



# Nordea Life & Pensions and Solvency II

Snorre Storset  
Head of Nordea Life & Pensions

*Making it possible*

# Largest Life & Pension provider in the Nordic countries - a business within Wealth Management

## MAIN FOCUS AREAS

**Finland & Sweden:** Individual life savings and risk-related products. Nordea Bank distribution

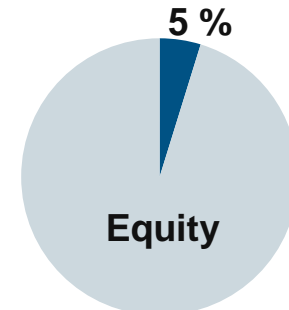
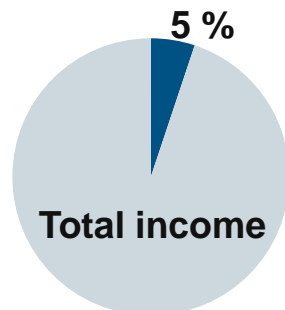
**Denmark & Norway:** Corporate & individual pensions and risk-related products. NLP's sales force, Nordea Bank & external distribution

**Pension Funds:** Poland, Estonia & Latvia

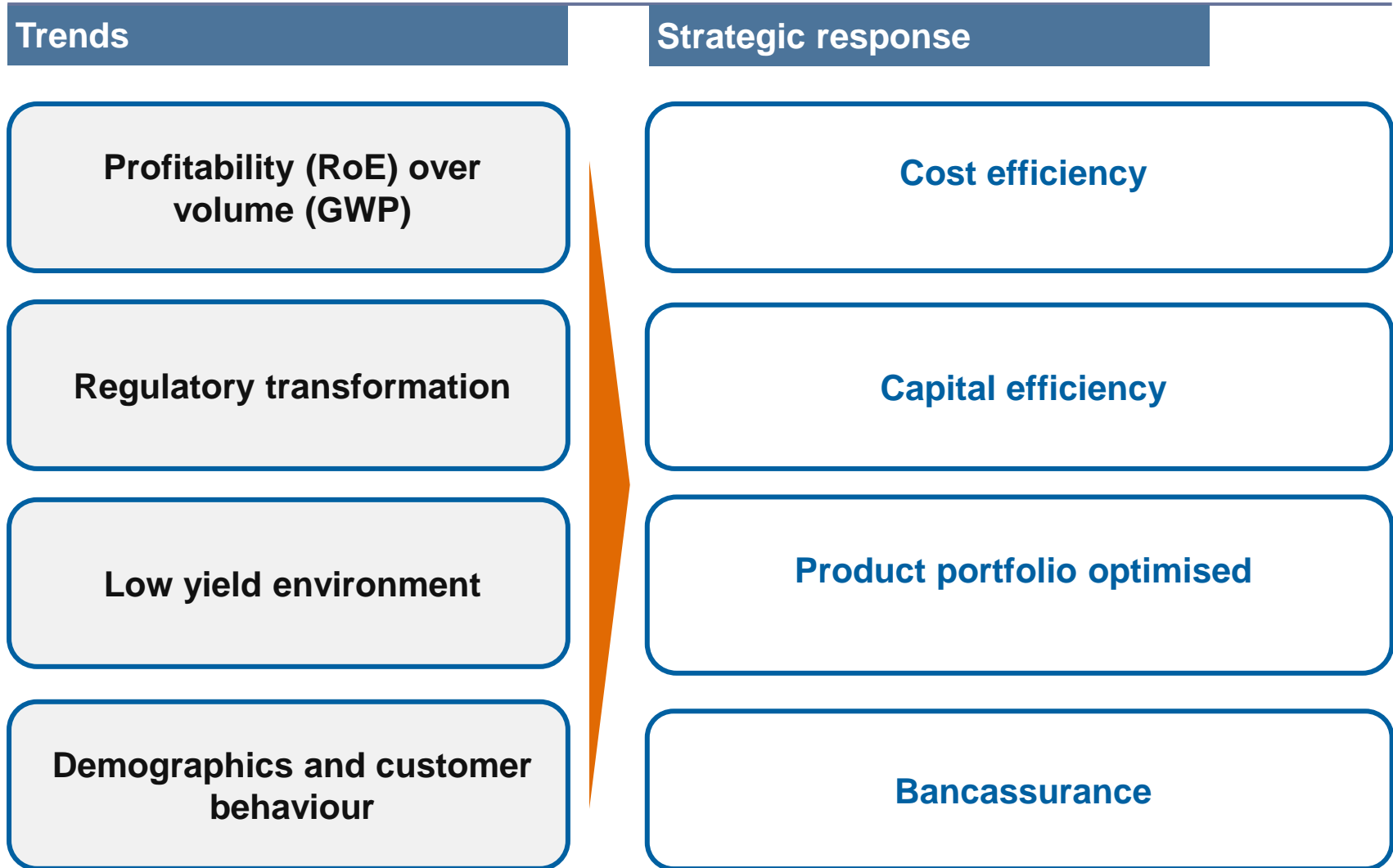
## FINANCIALS, H115 VS H114

- Total income EUR 291m, up 13%
- Operating expenses EUR 99m, down 4%
- AuM EUR 61bn, up 9%
- GWP EUR 4.8bn, up 23%
- 90% of GWP in Market Return Products
- Dividend of EUR 220m in 2014

