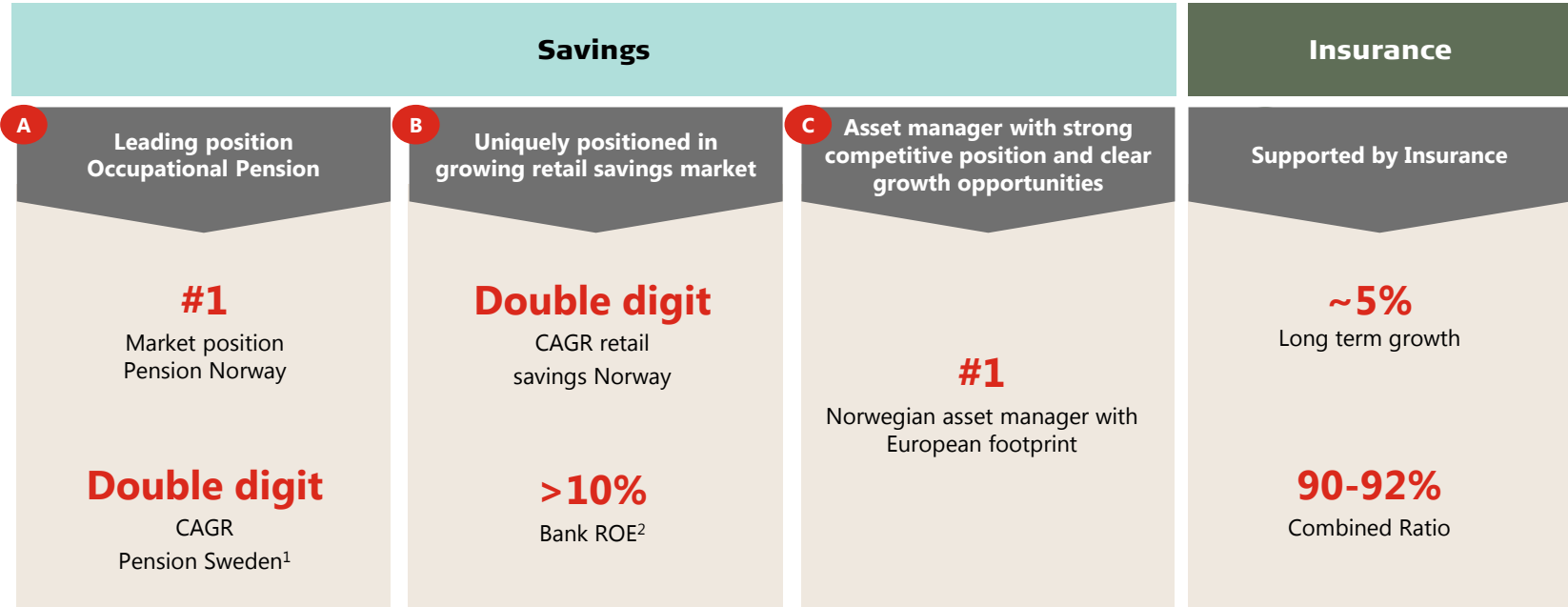


*All assets under management are subject to sustainability screening*

# Storebrand's History of Sustainable Investments



# Ambition: Build a world class Savings business supported by Insurance



# Significant difference in capital consumption and return profile between old and new business

ILLUSTRATIVE  
FROM CMD 2018

	Savings	Insurance	Guaranteed <sup>3</sup>	Group
<b>IFRS earnings<sup>1</sup> (NOKm)</b>	1 552	638	982	3 172
<b>Allocated Equity<sup>2</sup> (NOKbn)</b>	5.5	2.0	23.6	31.1
<b>Pro forma RoE adj(%)<sup>4</sup></b>	31%	36%	5%	11%

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.

<sup>1</sup> Result before amortisation and after tax, Q1 2017 – Q1 2018

<sup>2</sup> Based on solvency II position pr. Q1 2018 incl. transitional rules on 165%. IFRS equity allocated on a pro forma basis.

<sup>3</sup> Includes reporting segment "Other".

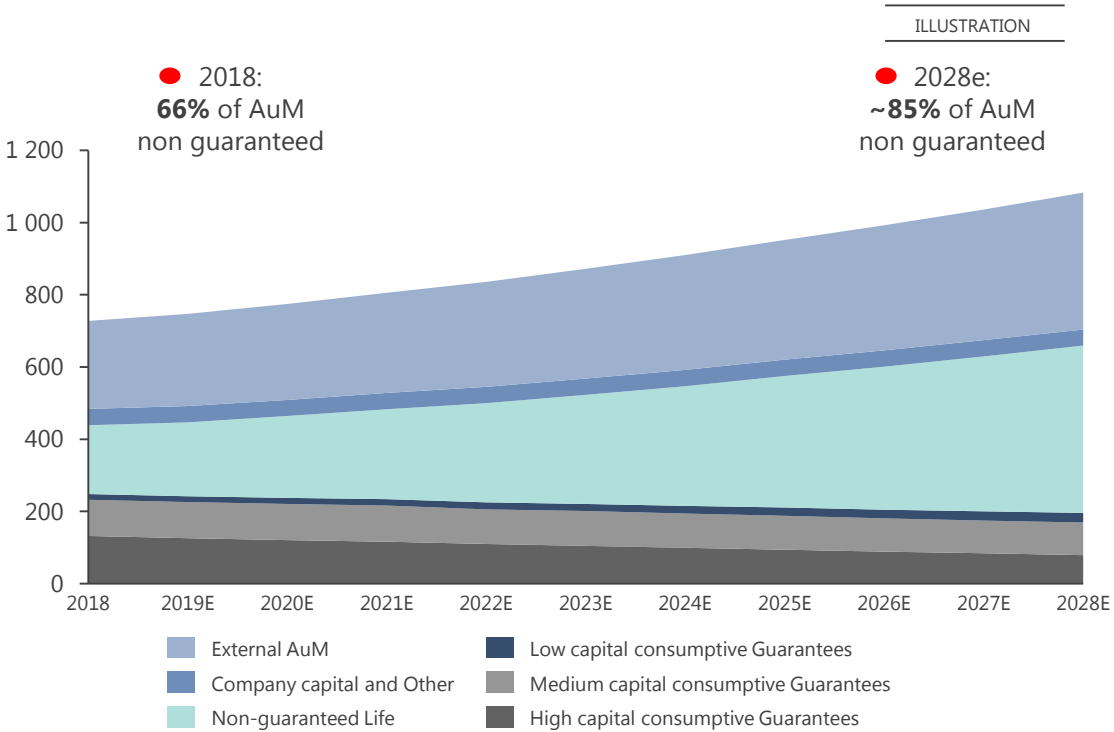
<sup>4</sup> Allocated equity 1Q 2018, ROE calculated on 1Q 2017.



