

# Capital Markets Day 2011

9 March

 storebrand



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# Operational excellence in Asset Management and Insurance

Capital Markets Day  
9 March 2011

Hans Aasnæs, Managing Director Storebrand Asset Management  
Gunnar Rogstad, Executive Vice President Insurance

# Key messages

## Strong performance recent years

- Asset gathering
- Operational excellence

## Growth based on unique skills

- Strong brand in the retail market:
  - Delphi
  - Storebrand
  - SPP
- Concept for the institutional market
- Extending the value chain

# Storebrand Asset Management



## Key figures

- Assets under management: 407 NOK bn.
- Assets under administration: 51 NOK bn.
- Profit : 333 NOK mill.
- 214 employees

## Mutual funds\*

NORWAY (Storebrand Fondene)

- AuM: 58.4 NOK bn.
- Market share: 11.7\* %

SWEDEN (SPP Fonder)

- AuM: 50.2 NOK bn.
- Market share: 2.9 %

## Discretionary management

NORWAY (Storebrand and external)

- AuM: 217 NOK bn.

SWEDEN (SPP Life)

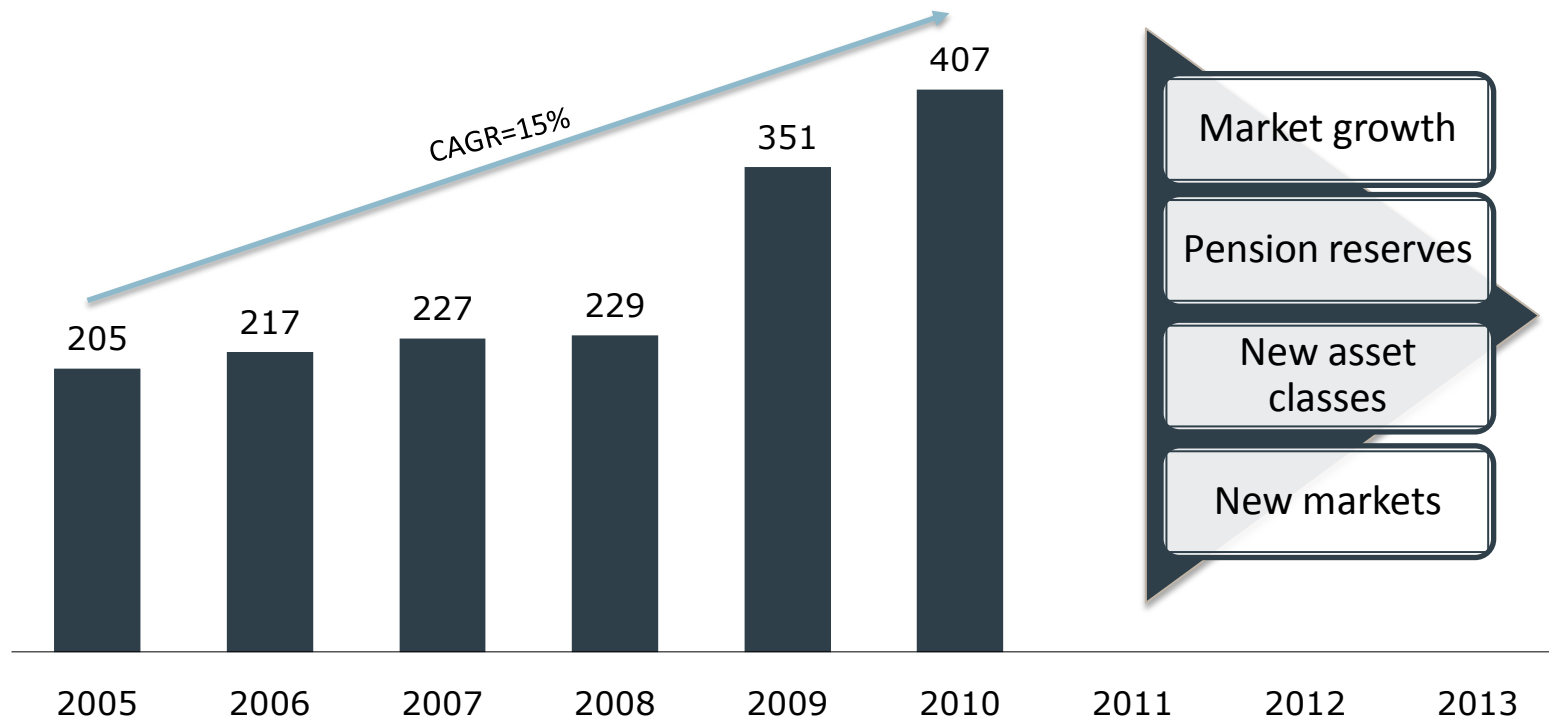
- AuM: 82 NOK bn.

• Includes group internal investments. Increased use of mutual funds by group companies in 2010.

Sources: Norwegian Fund and Asset Management Association, Moneymate (Swedish mutual fund statistics).

# Strong growth in assets under management

NOK bn.