## SHARE OF NORDEA GROUP, FY 2014

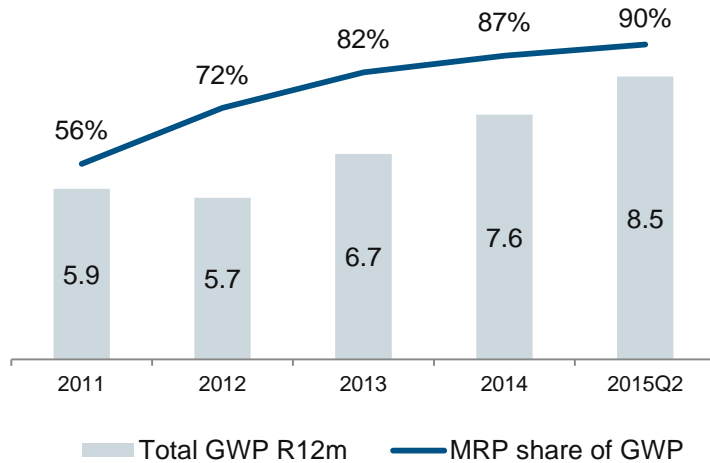


# Responding to market development

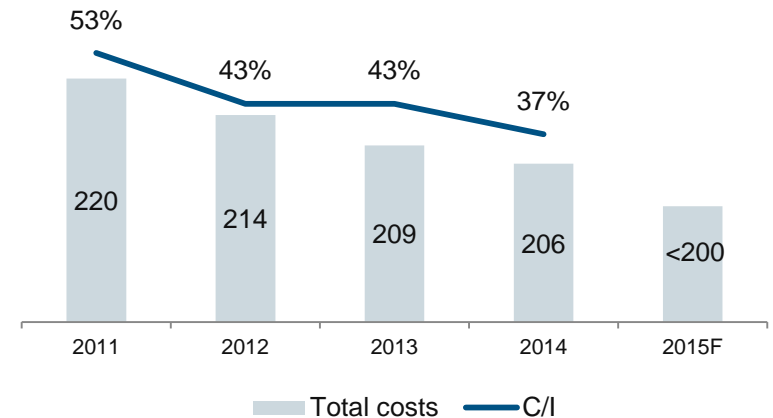


# Delivered a turnaround – Strong starting point

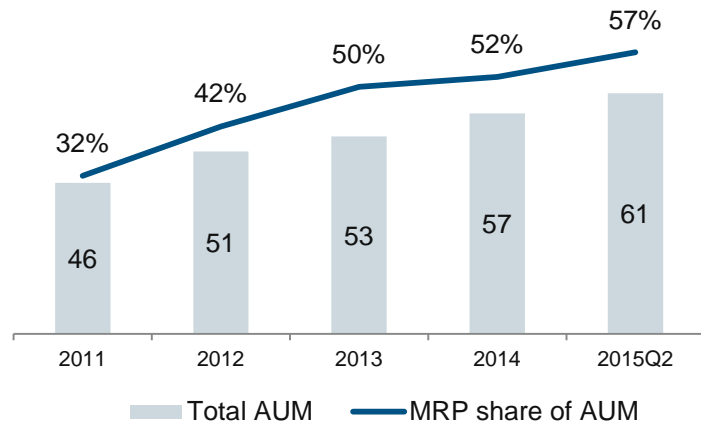
GWP DEVELOPMENT, EURbn



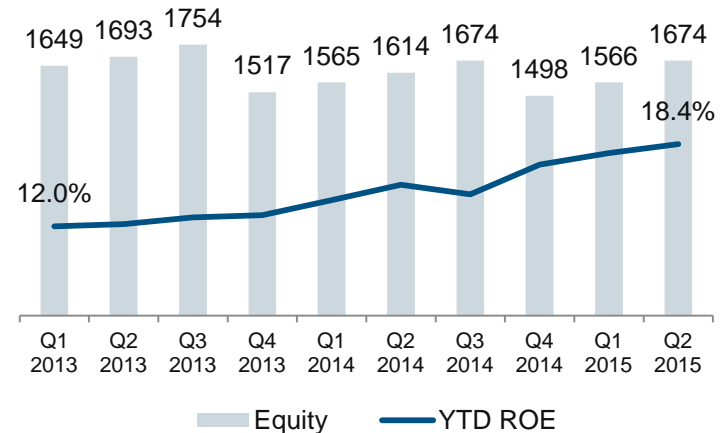
COST DEVELOPMENT, EURm



