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

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Storebrand
Idar Kreutzer
Group CEO
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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

- **Annual growth rates**: 
  - Sweden: 10% 
  - Norway: 9% 
  - Denmark: 7% 
  - Finland: 1%

- **Growth drivers**: 
  - Demographics 
  - Regulatory changes 
  - Sound macro environment

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

2 CAGR 1999-2009
Unit Linked based products is growing in importance in Norway and Sweden

Premiums - Occupational Pension
Norway and Sweden¹

1Source: Finansnæringens Fellsorganisasjon (NO), Försäkringsförbundet (SE), Norges Bank (NO)
2 CAGR 1999-2009
### Storebrand’s Life and Pensions operations

<table>
<thead>
<tr>
<th>Traditional profit sharing</th>
<th>Fee based guaranteed business</th>
<th>Fee based Unit Linked and risk products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual and paid-up policies (NOK 81bn)</td>
<td>Defined benefit (NOK 84bn)</td>
<td>Defined contribution and Unit Linked (NOK 18bn)</td>
</tr>
<tr>
<td>Defined contribution (SEK 50bn)</td>
<td>BenCo (SEK 18bn)</td>
<td>Risk products (NOK 2bn)</td>
</tr>
<tr>
<td>Defined benefit (SEK 40bn)</td>
<td></td>
<td>Unit Linked (SEK 32bn)</td>
</tr>
<tr>
<td>- Guarantees</td>
<td>- Guarantees</td>
<td>- No guarantees</td>
</tr>
<tr>
<td>- Capital intensive</td>
<td>- Capital intensive</td>
<td>- Not capital intensive</td>
</tr>
<tr>
<td>- Earnings sensitivity to capital market development</td>
<td>- Earnings from administration, risk and fee for guarantee</td>
<td>- Earnings from administration and risk</td>
</tr>
<tr>
<td>- Centralised B2B market</td>
<td>- Centralised B2B market</td>
<td>- Individualised market</td>
</tr>
</tbody>
</table>
Storebrand – from being a provider of traditional products in 2006...

<table>
<thead>
<tr>
<th></th>
<th>Traditional profit sharing</th>
<th>Fee based guaranteed business</th>
<th>Fee based Unit Linked and risk products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance reserve</td>
<td>84%</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>Premiums</td>
<td>72%</td>
<td>3%</td>
<td>26%</td>
</tr>
<tr>
<td>VIF*</td>
<td>78%</td>
<td></td>
<td>22%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2009</th>
<th>Traditional profit sharing</th>
<th>Fee based guaranteed business</th>
<th>Fee based Unit Linked and risk products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance reserve</td>
<td>52%</td>
<td>32%</td>
<td>16%</td>
</tr>
<tr>
<td>Premiums</td>
<td>22%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>VIF*</td>
<td>12%</td>
<td>43%</td>
<td>45%</td>
</tr>
<tr>
<td>VNB**</td>
<td>-15%</td>
<td>38%</td>
<td>77%</td>
</tr>
</tbody>
</table>

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
- 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\(^1\)

- Realised: MNOK 270
- Target: MNOK 240

Target improvements in 2010\(^1\)

- MNOK 550
- MSEK 210
- 110
- 40
- 190

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Mutual funds</th>
<th>External discretionary</th>
<th>Group internal</th>
<th>Real estate (group internal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>20</td>
<td>15</td>
<td>141</td>
<td>205</td>
</tr>
<tr>
<td>2006</td>
<td>25</td>
<td>20</td>
<td>142</td>
<td>217</td>
</tr>
<tr>
<td>2007</td>
<td>30</td>
<td>26</td>
<td>144</td>
<td>227</td>
</tr>
<tr>
<td>2008</td>
<td>28</td>
<td>28</td>
<td>142</td>
<td>229</td>
</tr>
<tr>
<td>2009</td>
<td>36</td>
<td>36</td>
<td>219</td>
<td>351</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td>241</td>
<td>384</td>
</tr>
</tbody>
</table>

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

- Danica
- Gjensidige
- Nordea
- SHB Liv
- Sparebank 1
- Storebrand
- Vital
- Frende
Success in Unit Link in SPP

- 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”

Unit Link as % of total sales\(^1\)

\(^1\) Sales measured in APE
Improving distribution efficiency

- 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

Sales through worksite marketing\(^1\) (YTD-week 31)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1.143</td>
<td>2.086</td>
<td>4.318</td>
<td>7.730</td>
<td>9.028</td>
<td>15.062</td>
</tr>
</tbody>
</table>

Sales channels in SPP (share of sales)

- 2008: 64% (Brokers), 14% (Tick-the-box), 22% (Own sales)
- 2009: 44% (Brokers), 18% (Tick-the-box), 38% (Own sales)

\(^1\)Number of unique employees who has bought one or more products from Storebrand in a given year
## Tailored risk management

<table>
<thead>
<tr>
<th>Share of insurance reserves Q2 2010:</th>
<th>Profit sharing Norway</th>
<th>Profit sharing Sweden</th>
<th>Fee based DB</th>
<th>Unit Linked</th>
</tr>
</thead>
<tbody>
<tr>
<td>27%</td>
<td>25%</td>
<td>33%</td>
<td>15%</td>
<td></td>
</tr>
</tbody>
</table>

### Characteristics

- **Profit sharing Norway**
  - "Fixed" liabilities
  - Assets marked to market
- **Profit sharing Sweden**
  - Mark to market of both assets and liabilities
- **Fee based DB**
  - "Fixed" liabilities
  - Assets marked to market
- **Unit Linked**
  - No guarantees

### Risk Management

- Customer portfolios divided into several sub portfolios based on risk capacity
- Asset allocation based on risk capacity in customer portfolios
- Dynamic 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
Managing low interest rate for traditional products

Norwegian interest rates

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

Source: Bloomberg 24.09.2010

Swedish interest rates

- 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.