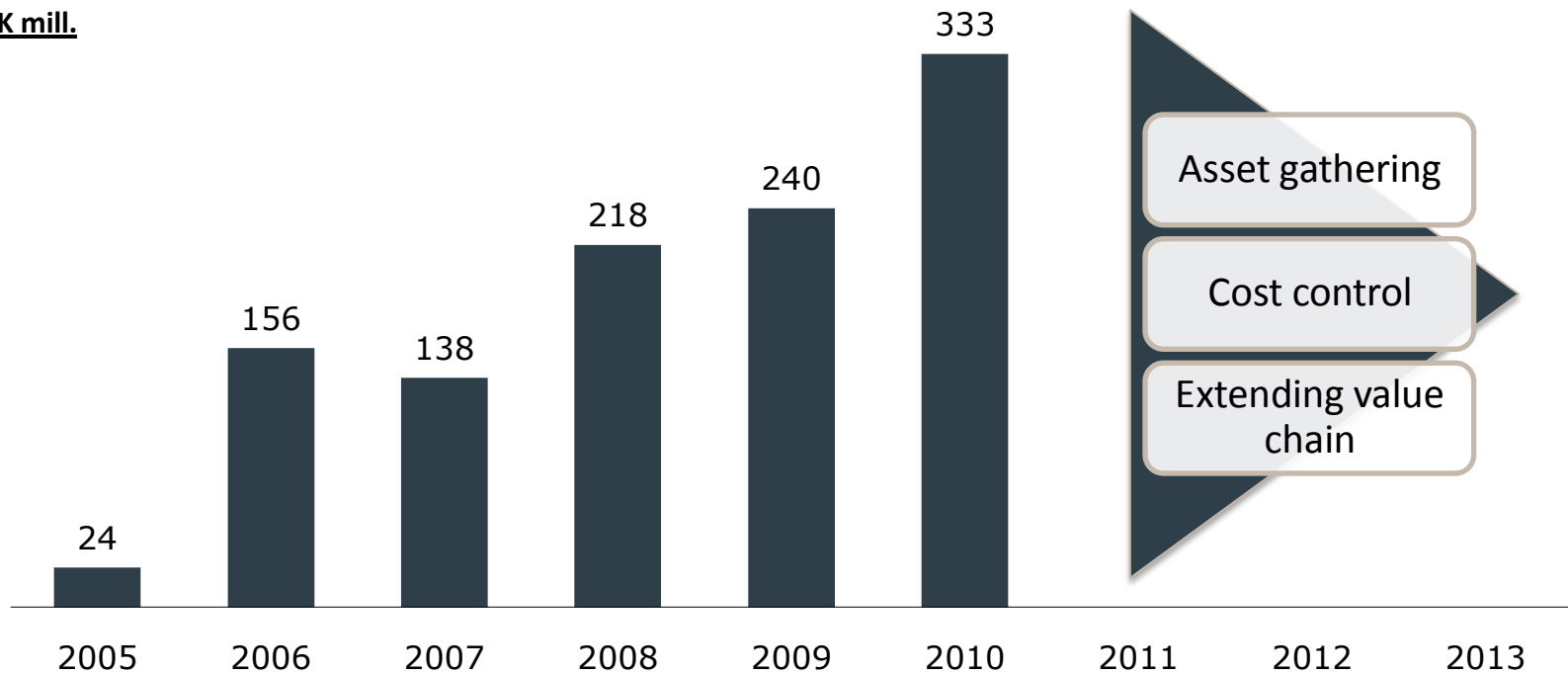


Asset management for SPP included from 2009

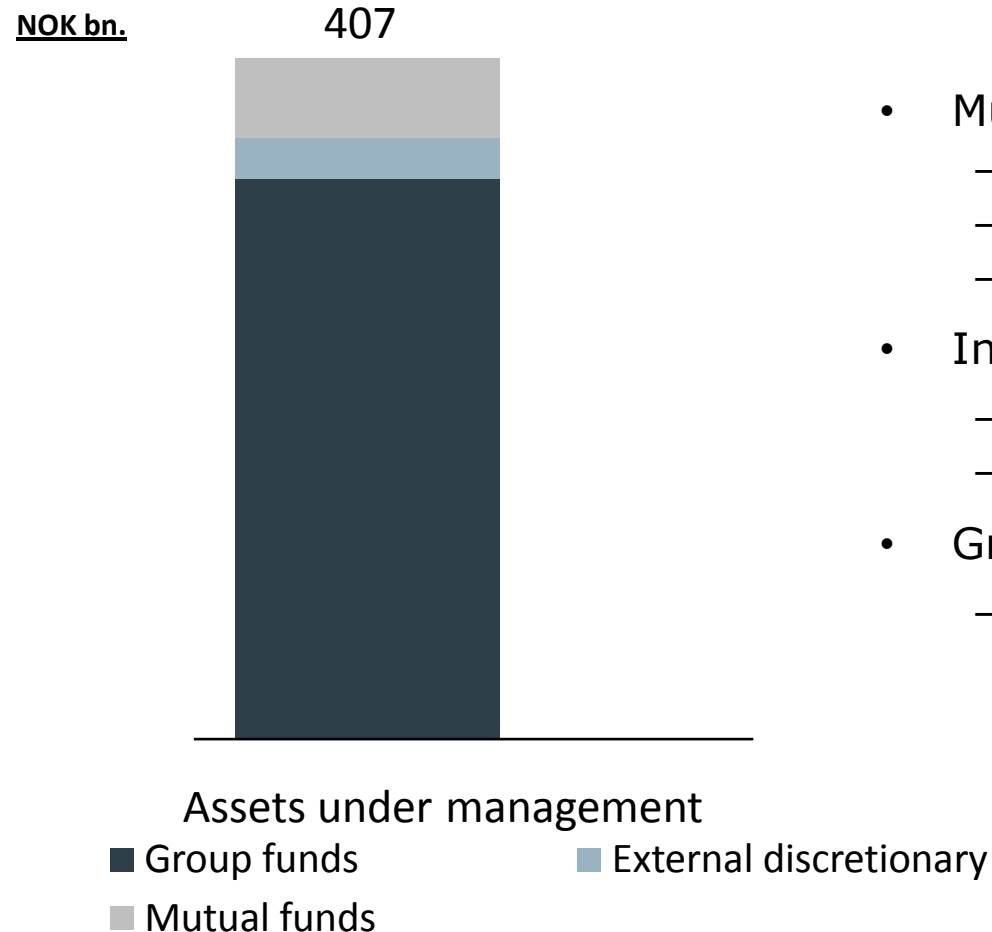
# Profit growth recent years

## Profit before amortisation

NOK mill.



## Capitalising on our solid position

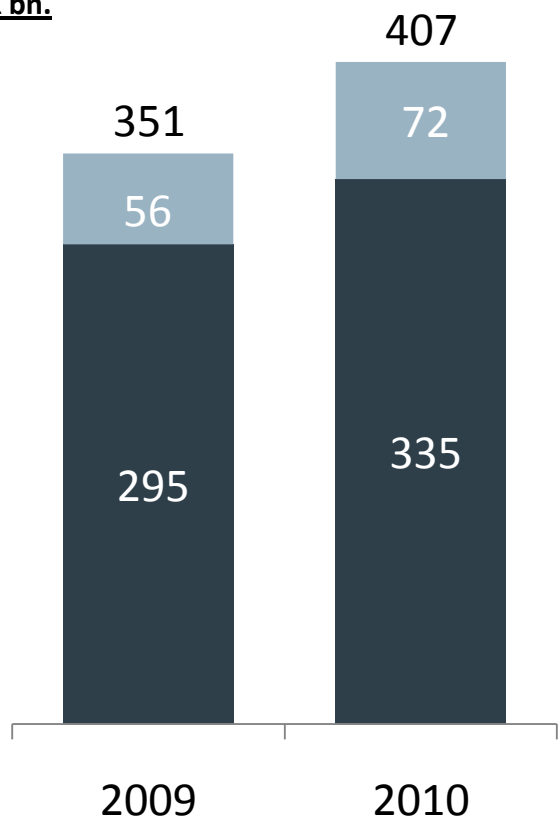


- Mutual funds
  - Market expansion
  - Cross-selling
  - Direct distribution
- Institutions (discretionary)
  - Market expansion (Sweden)
  - New asset classes
- Group funds
  - Growth in pension market



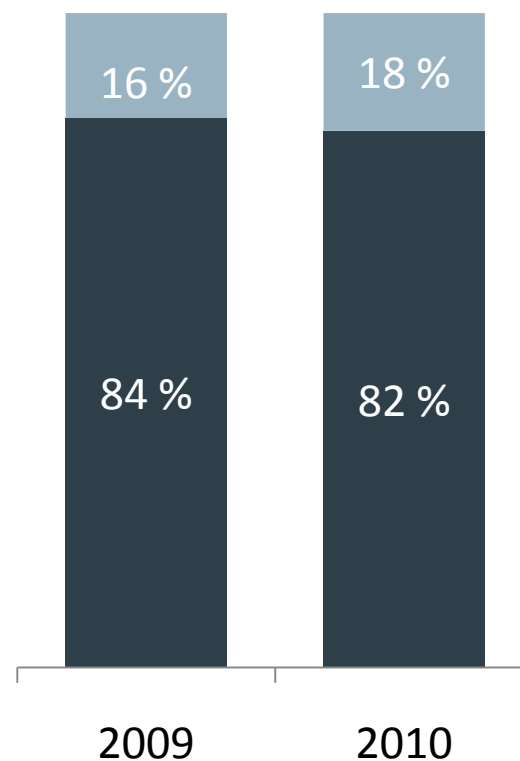
# Increasing share of assets from external customers...

NOK bn.



**Growth AuM External**

Mutual Funds 13 NOK bn.  
External Discretionary 3 NOK bn.