# Majority of AUM in Storebrand is already capital efficient and growing while capital consumptive guaranteed AUM is trailing off

## Forecast assets under management (NOKbn)

## Implications

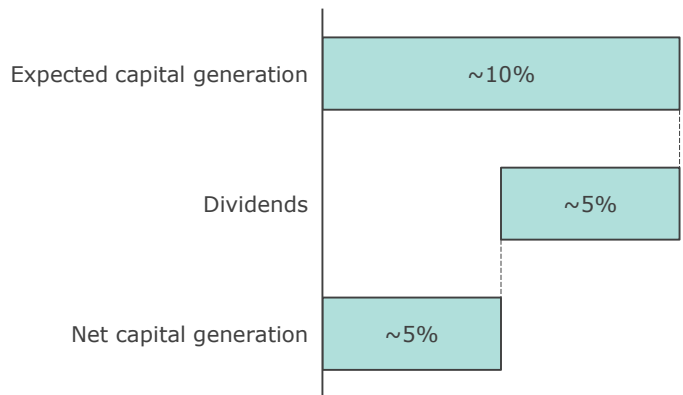


- Guaranteed portfolio has reached Solvency II peak capital consumption
- New growth in Savings and Insurance need little new capital
- Increased free cash flow and dividend capacity
- Increased fee and adm. income and reduced sensitivity to financial markets

# Capital generation from increasing fee based earnings in front book and capital release from the back book

From CMD

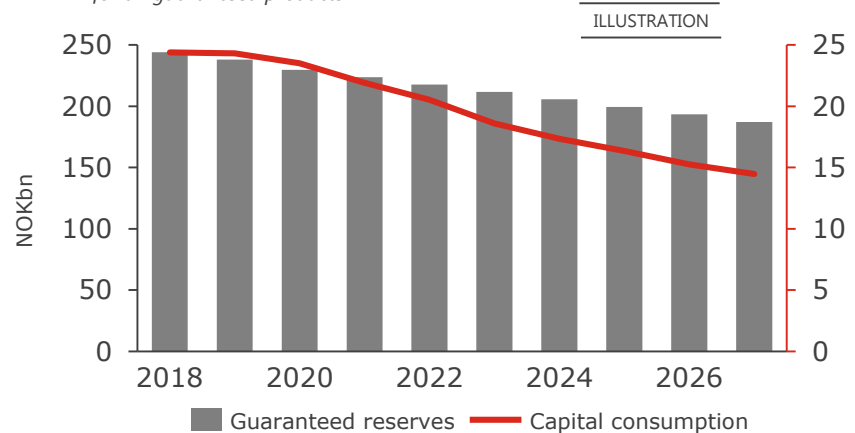
## Estimated solvency generation (annual) short term from front book<sup>1</sup>



- Expected annual capital generation of ~10pp of improved solvency ratio after new business strain
- Further management actions have the potential to further improve solvency

## Estimated reduced capital consumption in back book

Capital consumption includes sum of solvency capital requirement and sum of VIF for all guaranteed products

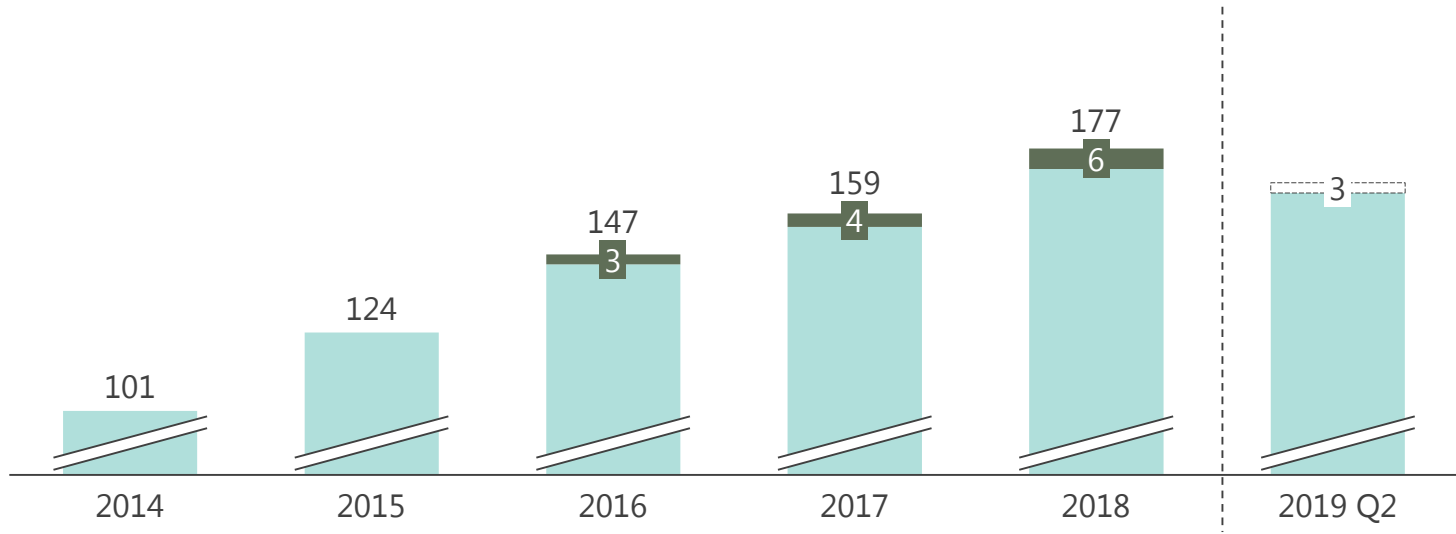


- Lower capital consumption because guaranteed portfolio in run-off, interest rate guarantee reduced and new policies have lower guarantees, hence more capital light

<sup>1</sup> Solvency generation (%) on Solvency II ratio without transitional rules.

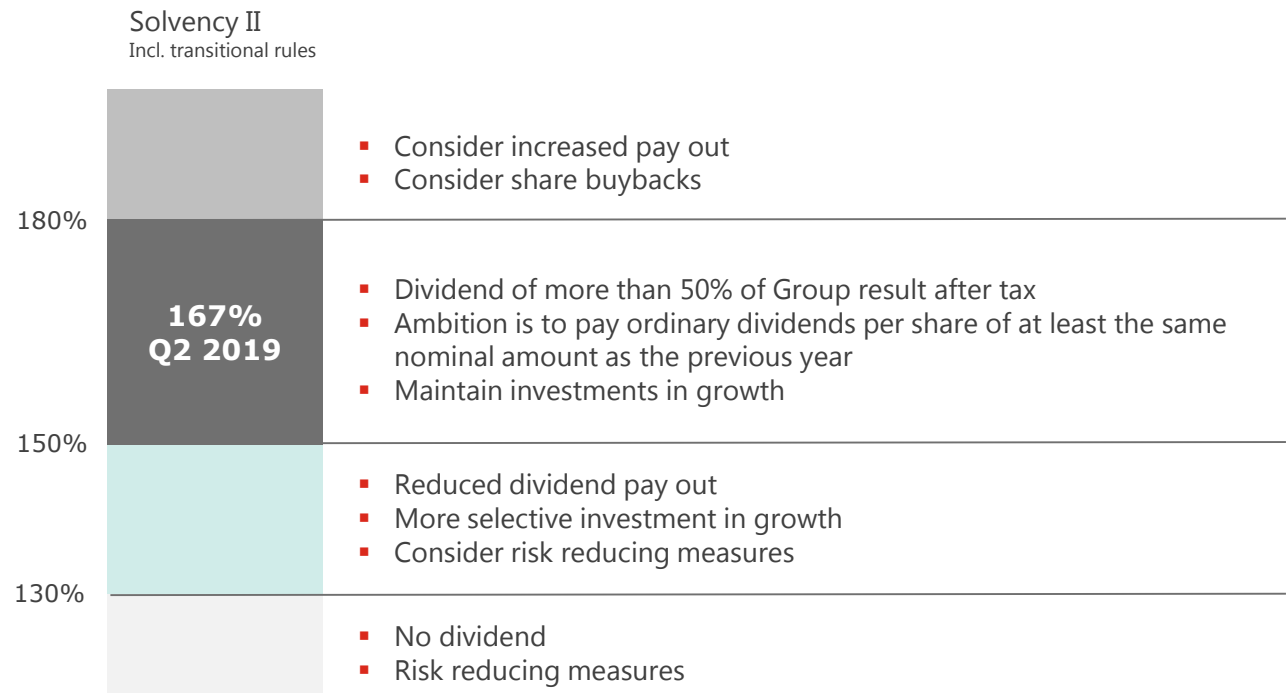
# Strong historical growth in solvency ratio

