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Bloomberg Transcript

Capital Markets Day

Company Participants

- Daniel Sundahl, Head of IR
- Geir Holmgren, Managing Director, Customer Service and Product
- Heidi Skaaret, Executive Vice President, Customer Retail Norway
- Jan Erik Saugestad, Executive Vice President, Asset Management
- Karin Greve-Isdahl, Executive Vice President, Communications and Investor Relations, Storebrand
- Kjetil R. Krokje, Group Head, Finance & Strategy
- Lars Aa. Loddesol, Group Chief Financial Officer
- Odd Arild Grefstad, Chief Executive Officer , Storebrand Group
- Staffan Hansen, Managing Director, Customer Area Sweden

Other Participants

- Blair Thomson Stewart
- Hakon Astrup
- Jan Erik Gjerland
- Peter Eliot
- Roy Tilley
- Ulrik Ardal Zurcher
- Vegard Toverud

Presentation

Karin Greve-Isdahl {BIO 20243217 <GO>}

Good afternoon, everybody. My name is Karin Greve-Isdahl and I'm the Executive Vice President for Communication and Sustainability at Storebrand.

On behalf of the group executive team, I will have the honor of guiding you through our very first digital Capital Markets Day. It has been an extraordinary year in many ways. Our customers and organization have demonstrated a great deal of flexibility as we have adapted to new ways of working during the pandemic.

Today, we hope to give you the update and answers you are looking for, but in a different way than we've done before. We will have six speakers, who will give you an update from their respective areas. In total, the presentation should take around 90 minutes. Then we will have a short break before we open the microphone for questions. If you would like to ask the management team questions, please join the Zoom link as explained on our website storebrand.no/investorrelations [ph].

Now with the practicalities out of the way, let me introduce you to the first speaker of the day. Odd Arild Grefstad has been with Storebrand for some 26 years in various leadership roles. He took over as the CEO in 2012 on a day when the Storebrand stock traded at NOK17. As you all know, the value creation since then has been substantial. Now Odd Arild will give you an update on our strategic priorities going forward as well as the long-term financial targets we have set for the group.

Odd Arild, I'll hand it over to you.

Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you, Karin. It's a pleasure for me to welcome you to our Capital Markets Day 2020. Although held digitally, we still appreciate that you will follow us for the next hour and a half. Let me start by taking you quickly through a couple of reflections on the context we operate in. Storebrand has roots back to the start of the financial system in the region and as the first insurance company pioneering both P&C and life insurance.

When I think about the company, I was chosen to lead as a CEO in 2012, the company appears completely changed today. Lower interest rates, regulatory changes, change in customer preferences and technology has led to a material change in the business model. We have followed an active and consistent strategy with a strong ability to shift our business mix towards capital-light savings and insurance products, replacing guaranteed business. The top management team at Storebrand are more than motivated to continue this journey and will together tell you more about the strategic direction of the company, the way we see it for the next years.

We will tell a story of compelling combination of self-funded savings and insurance growth and capital return for shareholders, but we will also tell how we add value beyond return for customers by being one of the world's most sustainable financial group. We hold strong positions in the Nordic savings and insurance market with our 29% market share in occupational pension in Norway and an increasingly strong position in Sweden with 18% market share. Storebrand Asset Management is the largest private asset manager in Norway and number five in the Nordics.

Our asset management business has multiple times been recognized and awarded for its commitment and work within sustainable investments. In the Nordic retail market, Storebrand is a challenger, where we build on our strong position and growth in occupational pension and asset management. In retail savings, we have a 14% market share. We are a fast-growing challenger in the profitable Norwegian insurance market with today a 4% market share. With savings, insurance, and our digital-only retail bank, we cover the full range of customer needs on our digital platform. This is important in a market with a lot of one-stop shoppers and where 70% of savings, up to now, goes into a bank account.

Before we dive deeper into the strategy and the road ahead, let me quickly go through some of the factors that make the Nordics a particular strong and robust area to operate in. Growth in Norway and Sweden has exceeded the G7 average over the past 10 years. The absurd economic resilience during stress is partly explained by a uniquely strong fiscal position build up over years of surpluses. Norway is in a league of its own with the pension fund, but also Sweden has lower net government debt than both the eurozone and the U.S. Labor markets are stable the with low unemployment.

And with that positive macro backdrop, let me now show how we have delivered value. Storebrand is recognized as a world leader when it comes to sustainable investments. We are proud of the fact that we are included in the prestigious Dow Jones Sustainability Index, an index including only the world's most sustainable companies. We strongly believe sustainable investments give more value for our customers. Understanding and integrating sustainability into investment strategies reduces risk, while at the same time, pushing the world in the right direction. This is a win, win situation and this is not the time to be on the wrong side of history.

Even though most of the organization has been working from their home offices in 2020, the organization has run smoothly. Our employee engagement score has increased to a record high of 8.3, outperforming the benchmark of our industry of 7.8. These factors has contributed to Storebrand's number one position on the Young Professional Attraction Index within the financial sector for 2020. Storebrand is an attractive employer and we have taken the opportunity to recruit top tech talents during the year.

When it comes to the numbers, we have delivered strong growth in savings and insurance over the last eight years. With a 19% annual growth in unit linked and almost 10% annual growth in assets under management, we see a clear shift in Storebrand's premiums, earnings, and balance sheet as capital-light savings and insurance products are replacing guaranteed products. In Storebrand, we have fueled this shift by active reduction of guaranteed pension combined with a strong growth in the Savings and Insurance segments. We see that around half of our earnings now can be linked to our Savings segment. Eight years ago, this area just contributed to 15% of then significant lower earnings.

Looking back to our Capital Markets Day in 2018, we stated this set of ambitious operational targets. And I am very proud to say that we deliver. We deliver on flat costs, growth in occupational pension, number one Norwegian asset manager, and we have built a strong and profitable retail engine for further growth and profitability. Storebrand continues to follow a twofold strategy that gives a compelling combination of self-funded growth in the front book and capital return from a maturing guaranteed back book. But we make some adjustments to the strategy and the wordings. The front book of Storebrand -- of future Storebrand is divided into three focus areas. In 2023, these areas should deliver around NOK4 billion of profits.

Let me start with, A, occupational pension. We aim to be the leading provider of occupational pension in both Norway and Sweden. And we will, B, continue our strategy to build a Nordic powerhouse in asset management. And C, ensure fast growth in the Norwegian retail market for financial services. Staffan, Geir, Jan Erik, and Heidi will present their ambition to deliver customer value and growth leading to roughly NOK1 billion each in profits in three years' time. The only way to ensure a better future is to take part in creating it. That's why we have coined this year's Capital Markets Day on the right side of history to showcase why we firmly believe in sustainability as a differentiator.

Our digital leadership and technology platform also represent a strategic differentiator well-suited to accelerate further growth. Second, we will continue to manage capital and back book with guaranteed products for increased shareholder return. This includes following a clear dividend policy of growing ordinary dividends and it includes managing the legacy products that carry interest rate guarantees in a capital-efficient manner to release NOK10 billion of capital towards 2030.

I will now describe our strategic response along these growth areas. Storebrand's core product during the last years' defined contribution pension is expected to continue its double-digit growth in assets under management. In Norway, the market has experienced increased competition the last years in anticipation of the new individual pension account. Storebrand's strategic response to the market development is to focus on cost leadership and improved customer experience by accelerated end-to-end digitalization. To further strengthen our position as a leading Norwegian pension provider and to continue our growth, Storebrand this year re-entered the public occupational pension market.

In Sweden, the market is more mature than in Norway, but more also dynamic due to the high activity in the transfer market. SPP has managed to gain market share and grown faster than the market by winning this transfer market. The underlying market is expected to grow 8% annually. SPP is the market leader in the transfer market with 25% of the transfer in 2020. With new digital sales tools and high customer satisfaction, we will continue double-digit growth by winning the transfer market.

Our starting point in asset management is the group internal capital base with the ability to invest for the long-term and support growth. We are recognized for pushing the boundaries of sustainable investment and engagement, and we have the full product range including a fast growing offering within alternatives. We have used our strength to build a strong multi-boutique franchise.

Going forward, this position will be leveraged further to ensure that become a Nordic powerhouse for institutional clients and an international provider of differentiated solutions within sustainability and alternatives. The individualization of the pension and savings market leads to a shift in the business logic from a corporate market towards a retail market. The push towards individualization of the market will be further strengthened by the introduction of the individual pension account next year. Coming from corporate pension and asset management, we have both systems and solutions that fit well into retail savings and insurance offerings.

To offer individuals digital one-stop shop and build strong integrated value propositions, we include products from our retail bank, which also enables cross-selling. 1.3 million individuals are customers in Storebrand in Norway through their employment. And our brand name stands strong in the society. This is our main go-to-market strategy. Retail has become an increasingly large part of the Storebrand's portfolio. In 2019, 22% of the group profit came from retail. We expect this to continue with high growth ambitions. In 2023, we plan that 27% of the profit will be from retail.

I will now talk about how sustainability and digital are strategic differentiators for the group. For the last 25 years, we have been the leading player in developing sustainable investments to ensure increased customer value. We call it value beyond return. Our leadership in sustainability is a foundation for value creation for all stakeholders and can be divided into the following characteristics.

Our sustainable position has given us high recognition and improved brand reputation. This position has developed to be a differentiator and are today a significant part of our offering. Because of Storebrand's position and purpose, our employees take great pride in being a part of the company as seen by the high engagement scores. It also attracts an increasing number of international top talents.

Secondly, we are convinced that sustainable investments create the best risk-adjusted return over time for customers. The world is moving into a low-emission society. We believe that a robust and well proven sustainable framework is crucial to navigate through transition risk. We report top performance and asset growth in our sustainable funds this year.

Lastly, we are committed to continue our holistic approach and work for a brighter future for our customers today and when they reach retirement. We use our impact and position actively to push the sustainable agenda. We are confident that the only way to ensure a better future is to be a part of creating it. We stand committed and aim for Paris Alignment throughout the entire value chain and we are determined to lead the sustainable agenda in the coming years, ensuring value creation for all stakeholders.

Then moving to technology and digital. Storebrand does not sell any tangible [ph] goods. Our market offerings are financial products, services, and customer experience. The engine that brings this to life is our technology platform. Building on our strong foundation, we have already successfully adapted to our digital business model. Going forward, we will focus on a set of key strategic technology enablers to grow the business and further strengthen our competitiveness.