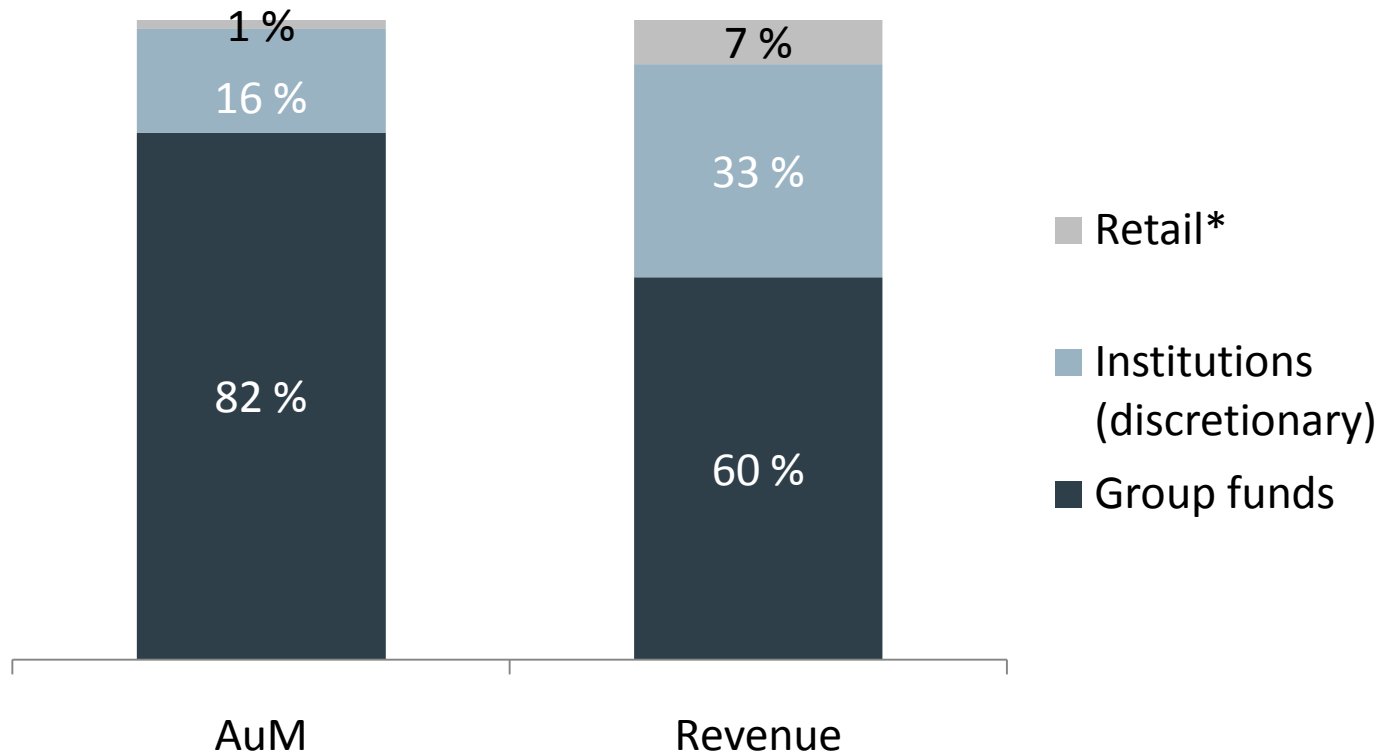


**Growth AuM Group**

Real Estate 1 NOK bn.  
SBL 13 NOK bn.  
SPPL 13 NOK bn.  
Euroben/Nordben 13 NOK bn.

