

# Managing for value in Nordic Life and Pension in “the age of austerity”

29 September 2010

Bank of America Merrill Lynch Banking and Insurance CEO Conference

Storebrand

Idar Kreutzer

Group CEO

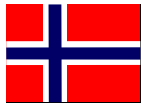
# Important information:

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.

# Storebrand Group

- the leading Nordic Life and Pensions provider



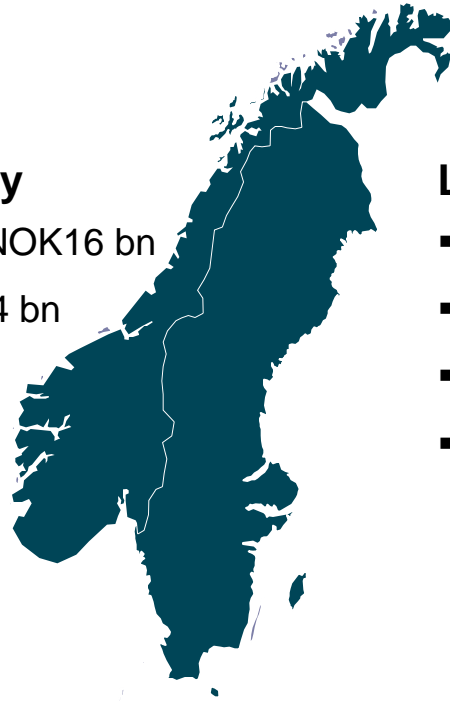
## Life and Pensions Norway

- Premiums for own account NOK16 bn
- Customer reserves NOK 184 bn
- 24 000 corporate customers
- ~30% market share



## Life and Pensions Sweden (SPP)

- Premiums for own account NOK 7 bn
- Customer reserves NOK 118 bn
- 30 000 corporate customers
- ~10% market share



## Storebrand Bank

- NOK 35 bn gross lending

## Storebrand P&C

- 134 000 policies

## Storebrand Asset Management

- NOK 384 bn AuM

Figures as at Q2 2010. Premiums for own account FY 2009.

# Creating value in Life and Pension in volatile financial markets

## Financial Market turmoil

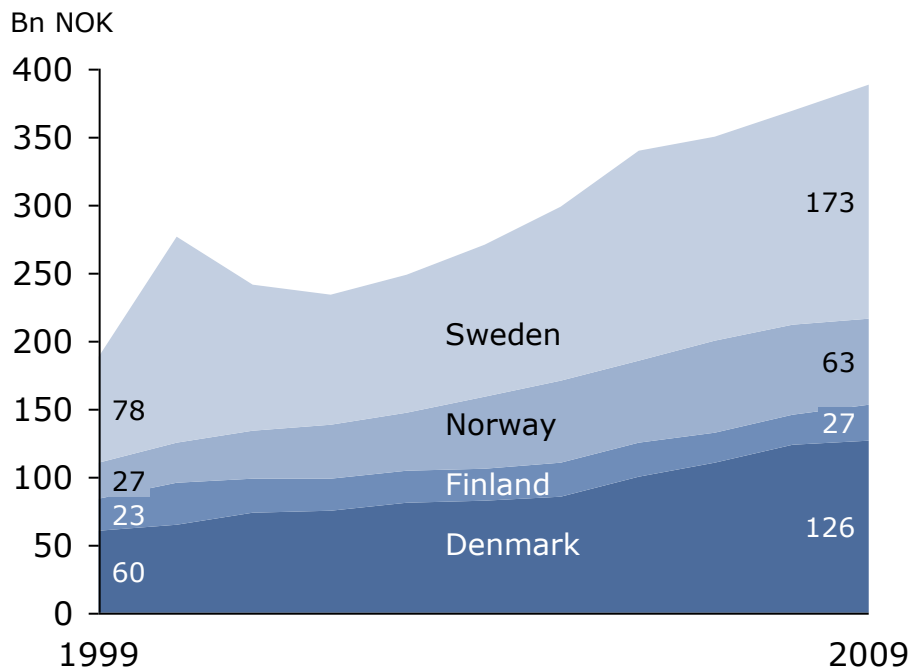


## Response

- Grow the business in a growing market
- Managing the business toward more fee based products
- Increasing operational efficiency
- Tailored risk management