Solvency ratio without transitional rules development 2014-2019 Q2 (%)



Set aside for Dividend    Dividend paid    Solvency ratio without transitionals

# Group capital management policy sets thresholds for distribution of cash dividends



# Ambitions Capital – back book has reached peak capital and is expected to contribute with cash together with growing front book

FROM CMD 2018

## Low case:

Release capital from the business

- Regulatory change
- Lower interest rates
- Margin pressure

## Base case:

Release capital from the business

**2021**

Expected start of capital release as dividends when S2 ratio >180%

**~NOK 10 BN**



Back book capital release until 2027

## High case:

Release capital from the business

- Regulatory change
- Higher interest rates
- Better profitability

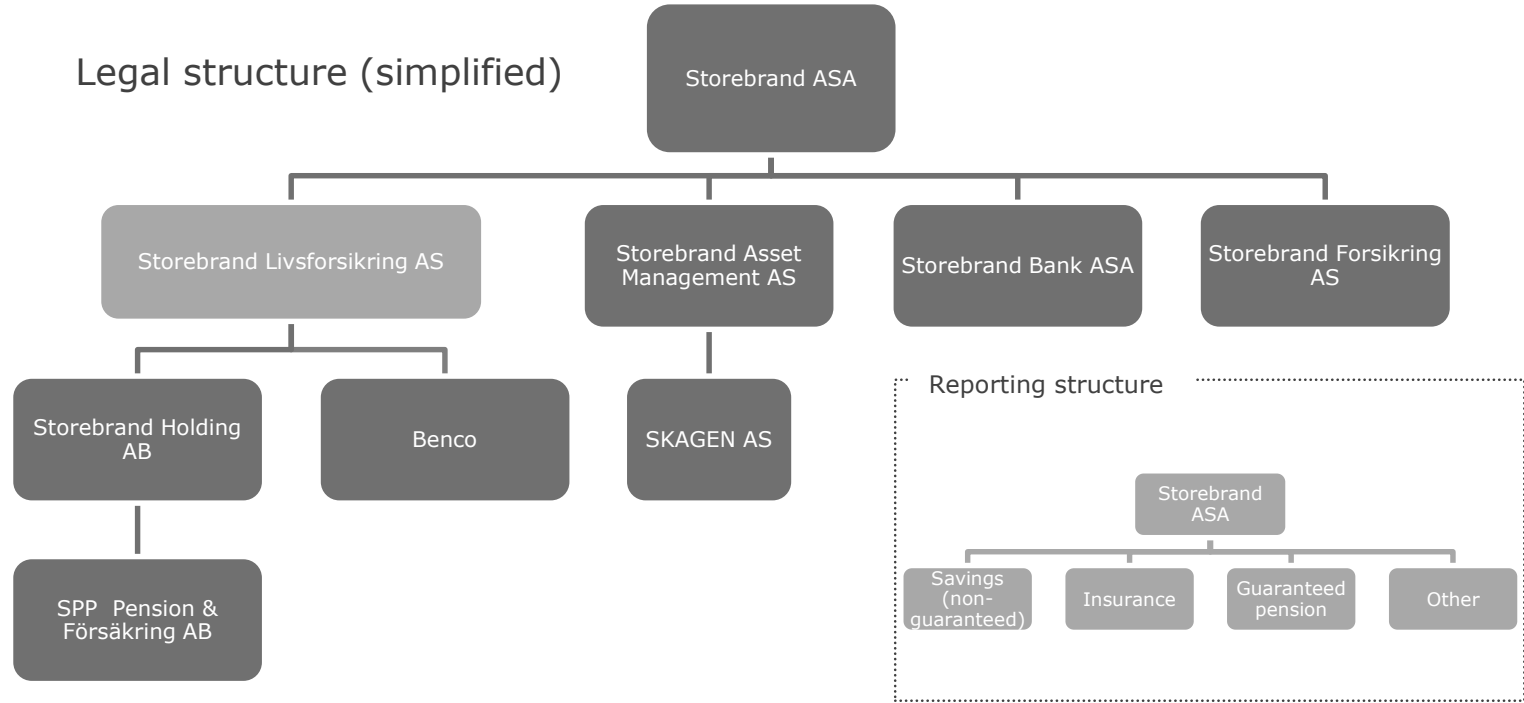
# Financial Targets

	Target
 Return on equity <sup>1</sup>	> 10%
 Dividend pay-out ratio <sup>2</sup>	> 50% & nominal growth
 Solvency II margin Storebrand Group <sup>3</sup>	> 150%