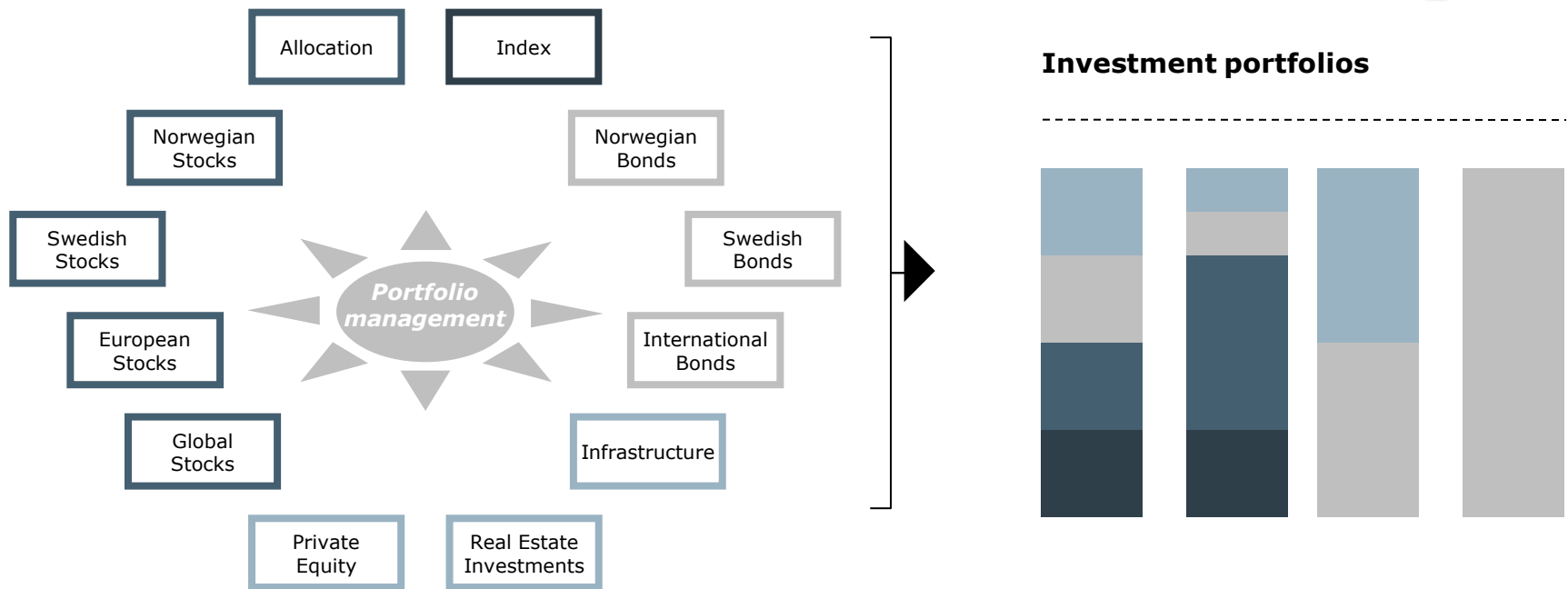
■ Group funds  
■ External funds

...with higher margins



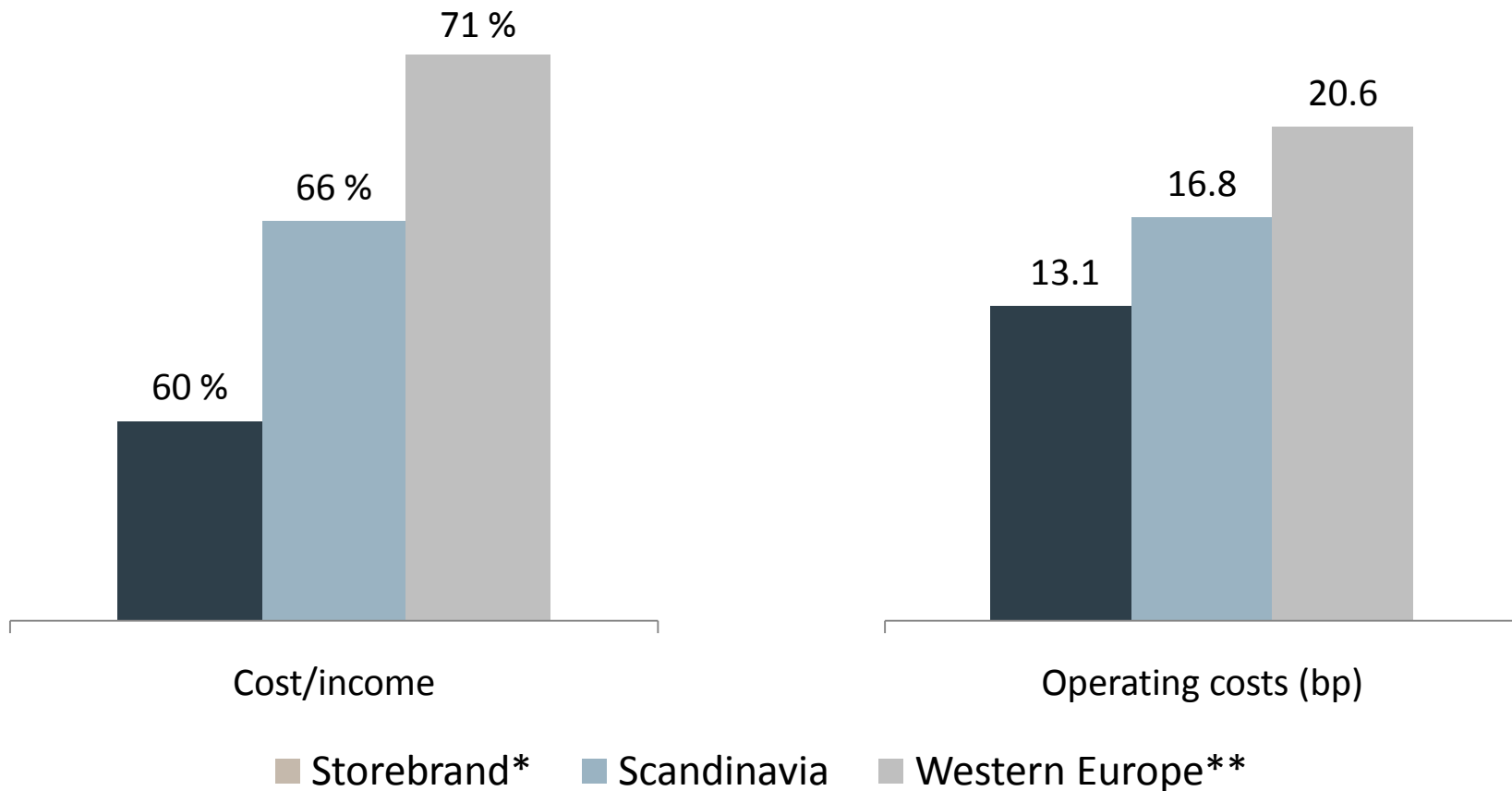
\* Retail excluding Unit link (included in Group)

# Cost efficient use of high quality building blocks...



- High quality building blocks including selected external asset management
- Efficient use of the same key building blocks in different portfolios
- Strong core processes with institutional quality

...has made Storebrand Asset Management highly competitive compared with peers



\* Including real estate, including performance

\*\* Medium players (AuM NOK ~300 billion)

Source: McKinsey Asset Management Survey 2010.

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# Repositioning fund products for direct distribution in Norway and Sweden

External changes

Reduced subscription- and redemption fees



Increased regulatory documentation of financial advice



Reduced demand for complex products



Increased use of internet for financial services



Trend shift from individual financial advice to direct distribution of funds

Our response

Simplified product offering with focus on lifestyle, lifecycle and index funds



Removed subscription- and redemption fees



Unique Internet solution using BankID for account openings, fund purchases and payments

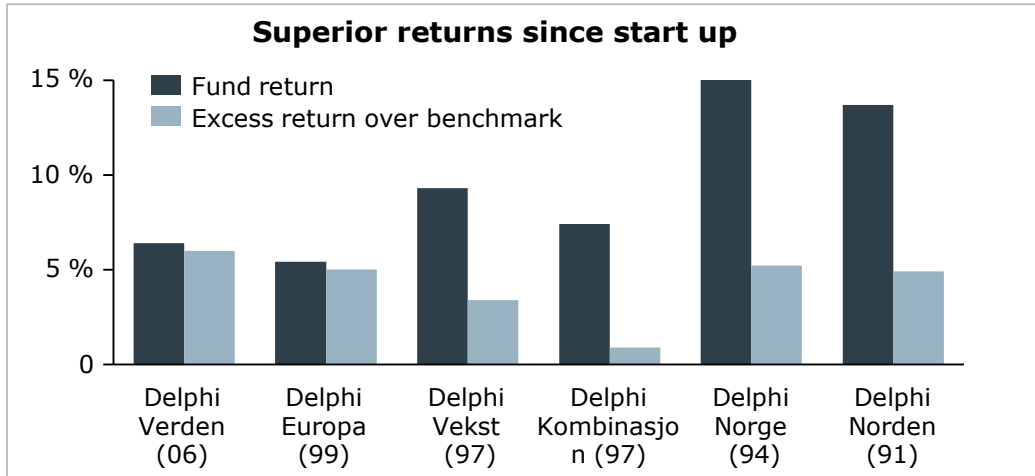


Multi channel support of direct distribution

- Call center
- Chat
- Personal advisor
- Work site marketing

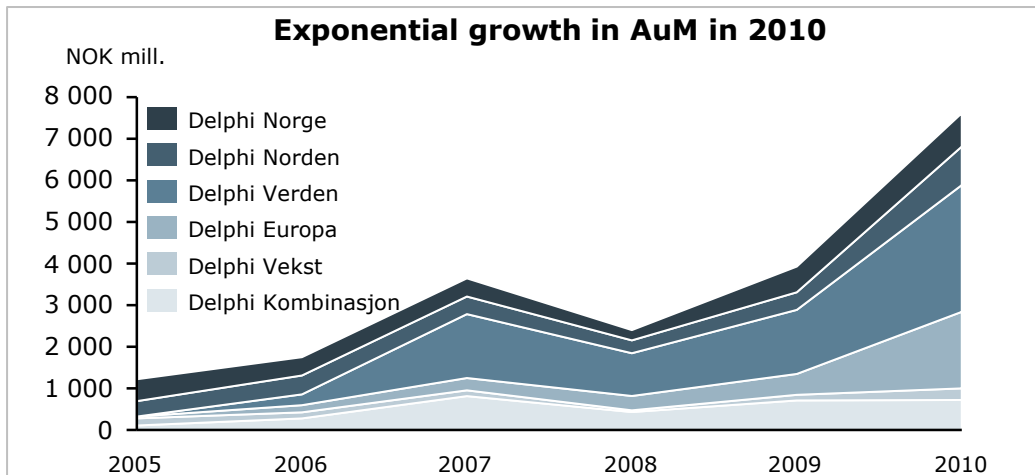


# Superior return and international recognition provides an excellent base for Delphi expansion



**Plans for 2011 key success factors**

- Increased marketing in Sweden and Norway
- Dedicated sales and support personnel
- External rating to validate investment methodology
- Registration for sale in additional countries



Sources: Oslo Stock exchange 24.01.2011. 10 year returns with the exception of Delphi Verden (4 year returns – fund established 2006)