AUM DEVELOPMENT, EURbn

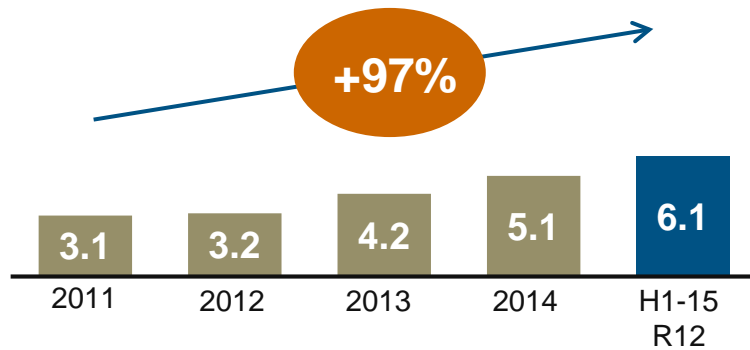


RoE DEVELOPMENT, EURm



# Low cost growth through bancassurance

BANK SOLD MARKET RETURN PRODUCTS,  
GWP, EURbn

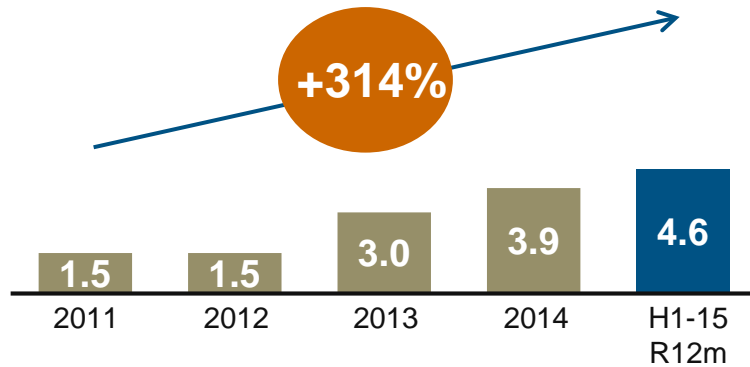


COMMENTS

- Simplified product options
- Automated processes
- Deep integration with the Bank
- Looking around the corner