# Capital Management

# Storebrand Group Structure

Diversified cash flow to holding company Storebrand ASA



Source: Supplementary information Storebrand ASA

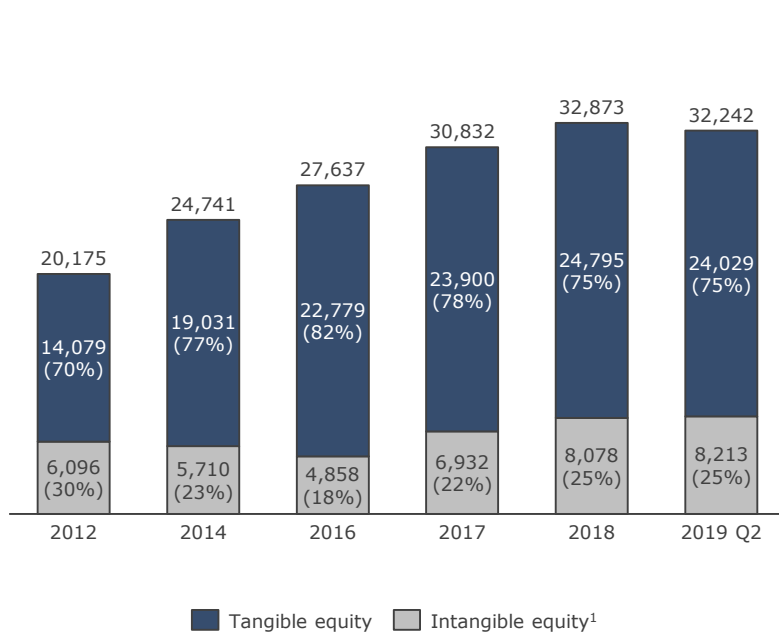


# IFRS earnings close to cash allow for a high remittance ratio in the Group

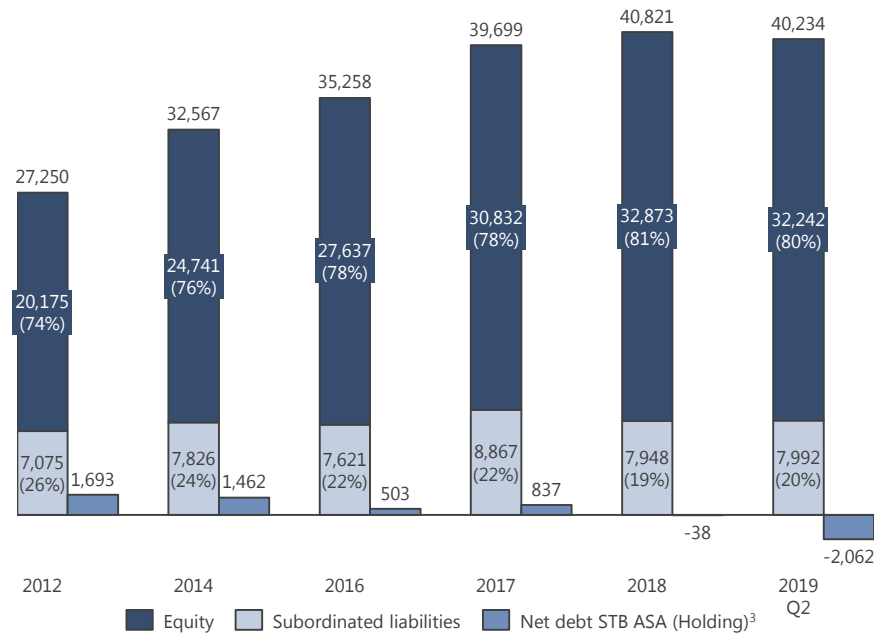
	Storebrand Life Group	Storebrand Forsikring	Storebrand Helseforsikring	Storebrand Bank	Storebrand Asset Management	Σ Group <sup>3</sup>
Earnings after tax <sup>1</sup> (NOK m)	3098	118	32	129	356	3698
Remittance <sup>2</sup> (NOK m)	3090	324	39	83	0	3564
Remittance ratio	100%	274%	122%	64%	0%	96%

# Strong Group IFRS equity and capital structure – reduced financial leverage

Group equity (NOK bn)



Group capital structure<sup>2</sup>



<sup>1</sup> Intangible equity: Brand names, IT systems, customer lists and Value of business-in-force (VIF), and goodwill. VIF and goodwill mainly from acquisition of SPP.

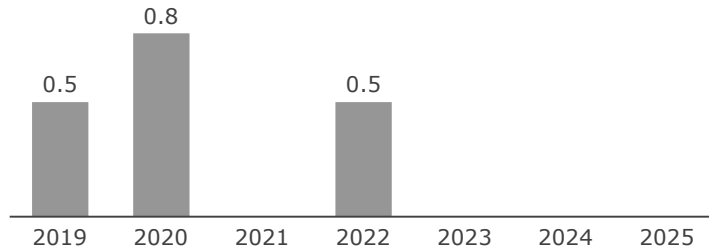
<sup>2</sup> Specification of subordinated liabilities:

- Hybrid tier 1 capital, Storebrand Bank ASA and Storebrand Livsforsikring AS
- Perpetual subordinated loan capital, Storebrand Livsforsikring AS
- Dated subordinated loan capital, Storebrand Bank ASA and Storebrand Livsforsikring AS

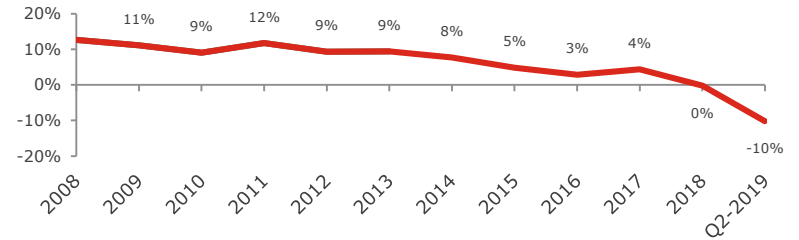
<sup>3</sup> (Senior debt – liquidity portfolio) in holding company shown in separate column as it is not part of group capital.

# Term structure debt

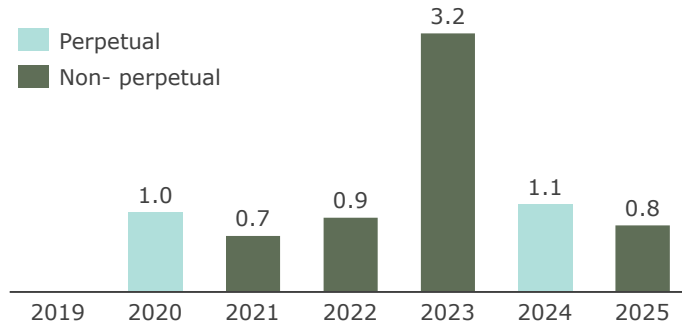
Term structure senior debt Storebrand ASA (bn NOK)



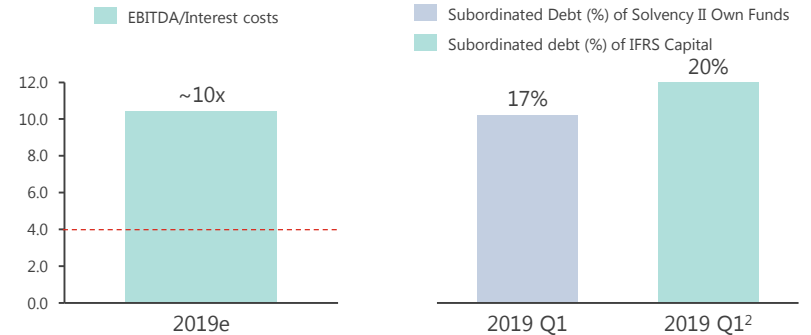
Development net debt Storebrand ASA (MNOK)



Term structure sub-debt Storebrand Livsforsikring<sup>1</sup> (bn NOK)



Interest charge coverage Storebrand group<sup>2</sup>



<sup>1</sup> EUR 300 Million (EURNOK 9.71). SEK 750 Million 1,0 BN and 900 Million, (NOKSEK 0.93)

