



# Risk management through and post crisis

Capital Markets Day  
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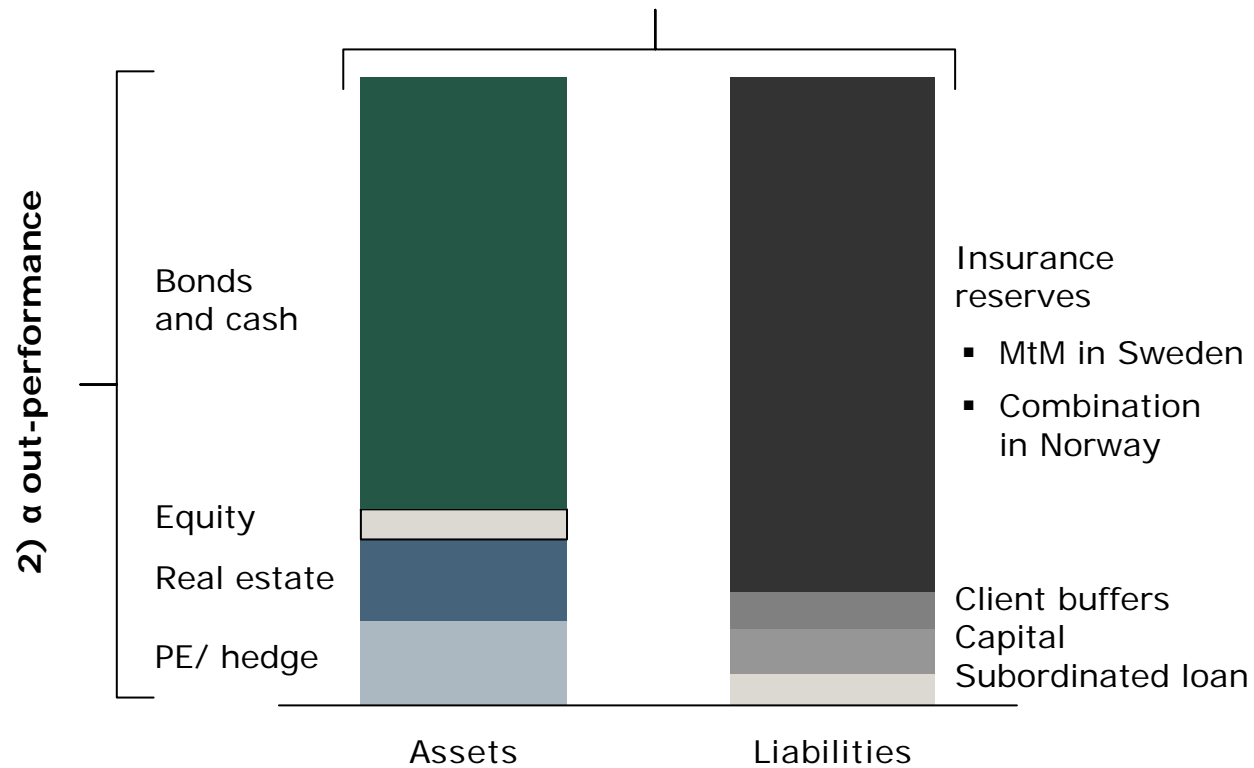


# Topics

- Structure of financial risks
- Actively managing the risk profile in 2008
- Managing remaining risks in Storebrand and SPP
- Impact of risk management actions - SPP