Smart use of data paves the way for new business opportunities and efficiency gains through digitalization and automation. Storebrand is underway for a full-scale cloud adoption to enforce -- to enable faster time-to-market and access to new capabilities. The last three years, we have seen an annual growth in digital sales of 25%.

Going forward, we will continue our focus on elevating customer experience. In addition, we will take a more active approach to the development of and a participation in platforms and ecosystems as their importance as distribution arenas are rapidly increasing. Our operational ambitions toward 2023 are clear. We will continue to be a market leader in Norway and add more than NOK15 billion of assets under management from the public sector.

We will continue the double-digit premium growth from SPP and ensure remittance ratio far higher than annual results due to the rapid change in the business mix. In asset management, we target to increase assets under management by NOK250 billion. The retail area should deliver double-digit growth for insurance with a combined ratio of 92% or better. In total, this should add up to roughly NOK4 billion in profits in 2023. Our CFO, Lars Loddesol, will revert with more details and sensitivities. We have now been through the growth strategies, our strategic differentiators and operational targets.

Let me now turn to the capital side of the strategy. When it comes to capital, this slide says it all. This picture gives an overview of earnings, capital allocation, and return on equity at the end of 2019 split between future Storebrand, which is the Insurance and Savings business, and the guaranteed segment in runoff. As you see from this table, the capital-light savings including bank and insurance business is very profitable and provides a high return on equity, while the guaranteed business ties up more than 75% of the capital.

We still expect to beat our return on equity target within the growth segments with a good margin. It is obvious that continued growth is the name of the game for the profitable future Storebrand. The heavy capital consumption within guaranteed makes capital release the core team for this segment. Lower interest rate has made the drag on the return of equity more pronounced, but the runoff will still free up more than NOK10 billion of capital.

A continued strategy, with runoff of capital-heavy guaranteed business and growth in the Savings and Insurance segment, will lead to increased earnings and reduced capital need, which will secure a very positive development in return of equity over time. We expect to start delivering above 10% return on equity at the end of 2023. We, the Board and the management, remain extremely committed to paying dividends.

We will annually pay a growing dividend from our earnings generation as long as the solvency ratio is above 150%. We reiterate our prognosis, indicating that NOK10 billion will be released from the back book and that we'll likely start buybacks by 2023. And as Lars will revert to, we will reassess the needed buffer level to the solvency capital requirement over time as the business mix shifts. This means an even more capital-efficient group over time.

Our financial target stands firm. We deliver on solvency. When it comes to dividend, ordinary dividend was paid in 2019. In 2020, the payment was cancelled due to regulatory intervention. We remain committed to pay ordinary dividends in 2021 and onwards. We deliver on return on equity in our front book with a confident margin, but not on capital tied up to support the back book. We, therefore, need to continue the shift in the business mix and we expect to meet the overall return on equity target in 2023.

Let me finish with three key takeaways for the day. Storebrand is growing and expect to deliver a group profit of approximately NOK4 billion in 2023. Storebrand will get back to paying dividends in 2021 and expect NOK10 billion of capital to be freed up as the guaranteed liabilities are paid out. Finally, this is not the time to be on the wrong side of history. We will uncompromisingly be setting the standard and aim to be the world's most sustainable financial group.

With that bold statement, I give the word back to Karin.

Karin Greve-Isdahl {BIO 20243217 <GO>}

Thank you very much, Odd Arild. In 2008, Storebrand acquired the Swedish life insurance and pension company, SPP. The ambition then was to create the leading life insurance and pension provider in the Nordic region. Today, some 12 years later, SPP has indeed growing into becoming one of the key business units within the Storebrand Group. Our next speaker will explain how SPP will leverage its digital leadership to deliver double-digit growth in actively sold savings. Executive Vice President, Staffan Hansen, will join us by video from Sweden.

Over to you Staffan.

Staffan Hansen {BIO 3335278 <GO>}

Thank you for your introduction, Karin, and good afternoon to all from Stockholm. Let me start with the key takeaways from SPP. One, SPP has become a significant result contributor to the Storebrand Group driven by earnings growth and ongoing capital release. Two, growth is expected to continue, driven by an edge in digital solutions and a strong market position. The quality of earnings has considerably improved over the past years.

As you can see in the graph to the left, assets in unit linked have grown by an annual rate of 12%. The middle graph shows that core earnings have improved by an annual rate of 14%, while the graph to the right shows that nominal costs have been reduced by 9%. Simultaneously, the graph to the left shows that old guaranteed savings have peaked driven by annual pension payments averaging NOK5.4 billion as can be seen in the graph in the middle.

This has generated NOK3.1 billion in extraordinary dividends to the Storebrand Group, in excess of the distribution of annual profits as can be seen in the graph to the right. We expect to continue the capital release over the coming years.

Next, let us move the SPP's core market, which is the competitive market for unit linked occupational pensions, including gross transfer volumes of individual unit linked policies. The graph to the left shows that the market has been growing with an annual rate of 7% over the past years and we anticipate roughly 8% market growth going forward due to increasing transfer volumes.

The graph to the right shows that SPP has delivered a 20% annual growth over the past years and that we target a 14% to 16% growth rate over the coming three years, which is twice the expected market growth. Recalling from the picture illustrating earnings growth, this growth has been generated whilst nominal costs have decreased. Thanks to the growth that has been delivered, SPP's market shares have steadily increased.

SPP is now approaching market leadership in a competitive market for occupational pensions, including transfers, as can be seen in the graph to the left. The graph in the middle shows SPP's market share of transfers only. And the graph to the right shows SPP's growth in terms of annual premium equivalents, excluding transfers. Several portfolio transfers have added to SPP's growth during 2020. An important enabler for these portfolio transfers is the competitive edge and scalability of SPP's modern IT platform, which I will revert to in a minute.

Next, let us shift to the forward-looking perspective. On the quest for market leadership, SPP's ambition is to become the digital leader in the Swedish pension market and to continue delivering double-digit growth from steadily higher levels of annual premium income. Four years ago, SPP decided to invest in a new IT platform.

Initially, a cost case, the platform soon allowed for automation of processes and digitization of the customer end. The strong digital leap forward soon turned out to become a business differentiator for SPP, impacting everything from product development to sales and transforming the ways of working. SPP is now a digital frontrunner in a digitally mostly immature industry.

The journey has been -- has given SPP several strong advantages. The front end is digitally linked to the back end, which allows a company to set up and sign a pension plan with SPP digitally using an iPad. In the same second, as the contract is signed, the pension plan is established on SPP's IT platform.

This signing tool called Sajna was priced as the digital project of the year in Sweden last year. SPP's modern platform allows for scalability and the previously mentioned portfolio transfers would not have been feasible on the old platform. In addition, the platform has allowed for reduced time to market of services and products. According to our own estimates, this metric has been reduced by over 30%.

On the quest for growth, the transfer market has been a key pocket of growth for SPP. The graph to the left shows that 7% of the transfers landed in SPP in 2016, whilst the corresponding figure by the end of the third quarter of this year was around 25%. The addressable market is estimated to around SEK1,300 billion Swedish and the annual transfer share is only 2% of that pie today.

Through regulatory measures, transfer hurdles are now gradually being removed, opening up the transfer market. As the graph to the right shows, we target an annual growth rate exceeding 30% in net transfers to SPP over the coming years providing the transfer margins remain healthy.

The success in the transfer market rests on three features defining SPP: one, we are positioned ourselves as the go-to for qualified advice; two, the go-to for simplicity and smoothness; and three, the go-to for sustainable savings, which also is a key driver behind SPP's brand strength. Sustainable savings is well worth some further elaboration.

Over the past year, we have noticed that sustainability, and especially, the carbon footprint is becoming more and more important in employer branding and as data input to company reporting. As a response, we have recently launched Your Carbon Footprint. This visualizes the company's aggregated carbon footprint of its employees' pension savings in SPP's mutual funds. Your Carbon Footprint is measured against comparable savings in mutual funds without sustainability criterias. All SPP's mutual funds are fossil free since 2019.

Let me finish by summing up SPP's key ambitions for 2023. Number one, double-digit growth in premium income. Number two, number one position in unit linked market share, providing market leadership and profitability go hand-in-hand.

Thank you all for your attention and over to you, again, Karin.

Karin Greve-Isdahl {BIO 20243217 <GO>}

From the Swedish market, let's turn our attention to Norway. Storebrand is the leading provider of occupational pension in the Norwegian private market.

The potential for further growth in this market is strong as the individual pension account will increase the awareness among Norwegian's about the importance of their long-term savings and how they're being managed. We will now hear from the Executive Vice President, Corporate Markets in Norway, Geir Holmgren.

Geir, please come up.

Geir Holmgren {BIO 17639172 <GO>}

Thank you, Karin, for the introduction. Today, I will talk about the dynamics and our ambitions in the corporate market in Norway. In the fast growing and changing occupational pension market, we aim to keep our number one position and market leadership.

Next year, private sector occupational pensions will finally see the introduction of the individual pension accounts. This year, we have also been through regulatory changes within public sector as Storebrand has entered this market as a challenger with a broad product portfolio and clear ambitions.

Today, I will explain to you our strategic thinking when it comes to occupational pension and also how we aim for profitable growth from expanding our B2B offering. If you look back at the market for private sector occupational pensions over the last few years, we clearly see the structural growth in the market, which come from the young nature of the defined contribution pensions in Norway.

Occupational pensions became mandatory in 2006 and growth in unit linked-based pension plans has been tremendous since that time. On an annual basis, the premium growth has been about 10% during the last five years and the AUM growth has been more than 20%. We are slowly seeing the market maturing, but we still expect high-single-digit growth in premiums and double-digit in AUM.

Next year, there will be stricter follow-up from the authorities regarding some employees' violation of the mandatory premium payments. The premium increase is expected to be 10% in total. And at a political level, there is an ongoing discussion to increase the minimum level of mandatory savings, which can increase the premium level with additional 5% to 10%.

During many years of successful growth, we have built up an attractive value proposition for our customers. First, Storebrand has cost-effective processes and economies of scales, which create a basis for an attractive economic value proposition.

Secondly, we offer our customers high-performing ESG-enhanced investment portfolios. The consulting company, Mercer, has assessed the pension investment portfolios in the market during the last three years and Storebrand has achieved the highest score each year.