<sup>2</sup> Including dividend

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

IFRS balance sheet



Moving to economic balance sheet



Solvency II balance sheet



1 in 200 years shock



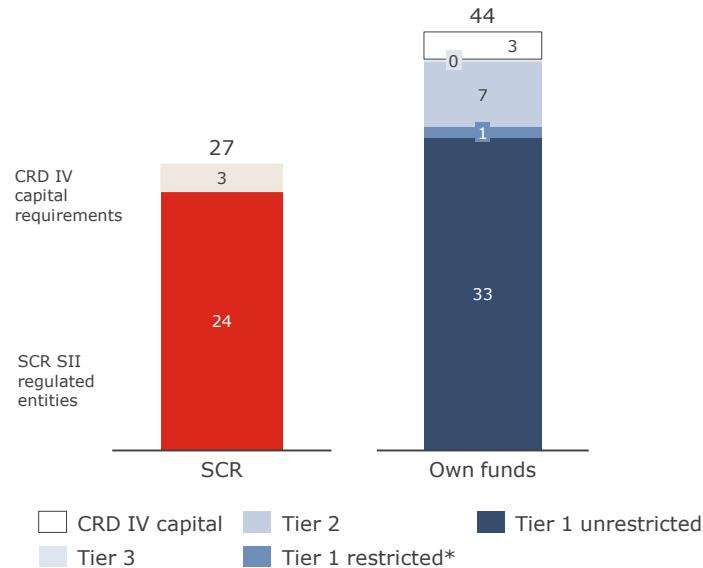
Solvency II Balance Sheet under 1/200 years shock



$$\text{Group solvency II ratio} = \frac{\text{Own Funds}}{\text{SCR}} = \frac{\text{NOK 44bn}}{\text{NOK 27bn}} = \mathbf{167\%}^1 \text{ (2Q 2019)}$$

# High quality capital base under Solvency II

SCR and own funds Q2 2019 (NOK bn)

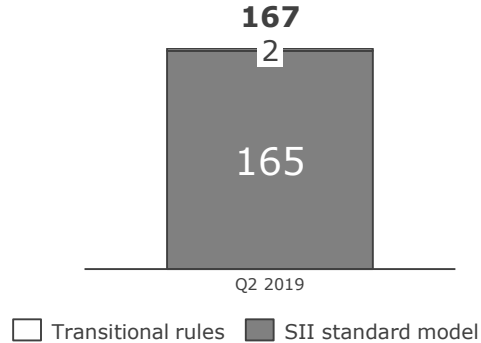


Own funds in % of SCR (excluding CRD IV subsidiaries)

	Regulatory limit	OF % of SCR	OF % of total
Tier 3	≤ 15% SCR	1%	1%
Tier 2	≤ 50% SCR ∑ T2+T3	29%	17%
Tier 1 Restricted	≤ 20% T1	5%	3%
Tier 1 Unrestricted	≥ 50% SCR ∑ All T1	138%	80%

# Solvency II position Storebrand Group

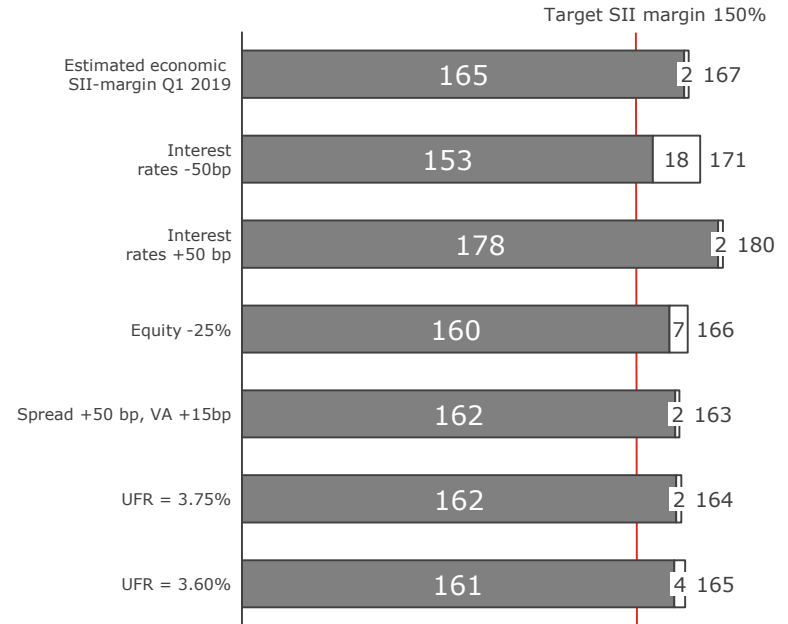
## Solvency position(%)<sup>1</sup>



## Key takeaways

- Increased net capital requirement from growth in UL business
- Reduced long term interest rates
- Further reduced interest rates, will lead to compensation of the solvency position through transitional rules

## Estimated sensitivities

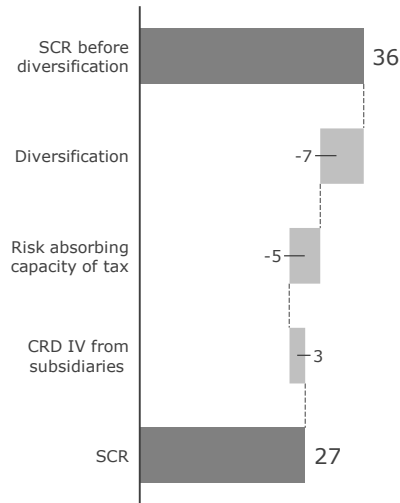


<sup>1</sup> The estimated Economic solvency position of Storebrand Group is calculated using the current Storebrand implementation of the Solvency II Standard model with the company's interpretation of the transition rules from the NFSA. Output is sensitive to changes in financial markets, development 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 Capital Requirements (SCR)

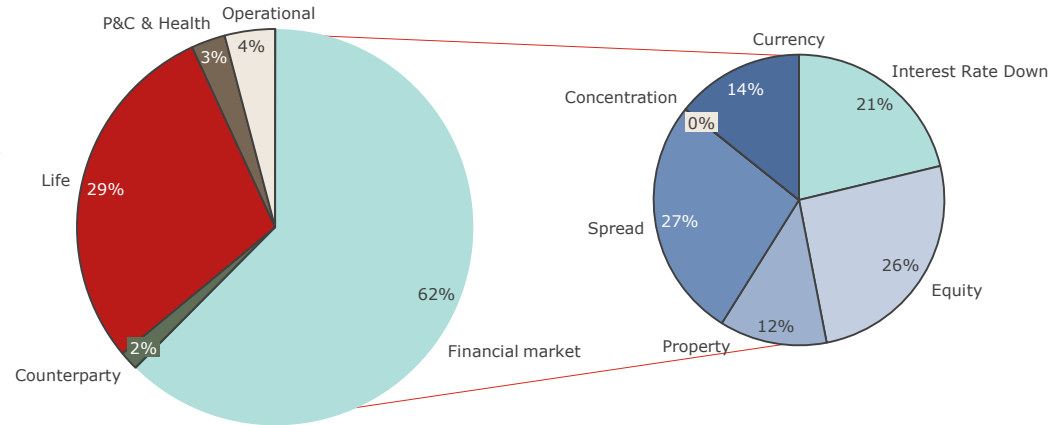
## SCR calculation Q2 2019

NOKbn

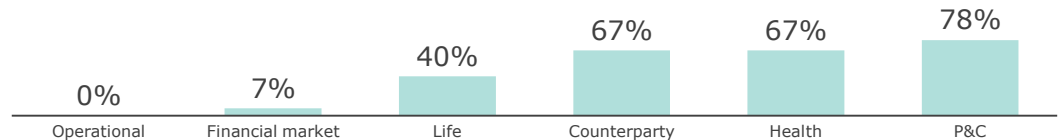


SCR excludes effect of transitionals on equity of NOK -265m.