# The life insurance balance sheet – key levers for performance & risk

1) ALM mismatching provides upside, but also some risk



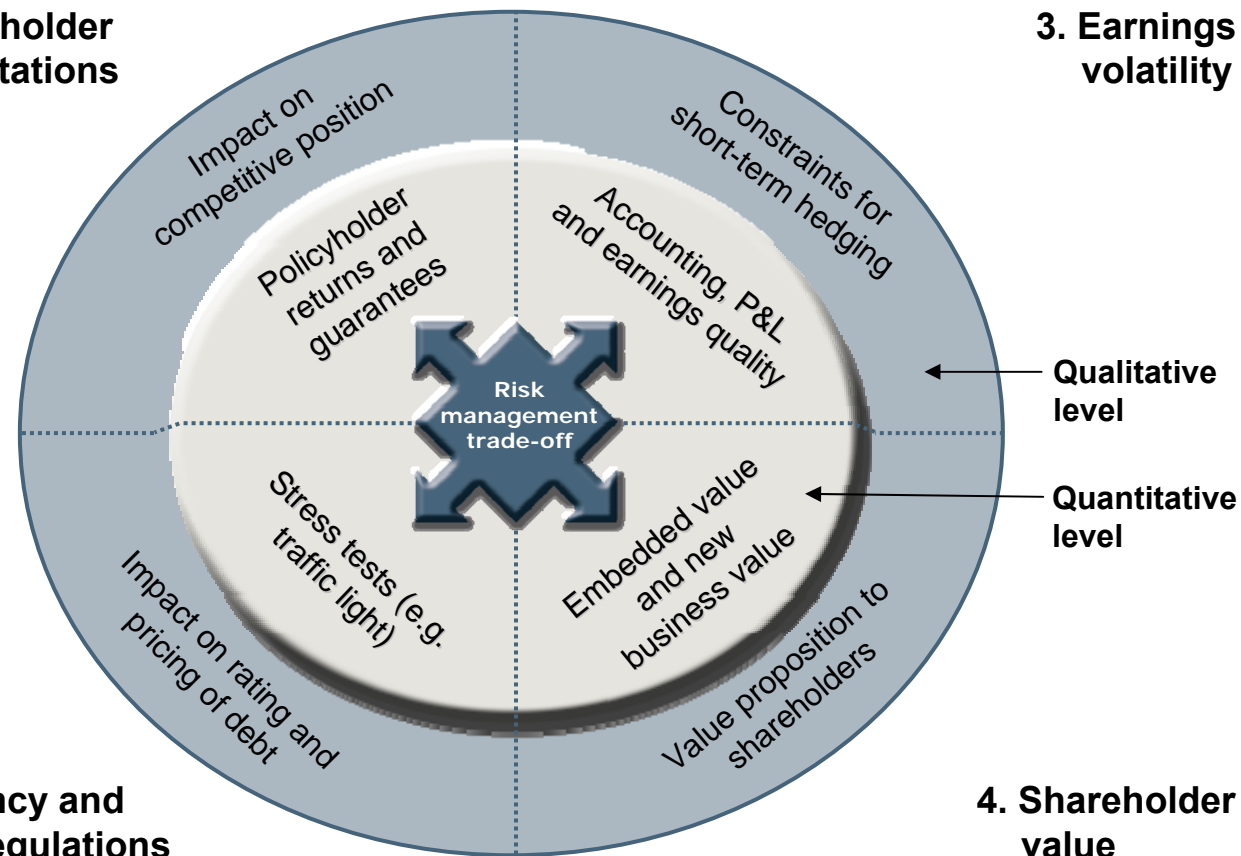
# Framework for balancing the objectives in risk management