## Concept for the institutional market

Advisory service and main asset manager	High complexity	Medium complexity	Low complexity
Back office and Mid office services	Insurance Asset Management	Municipalities and organisations	Investment companies
Compiled reporting			UHNWI



# Storebrand Asset Management is well positioned to meet increasing expectations from the institutional market

## Key characteristics main segments

- Changing regulatory environment
- Fierce competition
- Focus on investor protection – MiFid, Financial crisis etc.
- Increased costs due to increased complexity

## Implications for Storebrand

- Creates new business opportunities
- Client relationship is key
- Sweet spot for Storebrand – profile, reputation and size
- Economies of scale give us cost advantage

- Operational excellence
- Expand business concept
- Expand product range

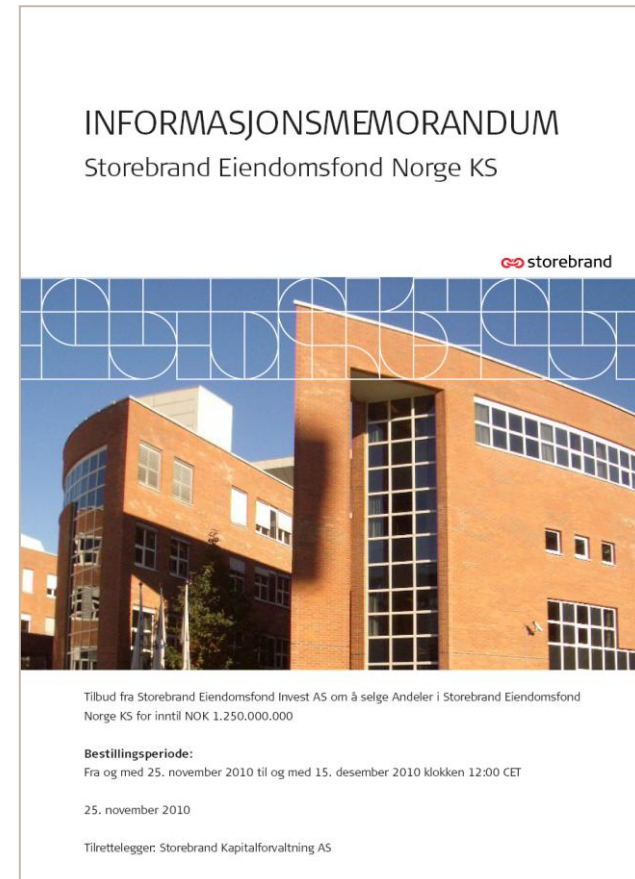
- Strategic advisory capacity
- Leverage group key competencies
- Solution provider

## Substantial potential within real assets - new asset classes and extended value chain

	Asset management	Transactions	Advisory service	Property management
Real estate	✓	✓		✓
Infrastructure	✓	✓	✓	
Forestry	✓	✓		✓
Energy	✓	✓	✓	

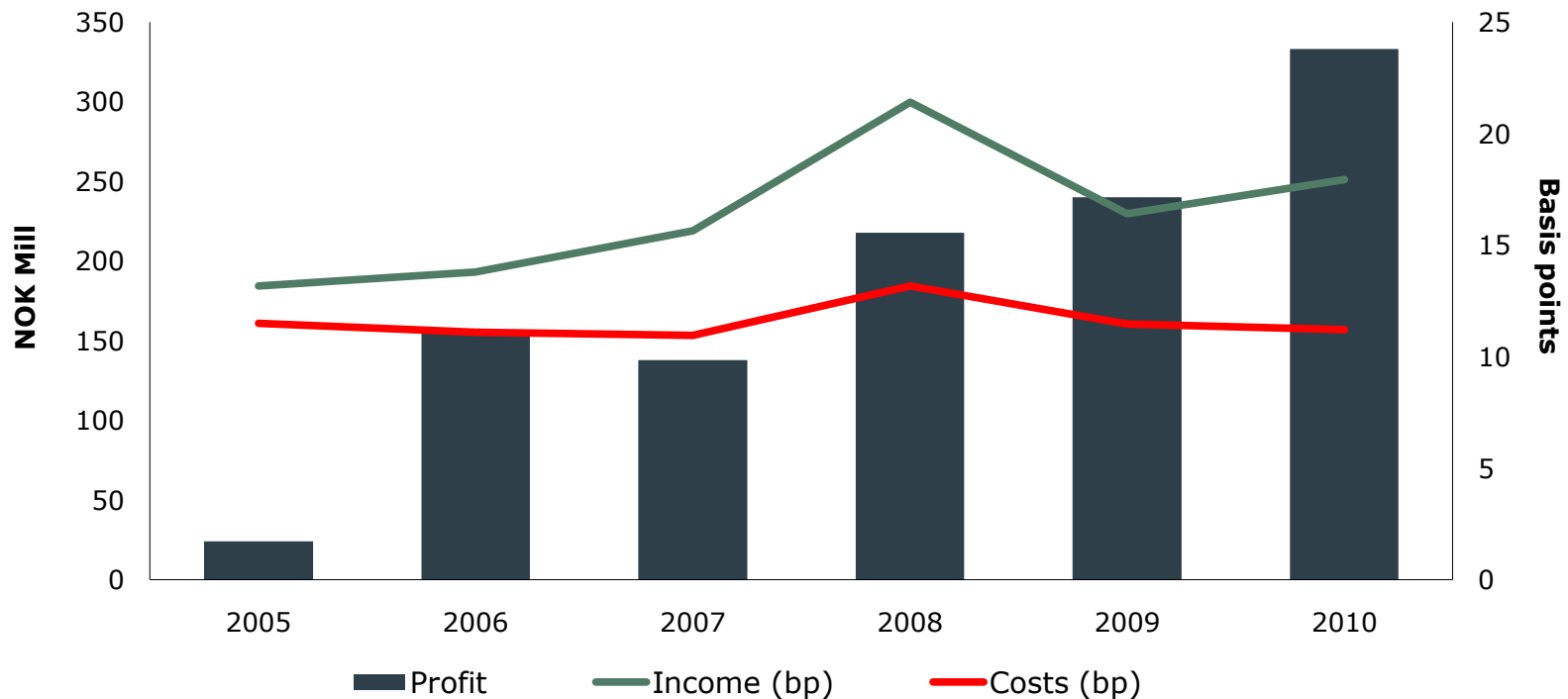
## Example: Real estate fund launched December 2010

- Tailor made, unleveraged real estate fund for institutional investors/external pension funds
- Substantial client interest
- Total fund size 3,400 NOK mill.
- Improving fees
  - Subscription fee 0.70%
  - Acquisition fee 1.0%
  - Management fee 0.60%