## SCR dominated by financial market risk...



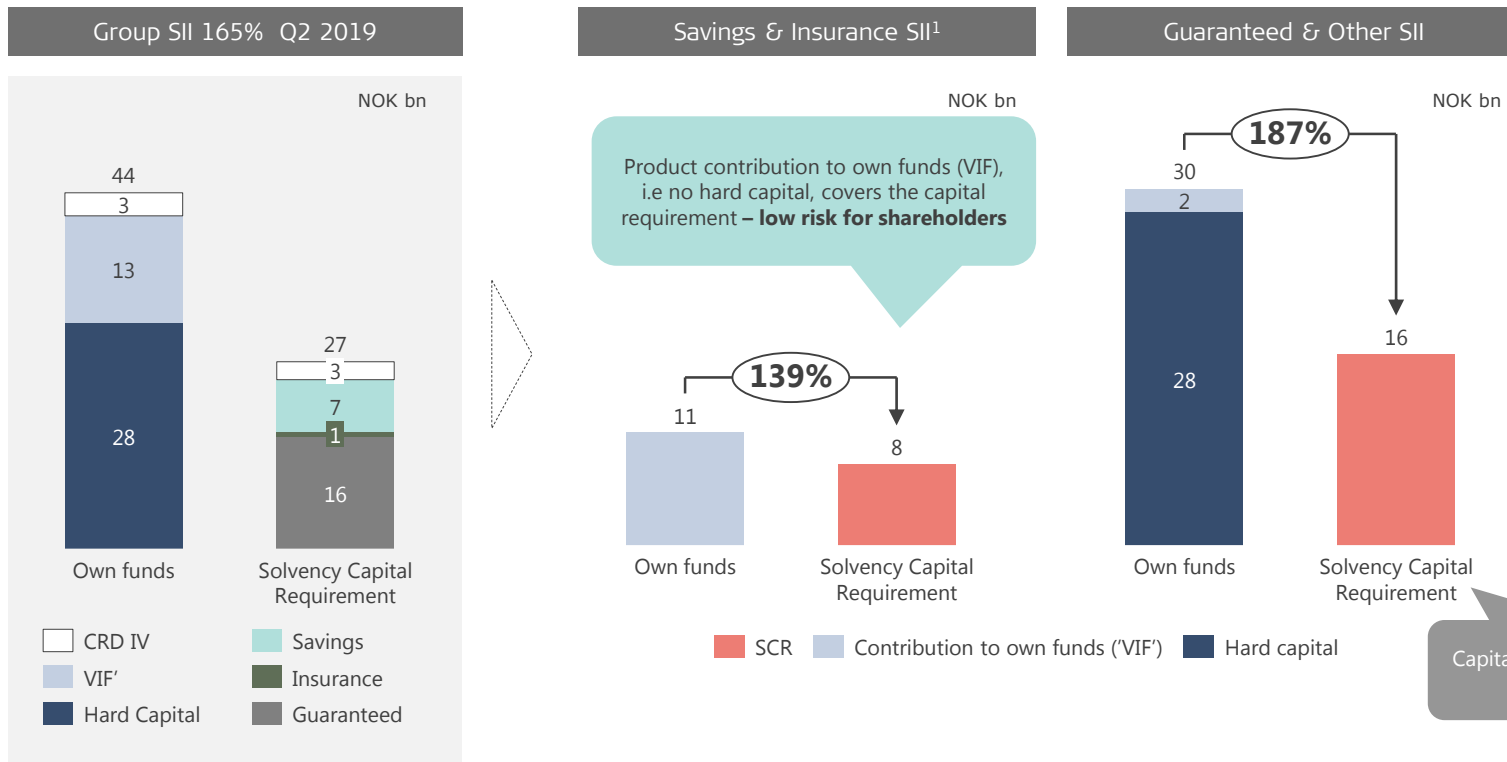
## ...Strong diversification benefits from adding more insurance risk<sup>1</sup>



# Savings and Insurance are close to self-financing going forward

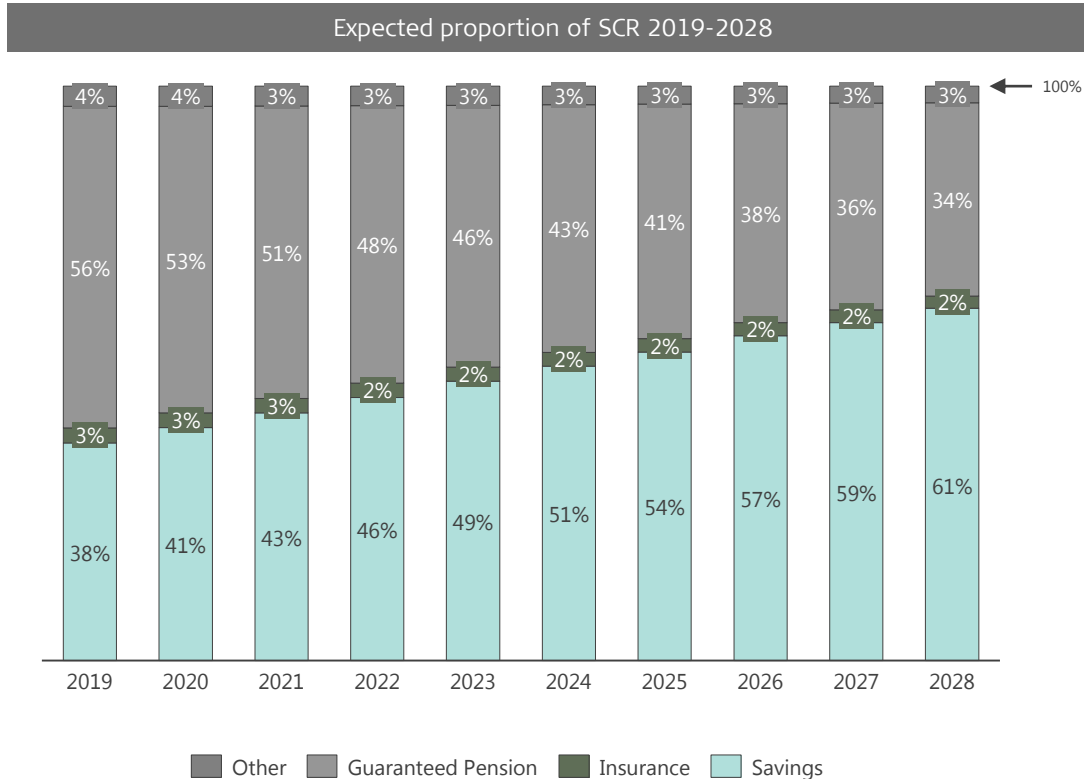
- SII-ratio of 187% excluding Savings and Insurance

ILLUSTRATIVE PRO FORMA ALLOCATION BASED ON 165% SOLVENCY RATIO PR Q2 2019<sup>1</sup>





# Reduced Solvency Capital Requirement from Guaranteed business



- **Guaranteed** products have more financial market risk
- High buffer need to SCR because of high volatility

- **Insurance** products have strong diversification effects
- Medium buffer need to SCR because of low volatility