## 1. Policyholder expectations

## 3. Earnings volatility

## 2. Solvency and new regulations

## 4. Shareholder value

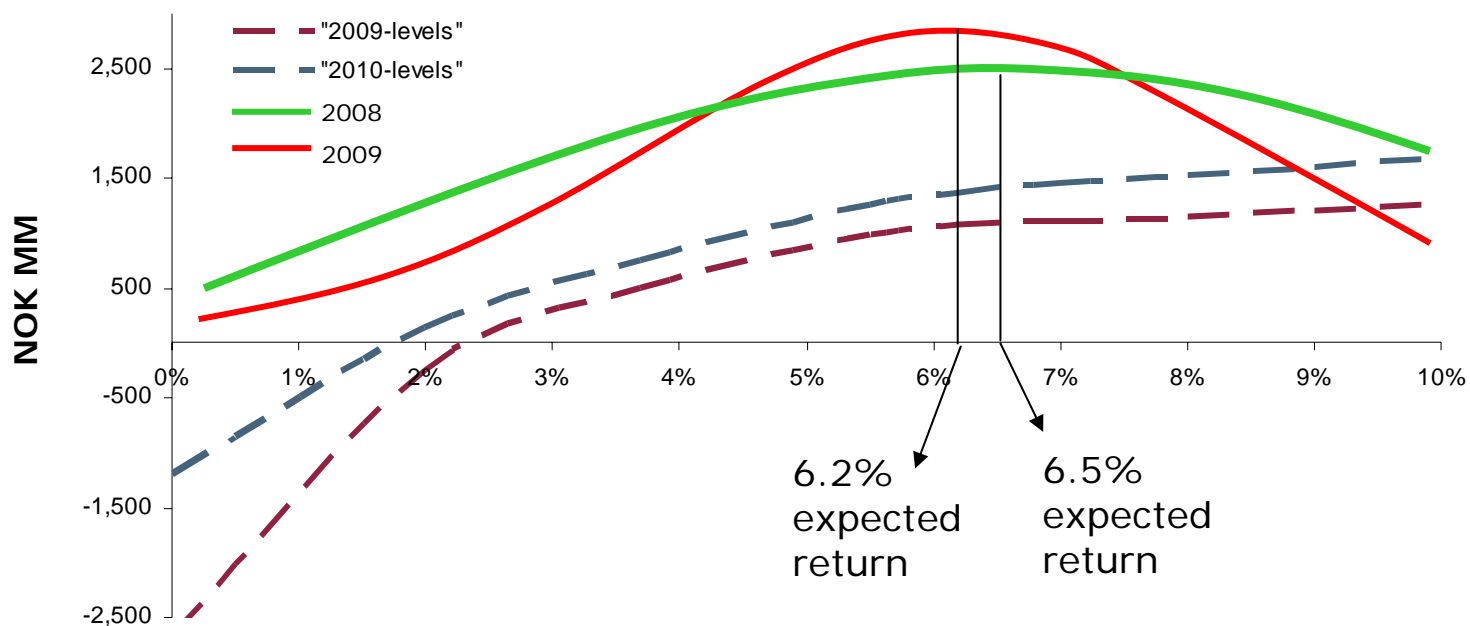




# Result sensitivity

## - Risk management limits downside

Illustration



Note: Market return is based on 2009 expected asset allocation for each underlying portfolio. On average this involves expected return of 6.2% (4.7% net of building buffers), and running yield of 5.5% (4.6% net of building buffers). Average guarantee level for portfolios with guarantees is 3.5%, and at this point portfolios with guarantees have 3.5% return. "0% return" point means all customer portfolios have 0% return, while company portfolio has 3.5% return. Result to owner in upside market limited by expected priority to build long term buffer capital. 2010 levels if normalised 2009 results (Figures on x-axis refers to 2009 levels).



# Structure of financial risks – Swedish profit & risk profile

## ▪ Profit sharing contingent on:

- Asset return in each of the guarantee groups > guarantee on annual basis
  - To be expected for P250 and P300 from 2009
- Asset return in DB > guarantee of 3.5% plus Swedish CPI on annual basis, providing that consolidation is > 105%
  - Not to be expected for 2009/10

## ▪ Risks associated with:

- Segments without buffer capital
- Duration gaps

## ▪ Opportunities associated with:

- Alternative assets and equities
- Rising interest rates

## ▪ Risk management focused on:

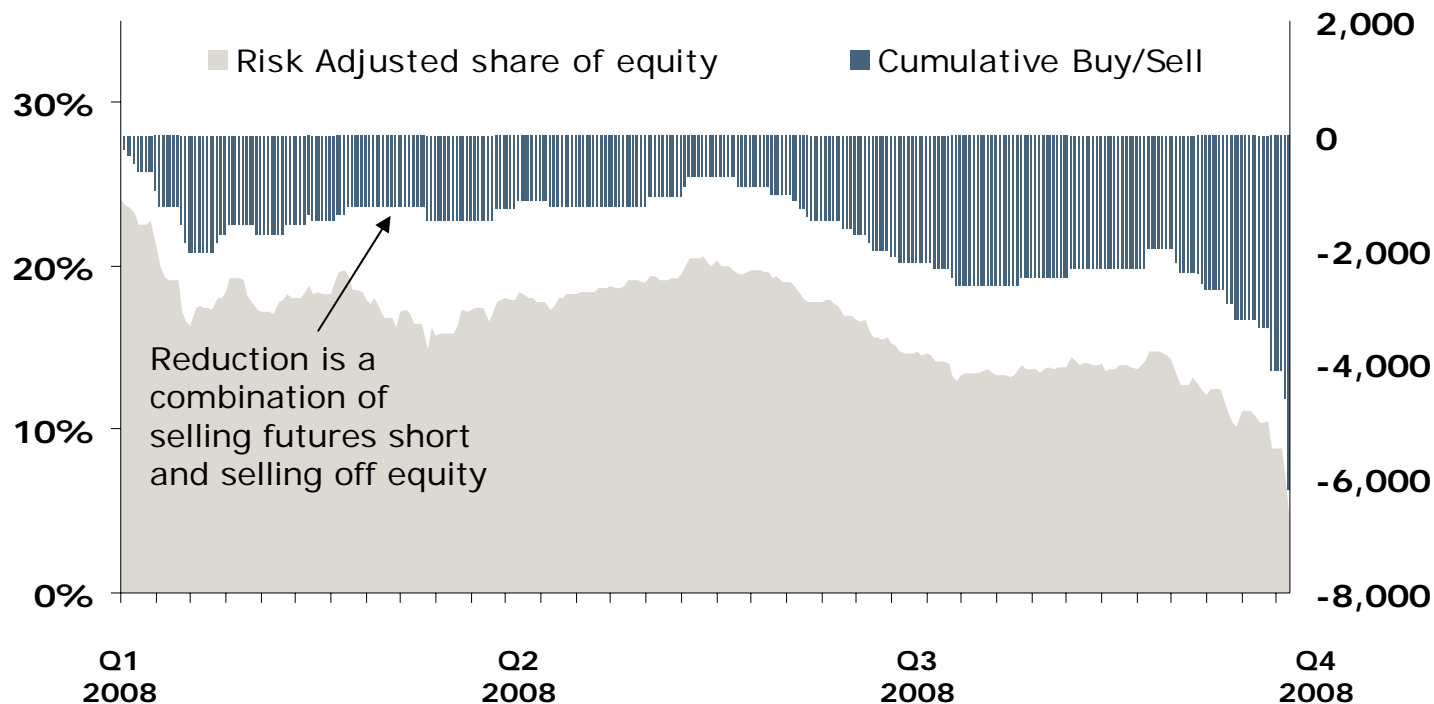
- Mitigating equity volatility where there are no buffers
- Controlling all other gaps
- Duration matching issues