Thirdly, Storebrand has market-leading digital pension portals for both employees and employers, including tools for planning for future retirement and self-service solutions. And finally, Storebrand has the most satisfied customers in the B2B market over the last 15 years, thanks to our high-quality service, digital solutions, and efficient administration.

Today, Storebrand is providing leading pension and insurance products and services to Norwegian customers. Storebrand is the only provider with a full range of occupational pension products across the private and public sector, both markets are fast growing. For occupational pensions, we believe our scale will be a competitive advantage when individual pension accounts are introduced next year.

In the public sector market, we are also able to take advantage of our economies of scales and offer public sector pension at a low marginal cost, enabling us to offer competitive prices. Our insurance products include mandatory workers' compensation insurance and other risk covers that provide additional employee benefits for the corporate customers. I'm happy to say that Storebrand holds a strong position in all different product lines.

With the inherent insurance know-how we have, it's a smaller step to offer P&C insurance to small and medium-sized enterprises. With the acquisition of our portfolio from Insr, a small Norwegian player, we are already kick starting this new growth area. Our strategic priorities to maintain leadership and profitability towards 2033 are: first, remain number one and market leader in private sector occupational pension market; second, become a fast-growing challenger within public sector, occupational pensions; and third, expand our insurance offering to P&C insurance for small and medium enterprises.

Individual pension accounts will be established from next year for each employee, with an active membership within an occupational pension plan. The pension account will be established at the employers' pension provider.

Let me give you some background information. In Norway, there are two million pension capital certificates, which are unit linked-based policies from previous defined contribution plans. The total AUM value is NOK120 billion. The pension capital certificates will, during next year, be included in the individual pension accounts, and for that reason, also change providers.

We estimate that Storebrand will have a positive net transfer of pension capital of approximately NOK1 billion due to the change. So what happens with the fees and what revenue implications will we face in the industry? Due to the regulatory requirement regarding fees, there will be a reduction in the revenues for all the providers in the industry.

Due to an implementation period throughout 2021, the profit from this business is not expected to decrease until 2022. And in 2022, we expect that the profit from the occupational pension business will decrease with approximately NOK100 million, but at the same time, the profit from other B2B business lines will improve. We expect that our total profit in the corporate market will be the same in 2021 and 2022 due to profit improvement from the insurance portfolio.

My key point is, the economic effect for Storebrand, when introducing individual pension accounts will be moderate and we expect a rather quick result recovery. In addition, which is important, we have introduced new cost measures, which will improve the result from occupational pension business with NOK100 million a year in a few years. We expect the market of long-term savings and pension to merge. Storebrand is well positioned for this growth and individualization.

With high-performing products and attractive digital solutions, Storebrand has, during the last years, achieved a close relationship to the employees in occupational pension schemes. This is an important asset going forward when we work with retaining existing and attracting new individual customers.

In respect to the implementation of individual pension accounts, the focus has been on end-to-end digitization, all the way from the core system to the customer interface. The solutions are cost neutral in terms of volumes, and which is important, this will provide a valuable cost advantage and business volumes continue to grow. The digital investment is resulting in unprecedented customer satisfaction and cost leaderships in the years to come.

As a leading occupational pension provider in the private sector, we have a great starting point when entering the public sector with our already existing solutions. Together with large customers in public sector, we have set up a new sustainable investment portfolio, which includes fossil free investments and extended use of ethical criterias.

The public sector pension market is large compared to the private sector market, and in addition, we see a strong premium growth as well, estimated to 10% annually. We have set our realistic ambition as the aim to gain 1% market share annually, this means NOK5 billion in net AUM inflow every year, and our first year has shown a breakthrough with successful business growth.

So what about profitability and solvency implication? There is a significant and cost-efficient reuse of solutions, systems and processes from a business in private sector. The margins are attractive, so occupational pensions in public sector is profitable and entering public sector does not dilute the solvency position.

To sum up, the combination of a strong value proposition and a large market with high growth and attractive margins gives exciting opportunities. Storebrand is the only new provider that enters this market. Storebrand will achieve capital, customer, and distribution synergies when entering the B2B P&C insurance market.

Storebrand has a strong brand name and a broad and attractive product offering across pension and insurance. Storebrand gets group capital synergies through diversification due to existing large business volumes in longevity and life insurance risk. We are already in the market and has got a kick start with the transfer of the insured portfolio and expect profitability rather quick.

The main ambitions for next year for our business in the corporate markets are: market leadership within occupational pension throughout the whole period; building up significant business volume in public sector; and finally, maintain profit level when entering the new individual pension account market. Thank you.

With that, I give the word back to you, Karin.

Karin Greve-Isdahl {BIO 20243217 <GO>}

Thank you very much, Geir. Our next speaker is the Executive Vice President of Asset Management in Storebrand, Jan Erik Saugestad. Storebrand is a leading player in the Nordic asset management market and a well-known pioneer in sustainable investments.

Storebrand Asset Management currently has more than NOK900 billion under management. All assets are, of course, managed according to strict sustainability criterias. Jan Erik will share with you our strategic priorities going forward and explain how we are well placed to grow the position as a Nordic powerhouse in asset management.

Jan Erik, the floor is yours.

Jan Erik Saugestad {BIO 3103298 <GO>}

Thank you, Karin. Ladies and gentlemen, the asset management part of the business has been through an exciting journey after it was established in the early '90s when the investment activities of Storebrand Life was transferred to separate company, also servicing external clients.

I am proud to be part of this journey after I joined in 1999, and in particular, the leadership we have demonstrated in sustainable investments. In my mind, both management and investments are about creating value today and make sure future management, and generations will be able to do the same.

I will take you through the transformation and rise of asset management over the last five years, our position today as a modern and sustainable multi-boutique manager and our future growth strategy as a Nordic powerhouse in asset management. Over the last five years, asset management has achieved a very strong growth in AUM from NOK571 billion to NOK921 billion, more than 60% rise or NOK350 billion.

The increase in non-captive, institutional and retail account for NOK230 billion of this. Revenues have grown 13% on average and non-captive revenues now represent 67% of total revenues. The net flow from captive portfolios are limited. Strong growth in the front book is partly offset by outflow from the back book, the guaranteed portfolios. However, as mentioned, there is a significant and positive net flow from external non-captive clients, which is a strong enabler for growth.

The importance of asset management in the group has grown and Storebrand Asset Management is an experienced and diverse organization with 11 different nationalities and an average tenure above nine years. We have an experienced management team and engaged employees ready to continue the journey. We are now a modern and sustainable multi-boutique manager, well positioned for further growth.

We cover key asset classes for clients, index, factor, active and private equity, fixed income, private debt, real state, and infrastructure. The multi-boutique has strong brands with autonomous and complementary investment strategies. We have gone beyond just financial cross holding and share an efficient and scalable operating platform with joint investments in technology.

In addition, we have a common Nordic and international distribution. ESG is fully integrated and there is one group policy for sustainable investments. Storebrand Asset Management and the multi-boutique is highly recognized by clients. We have made strong improvements in client's willingness to recommend SAM to others and are recognized as a leader in sustainable investments internationally by Nordic peers and clients.

Over the last years, we have new clients in Finland, Iceland, and Denmark and made a European breakthrough with sustainable solutions. Management has clear strategic priorities in the coming years to increase the AUM by NOK250 billion and maintain the revenue margin. The key priorities are end-to-end digitalization, market expansion outside Norway, keep the recognized number one position in sustainable investing, continued growth in active and alternative asset classes, and to look for bolt-on acquisitions for further growth.

Let us start with the first strategic priority. We already have a strong digital foundation and intend to invest further to make it even more robust, improve quality and reduce risk. This will help us achieve even greater cost efficiency and our ambition is to reduce the operational cost by 1 basis points as for growth. We do believe that digitalization will also improve the client experience and help us attract new clients and increase the share of wallet with existing.

Our second priority is to accelerate the growth in markets outside Norway and grow our client base and AUM. We want to provide the full range of sustainable solutions in our multi-boutique. We have already a robust position in Sweden with a branch since 2008, SPP Fonder is the fifth largest mutual fund in the country and we also have Storebrand Fastigheter as part of our robust real estate business. Over the last years, we have entered Denmark with a group listed UCITS funds and a SAM branch.

We have established vehicles in Luxembourg, both for SICAV and for UCITS and RAIFs for alternatives. And we have a base of international clients in private equity in Cubera. With this structure in place, there are clear opportunities for further growth and we are going to strengthen our distribution outside Norway. We see strong demand for our products and sustainable investment solutions, and we are well recognized by investment consultants and advisers.

The third priority is to keep our number one position in sustainable investments and continue to provide innovative index solutions and cater for strong active ownership. We have proven that sustainable investing is both the smart thing to do and the right thing to do. The only way to ensure a better future is to be part of creating it and we want to help clients do this. Clients now rank competence on sustainable investing very high when they select their partners.

We have successfully attracted and shifted capital in the right direction and investments in solutions now amount to NOK75 billion, fossil free investments NOK320 billion, one-third of our AUM. After 25 years, we are still young and energized. We continue to push the boundaries of active ownership and engagement because it is not only about avoiding companies with a negative impact or investing in companies with solutions. It is also about changing the companies in the middle.

Climate risk is the biggest crisis known to humanity. We have pushed the boundaries with our new climate strategy and the lobby criteria we introduced has drawn significant attention. Lobbying against measures to combat climate change is unacceptable, because it's a necessity that investors, companies, and governments work together to solve the challenges we face, not only for humanity, but also for prosperity.

We have already lost two-thirds of world population of wild life over the last 50 years and 1 million species are at the brink of extinction. Life on land and at sea is critical to human survival. We are leading initiatives together with other initiatives [ph] engaging with governments on deforestation and life in the ocean.

In this, we often say partnership is the new leadership. Together, we can create action on the ground. We need a level playing field for sustainable business practice. In that way, market forces will work and even more capital will flow into sustainable solutions and infrastructure. It is the right thing to do and clearly the smart thing to do.

Moving on to priority number four and asset classes. We are well positioned for the trend in alternatives. Through Cubera, we are the Nordic gateway to private equity, offering Nordic primary and secondary strategies and international primary strategies with new fund launches, driving growth beyond today's NOK35 billion commitments.

In real estate, Storebrand is an experienced and well recognized manager with a five-star sustainability rating and 48% BREEAM certified properties and investment vehicles in Norway, Sweden and in Luxembourg.