# Attractiveness of endowment products plays to our strengths

PREMIUM DEVELOPMENT ENDOWMENTS,  
GWP, EURbn

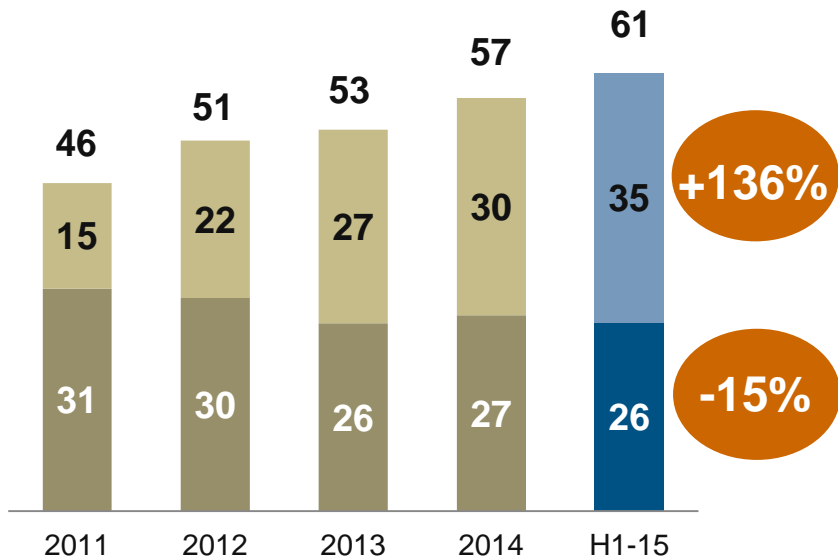


COMMENTS

- Tax advantages reduced on private pension savings
- Tax effective savings need from increased longevity
- Low yield environment
- New product generation
- Well-suited for bancassurance
  - Advisory and content

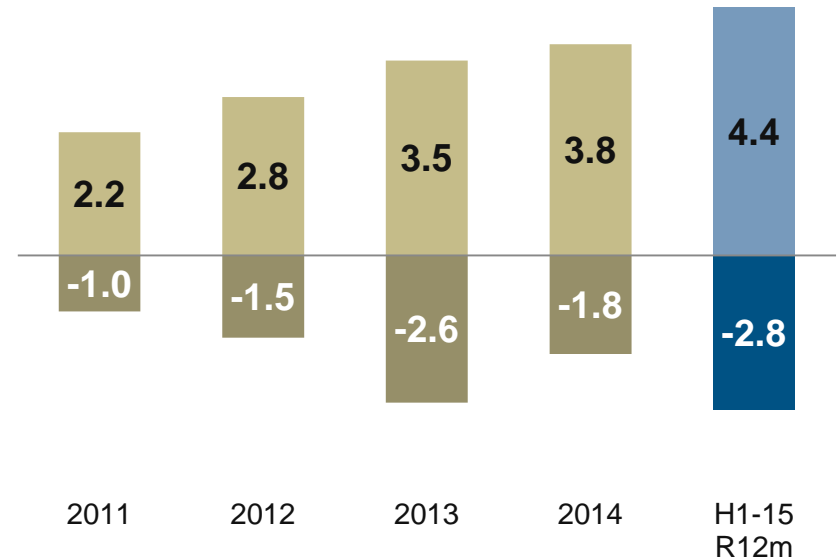
# Market Return Company also in terms of AuM