# Strong growth in life and pension premiums within the Nordic market

## Life premiums Nordic market<sup>1</sup>



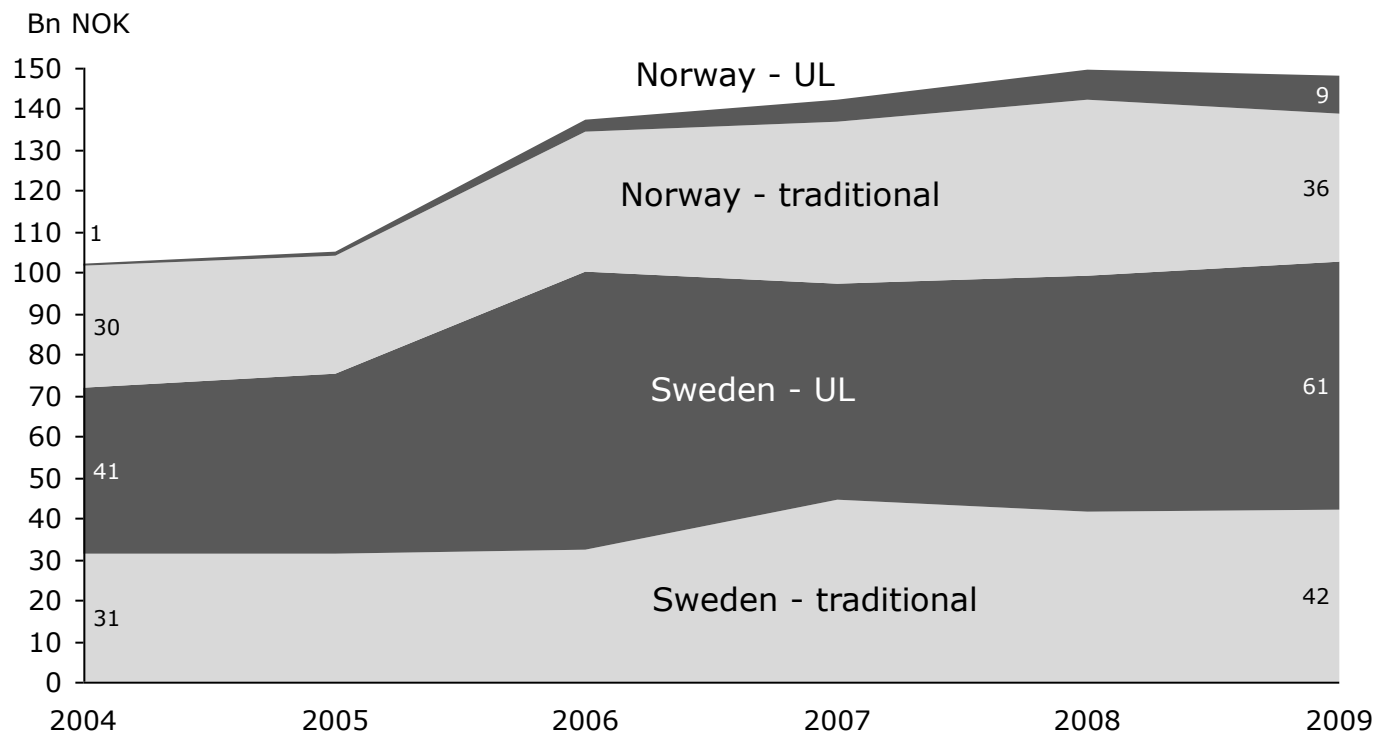
- Annual growth rates<sup>2</sup>:
  - Sweden: 10%
  - Norway: 9%
  - Denmark: 7%
  - Finland: 1%
- Growth drivers:
  - Demographics
  - Regulatory changes
  - Sound macro environment

<sup>1</sup>Source: Finansnæringens Fellsorganisasjon (NO), Försäkringsförbundet (SE), Pensionsmyndigheten (SE), Finansbranchens Centralförbund (FI), Finanstilsynet (DK), Norges Bank (NO)