# Realising our scale advantage

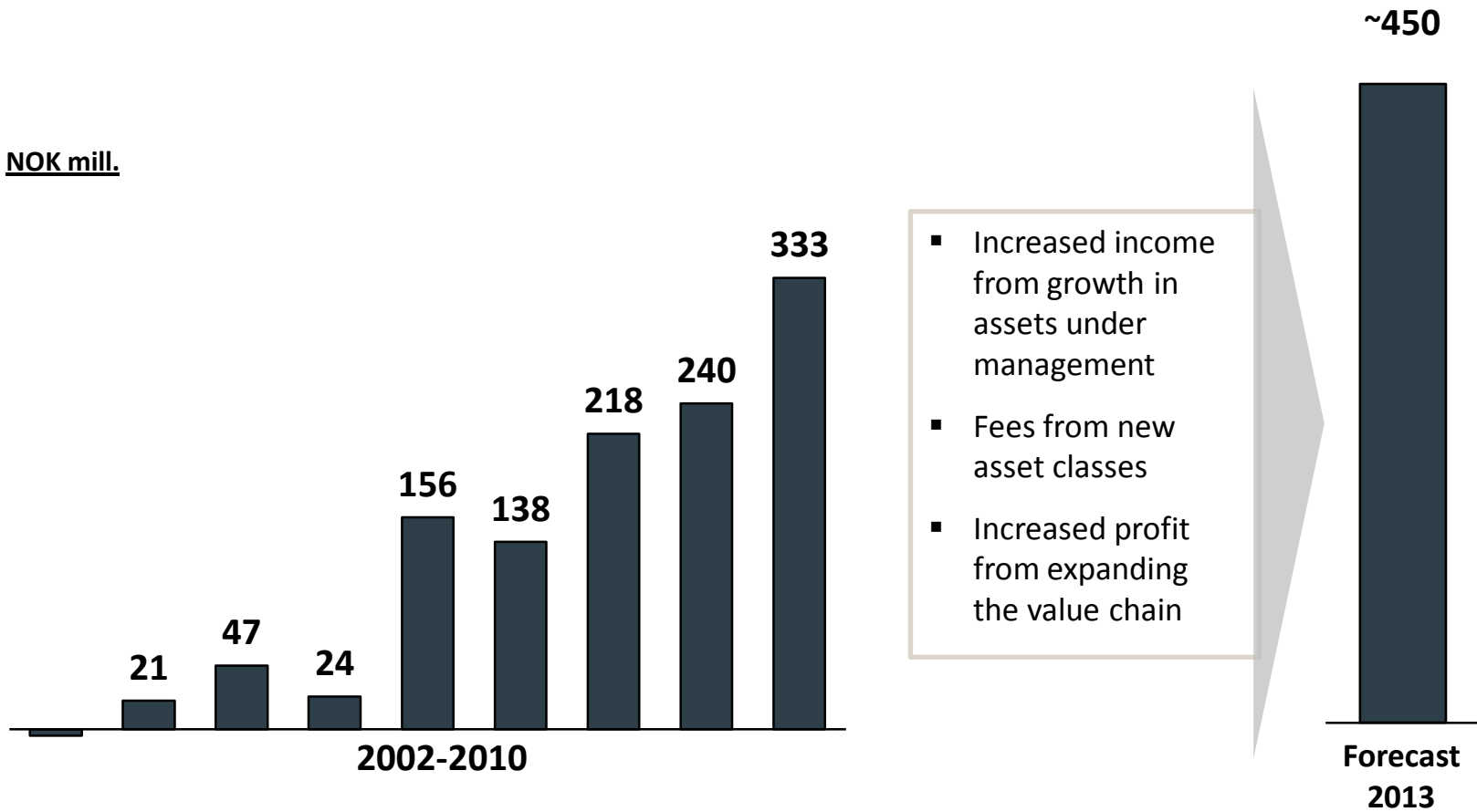
- increasing revenue with stable cost base



Income = Income excluding performance fee  
 Cost = Total costs excluding performance related pay

# Continued profit growth

NOK mill.



# Storebrand Insurance

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Gunnar Rogstad  
Executive Vice President Insurance

# Introducing Storebrand Insurance

– a new business area in Storebrand

## Result Storebrand group

NOK mill.	Full year	
	2010	2009
Administration, management and fee income	3.861	3.438
Operational cost	-2.751	-2.891
<b>Result from administration, management and fee</b>	<b>1.110</b>	<b>547</b>
Risk and insurance result	596	466
Holding company and company portfolio	-249	-129
<b>Result before profit sharing and loan losses</b>	<b>1.458</b>	<b>883</b>
Net profit sharing and loan: losses	150	362
<b>Group Profit</b>	<b>1.608</b>	<b>1.245</b>

596

1. Risk result group pension Life and Pension
2. **Result Storebrand Insurance** (P&C, Health, Individual and Group Life products)

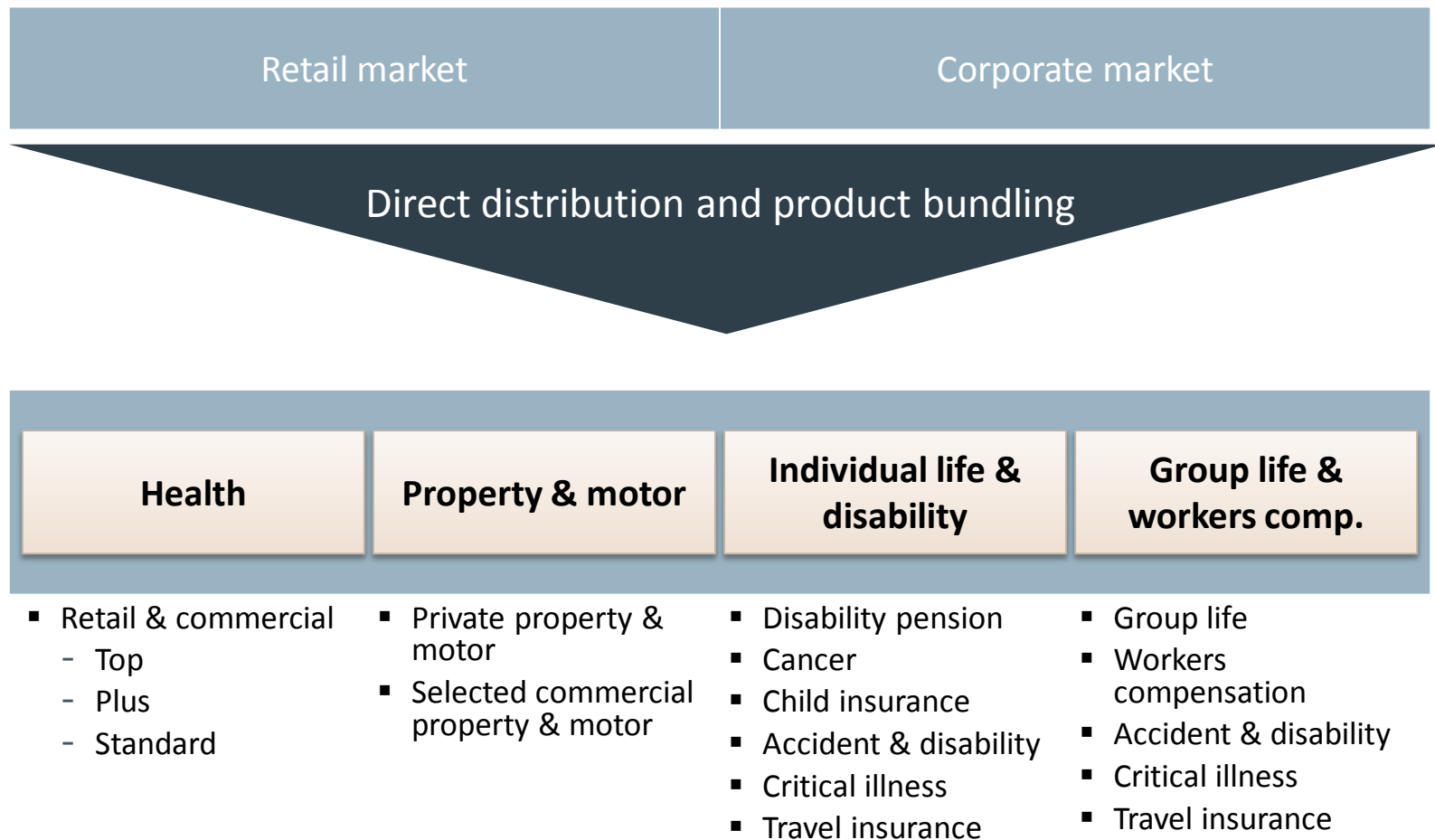
## 2. Result Storebrand Insurance 2010

- 1.960 NOK mill. gross written premiums\*
- 154 NOK mill. profit before taxes\*\*
  - 98 % combined ratio
  - Underwriting profit 44 NOK mill.
  - Investment result 110 NOK mill.
- 154 NOK mill. includes P&C, Health (Norway and Sweden) and Individual and Group life
- Evaluate the potential to launch new risk products in the Swedish market