AuM SPLIT BY PRODUCT CATEGORY, EURbn



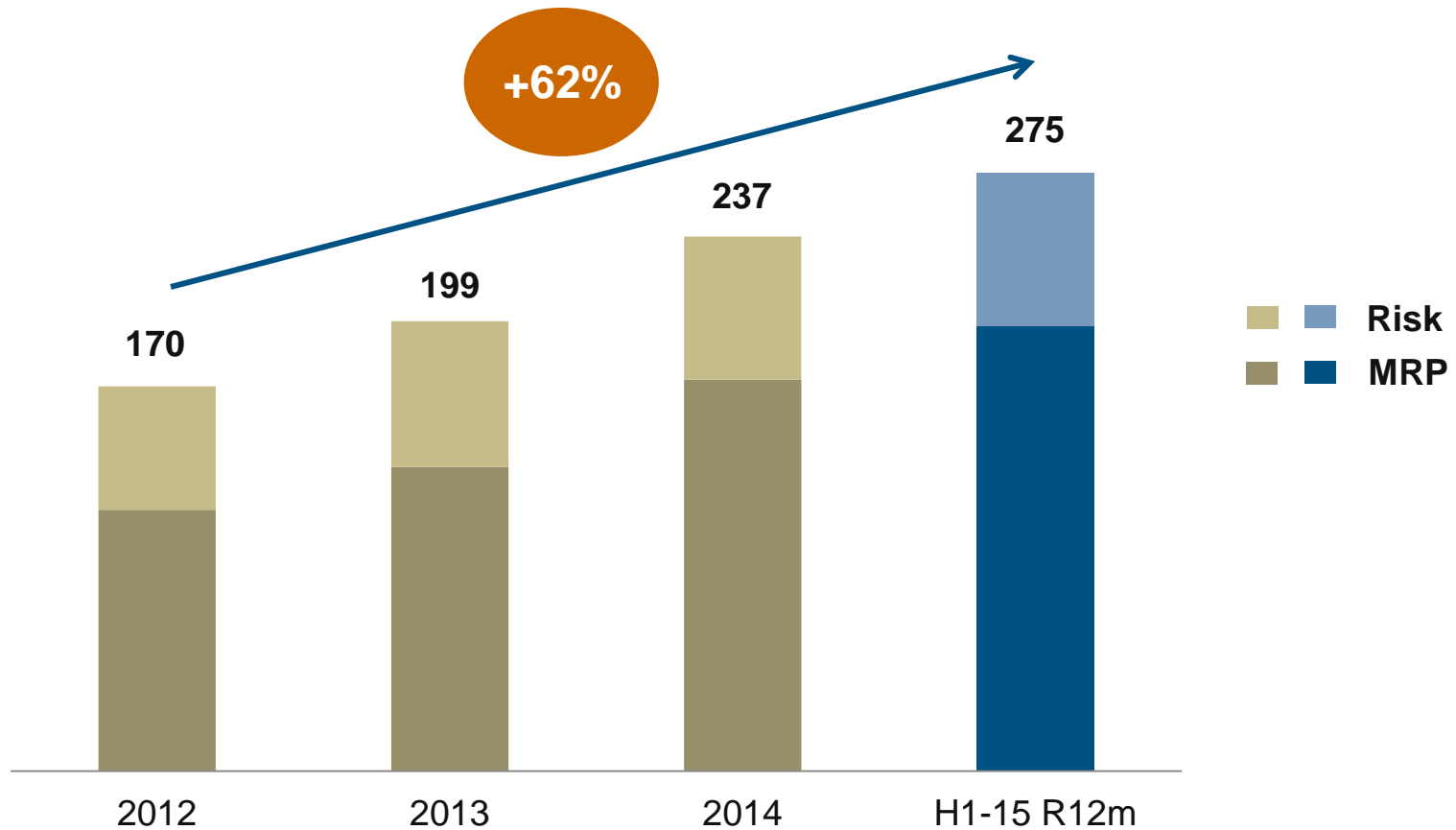
MRP  
Trad

NET INFLOW SPLIT BY PRODUCT CATEGORY, EURbn