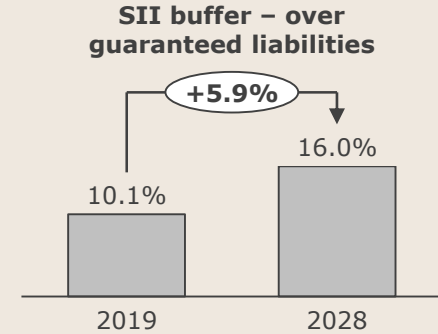
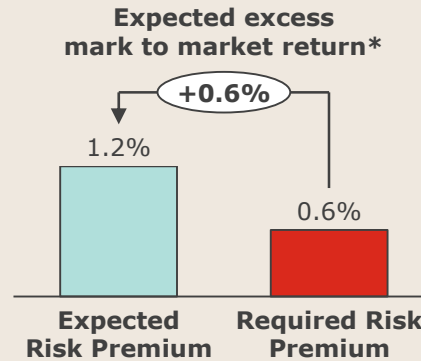
- **Savings** products generates own funds, low need to hold hard capital in the form of equity/sub debt
- Low buffer need to SCR because of low volatility

# Investment management

# Liability Driven Investments are expected to generate SII Capital and Stabilise IFRS Results

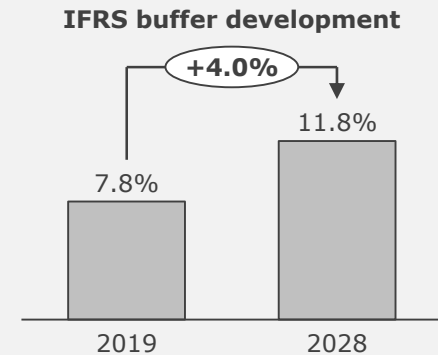
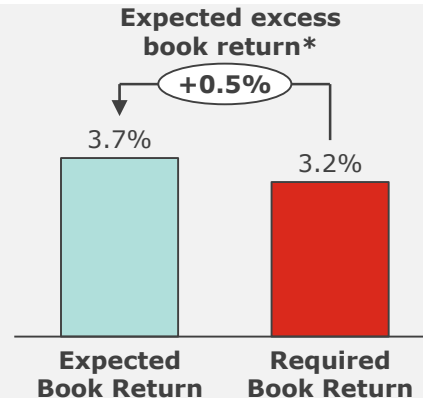
## SII