In infrastructure, we recently announced a major partnership with highly reputed pension funds in Denmark with a total joint commitment of up to NOK45 billion. In private debt, we continue to help pension funds co-invest with NOK40 billion captive portfolio.

In total, we intend to grow alternatives with NOK30 billion in commitments over the next three years. Even though it's not growing, there is still a significant revenue pool in actively managed solutions. A well-executed investment process, strong talent and team is important.

In addition, with our robust multi-boutique, we have the financial capacity to run focused teams. We have strong ESG research expertise, experience of sophisticated risk management from captive management, and capacity to support cross learning and deep forensic analysis by independent in-house team.

Over time, the growth in active equity and alternatives as part of our AUM has been substantial and currently amount to NOK214 billion. We have been successful in improving the revenue margin through this growth and our ambition is to maintain this margin going forward.

Our fifth priority is to focus on selected bolt-on acquisitions. In addition to the successful establishment of SPP Fonder, we have recently completed two important acquisitions. With SKAGEN, we got a number of significant strategic benefits. It contributed to an improved joint asset management platform, enabled international expansion, and strengthen our position in the mutual fund retail market. In total, there has been significant larger group synergies than we anticipated and the original Skagen unit holder system is now a group system.

With Cubera, we now provide a full range of private equity offering to Nordic clients, we were not able to earlier. We are a strong gateway to the Nordics for international clients and the acquisition has been a success above our expectations. I'm proud of the team and how they impressively have raised NOK12 billion since the acquisition. With the management expertise of M&A and further need for consolidation in asset management, Storebrand has publicly announced our strategy to look at opportunities to further grow through bolt-on acquisitions.

Our focus is in three different areas. First, we are looking for opportunities to consolidate conventional asset management further and to assess complementary products, markets and client segments, there is clear potential for synergies by scaling our multi-boutique platform.

Second, we are keen to grow further in alternatives and the success of private equity and Cubera has demonstrated the benefits we can create for clients and shareholders with this type of acquisition. We are seeking opportunities in real estate, infrastructure, and private debt. Finally, we search for opportunities to assess new technology for efficiency and improved client experience. The fintech treasure of SKAGEN was an example of this.

To conclude and sum up where the five strategic priorities will take us. Our key ambitions for 2023 are, given normal market conditions, an AUM growth of NOK250 billion, to maintain our revenue margin at current level and continue to be recognized for our leadership in sustainable investments and provide value beyond return.

Thank you very much for your attention. And with this, I hand back to you, Karin.

Karin Greve-Isdahl {BIO 20243217 <GO>}

Thank you very much, Jan Erik. From asset management to the retail, Storebrand is a fast-growing challenger in the Norwegian retail market. We can offer our customers a full-fledged offering of products and services from banking to savings and insurance. We are a digital-only player with no physical branches and customer satisfaction and loyalty remain record high.

Executive Vice President, Heidi Skaaret, will now give you an insight into how we combine our strong digital capacities and strategic partnership to forge ahead in the retail market. Please welcome to the stage, Heidi.

Heidi Skaaret {BIO 17065401 <GO>}

Thank you, Karin, and good afternoon, everybody. The retail market in Norway is increasingly important as an engine for growth and profitability for Storebrand. Storebrand is a challenger in this profitable market, building on group strengths and synergies. With the digital-first strategy, we offer data-driven, tailored solutions to customer segments where we have an advantage.

So in the following, I will outline our strategy, and how we will generate results in the years to come. The Norwegian retail market is attractive. We have a wealthy, well-educated and digitally mature population. The profit pool is substantial with healthy margins. Storebrand is well positioned for profitable growth in this market, capitalizing on group strengths and synergies.

We are the market leader in occupational pension, with 1.3 million individuals as customers. We have a strong brand. We're the leading asset manager in Norway, and we have capital synergies in mortgages and insurance as well as a leading position as one of the world's most sustainable companies, attracting customers, partners and top talent.

As you can see, we are a challenger in this market, with a fairly strong position in unit linked pension savings and personal life insurance, whereas in banking, mutual funds and P&C insurance, we have considerable opportunities for growth with larger -- with lower market shares today.

Storebrand's job is to provide financial security and freedom to our customers. Through our extensive product lines in banking, savings and insurance, we can offer a full range of products to the Norwegian consumer. We recruit and retain customers through members of our occupational pension schemes through partners, and the general flow of customers who prefer Storebrand.

Through a segmented approach to the affluent as well as the mass market, we offer tailored solutions towards specific target groups to meet customer needs. We have a digital-first strategy and address the market leveraging strong capabilities in data-driven customer development, supported by individualized customer journeys.

In our reporting, you will find the revenue and profits from the retail market accounted for in our main segments, savings and insurance. Insurance includes P&C insurance and personal life insurance. Savings includes the retail bank as well as unit linked mutual funds. All pension and investment advisory is now run from the retail bank. But it is important to note that the revenue is not booked in the bank, only a cost compensation.

The same is true for insurance cross sales. This makes the value creation from the bank substantially larger than what you can read from the P&L of Storebrand bank stand-alone as the bank is a very important driver for cross-sales in the retail market. Retail is a significant driver of topline growth in Storebrand, driven by increased number of customers and volumes in all product categories.

Our growth has accelerated in the last two years, and we expect this development to continue with double-digit CAGR in all product areas going forward. We expect the strongest growth in P&C insurance, where the acquisition of the Insr portfolio has started to add volumes from this month already. To achieve our growth targets, we have improved our internal sales efficiency and rapidly increased digital sales. In addition, we have added physical distribution capacity for our insurance offerings through tied agents.

To ensure sustainable, profitable growth in the years to come, our key priorities are: to develop value propositions tailored to segment needs through data analytics and individualized customer journeys; and to capitalize on strong digital capabilities and attractive customer solutions to support scalable growth; and lastly, to leverage partnerships and explore new business models for increased distribution power.

The financial services industry has a long history of pushing products. Based on our experience and customer insights, our approach is to provide holistic value offerings designed to solve specific problems for the customer. One example is what we call Smart Pension 55 Plus.

This is a service that helps customer approaching retirement to set up an individual pension plan that takes care of most financial needs for a safe and happy life as a pensioner. We delivered this as a digital service, supported by our pension advisers. It has been a very well received service in the market, solving a much-needed job to be done.

Another example is our wealth management concept. Here we draw on Storebrand's extensive offering of leading investment options, supported by professional advisory service as well as banking and insurance solutions tailored to the affluent customer. Over the years, we have invested in digital solutions and services to ensure great customer experiences as well as efficient and data-driven distribution.

We see a rapid and accelerating move towards digital sales in all areas. One example is My Money [ph], an app for pension, bank and mutual fund savings that we launched this fall. We already have more than 100,000 individual customers in the app. Going forward, it will be a platform for customer engagement and sales of savings and insurance-related products.

Our new digital claims solution has digitalized the whole claims process and is now realizing improved satisfaction and reduced claims handling cost. In the same way, our digital loan process is improving efficiency in the bank.

To enable us to deliver outstanding customer experiences and increased distribution efficiency, we are in the process of rolling out a full stack of the sales force CRM platform for financial services. Our insurance operation is already on the system, and the rest of the retail organization within banking and savings will follow in 2021.

With our strong brand and solid reputation, we are an attractive partner for leading national consumer organizations. Our strategy is to have strong strategic partnerships with a few of these. The partnerships are built on a win-win value proposition and with incentives that ensure mutual value creation and success.

This year, we have entered into two large new partnerships. Huseierne is the Norwegian Homeowners' Association, where we have a partnership in banking and insurance. And Coop, the leading Norwegian retailer, with which we have a co-branded insurance offering for Coop's customer loyalty program of 1.8 million members. Akademikerne Pluss, the union for people with an academic education, has been an important partner for insurance since 2015.

We also explore a host of new business opportunities through partners. One example is a fintech company, Dreams, where we provide the underlying products, and they develop the customer interface. We provide both the savings account and consumer loans through the Dreams partnership.

With Finn, the leading digital classified platform, we are integrated into their used car sales process. Finn delivers a service that takes care of contracts, secure payments, et cetera, while Storebrand provides the insurance. With Justify, we integrate their legal service into our concepts. For example, Smart Pension that I just mentioned.

Building on the strong momentum, we have set ambitious growth targets for the next years. Our insurance business is experiencing strong double-digit growth and will continue, with a target combined ratio of less than 92%.

Within retail savings, we will have double-digit growth, and Storebrand is well positioned to be the preferred savings partner for the Norwegian population through their individual pension accounts. For a retail bank, we are targeting double-digit growth of our mortgage book, emphasizing the important role for the bank as a driver for cross sales. All in all, this will provide strengthened growth and profitability in the years to come with the retail market being a solid contributor to the overall group result.

Thank you for your attention. And over to you, Karin.

Karin Greve-Isdahl {BIO 20243217 <GO>}

Thank you very much. Our last speaker of the day is our CFO, Lars Loddesol. Lars has been the CFO of Storebrand for nine years. Always the man with an eye for the numbers, Lars will now deep dive into our compelling combination of self-funded growth in the front book, together with our plans for capital release from the guaranteed back book, a topic I know might be of special interest to some of you.

Lars, the floor is yours.

Lars Aa. Loddesol {BIO 3969188 <GO>}

Thank you, Karin, and good afternoon to everyone. You have now heard five enthusiastic presentations on how we aim to continue to grow a healthy and profitable Storebrand. My presentation aims to pull it all together to explain what this means for profitability and solvency, and how it will generate growing returns to our shareholders.

With this presentation, I want to leave you with the following: one, earnings growth will bring group profit to NOK4 billion in 2023; strong cash generation and liquidity ensure ordinary dividend growth; high-quality investments and solid customer buffers secure customer returns and protect shareholders' equity; Storebrand has a long solvency -- strong solvency position and sound capital generation; and the runoff of the guaranteed book is estimated to release around NOK10 billion by 2030.

Let's start with the group profit. You have heard four business managers describing their plans for the next three years. The business areas are of similar size, and they all aim to deliver a group result of around NOK1 billion each. Put together, and calibrated into the way we present our figures, this leads to a group profit before amortization and tax of

NOK4 billion in 2023, of which the majority of the growth comes in savings from our unit linked business, our asset management business and the retail bank.