# Actively managing the risk profile – Norwegian equity risk

Example: One profile - Norway

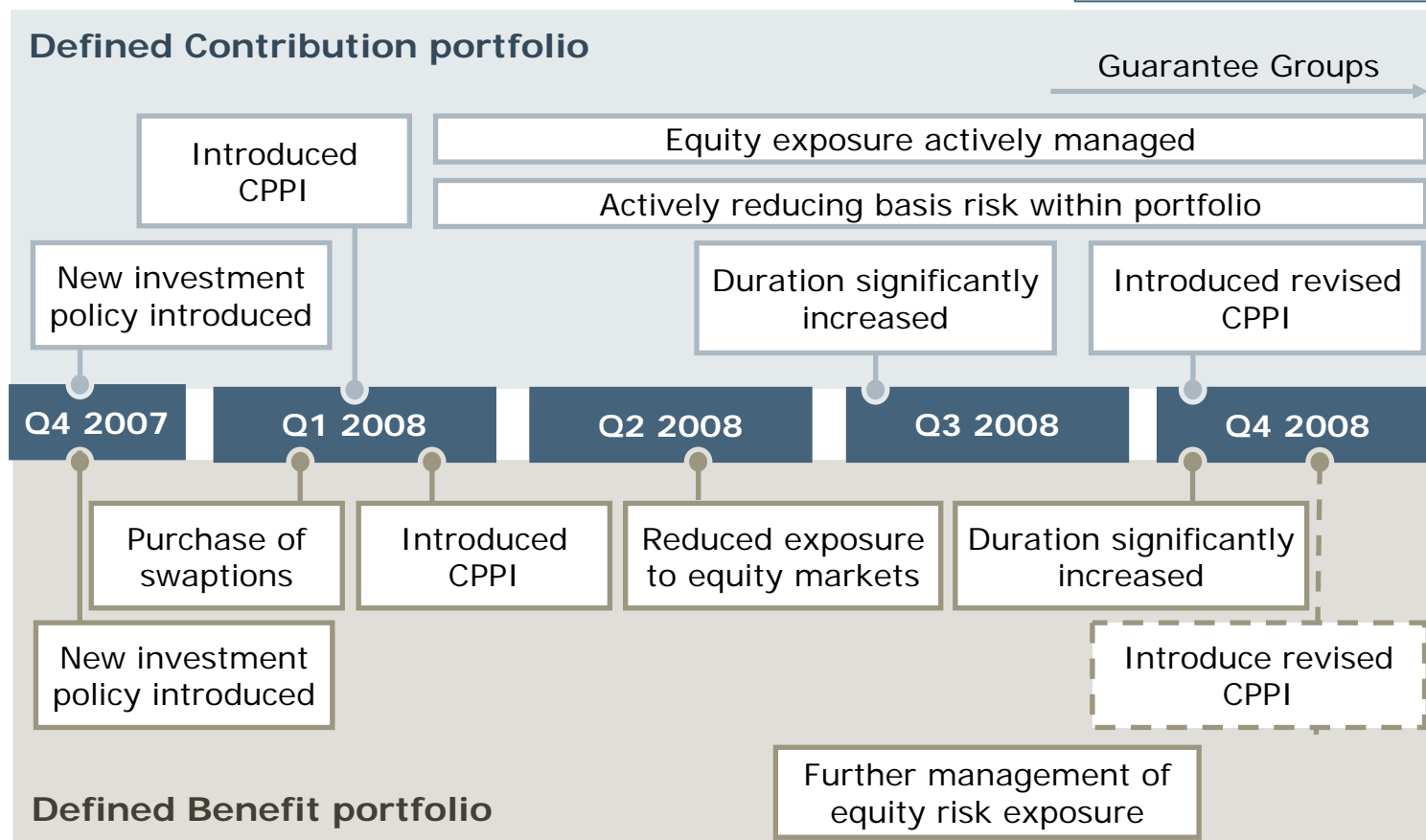
CPPI risk management





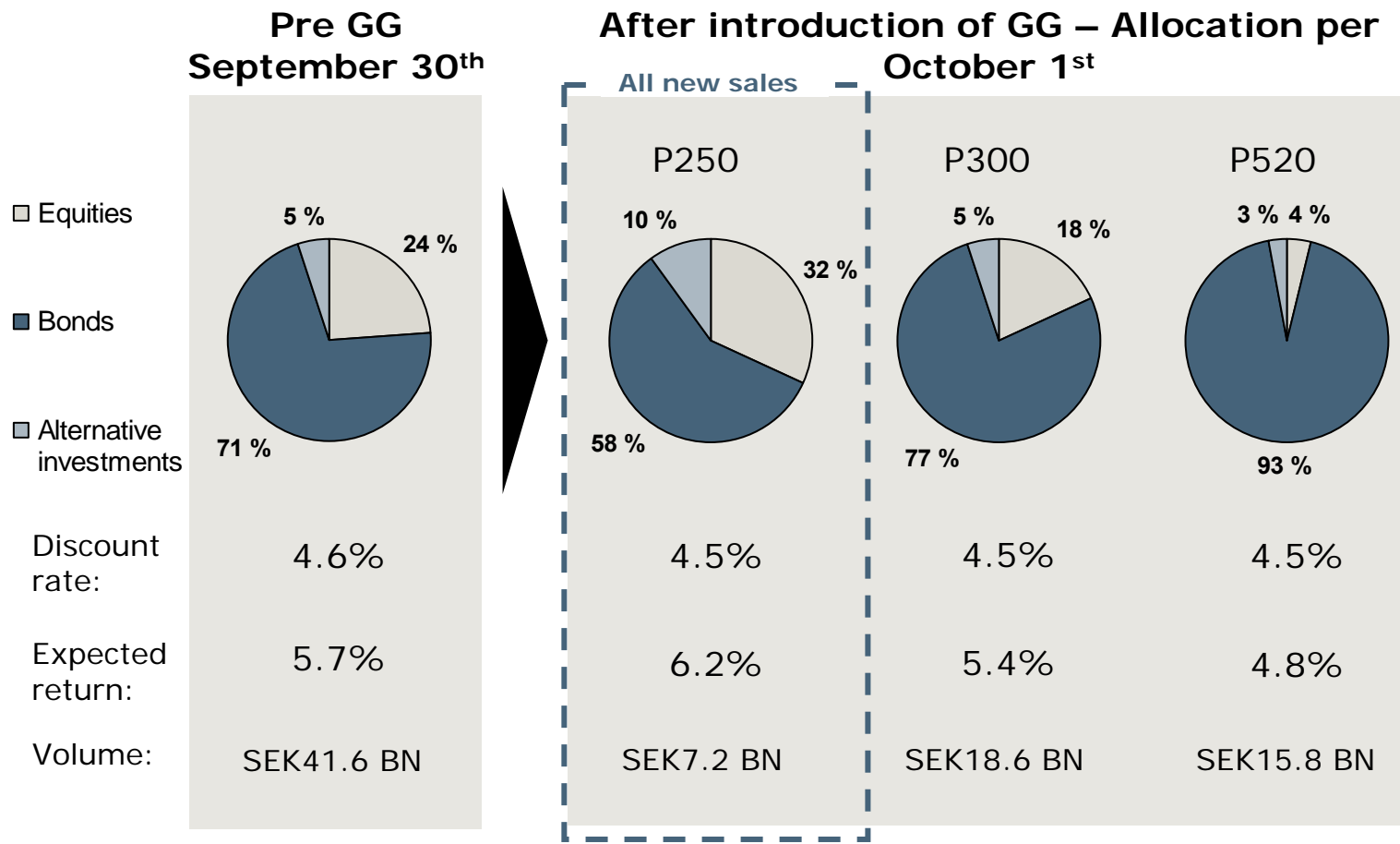