<sup>2</sup> CAGR 1999-2009

# Unit Linked based products is growing in importance in Norway and Sweden









## Premiums - Occupational Pension Norway and Sweden<sup>1</sup>



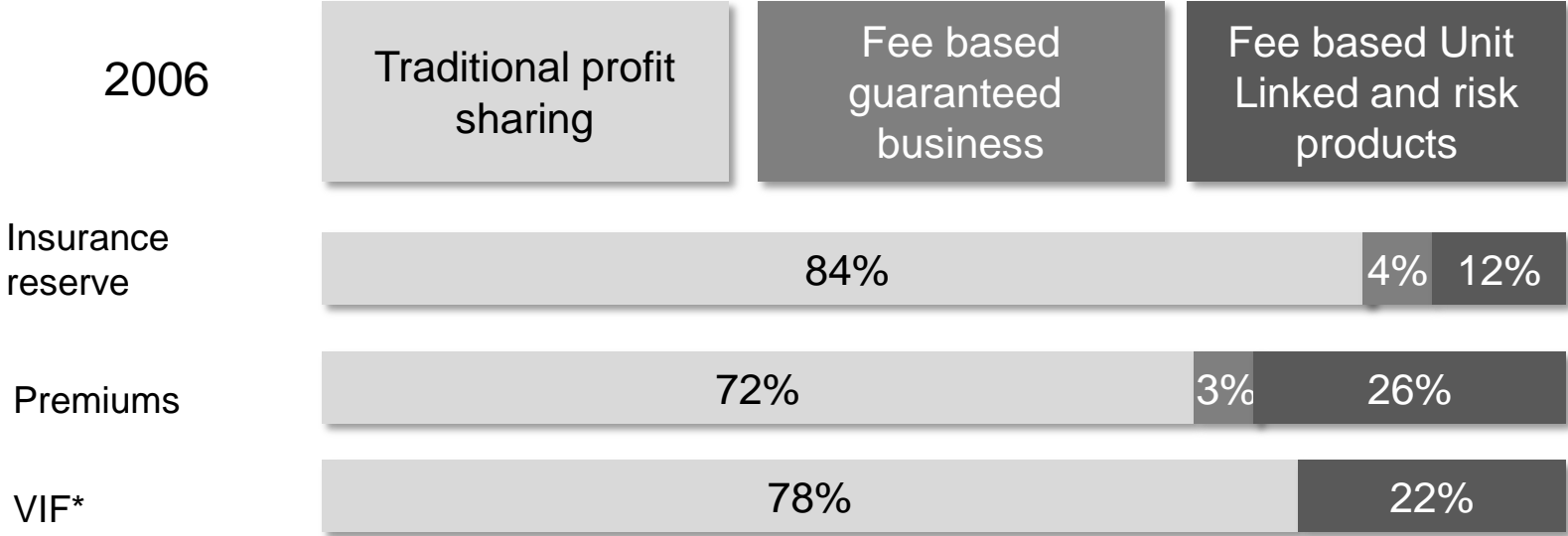
<sup>1</sup>Source: Finansnæringens Fellsorganisasjon (NO), Försäkringsförbundet (SE), Norges Bank (NO)

<sup>2</sup> CAGR 1999-2009

# Storebrand's Life and Pensions operations

Traditional profit sharing	Fee based guaranteed business	Fee based Unit Linked and risk products
 Individual and paid-up policies (NOK 81bn)	 Defined benefit (NOK 84bn)	 Defined contribution and Unit Linked (NOK 18bn)
 Defined contribution (SEK 50bn)	 BenCo (SEK 18bn)	 Risk products (NOK 2bn)
 Defined benefit (SEK 40bn)		 Unit Linked (SEK 32bn)
<ul style="list-style-type: none"><li>➤ Guarantees</li><li>➤ Capital intensive</li><li>➤ Earnings sensitivity to capital market development</li><li>➤ Centralised B2B market</li></ul>	<ul style="list-style-type: none"><li>➤ Guarantees</li><li>➤ Capital intensive</li><li>➤ Earnings from administration, risk and fee for guarantee</li><li>➤ Centralised B2B market</li></ul>	<ul style="list-style-type: none"><li>➤ No guarantees</li><li>➤ Not capital intensive</li><li>➤ Earnings from administration and risk</li><li>➤ Individualised market</li></ul>