\*Gross written premiums including 100% of health insurance in both Norway and Sweden

\*\* Storebrand Health insurance is 50 % owned by Munich Re

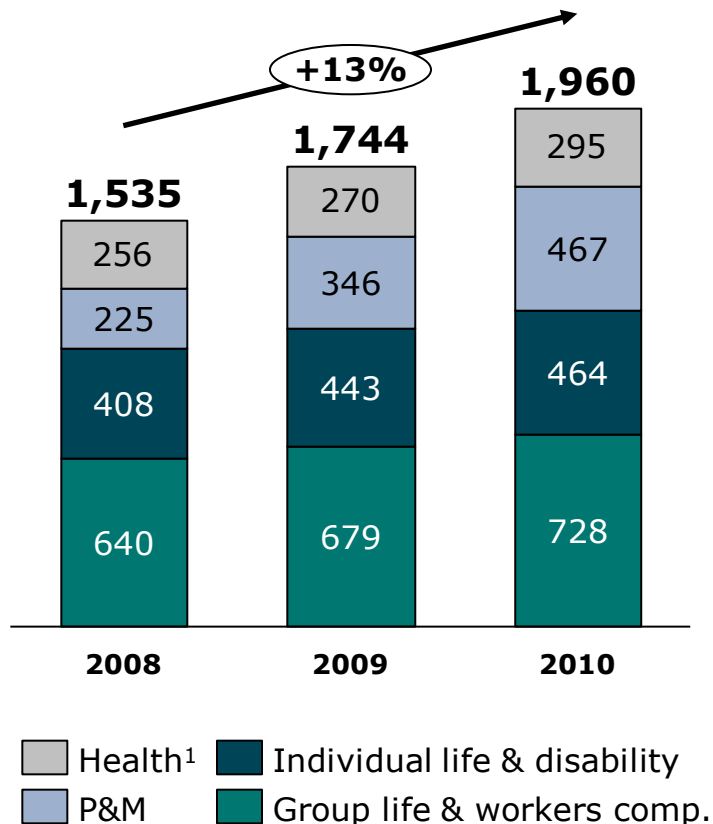
# Covering the insurance needs of existing customers through worksite marketing





# Strong historical growth across market segments

Gross written premiums by segments  
Storebrand Insurance (MNOK)



## Market perspectives by segments

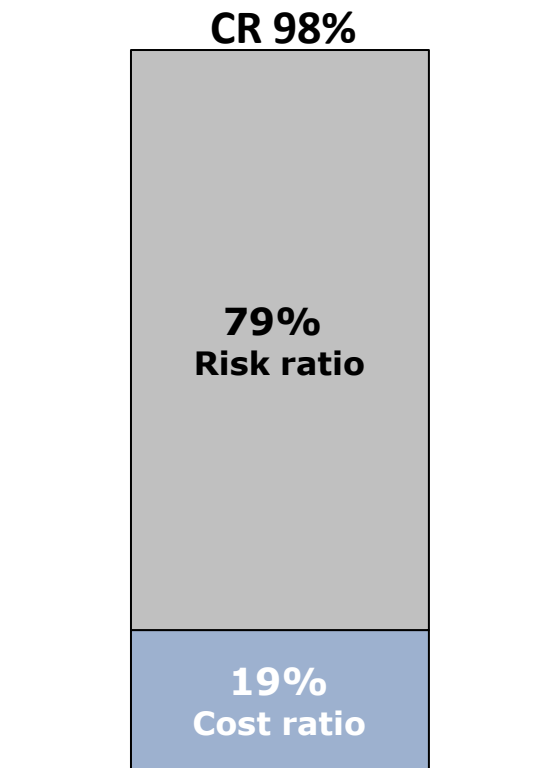
- **Health insurance:**
  - Total market of 386<sup>2</sup> NOK mill. in Norway. Storebrand's share of market is 140 NOK mill.
  - Expanding market with annual growth rate at 20%
  - Market leader with 9 % growth rate 2010 challenged by new entrants and increased price pressure
  
- **Property and motor insurance:**
  - Total market of approx. 22 NOK bn .
  - Mature market with annual growth rate 3-5%
  - 8<sup>th</sup> largest player gaining market share in a market dominated by 4 large players.
  
- **Individual life and disability insurance:**
  - Total market of 4 NOK bn.
  - Mature market with annual growth rate approx. 8%
  - 3<sup>rd</sup> largest player and growth rate at 6 % in 2010
  
- **Group life and workers compensation:**
  - Total market of 8 NOK bn.
  - Mature market with annual growth rate at 2-3%
  - Market leader within occupational group life and generally experiencing high price pressure

<sup>1</sup> Gross written premiums including health insurance in Sweden

<sup>2</sup> Market premium Norway incl. estimated gross written premiums Vertikal. Primary source: FNO – preliminary market statistics 2010