Long term perspective  
Risk management of **own funds** and **SCR**

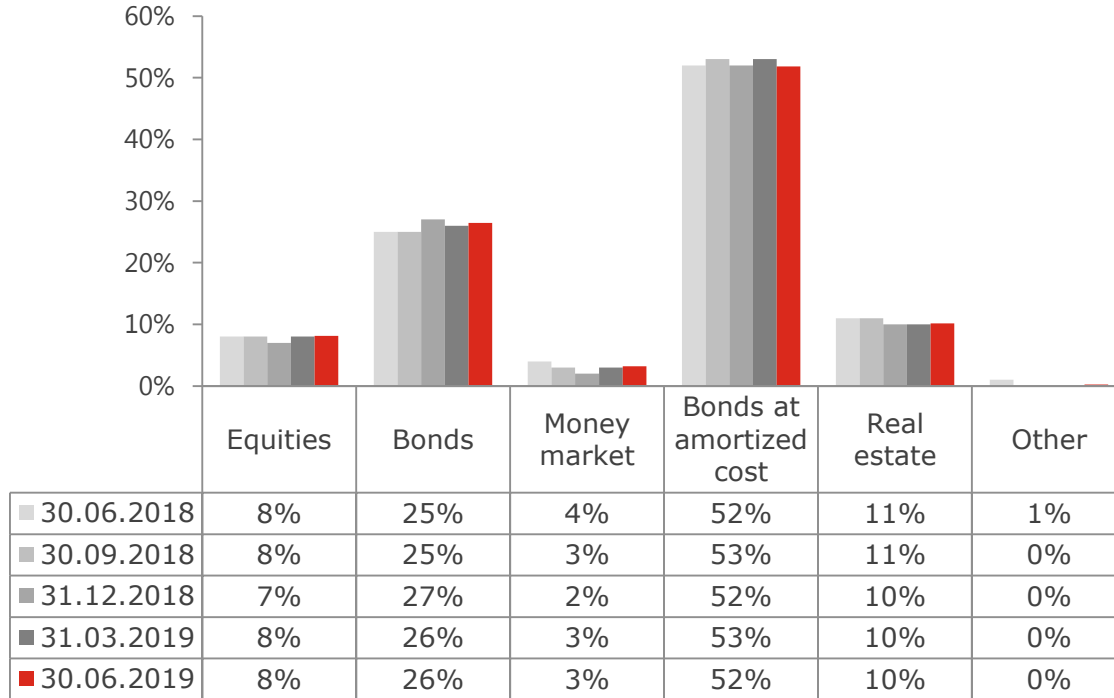


## IFRS

Annual perspective  
Risk management of **financial result** and **buffers**

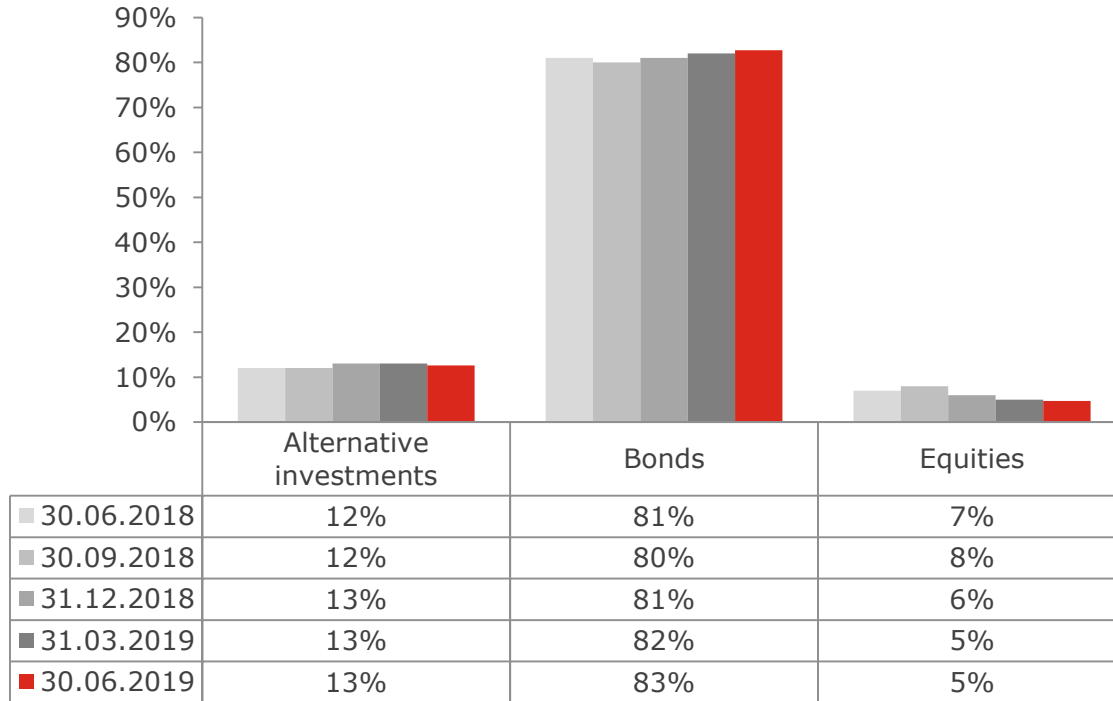


# Storebrand Life Insurance asset allocation



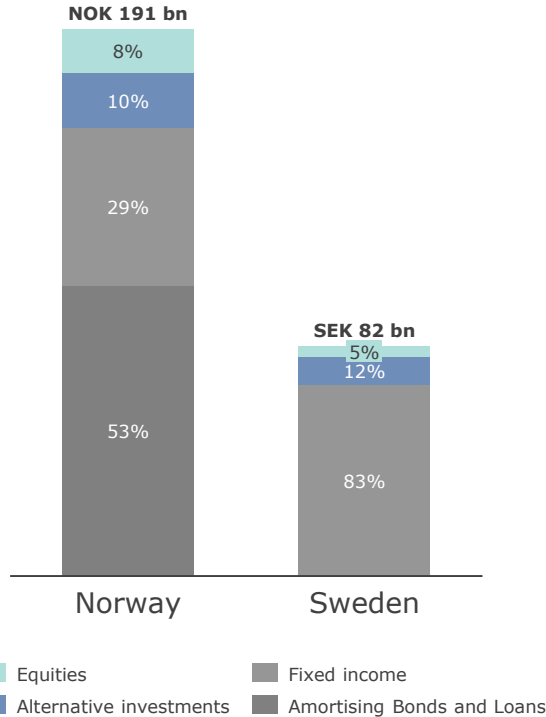
Note: The graph shows the asset allocation for all products with an interest rate guarantee in Storebrand Life Insurance Norwegian operations. Category bonds includes loans on life insurance balance sheet.

# SPP asset allocation



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

# High quality assets with fixed income as the backbone



Equities

80%

MSCI World

20%

Local Index (OMX & OBX)

Amortising  
bonds and loans

Average rating

AA-

Real estate

Prime  
Location & Quality

Fixed income

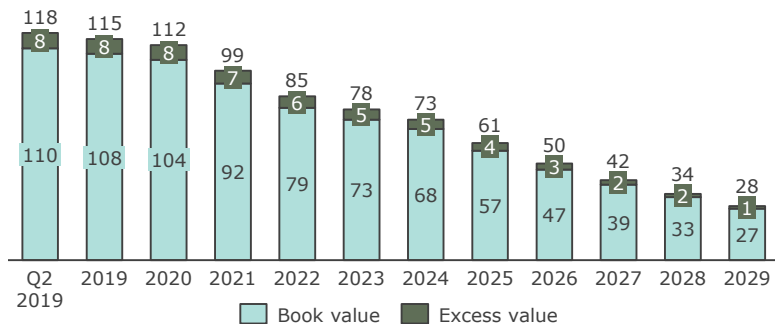
Average rating

A

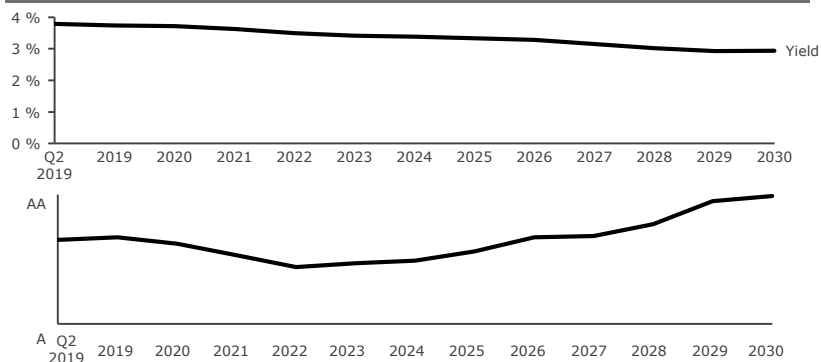
# High Quality Fixed Income I

## - Characteristics of Bonds at Amortised Cost<sup>1</sup>

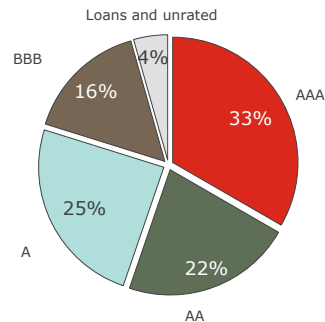
Market & book value – no reinvestment (NOKbn)



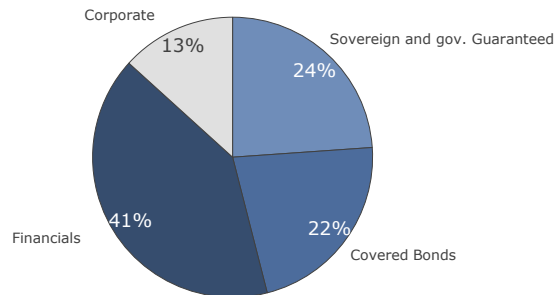
Yield and rating development – no reinvestment



Rating distribution (%)



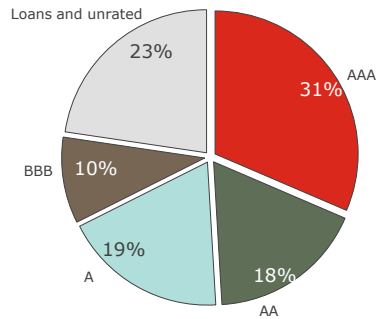
Sector distribution (%)



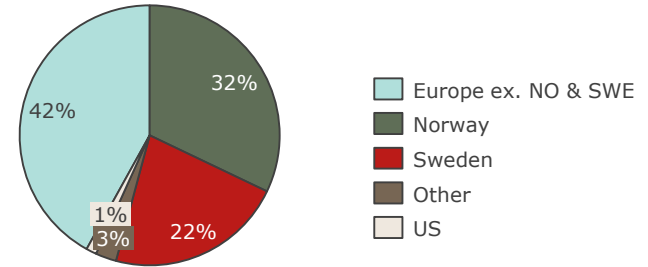
# High Quality Fixed Income II

## - Characteristics of Mark to Market Fixed Income<sup>1</sup>

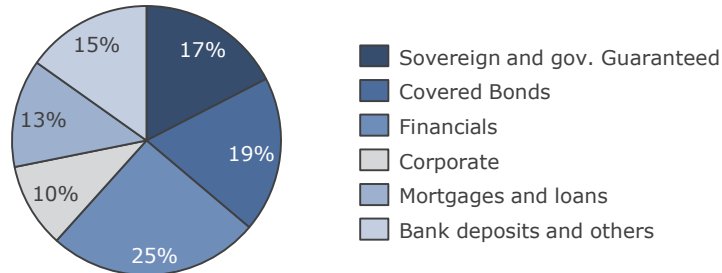
Rating distribution (%)



Geographical distribution (%)



Sector distribution (%)





# Paid up policies in Norway: Segmentation According to Risk Capacity





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Recommended by our customers

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