# Strong growth in market return and risk profits

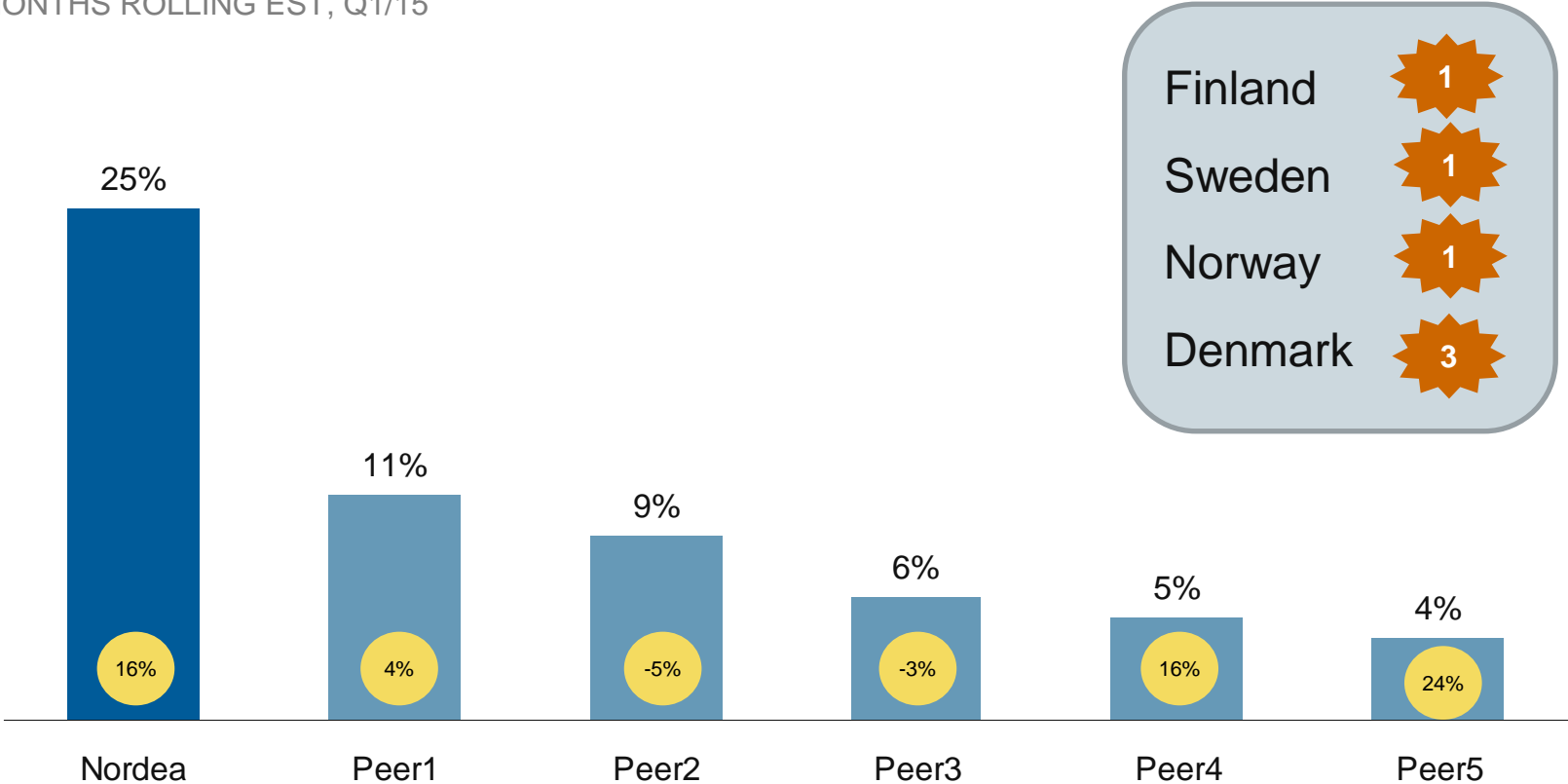
PRODUCT PROFITS, MARKET RETURN AND RISK, EURm