Also, the insurance results grow strongly, whilst the profits from the runoff guaranteed business is expected to stay relatively robust for the next three years. Here, we show you a bridge from today's profit and loss statement to the NOK4 billion ambition for 2023. It's an ambitious plan, but it builds on empirical and expected growth and concrete business plans.

It's clearly dependent on our ability to achieve the targeted growth and our ability to maintain reasonable margins. The main takeaway is that we expect to be able to more than compensate margin pressures with strict cost control and strong growth. There are, of course, factors outside of the group's control that may affect the result generation.

Lower interest rates and market volatility may have result effects. Higher interest rates will lead to substantially higher results over time. Regulatory changes may affect Storebrand. Changes in the Solvency II standard model and IFRS 17 may have an impact, although it's too early to have any concrete guidance on this for the time being.

Since Odd Arild took the helm as group CEO of Storebrand in 2012, Storebrand has kept cost nominally flat for eight years, only adjusted for acquired business. This is a real cost saving of more than 20%, whilst the group has more than doubled its assets under management in the same period.

Looking into next year, we will continue to cut underlying costs. The acquisition of the Insr portfolio and the corresponding P&C growth will add approximately NOK200 million in cost. Furthermore, we are accelerating our investment in digital to further reduce operating costs and to increase sales. We are close to finishing the digital transition in Sweden on time and within budget.

We are now making additional digital investments in: A, Norwegian occupational pensions to maintain our cost leadership; and B, our asset management platform for further scalability and end-to-end efficiency. If our growth and profitability ambitions are not realized along the way, we have identified a list of measures to reduce the cost base accordingly.

The group uses capital for financial risk, insurance risk and operational risk. Our task is to use that capital in the most efficient manner. As described in this picture, most of our capital requirements come from financial market risk. The Solvency II capital regime rewards diversification. Given our business mix, diversification from insurance risk is desirable.

That is part of the reason why we have grown the P&C business in the last few years, and why we are now accelerating this growth with partnerships and the acquisition of the Insr portfolio as well as entering into the SME or small business in (Technical Difficulty). Odd Arild has shown you a picture describing the return on equity in the back book and the front book. Here is a slightly more granular picture, splitting the front book into our reporting segments, savings and insurance.

As you can see, the front book does not require a lot of capital. On a normalized basis, the return on equity will remain well above 20% in both segments in the foreseeable future. We will start to report on this on a regular basis. Clearly, our most important objectives are to grow the earnings in savings and insurance and to increase capital tied -- sorry, release capital tied up in guaranteed for a sustainable group return on equity well above 10%.

With NOK4 billion in group profit in 2023, combined with growing ordinary dividends according to our dividend policy, we are on the road to achieve our financial target of 10% return on equity in 2023. As the back book runs off, and excess capital can be released, combined with profit growth in the front book, we will have a growing normalized return on equity in the following years.

Let's now move from IFRS results to cash generation and dividends. All of the Storebrand earnings are close to cash. Actually, if we look at the 2019 numbers, you will see that the remittance ratio was above 100%. This means that Storebrand will be more than able to pay ordinary dividends from normal subsidiary remittance.

In addition, the holding company has significantly strengthened its liquidity reserves in the last few years through a combination of subsidiary dividends and the COVID-related regulatory cancellation of group profit -- group dividend for 2019. This means that even with negative events hurting subsidiary remittance in any single year, cash reserves at the holding company level are more than adequate to ensure ordinary dividend payments.

Now let's move to the guaranteed business, and how the buffers built over -- built up over many years, combined with high-quality investments, support customer returns and protects shareholders. The guaranteed back book is in runoff. The premium payments are significantly down. The age distribution amongst policyholders means that most individuals are, or will soon be, receiving pension payments from the guaranteed liabilities. And the highly predictable outflow is more than NOK50 billion in the next five years. In addition, the average guarantee on the liabilities is falling, and the remaining duration goes down.

This picture is familiar to many of you. It was presented as part of our last Capital Markets Day in 2018. It shows the long tail of the guaranteed business, but also how all of our growth is capital-light, and how the guaranteed business becomes a smaller part of the total every year. Whilst still a drag on our short-term capital requirements and return on equity, the guaranteed business is on the road to insignificance and will release a significant amount of capital in the years to come.

Storebrand runs a high-quality investment portfolio with diversified assets. The majority of the investments are in a robust bond portfolio, with an average rating of AA. We have had limited rating migration and no defaults in the portfolio through the COVID period.

Despite the low interest rate environment, Storebrand generates an expected return above the guaranteed rate of return on our liabilities.

If mark-to-market return in any single year is below the guaranteed rate of return, we have healthy buffers to ensure a satisfactory booked return. As previously communicated, with today's rates and investments as well as normal risk premiums in the market, Storebrand will not only maintain our buffers, but further build them in the next 10 years.

And now let me move on to how the growth in the capital-light part of the business and the runoff of the guaranteed portfolio translates into solvency and capital generation. As communicated at our Capital Markets Day in 2018, Storebrand generates approximately 10 percentage points of solvency from operations, net of capital needed for organic growth. In addition, we now start to release capital from the capital-heavy guaranteed back book.

After paying an ordinary dividend of five to six percentage points, we will, on a normalized basis, build six to seven percentage points of solvency each year. This solvency generation compensates for the runoff of transitional capital, which, under Norwegian rules, is likely to be phased out over the next three to five years and ensures a relatively stable regulatory capital in the coming years.

Today's solvency, without transitional capital, is around 160% after the recent increase in Norwegian and Swedish interest rates. Through the ongoing organic capital generation, and supported by measures under our control, which I will revert to, we expect to reach 180% without the use of transitional capital by 2023. The solvency of 179% at the end of the third quarter is resilient to changes in financial markets.

If rates fall, we get more transitional capital. And if rates increase, we get less. This is the nature, and indeed, the purpose of the transitional capital rules under Solvency II. Similarly, volatility adjustment will partly compensate for changes in credit spreads. Also, the equity stress changes under the Solvency II framework limit the solvency impact from equity market developments.

What we have dubbed the front book or future Storebrand contains low volatility business, with less market risk and little risk for shareholders. It means that the business needs a lower buffer to the capital requirement, typically between 40% to 60% above the regulatory requirement.

Today, we have a target solvency buffer between 50% to 80% above the capital requirement. This target reflects that the more volatile guaranteed book needs a larger buffer to the minimum requirement. As the guaranteed book runs off and future Storebrand grows, the risk in the overall business will be reduced and the target buffer level will go down. This is an important point because it creates even more certainty for future capital release for shareholders.

Storebrand has developed a strong solvency model and a toolbox for the future. There is a constant trade-off between solvency today and solvency creation over time. More risk in the investment portfolios increases expected solvency generation, but hurts short-term solvency and vice versa.

Storebrand has a strong balance sheet and significantly lower leverage than many of our peers. According to the rating agency, Standard & Poor's, our capitalization is in the AA range. That means that we have room to issue more subordinated debt, but it does come at a cost. Also, we currently have very little lapse risk -- sorry, lapse risk reinsurance in Norway.

This is a risk, which is exaggerated when applied to our business in the Scandinavian markets and that can be reinsured at a limited cost. In addition, we can hedge more of the volatility in the business through different kind of derivatives. We estimate that we will make use of measures totaling around 10 percentage points of solvency improvements in the next three years.

Last but not least, Storebrand is developing an internal model for solvency capital requirements. The timing for approval of the model is still a few years away. But the model helps us improve risk management and will, over time, ensure that the solvency capital requirements better address the actual risk in our business.

With the combination of today's balance sheet, the capital generation from the existing business as well as the toolbox for solvency, we are confident to be able to get to 180% solvency without transitional capital by 2023. If the trend of increasing rates continues, we will get there earlier. And reaching 180% solvency without significant use of transitional capital means returning excess capital to shareholders.

Our base case is that we will release capital from the back book in the form of share buybacks starting in 2023 and amounting to NOK10 billion by 2030. If rates continue to go up, the capital return will come earlier and more capital will be released before 2030. If rates fall, it may be delayed, but it will still happen.

Our capital management policy remains unchanged. We have, however, chosen to emphasize that excess capital release will come when solvency is above 180% without material use of transitional capital. This clarification has been included in order to avoid a discussion on distribution of excess capital in a technical situation where a significant part of the solvency comes from temporary transitional capital. This is to confirm that Storebrand is extremely committed to, again, pay ordinary dividends from next year when we have put this very special COVID year behind us.

In summary, we continue to manage Storebrand for increased profitability, solid solvency and increasing shareholder returns. We maintain our financial targets. The return on equity target of 10% is a benchmark for all new investments. On a group basis, it will be challenging to reach a return on equity of 10% in the next two years. But with our stated ambition for a group result of NOK4 billion, we will reach 10% return on equity in 2023. And as the return of excess capital starts, and the growth of the front book continues, the return on equity will go up further.

Finally, I would like to sum up the Storebrand strategy. Storebrand continues to follow a twofold strategy that gives a compelling combination of self-funded growth in the front book and capital return from a maturing guaranteed back book. We said at the start that the only way to ensure a better future is to be part of creating it. That's why we have coined this year's Capital Markets Day on the right side of history. We firmly believe that Storebrand is well positioned to deliver sustainable value for our customers, shareholders, and the world around us.

And with that, I give the word back to you, Karin.

Karin Greve-Isdahl {BIO 20243217 <GO>}

Thank you very much, Lars. That was the end of our presentations. We will now take a few minutes break before we open the microphone for live Q&A with CEO, Odd Arild Grefstad; and CFO, Lars Loddesol.

On behalf of the Storebrand Group, I would like to thank you all for your time. My colleague, Daniel Sundahl, with Investor Relations, will guide you through the Q&A in a few minutes. Have a good afternoon, everybody.

(Audio-Video Presentation)

Questions And Answers

A - Karin Greve-Isdahl {BIO 20243217 <GO>}

(Question And Answer)

A - Daniel Sundahl {BIO 20548519 <GO>}

Ladies and gentlemen, we are now opening up for questions from the audience. To answer your questions, we have CFO, Lars Loddesol; CEO, Odd Arild Grefstad; Group Head of Strategy & Finance, Kjetil Krokje; and as for myself, my name is Daniel Sundahl, I'm Head of Investor Relations, and I will moderate this session. (Operator Instructions)

With that, we'll take the first question, and that question comes from Peter Eliot at Kepler Cheuvreux. Peter Eliot, please go ahead.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much. I hope it's okay to ask three questions. The first one was just how we should think about the uses of the NOK10 billion of capital release? I mean, I guess you highlighted share buybacks quite rightfully, but I'm guessing that might not be the only potential use. So I'm just wondering if you can say whether some of it might be used to reinvest the business -- in the business either organically or inorganically?