# Storebrand – from being a provider of traditional products in 2006...



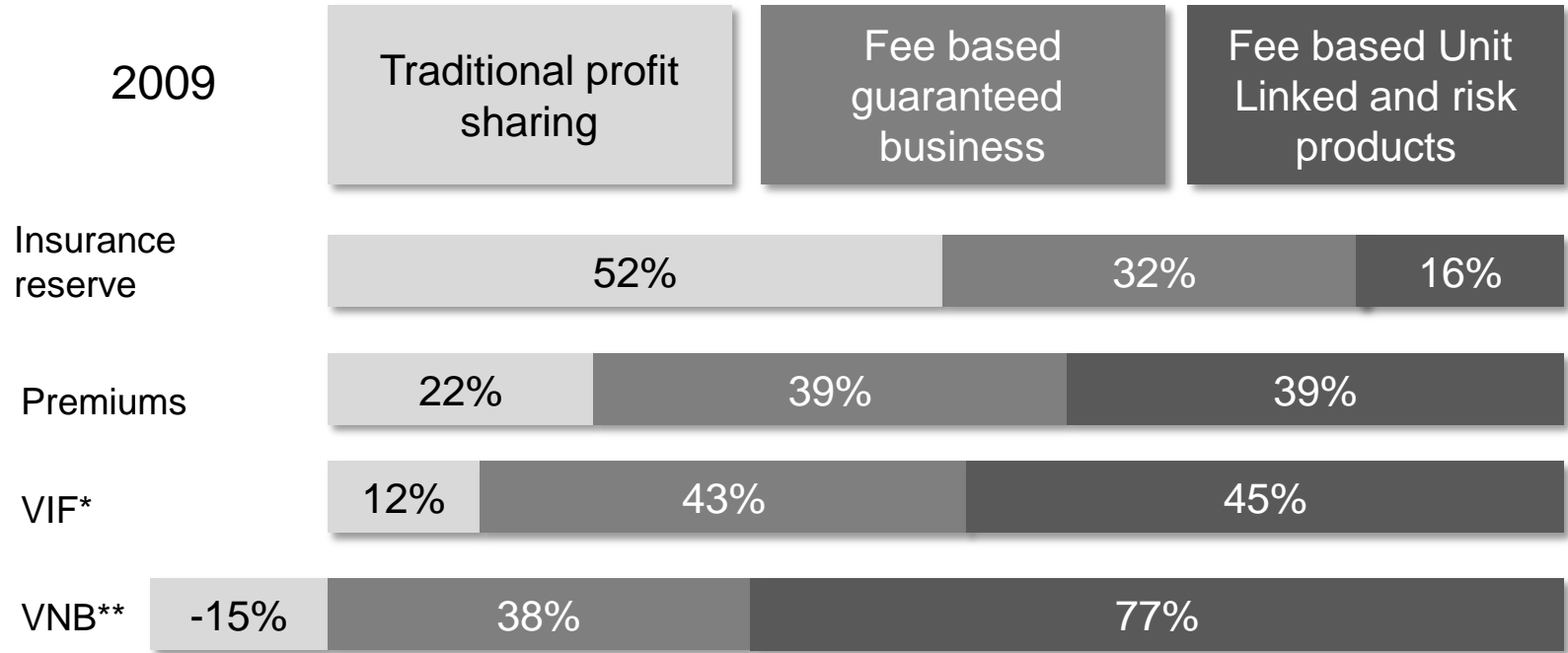
Data: 31.12.06

\*Value in Force

Premiums and reserves includes SPP figures from before acquisition in 2007 for comparison.



# ...actively growing the share of fee based products

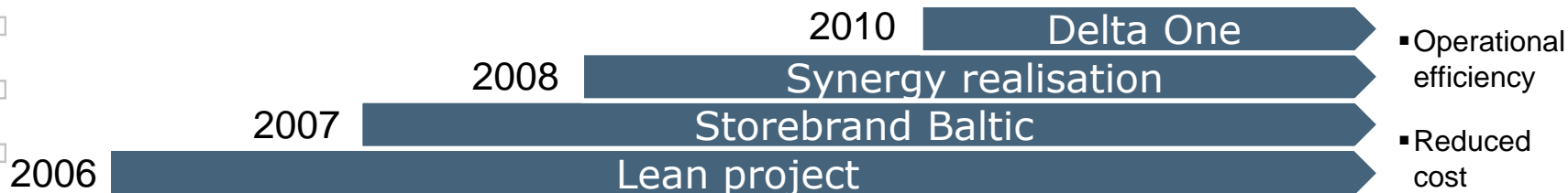


Data: 31.12.09

\*Value in Force

\*\*Value New Business

# Consistent focus on operational improvements in all business areas



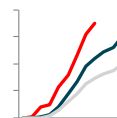
## Lean project

- Process methodology reduces lead time and improves efficiency
- 69 projects completed, 6 ongoing
- More than 450 man labour year released
- Still ongoing



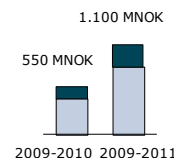
## Storebrand Baltic

- 100% Storebrand owned operational centre in Lithuania
- 84 man labour year
- Skilled workers and high productivity



## Synergy realisation

- Yearly synergies in excess of 400 mill NOK announced in SPP deal
- Yearly synergies in excess of 535 mill NOK achieved
- Cross border synergies



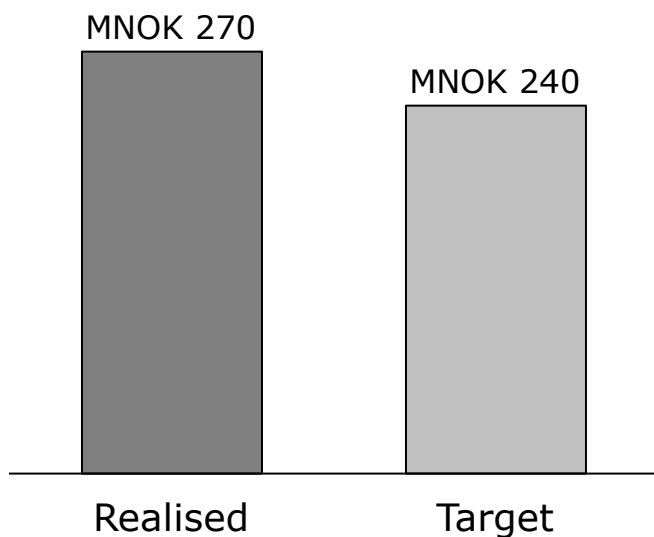
## Delta One

- Comprehensive programme introduced to further strengthen results<sup>1</sup>
- Comprises both cost and income measures
- Ongoing reporting
- Compensation model tied to programme performance