# Actively managing the risk profile – Swedish equity and interest rate

Example: Sweden





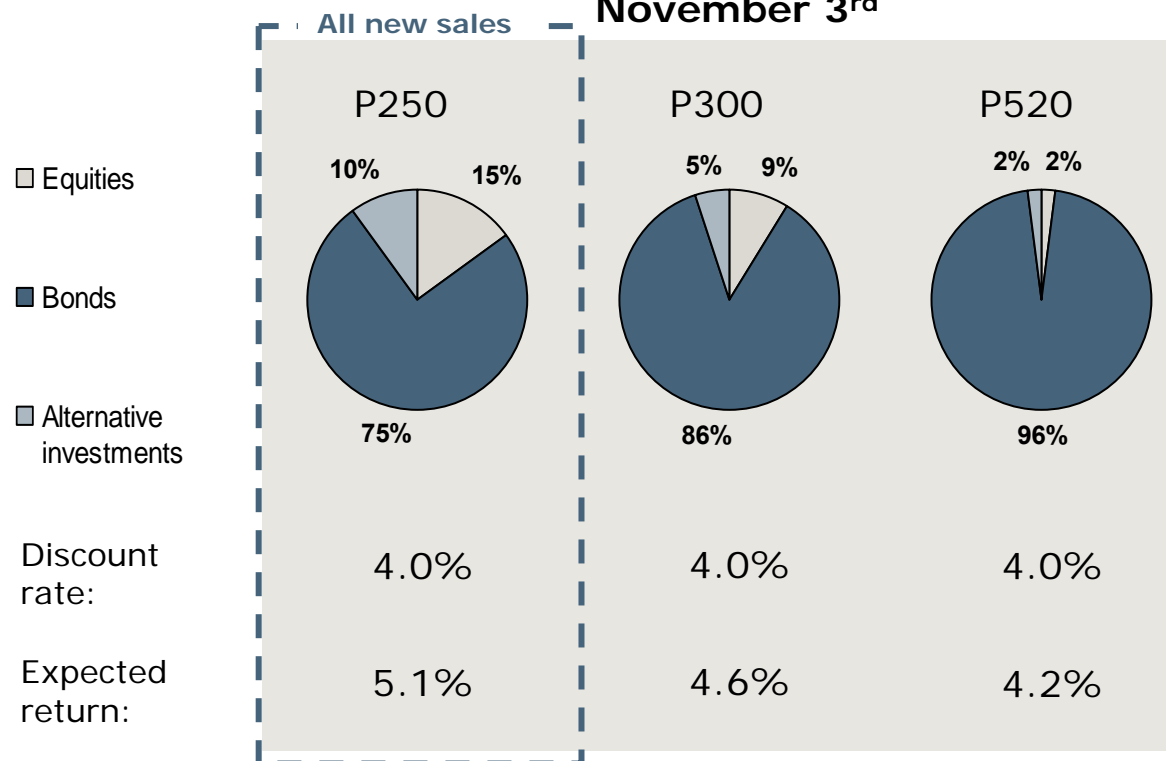
# Actively managing the risk profile – guarantee groups implemented