The second question was on the NOK4 billion number. I mean, I guess the group result includes net profit sharing and risk results, which have been a bit volatile in recent years.

So I'm just wondering if you can sort of explain how you think about those and why you opted for that number maybe?

And then finally, the last one was just on the organic solvency capital generation of 15 points or NOK4.5 billion. I guess, from the outside it's a little bit difficult to see what you've achieved in recent years, because it's more than just operating profits; it's excess return stuff as well. So I'm just wondering if you can give us a bit of insight into what you have achieved and whether the new guidance is a sort of step up to any extent or really a continuation of -- a very smooth continuation of what you have seen.

And sorry, perhaps if I can just sneak in one extra one. The modeling you showed, can I just check whether that's -- I'm assuming that's at the end of Q3, and I'm assuming that the transitional also will be a bit lower now than they were then, so maybe they run off in fewer years. But yes, if you could explain that, that'd be great. Thank you.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you, Peter. I'll just start with the first one and give the word to Lars and Kjetil for the next ones.

I think if you look at the back book, more than 75% of our capital are today really supporting the back book. Over time, of course, it will be quite a substantial number of equity that can be distributed based on the runoff of the back book. We see that NOK10 billion is the number we estimate to have released within the time frame to 2030. And we are very eager to start doing share buybacks. So we'll be -- we will prioritize to do that from the point where we reached 180%.

Then, of course, quite some -- you know that the running business, the front book needs quite limited of capital for the organic growth, and we have opportunities to do some bolt-on M&As, but that will be quite limited. So you should expect us to be very focused on starting share buybacks for the bulk of the business, bulk of the capital that we have estimated for capital reduction over this time frame.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

And if I continue on the NOK4 billion split down on the group result, that would be approximately -- you're correct, it's a financial result, it contains the return on the company portfolios and some profit split, especially from the Swedish operation and also some risk results. And that would usually be in the order on a normalized basis of NOK500 million to NOK600 million. So the remaining part of it is the operating result in the order of NOK3.4 billion, NOK3.5 billion. So that would basically be the split on the NOK4 billion.

In terms of the runoff of the transitional capital, that -- in these pictures that's based on the Q3 numbers. However, as I mentioned in my presentation, we would estimate that the underlying solvency without transitionals has increased from approximately NOK150 million at the end of the third quarter to approximately NOK160 million as of now due to the increased interest rates in the Norwegian market, in particular, but also to some extent in Sweden since the end of the third quarter. So this number should be calibrated based on that.

I didn't catch the third question on organic capital.

A - Kjetil R. Krokje {BIO 20060140 <GO>}

I can give that a proper -- since the -- on the last Capital Markets Day we said that we expect to free up roughly 10 percentage points of solvency or generate 10 percentage points of solvency each year before dividends. And organically, that's roughly where we've been. But of course, going into 2020 and having COVID and lower interest rates meant that that has an impact on the solvency ratio. So I understand your question that it's hard to see the underlying capital generation purely from the numbers.

Q - Peter Eliot {BIO 7556214 <GO>}

Great. Thanks very much.

A - Daniel Sundahl {BIO 20548519 <GO>}

The next question comes from Blair Stewart of Bank of America.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Hi. Good afternoon, gentlemen. Thanks very much for a really, really good presentation. I thought it was excellent. I've got a couple of questions. The -- just looking at your targets for the insurance business on the retail side, very aggressive top line growth or very ambitious top line growth with a 92 or better combined. Can you just talk a little bit more about how you get there? And where is the combined ratio at the moment for the retail business?

The second question is really just a technical question on costs, where you've talked about the flat -- sorry, the pickup in costs in 2021, but I was wondering what's the ambition on cost thereafter? Is it still to hold it flat at that NOK 4.4 billion level? Or will there be some growth in costs?

And finally just on the solvency, we've got -- you've said it's 160% today. You say you've got about 10 points of management actions in the back. It does seem to me that with some organic capital build, you could get to your 180% much earlier than 2023. And I know there's volatility, and we could be talking about something completely different in just a few weeks' time. But I just wondered what your thoughts were on that, whether 2023 is a conservative estimate of when you get to that 180% and start to return capital.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Maybe I should start with the capital question, and then we help with you the other ones. I think starting from 160%, having the generation of capital, as Lars has shown us in his presentation, will, together with the measurements, have on hand to really increase this solvency. We estimate that this will bring us into this -- our capitalization situation, even for the solvency without the transitional rules in 2023.

Of course, it is estimated based on the interest rate level we have seen up to now, we have seen quite a strong growth in the long-term interest rates in Norway over the last weeks. And of course, if we see continued increase in interest rate, that can -- is the most important element that can push this forward. And we are eager, of course, to start as soon as possible and would love to be starting doing share buybacks as soon as 2022.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

If I'm to follow-up on the cost level after 2021, what we are doing now, we're presenting this NOK4 billion result objective or goal. We are moving our guiding as you're -- or our guiding towards a result rather than a flat cost base. That means that if we are on the course to reaching that goal in 2023, that may impact the cost level in '22 and '23. If, however, we are not realizing the sales ambitions and the margin ambitions that we have, then we have, as I mentioned, a number of different tools to cut cost. So we have to -- or we will revert in next year on more guiding on the '22 and '23 costs. But I can assure you that we will follow this very, very closely. But it will have to be seen in relation to the result goal that we've now put forward.

And in terms of the retail growth targets, you're quite correct, they are very ambitious. In terms of the insurance part of our growth ambitions, Heidi mentioned several partnerships and the acquisition of the Insr portfolio. In combination with the actual organic growth that we've managed to realize this year on our own, and the three combined leads us to believe that we will be able to have this very strong growth.

The combined ratio target that we have is on the combined business, the result in Storebrand, which means that part of -- the different product lines may deviate from time to time. But overall, we aim to be within this range. And it wouldn't be correct of us to give a guiding on each individual line.

A - Kjetil R. Krokje {BIO 20060140 <GO>}

We can -- I can add that year-to-date we have delivered 91% combined ratio on the retail lines so far, although, of course, no guiding on that going forward.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And also just to mention that, of course, Storebrand has a very strong brand recognition when it comes to insurance in Nordic region. We, as I said in my presentation, really started the insurance business back in 1767. So people know Storebrand and know that it means insurance. Today, we have just a 4% market share that has been built up organically after the sale of If back in the days. So we have a very strong reputation, strong name and strong opportunities for organic growth. That is fueled by partnership and some smaller acquisitions as we have seen. So we feel confident about the growth in insurance going forward.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Thanks very much. Can I just come back just with another point, just to save me coming back later? The allocated equity, I think it's NOK0.9 billion in the insurance segment, it seems quite low. And the ROE, 60%, correspondingly seems very high. Just wondered what's going on there. I think that's lower than I expected and perhaps lower than you previously guided. And finally, just an observation, the retail bank seems to be very much core now. I was never convinced that it was core, but it does seem to be strategically essential now. Thank you.

A - Kjetil R. Krokje {BIO 20060140 <GO>}

Sorry, Blair. Should I start quickly on the ROE? I guess the main reason for why we have allocated so little equity to that business line is because of the diversification effects under Solvency II, which Lars alluded to, where we can diversify away roughly between 70% and 80% of the P&C risk in our solvency calculation. So it means that adding on incremental insurance risk is very capital effective for Storebrand. And it will continue to be that way for many years to come as the balance sheet will still be dominated by market risk for the foreseeable future.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes. And just a small comment on the bank. You're absolutely right, Blair. When we look at the customer journeys that we work with, when we look at the segments we like to reach, we have an increased presence in the Norwegian retail market. We see still a lot of one-stop shoppers in there. We see that the savings market in Norway is maturing, but still 70% of the savings are into the bank accounts. So having a bank license with us in to really broaden our presence in the Norwegian retail market, we think that is important for our strategy in retail going forward.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Thanks very much, guys.

A - Daniel Sundahl {BIO 20548519 <GO>}

The next question comes from Hakon Astrup in DNB. Please go ahead, Hakon.

Q - Hakon Astrup {BIO 18861149 <GO>}

Good afternoon. Thank you for an interesting presentation. So three questions from me as well. The first one on the impact from the individual pension account. So you show on Slide 45 that you will be back to the income level from 2020 and 2021 already in 2023. Can you talk a little bit about what would be the main contributors for that? And is it also possible to roughly specify how much each driver will contribute to the uptick?

And the second question, you state that the buffer to the minimum solvency requirements can come down going forward. Can you be a bit more concrete on roughly when we can see a lower Solvency II margin target from you? Is it you have to wait 5 years or 10 years?

The last question, just to confirm that the NOK4 billion in group profit target, that is excluding M&A?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I'll start with the first one. When you look at the Individual Pension Account, we see that this will gradually come into effect during 2021. The full financial effect will be on our accounts in 2022. I think it's two main elements going in here. Of course, that will be lower margin on the overall defined contribution accounts in Norway. But we have still a very strong growth. So the growth that has been around 20% annually in defined contribution, will, of course, continue as we see it into this time period. So that is an important element.

The second is the cost efficiency. We are working daily on our costs under these elements and are in a position of cost leadership and will also ensure that we have this cost leadership going forward. So the reduction of the relevant cost base here is also an element. So cost and growth in the volumes is the most important elements. And as Geir said, the overall effect from '21 to '22 will be around NOK100 million in this segment or this product line. But it is also the fact that we have high growth numbers from insurance and other parts of the business, so the overall result from our corporate market in Norway will be stable throughout '21 to '22 and growing into '23, as you see from the graphics.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

In terms of the buffer levels, I tried to show you in this picture how the buffer levels are calibrated to the risk in the business today. And as the risk in the business goes down due to the transition of the business, then also these buffer levels will go down all else equal. We will obviously come back to you and talk more about that when the Board has decided that they deem a different risk level to be the appropriate.