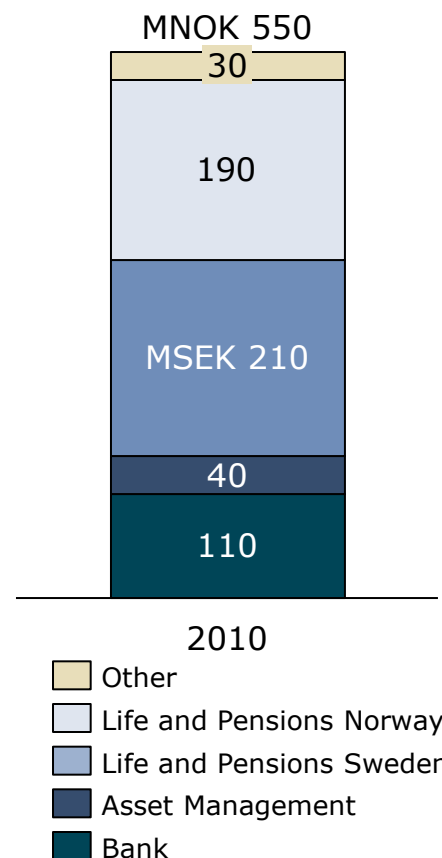
1. Result improvement, measured against 2009 levels, for the Norwegian and Swedish life business only includes the administration result (both customer and owner). Result improvements from profit sharing, price on interest rate guarantee, risk and return on shareholder's equity are measured separately.

# Delta One program ahead of plan

Achieved improvement 1H 2010<sup>1</sup>



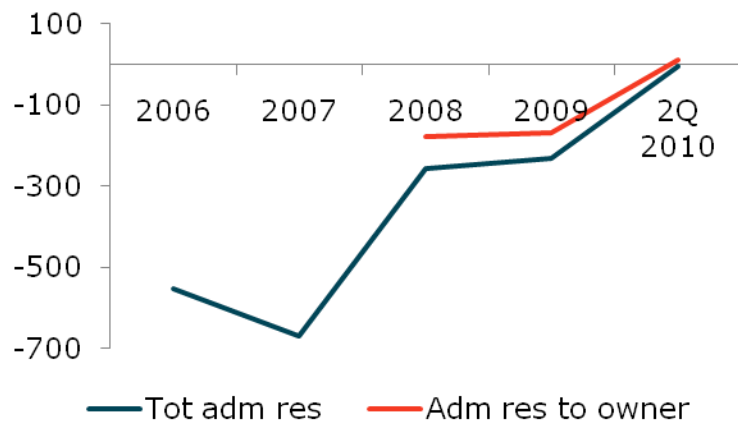
Target improvements in 2010<sup>1</sup>



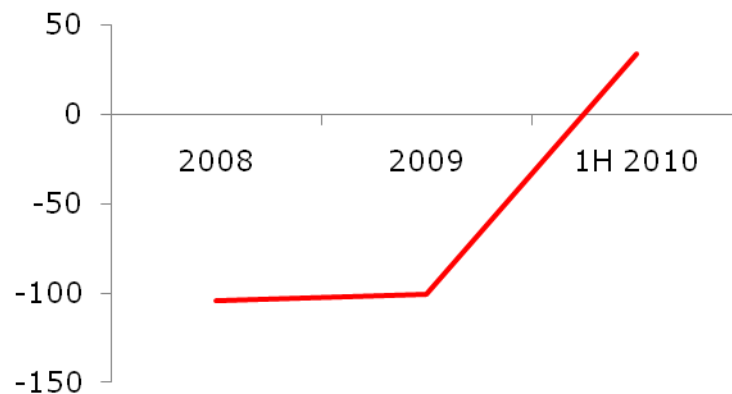
1. Result improvement, measured against 2009 levels, for the Norwegian and Swedish life business only includes the administration result (both customer and owner). Result improvements from profit sharing, price on interest rate guarantee, risk and return on shareholder's equity are measured separately.