# Actively managing the risk profile – further reducing equity allocation

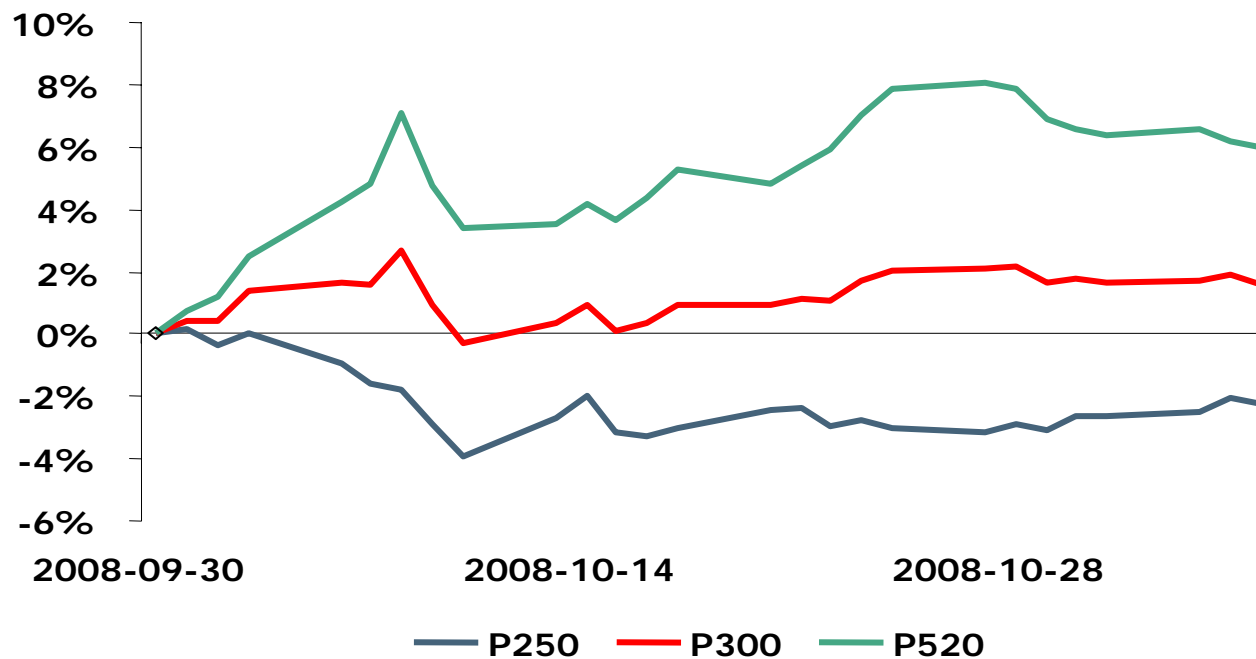
After introduction of GG – Allocation per November 3<sup>rd</sup>