But what I want to point out on this picture is the direction of the buffer levels needed for our kind of business. And also to emphasize that this makes additional security for the capital release that we've talked about today, although that's being calibrated on the 50% to 80% buffer levels. So this is an additional security that when the risk in the business goes down, also the buffer levels may go down in due course. And we will revert to that on a later Capital Markets Day.

In terms of the NOK4 billion, in our business plans we aim to continue to do small bolt-on M&A, like we've done in the last few years. And that's part of what we try to achieve here. But that's not a major part of the NOK4 billion, so we should be able to get there even without M&A. That's the objective.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes. I'd just like to add on also on the capital side here. Of course, you have this continuous shift in the business mix, that is helpful for the needed capital. We also work -- have worked now for a couple of years with our internal models. And of course, internal modeling give us also a better view of the risks in the company. And we feel quite confident that going forward we will be able to use this internal model more effective to also ensure that we have a good use of capital and also distribution of excess capital.

Q - Hakon Astrup {BIO 18861149 <GO>}

Perfect. Thank you very much.

A - Daniel Sundahl {BIO 20548519 <GO>}

I will just take this opportunity to ask one of the questions coming in here, written to me with regards to M&A, bolt-on M&A. Will there be any -- in the NOK250 billion growth in Asset Management, is there any bolt-on M&A projected in that?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Again, the NOK250 million increase -- NOK250 billion increase in the asset management business is about half market growth and about half sales. We may also have some bolt-on acquisition in that. But again, we should be able to get there without M&A, although we plan to continue to do M&A from time to time, if we achieve the right price for the right asset.

A - Daniel Sundahl {BIO 20548519 <GO>}

And staying with asset management, you are guiding some 18 to 22 basis points in revenue margin. Does that include performance fees?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

That is based on -- what we have put in the plan here is that we will get a return which is equivalent to the benchmark return in the portfolios, which means that it does not include performance fees. But -- so that's an upside when we get the performance fees on top of that.

A - Daniel Sundahl {BIO 20548519 <GO>}

And the next question comes from Ulrik Zurcher -- Sorry Ulrik, I was going to say (inaudible) at Nordea. Please go ahead.

Q - Ulrik Ardal Zurcher {BIO 19208986 <GO>}

Thank you, Daniel, for getting that correctly. And thank you for a very detailed presentation. I want to touch on solvency and IFRS earnings. First on solvency, just so know it's clear, you have -- in the capital generation and runoff, you have 5 to 6 percentage points dividend, and then you will reach roughly 180% by 2023. But does that mean that the buybacks then depend on the management action and the 10 percentage point sort of buffer you also have there?

And then on IFRS earnings, how high customers buffers do you want? Because like your Swedish one is explosive, it goes from 10 percentage points to 20 percentage points. And also, are they investment returns? Are they based on the higher rates we've seen in recent weeks or based on Q3 '20?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

The numbers are based on Q3. And in terms of how high the buffers will be, it is -- there are individual buffers on many of these -- in many of these products, so it will very much depend on the different categories of products and customer groups. The more buffer we have, the more risk we can take on behalf of our customers in order to achieve a better expected return, which is good for customers and also protects shareholders' equity. So we will continue to build buffers where we can. And some places where buffers are full, which will depend on the different product categories, we will not continue to build buffers. But within the guaranteed portfolios, we have a risk management strategy that tries to optimize this on behalf of customers and, at the same time, protecting shareholders.

And in terms of the solvency buildup, you are correct, starting at 168% and then building 6% to 7% per year. It's an easy equation to see how far you can get. And the toolbox, as I said, will allow us to improve solvency by at least 10 percentage points on top of that. So it's a matter of when and if we use that toolbox in order to achieve the 180% and start the share buyback.

It's a lot of discussion about 2022 or 2023. Of course, we, the management and the Board likes to do what is necessary to start that share buybacks as soon as possible. So this is just a projection based on where we are today, what the generation of solvencies. And we also talked about the toolbox and our ability and willingness to use that toolbox to start doing share buybacks.

A - Daniel Sundahl {BIO 20548519 <GO>}

Thank you. Moving on. I have a question coming in here, written. The 10 percentage points in capital generation, does that include using an internal model that we briefly discussed?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

This is based on the growth -- Odd Arild?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

This is based on the standard model --

A - Kjetil R. Krokje {BIO 20060140 <GO>}

Sorry. This is based on the standard model we use today and no effect from any future internal model is included into the capital generation target. That will -- we will start to guide on that when we actually have an internal model in place and approved.

A - Daniel Sundahl {BIO 20548519 <GO>}

Right. The next question comes from Roy Tilley at Arctic. Please go ahead, Roy.

Q - Roy Tilley {BIO 19127459 <GO>}

Hello?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I hear you right.

Q - Roy Tilley {BIO 19127459 <GO>}

You hear me. Okay. Thank you. I have a couple of questions on the individual pension account. Just on the Slide 45, you show the expected profit development there. And I was just wondering why you don't see any bigger impact in 2021. I would assume the margin impact would be present already in 2021, but you seem to see a much bigger impact in 2022.

And the second question, as you talked about this, this means that the pension system will be much more individualized then. I was just wondering how you see or how you secure engagement with your retail customers. Your -- you have a very strong engagement with corporate customers, but do you have a strong enough distribution for retail?

And then lastly, do you expect any further consolidation in this market? And if so, is this something you would also look at in terms of bolt-on M&A?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes. When it comes to the individual pension accounts, there is now a time line throughout 2021 where that is put into systems between the different providers of individual pension accounts, where we have the opportunity to very smooth-less give information, so the run of the different assets will be done in a good way.

Then we have also agreed on the time line, together with the regulators here, around using the year to really get this shift of assets going in a smooth way and without any, of course, effect on the stock exchange, especially in Norway though, because this is quite a substantial asset flow that we will see throughout 2021. And that's why we'll see a gradual effect of the individual pension account during 2021, but the full financial effect will be with the new rates in 2022. So that's why you see this impact on the profitability from this product.

When it comes to the market dynamic here, as you say, we have a very strong position with our businesses. We have also gradually built up more and more contact and dialogue with our individuals within these schemes. My Pension was one element that Heidi mentioned, a very good app tool that have this opportunity to both show the total pension fortune, do measures with it yourself and also, of course, be able to do both more acquisitions of savings and so on within the app.

And we also have built up the individual pension account, but also our individual pension account that you can choose yourself, if you like, to have your pension provided by Storebrand, even if your employer has chosen another provider.

So, I think together with what we have built up over the recent years, the product development we have had, also the situation we see in the market where we have the highest return, both on one, three and five years' time when it comes to our pension profiles in the markets, and also being the only provider that includes private equity and real estate as a part of these solutions has given a very strong position into this market. And we feel confident when we move into this individual pension market and look forward to the situation and how this will develop going forward.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

And if I may add a couple of comments. We have been a fully digital retail operation for many years. In the past, the bancassurance model, where you had physical meetings with your bank, was important for cross-sells. Now, and especially in these COVID days, we see that a digital model, where we make products available, overview of your financial situation available, good control for the individuals in digital solutions, that's a really pre for Storebrand. We really have seen digital sales strongly increasing, and we are not cannibalizing any brick-and-mortar in our system, since we don't have any. So our digital model is now taking off. And our good digital retail solutions is going to -- we believe, is going to cement that strength in the retail market and that competitive advantage.

There was one last question.

A - Kjetil R. Krokje {BIO 20060140 <GO>}

Yes. There was a question on consolidation in the pension market and how we would participate in that. I don't know if --

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Well, we have seen some smaller consolidations so far in the market. We will just follow, of course, closely. This is our core market. If there is opportunities in the market in a good way, we will, of course, look into that situation when it occurs. And I think that is what I can say about that so far.

A - Kjetil R. Krokje {BIO 20060140 <GO>}

I think I might add one comment on that and it's -- that it's -- don't forget that it's a really strong inherent growth in this market that we are still thinking that we will have more than double-digit growth in the occupational markets in Norway and Sweden, all together on our own.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I think that is a general more point also because when we see these presentations altogether, you see more or less double-digit growth estimated, both in asset management, in the pension area and also in retail. So we are in a fast-growing front book. We don't need to do any M&A to see the growth come through our business. But of course, we will look at opportunity as -- if they are there, but we don't need it to see the growth come through and the operational results that we have presented here today come through.

A - Daniel Sundahl {BIO 20548519 <GO>}

Great. Thank you. The next question comes from Jan Erik Gjerland of ABG. Please go ahead.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Hey, good afternoon. Jan Erik Gjerland from ABG. I also have three questions. The first one is on the profit sharing and the performance fees, including in the NOK4 billion. Is there any profit sharing or performance fees included in your sort of NOK4 billion guiding? Or is that excluded? You mentioned some NOK500 million, NOK600 million on financials, but those probably are outside that part.

Secondly, on your dividend on Slide 105. It seems like a nice graph, but of course, 2019 will be a lost year. So where should we actually think about that graph going forward into 2020? Should this sort of start at NOK3? Or is the 170% plus solvency at that time, something else than what we see today, which is sort of 160%, as you mentioned? So should you give us some guidance for what we should think about when we see the lost NOK3.25 and potentially for 2020?

And then finally on your retail share, which is 27% of the total by '23. Are you moving any income from other areas to sort of get retail up to 27%? Or how do you -- how should you really think about that portion of income being distributed?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

If I should start on the profit sharing within the NOK4 billion, as I said, it's only based on us achieving benchmark results. So there is one fund where there are some variable fee also below the benchmark return, but that's a very limited amount. So it's basically without any meaningful profit sharing in the NOK4 billion.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Yes. When it comes to the dividends, our starting point is the last dividend that was paid, the NOK3. And as is stated in our dividend policy, it should be above a 15% payout rate, and it should be normally growing. So you should expect us now to pay a dividend in 2021, based on 2020 results, growing from this NOK3.

Then again, of course, it's always a balancing act around our normal ordinary dividends and also getting to the point of doing share buybacks. We will have these growing ordinary dividends from payout to date 2021. And I like to see that we come to a situation where over capitalization and start share buyback as soon as possible, as we already have discussed here. So that is our estimate when it comes to dividends.

A - Kjetil R. Krokje {BIO 20060140 <GO>}

Lastly, on the retail share and moving of any income, that does not include moving any income. So it's the same distribution of income as today.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Thank you. That's all from me.