# Market position: Clear market leader in market return products

LIFE & PENSIONS MRP MARKET SHARE  
12 MONTHS ROLLING EST, Q1/15

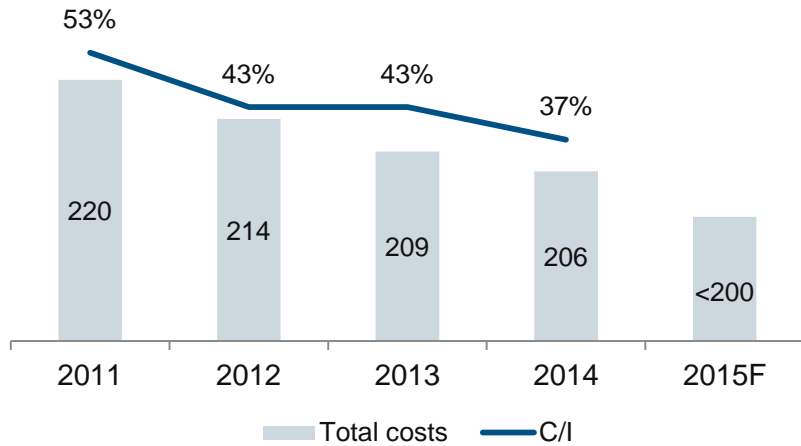


● Growth in GWP vs Q1/14

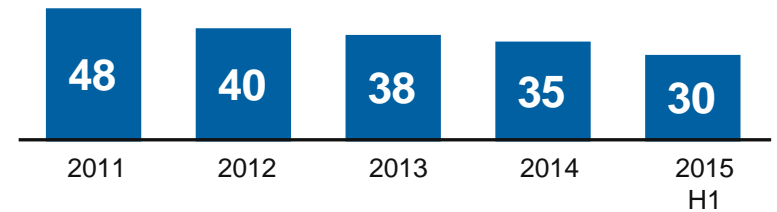
Nordea estimates based on local insurance association statistics

# Significantly improved cost efficiency

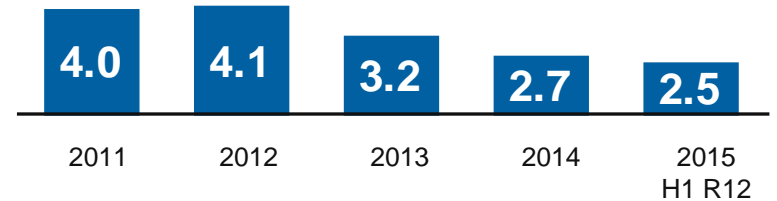
COST DEVELOPMENT, EURm



COST/AuM, BPS



COST/GWP, %



# Solvency II considerations

## Business driven

**Attractive new market return  
and risk business**

**Disciplined risk management  
of legacy traditional business  
– Liability Driven Investments**

**Cost efficiency**

**Further optimisation of  
investment strategy/hedging**

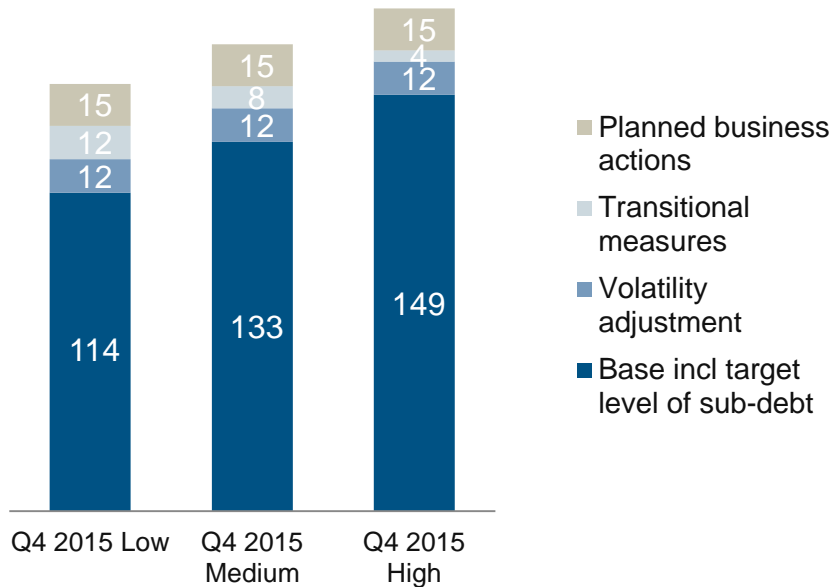
## Regulatory driven

- Volatility adjustment in DK, NO
- No use of matching adjustment
- Transitional on technical provisions in NO
- Equity transitionals in DK, FI, SE
- Partial internal model longevity in DK
- IORP\* exception in SE not included