## Bottom line effect from efficiency and cost programs

Administration result Life and Pension Norway

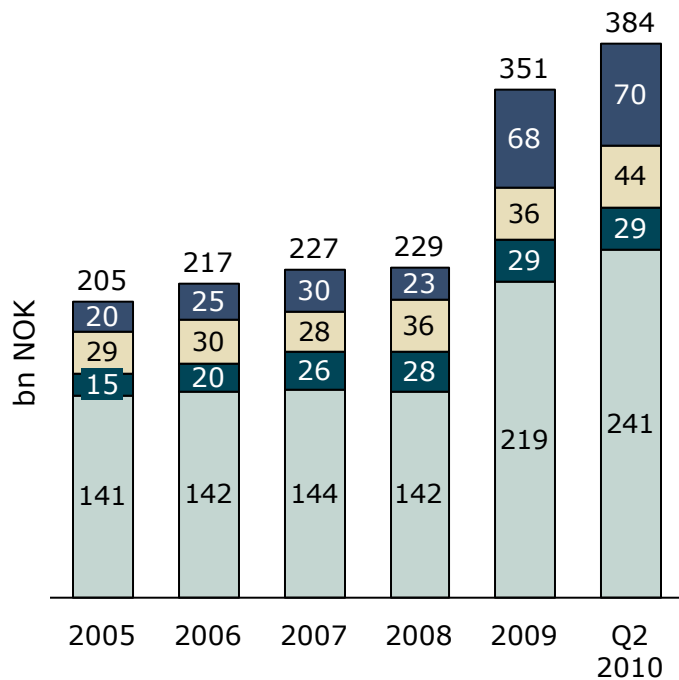


Administration result Life and Pension Sweden



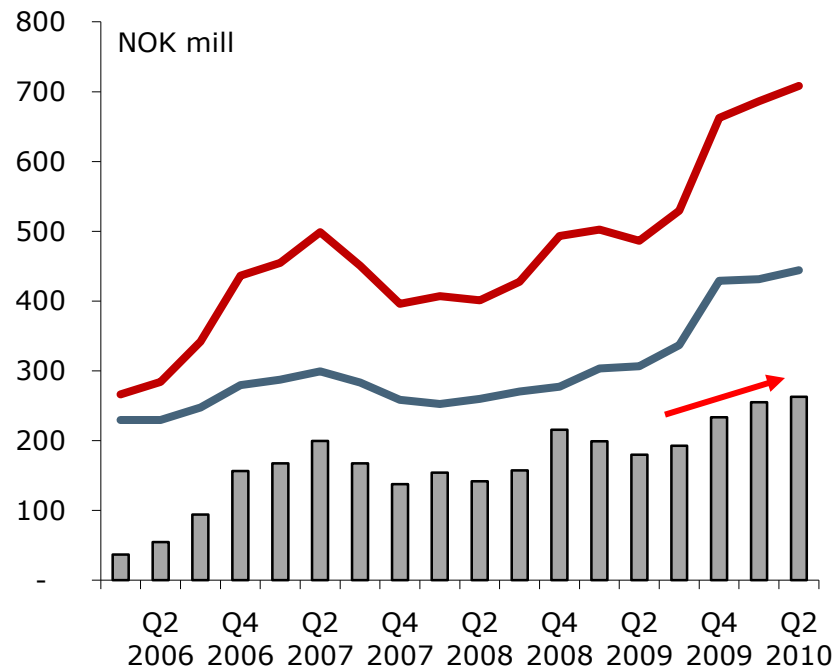
# Efficiency and scale advantages in Asset Management

## Storand Asset Management AuM



- Mutual funds
- External discretionary
- Real estate (group internal)
- Group internal