A - Daniel Sundahl {BIO 20548519 <GO>}

Our next question comes from Thomas Svensson at SEB. Please go ahead, Thomas. We are unable to hear you, Thomas,

A - Kjetil R. Krokje {BIO 20060140 <GO>}

We can still not hear you, Thomas. Are you on mute?

A - Daniel Sundahl {BIO 20548519 <GO>}

I don't think you're on mute, but you may type your question, Thomas, or try again if you work out the sound.

We have one question coming in regarding the distribution of capital from -- that you expect to start in 2023. Could you shed some light on the distribution pattern? And can you also say something about the split between dividends and share buybacks in 2023?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

I think you have to look at the two separate. So Odd Arild has already talked about how ordinary dividends will grow annually, and it will be at least 50% of the group result and nominally growing every year. And then we've said that we'll release in the order of NOK10 billion of capital, based on today's projections from 2023 until 2030. The distribution, I've read some analysts say that this is back-loaded. But that's incorrect, it's actually quite fairly distributed across those 7 years. So there will be a pickup in year one and two, and then it's really quite evenly distributed during those 7 years.

A - Daniel Sundahl {BIO 20548519 <GO>}

Another question coming in. You talked about the potential in the public market and your public occupational pension market and your ambitions to grow there. Can you shed some light on the progress you're making there? You said you have some business already?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes, I'd like to do so. We see the public market as a very interesting market going forward. It's a market twice the size of the market for retail -- no not --

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Pension.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yeah, the pension market in private sector. So this is, of course, a huge opportunity. It's a market today with only one major provider, a monopoly, more or less, a mutual company in the market. We have entered into this market, we see a strong flow already this year into Storebrand. It's, of course, municipalities, but it's also public companies. It's the -- it's companies inside that sector and it's close firms that also have public pensions. So being our provider with both public pension, with all the different pension systems in the Norwegian society, we can build on this and build a solution for these companies in combination with the different pension solutions.

And actually, as we speak, I see a pipeline of around NOK8 billion in assets from a public sector coming into Storebrand, partly this year, some part of it over next year. But this is a pipeline that has already been transformed into assets into Storebrand, and we really look forward working in this market for many years going forward.

A - Daniel Sundahl {BIO 20548519 <GO>}

Then we have a couple of questions related to the insurance growth that we are aiming for. One is regarding the -- on the P&C side. How or what part of this growth will come from the Insr portfolio? Could you give us an update on that? And the second one is, can we share something more about the small- and medium-sized enterprise P&C plans that we have and the growth we see there?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Yes. So the Insr portfolio is approximately NOK1 billion in annual premiums. And we've said that we expect to get more than half of that transferred into Storebrand. So that means at least NOK500 million to NOK600 million in annual premiums should come into Storebrand based on the takeover of that portfolio. And that's partly an SME, small and medium-sized enterprise portfolio and partly a retail portfolio. So we will continue to build on that book as we get it transferred to Storebrand and that will also be like a kick-off of the start or kick-off for a broader SME effort that we do in that part of the market. So I don't know if you -- I think I covered it.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I think that's fair to say and it is, of course, the starting days when it comes to SME P&C business. We get a kick start with this portfolio. Then, of course, we will work with that portfolio towards all the customers we already have in the corporate sector. But I think it's fair to say that we need to come back to give more insight into that progress going forward. It's a very limited element of the plans that we have presented for you today.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

And I should also mention that we're not going into corporate P&C insurance in a broad sense. This is a targeted SME effort with a limited product range, but typically targeting the needs of small and medium-sized enterprises in the Norwegian market.

A - Daniel Sundahl {BIO 20548519 <GO>}

And then we have Thomas, that's coming with a typed question instead, it's on costs. And he's asking, the NOK200 million increase in costs in 2021 due to digital acceleration, what is the total budget for these investments? And is it logical to think that it will come down again in 2022?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

The total IT budget in Storebrand is split between the infrastructure and the tech and the core systems and all that, and the digital efforts that we do to develop new solutions and more E2E, end-to-end solutions for the business. I don't think I want to go into too much detail on that. But it's approximately a quarter of the total cost base of Storebrand is related to IT and digital solutions.

And as I mentioned, these NOK200 million that we are using now to accelerate our digital investments is primarily related to maintaining cost leadership in the IPA, the individual pension account market and the Norwegian defined contribution market. So really, digitizing and automating the back end of that. And the second part of it is relating to the asset management business and a total digitalization end-to-end of that business. So those are the two targeted areas where we are investing now.

I also mentioned in my speech earlier that we have already invested in core systems in Sweden. Those are now digitized to like 90% finished. We don't have -- we have very little additional cost in that, but then you get some of the write-offs in terms of the amortization of that investment. So therefore, there's a delay on some of the cost. But we will revert with cost guidance on '22 and '23 next year. Now, as I mentioned earlier on some of the previous questions, we are targeting a bottom line number of NOK4 billion in group result in 2023.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes. I think also, Lars, moving forward, we see that with the fully digital operations, with the automation going on, we think that the 1/4 that you said of the cost base being on the digital side today, that will even increase going forward. But that will also help us have a reduction in other costs of the business. So altogether, we, of course, have high ambitions for the cost level and being a cost leader in our markets. But then again, the composition we need to invest and will invest and have invested in the digital solutions, both in the past and will do so in the future. So the part of that total cost base will be even larger when it comes to digital going forward, but yes.

A - Daniel Sundahl {BIO 20548519 <GO>}

We have a few questions coming in on the EIOPA Solvency II review, where an advice is expected later this month. Could you share some -- what your expectations are of this and how it could impact Storebrand?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Certainly. So the revision of the standard model in Solvency II includes a number of different things. There is a paper, an advice expected to come out sometime later this month or in January. The most important part of that advice is probably related to the interest rate stress and the volatility adjustments that they will be making.

But I'd like to revert to the process. So there's an advice, a final advice from EIOPA that will be sent to the commission. Then the commission has approximately one year to look at that before they propose it as a law into the parliament and the EU Council. And then the parliament and the EU Council will have another year in order to pass a law, at which time, it will go to the commission for Level 2 delegated acts. And then EIOPA will outline Level 3 guidelines.

As far as we understand this process, it seems to be dragging on until '25 or '26 -- 2025 or 2026 before it's actually implemented. By that time, we expect to have our internal model tested and approved. And therefore, some of these changes to the standard model under Solvency II or in the EIOPA framework will be probably less relevant for us. So that I think is basically the process that we see happening on this matter.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

So we have one or two other Capital Markets Day to help to prepare, to discuss this topic.

A - Daniel Sundahl {BIO 20548519 <GO>}

Thank you very much. You are expecting to be phasing out the transitional rules. Is that because the FSA is saying so? Or is it -- are they doing it faster than previously planned? Or why is this?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

No, this is related to the fact that the transitional rules are the difference in the way you measure the value of the liabilities under Solvency I and Solvency II. And as our front book, our defined contribution, non-guaranteed business grows so fast, therefore, that impact will decrease.

Furthermore, the forward rates are positive, and that will also decrease the value going forward. And then there are some special conditions in the Norwegian law that was put in place when EIOPA was in -- no, when Solvency II was introduced. That limited somewhat quicker in Norway than in other countries. But in reality, this is, first and foremost, a result of the strong growth in our front book. And therefore, the less relevance or less part of the total that the guaranteed back book will be part of.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And also just look at our solvency numbers back in 2018 and 2019, where we were, for all practical purposes, out of the transitional rules. So it was the reduction in the long term rates during 2020 that made us begin to that transitional rules again. But we expect that to then be out of that, again, in the next three to four years.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

But it should be said also that obviously if rates were to fall a lot further, then the transitional rules could come back and be a more important part of the total again for some years. It's really the nature whey they are there in order to make a smooth transition from Solvency I to Solvency II, and allow businesses to make that transition along the way. So this is very much the nature of the transitional rules and the path that we expect based on today's levels.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And that also means that, of course, solvency ratio with transitional rules will be quiet stable, even if you see rates go down.

A - Daniel Sundahl {BIO 20548519 <GO>}

There are no -- we have one final question coming in from Blair Stewart of Bank of America. Please go ahead, Blair.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Thank you. Just one follow-up. The public sector opportunity, does that grow -- sorry, does that come through in to the fee based defined benefit line in the accounting? And if so, is that sufficient to allow that -- the assets there to at least stay stable rather than decline as they have been?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

It's correct that they will be booked there for the time being. And then in due course when it becomes a meaningful part of the total, we may put it out in the separate line. But for the time being, it will be part of that line, yes.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And it's true, Blair,

that we expect at least research generation (inaudible) business to be quiet stable all these period.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Thanks again.

A - Daniel Sundahl {BIO 20548519 <GO>}

We will take one final, final question final question from Vegard Toverud at Pareto. Please go ahead, Vegard.

Q - Vegard Toverud {BIO 17129809 <GO>}

Thank you. And thank you for taking the final question. It will be nice also if you could answer the other questions I'll be happy to e-mail afterwards. But I'm looking at Page 45 there, and I'm looking at the contribution from what I understand is the traditional products. Why is it that it's going to increase in the matter it's drawn there from 2022 to 2023? Thank you.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yeah, on the corporate side now, what we see is that we have tried here to show both the dynamic when we have the individual pension account with the green stables, but also the fact that we have a growing portfolio, of especially insurance with healthy rates, that will increase the result in our corporate area from, of course, very low numbers this year due to the fact that we did some extraordinary efforts when it comes to disability pension during the first quarter, normalizes in '21, have a quite stable situation into '22 and increases again in '22, due to the fact that we both see the growth from the individual pension account coming through, but also growth and result especially from the Insurance side. And then also, our guaranteed business in Norway is a part of this area with a quite stable result generation, as we already said, during this period.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

So this is -- you usually don't see our numbers split this way, but that's all of the occupational pension business in Norway, including risk products, defined benefit products and unit-linked products or defined contribution products. So it's a different way of seeing numbers split than you are usually used to, but it tries to explain to split out the IPA impact on that business.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And Lars has also shown how this is split with the NOK4 billion in our slides, showing how this is into the normal segments that we reported.

A - Daniel Sundahl {BIO 20548519 <GO>}

And with that, ladies and gentlemen, we have come to the conclusion of this year's Capital Markets Day. As always, please get in touch if you have any further questions, and we will also do our best to answer the types of questions that have not been answered yet.

But with that, thank you very much for tuning in today. Have a nice evening. Goodbye.