# Potential of both cost and risk ratio improvement in existing portfolio

## Total combined ratio 2010 Storebrand Insurance



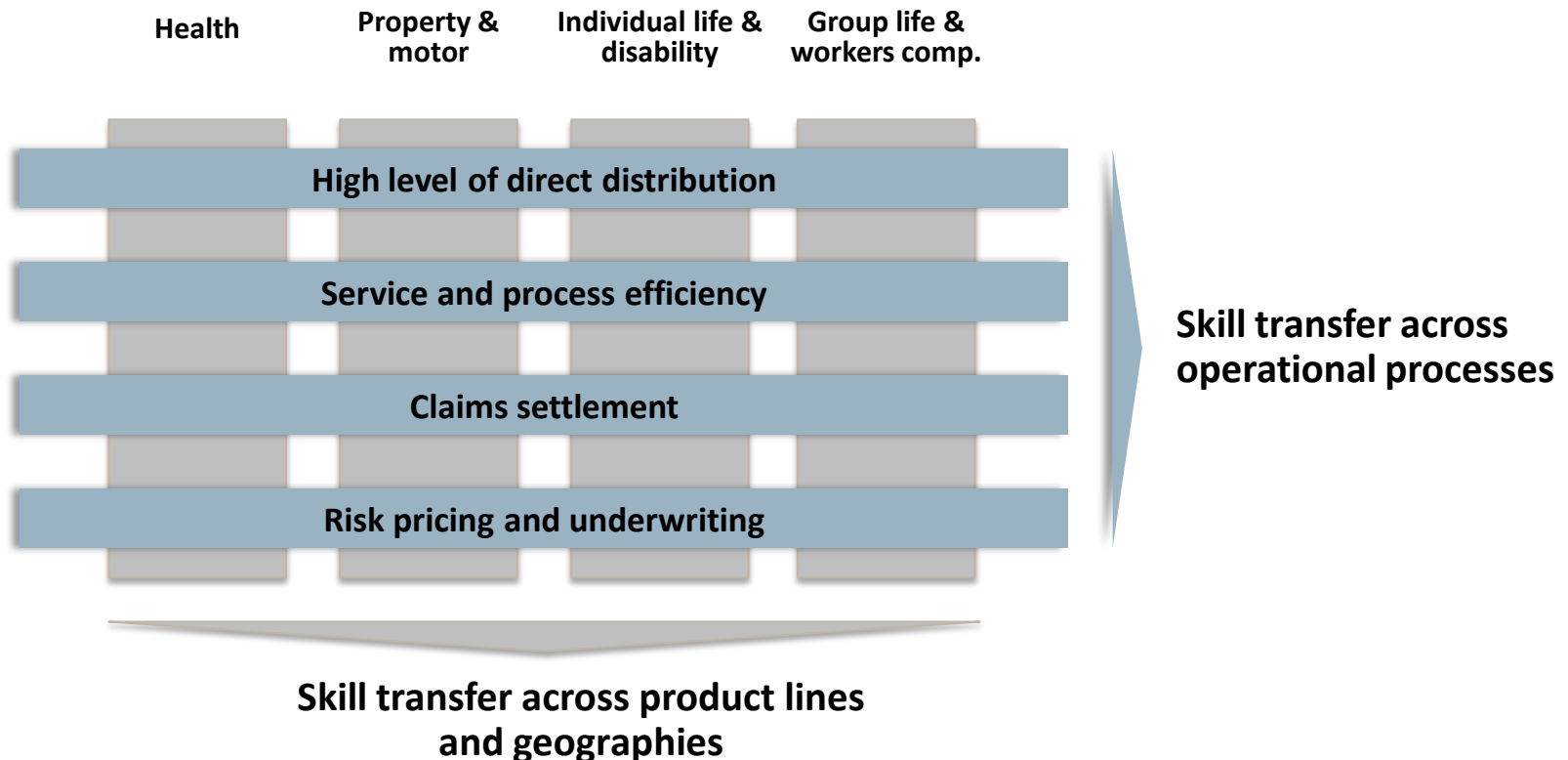
## Key figures by segments

- **Total all product lines within Insurance:**
  - 154 NOK mill. profit before taxes
  - 98% combined ratio
  
- **Health insurance:**
  - 56 NOK mill. profit before taxes\*
  - 87% combined ratio
  
- **Property and motor insurance:**
  - -21 NOK mill. profit before taxes
  - 110% combined ratio
  
- **Individual life and disability insurance:**
  - 132 NOK mill. profit before taxes
  - 78% combined ratio
  
- **Group life and workers compensation:**
  - 15 NOK mill. profit before taxes
  - 106% combined ratio

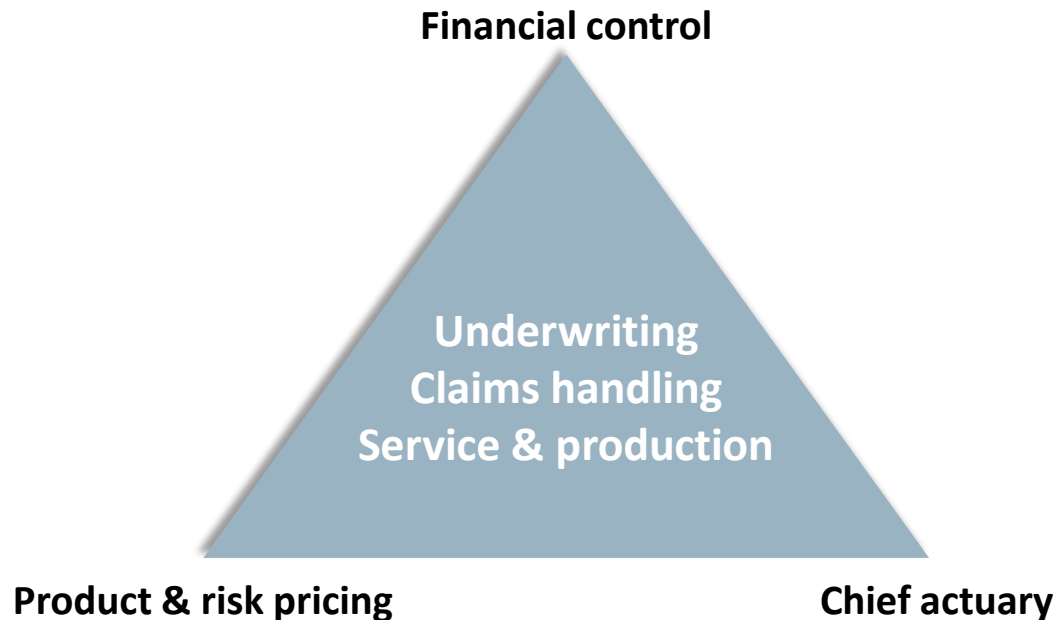
\* Storebrand Health insurance is 50 % owned by Munich Re, result figures are for the company as a whole

# We intend to improve business through:

“Building a **competitive edge** and cost **leadership** through first class core processes and strategic expertise development and evaluate the potential of cross boarder transfer of concepts to Sweden”



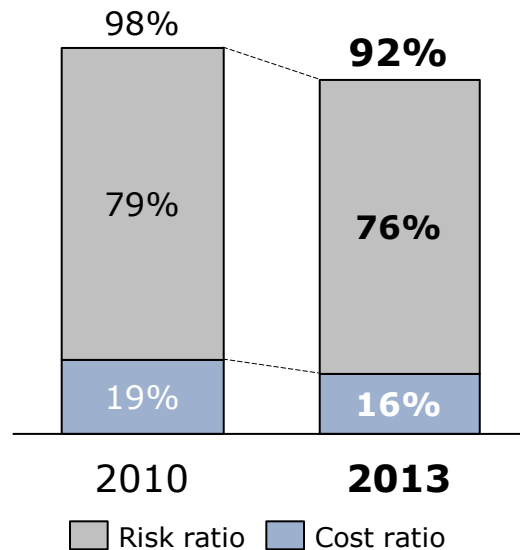
... and to improve risk management through three strategic check points with distinct roles and responsibilities



- Organised as a traditional P&C Company
- Focus on risk improvements
- Specialist claims and service unit
- Experienced management

# Summary – targeting 92% CR and profitable growth

## Combined ratio:



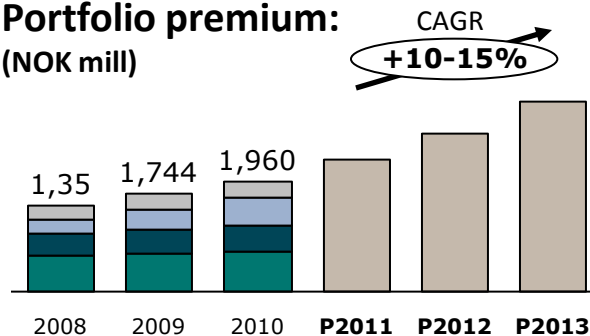
### Risk ratio:

- Improve underwriting and risk selection
- Increase premium level on unprofitable portfolio
- Loyalty programmes to increase duration in portfolio

### Cost ratio:

- Prioritising direct distribution
- Utilise best practise between units and standardising processes
- Increase automation – Cost leadership
- Increase sales through Direct distribution channels

## Portfolio premium: (NOK mill)



### Growth:

- Targeting an annual portfolio growth of 10-15%

*Storebrand's objective is to be the leading and most respected institution in the Nordic market for long-term savings and insurance*