\*Institutions for Occupational Retirement Provision

# Meet Solvency II requirements without equity capital injection

## EXPECTED CAPITAL POSITION ENTERING SOLVENCY II



## KEY SENSITIVITIES\*



Projection of the Solvency II position to the end of 2015 under high, medium and low assumptions on the development of swap rates during 2015

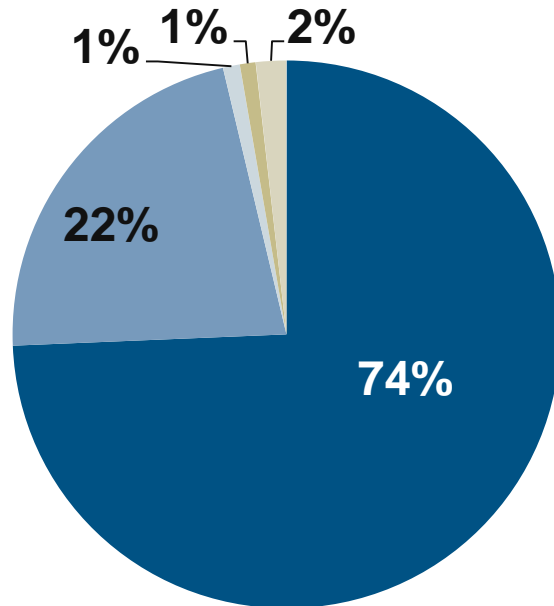
- Low represents a scenario where interest rates during 2015 falls similar to 2014
- Medium represents an interest flat scenario from December 2014 onwards
- High is based on internal ICAAP scenario with slight rise in interest rates

Similar asset return assumptions applied across all three scenarios for equity, property and credit spread over swap rates

\*Base position end Q2 2015, i.e. excluding transitional rules

# Room to optimise investment strategy further

## CURRENT SCR COMPOSITION



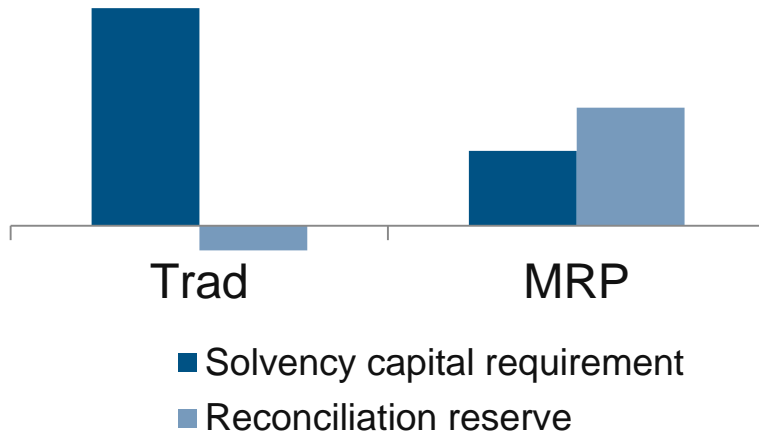
- Market Risks
- Life Underwriting Risks
- Health Underwriting Risks
- Default Risk
- Operational Risk

## COMMENTS

- ~3/4 of SCR comes from market risks
- Gives room to optimize further through re-allocation and hedging
- ~15% improvement by year-end possible with current plans
- Reduces balance sheet volatility

# Business model supporting future dividend capacity

CAPITAL REQUIREMENT VS CONTRIBUTION,  
EURm



## COMMENTS

- Dividends paid: EUR 300m in 2013, EUR 220m 2014
- Self-financing growth in market return and risk products
- Capital release from run-off traditional book
- Balance sheet volatility management

# Continue to improve quality of Life

**Strong platform**

**RoE 18% in 2018**

**Market return company**

**Low cost growth through  
bancassurance**

**Competitive product offering**

**Leading market position**

**Next generation product offering  
fuel growth**

**Life business platform efficiency  
improve further**

**Solvency II optimised business  
model/strategy**

**Strong risk culture**



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