## Storand Asset Management Result development

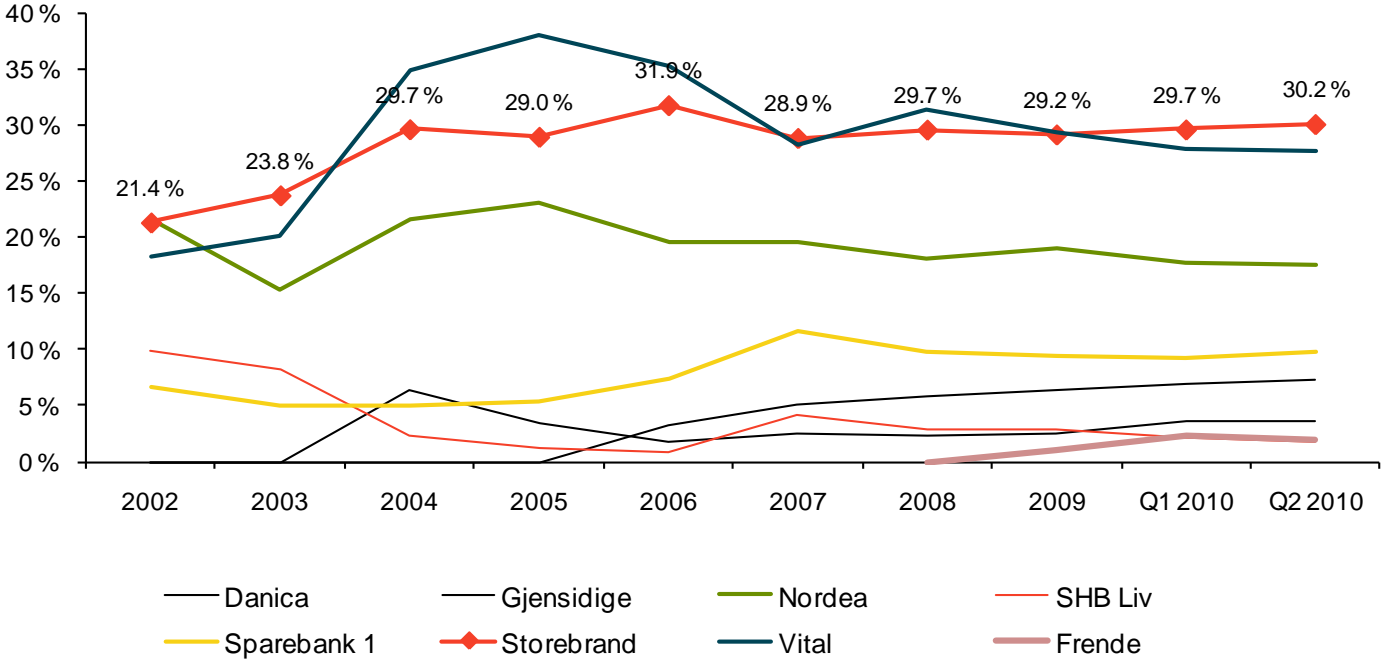


- Rolling 12 months income\*
- Rolling 12 months costs
- Rolling 12 months result before tax

\* ) Incl. net financial income and result before tax from Storebrand Eiendom and SPP Fonder

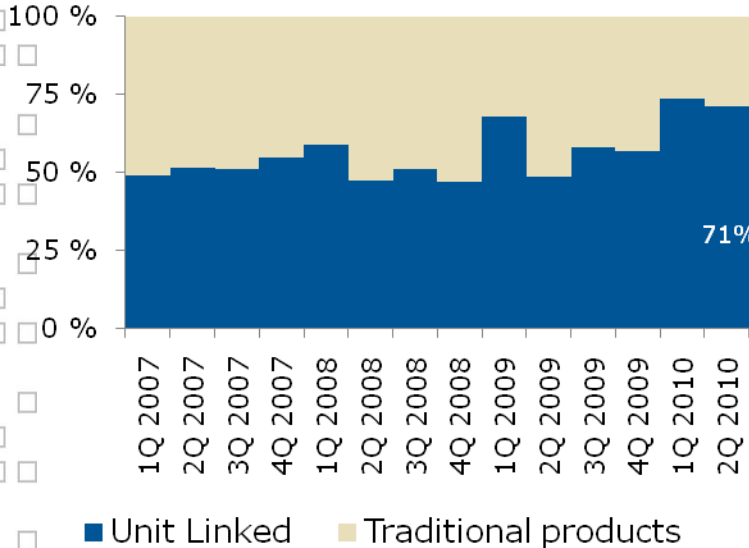
# Success in Defined Contribution / UL in Storebrand

Market share of premiums  
Defined Contribution Norway



# Success in Unit Link in SPP

Unit Link as % of total sales<sup>1</sup>



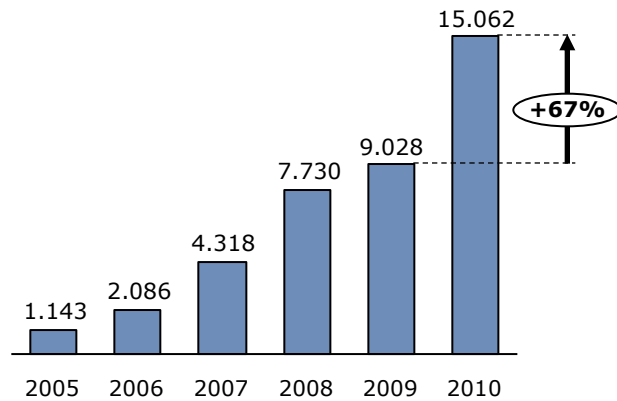
- 61% increase in sales of Unit Linked Q2 2010 compared to Q2 2009
- 55% of all premiums are within Unit Link
- Appointed best unit linked provider in the Swedish market second year in a row by Söderberg & Partners'
- Selected as "Best company on customer follow-up through direct channels"



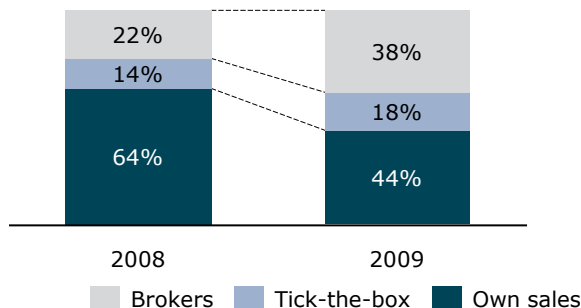
<sup>1</sup> Sales measured in APE

# Improving distribution efficiency

Sales through worksite marketing<sup>1</sup>  
(YTD-week 31)