# Actively managing the risk profile – aligning risks with required returns

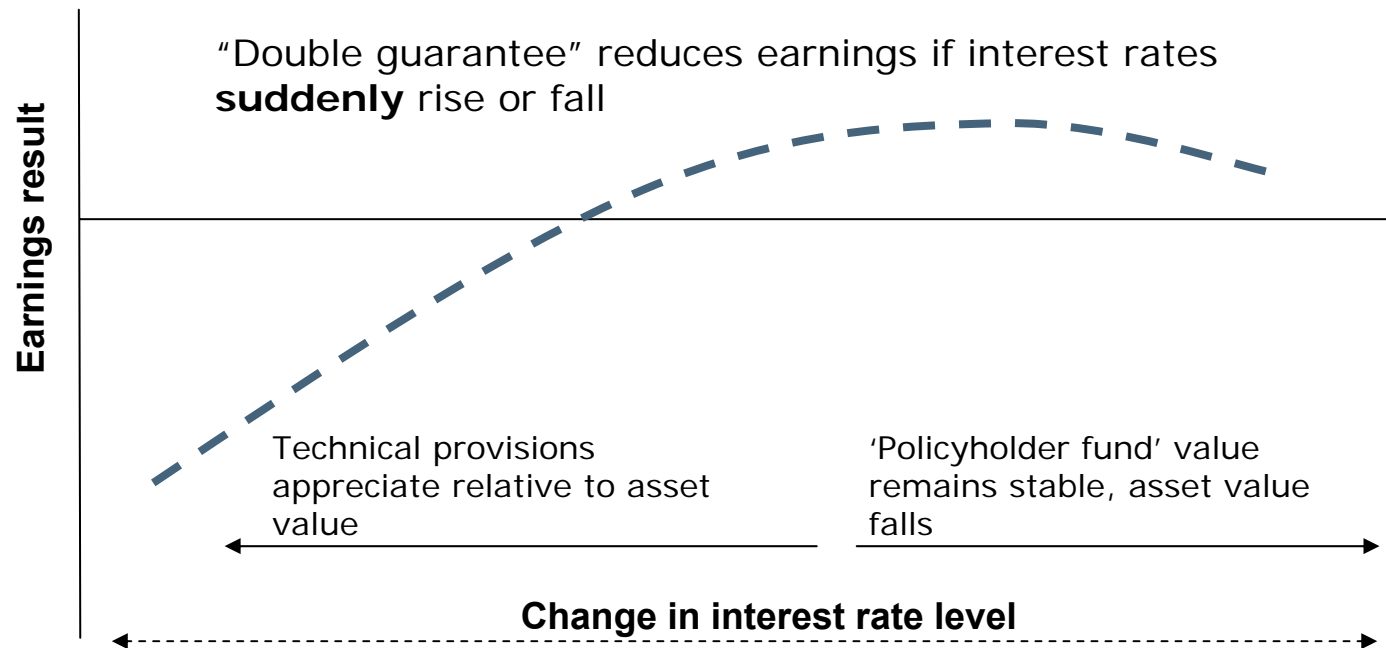
## Guarantee Groups' portfolio asset returns





# Managing remaining risks – Interest rate convexity in Sweden

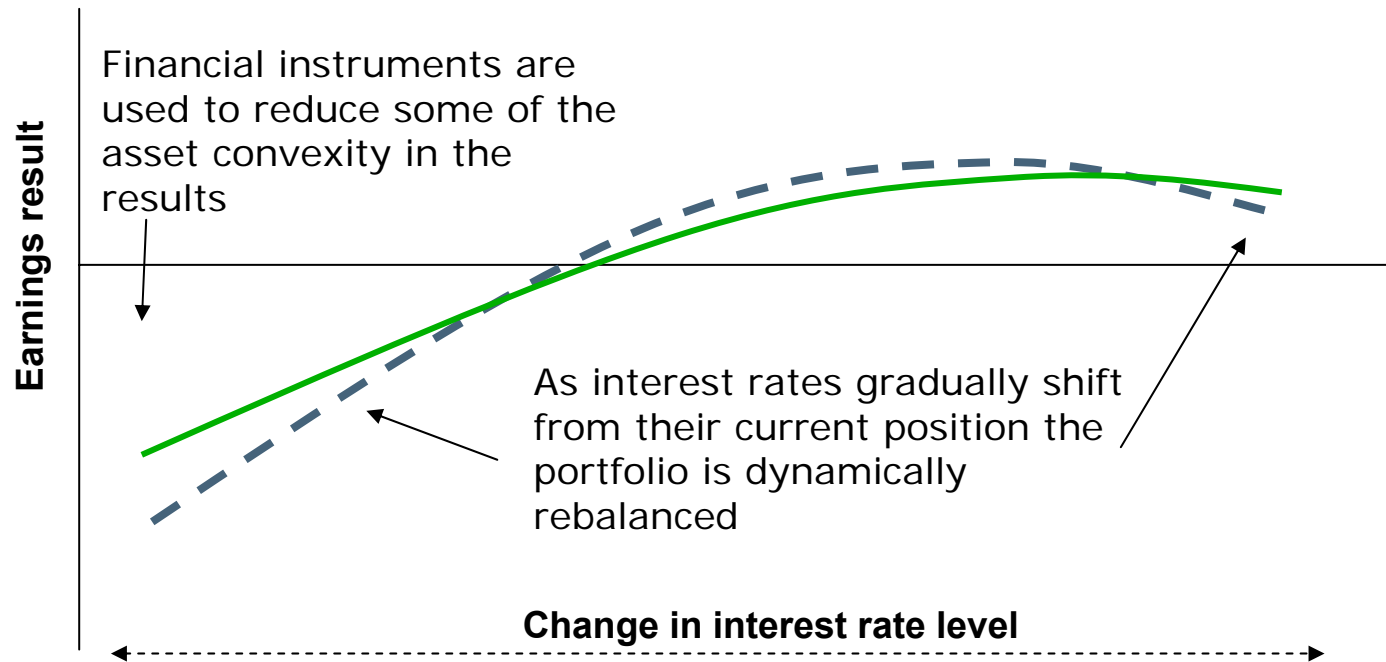
Illustration of interest rate convexity for defined benefit business