Sales channels in SPP  
(share of sales)



- Occupational pension based on Unit linked products brings Storebrand closer to the employees
- Successful pilot testing of worksite marketing
- Persistent and systematic work based on trust
- 350 000 employees may be targeted in Storebrands worksite marketing program
- Improved sales processes and successful implementation of new distribution strategy in SPP
- Increased brand recognition and market share in Sweden

<sup>1</sup>Number of unique employees who has bought one or more products from Storebrand in a given year

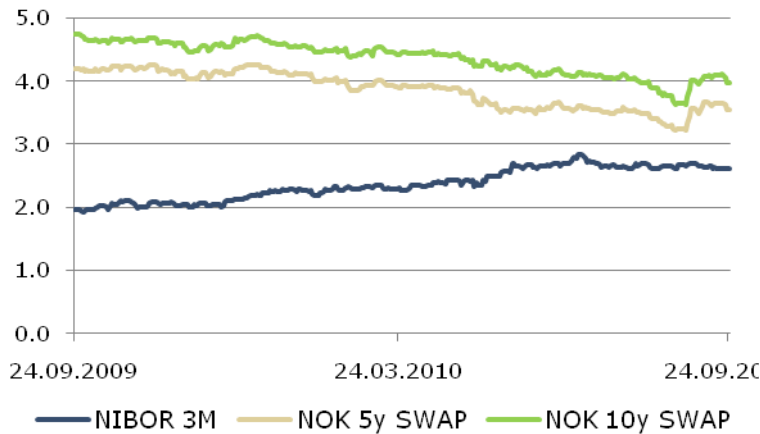


# Tailored risk management

	Profit sharing Norway	Profit sharing Sweden	Fee based DB	Unit Linked
Share of insurance reserves Q2 2010:	27%	25%	33%	15%
Characteristics	"Fixed" liabilities Assets marked to market	Mark to market of both assets and liabilities	"Fixed" liabilities Assets marked to market	No guarantees
Risk Management	"Steady" return components (Bonds held at amortised costs and real estate)	Duration matching of assets and liabilities	Annual pricing of interest rate guarantee "Steady" return components	
	Customer portfolios divided into several sub portfolios based on risk capacity			
	Asset allocation based on risk capacity in customer portfolios Dynamic risk management			

# Managing low interest rate for traditional products

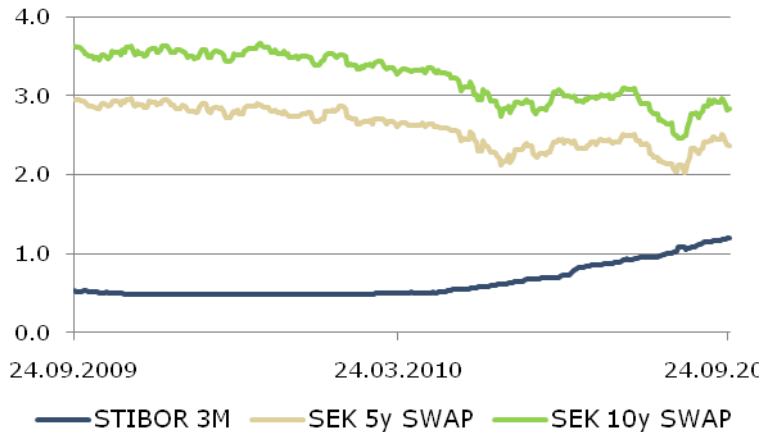
Norwegian interest rates



## Norway

- Short term positive result effects from declining interest rates
- Increasing money market rates
- Important “steady” return components in the portfolios
- Customer buffers

Swedish interest rates



## Sweden

- Downside protected with duration matched assets and liabilities
- Increasing money market rates
- Customer buffers

Source: Bloomberg 24.09.2010

# Solvency II


## – Storebrand well prepared

- New regulatory requirements apply to all European insurance companies from 2013
  - Assets and insurance liabilities to be valued at market value
  - Capital requirement to reflect actual economic risk
- Main adaptation themes:
  - Macro model for discounting pension liabilities (Europe)
  - Infrastructure/ alternative investments (Europe)
  - Treatment of Value In Force (Europe)
  - Annual interest guarantee and terms for transfer rights (Norway)
- Focused efforts towards successful implementation
  - Group wide project
  - Developing internal models
  - Good dialogue with authorities



# Summary

- Sound Nordic macro environment with strong growth in pension premiums
- Strong shift towards capital light Unit Linked products with high quality of earnings
- Strong operations with focus on cost leadership, customer satisfaction and risk management
- Well prepared for Solvency II



*Storebrand shall be the leading and most respected institution in the Nordic market for long-term savings and insurance.*