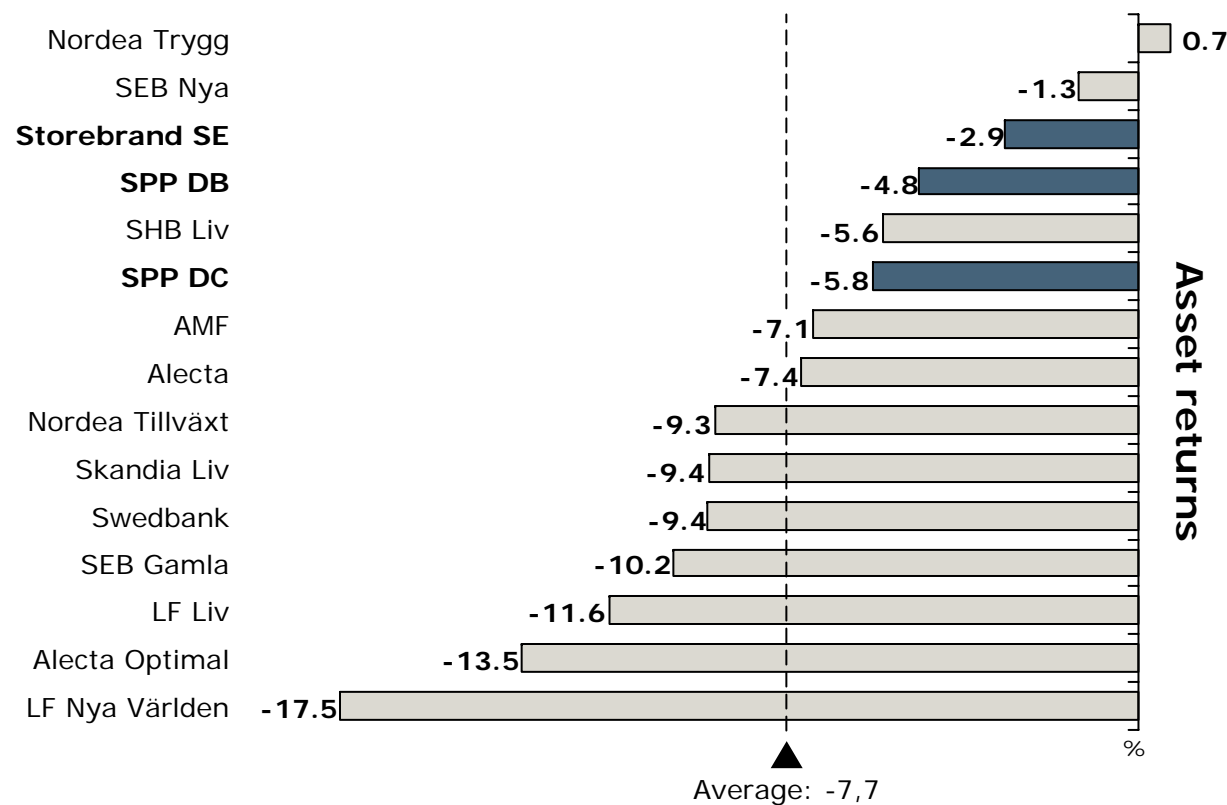
# Managing remaining risks – Interest rate convexity in Sweden

## Illustration of actions to reduce interest rate convexity





# Impact of risk management actions – SPP relative to Swedish competitors





## Key takeaways – risk management through and post crisis

- Storebrand has a strong risk management framework to manage critical trade-offs
- Focus in risk management is now on capital preservation
- Significant steps in risk management taken during 2008 (CPPI, guarantee groups, reduced duration gaps)
- Robust plans for further risk management measures over the next 12 months

# Travelling the Road to Nordic Leadership

3 Risk management through and post crisis (Frederic)

2 Life insurance as a solid platform for continued value generation (Odd Arild)

6 Growth and value creation in Storebrand Investments (Hans)



1 Utilise scale and realise synergies (Idar)

5 Capturing value in the Swedish market (Sarah)

4 Capturing value in the Norwegian market (Lars)



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