



Press Release

Stockholm, 4 September 2000

SPP Group, January-June 2000:

Assets under management up SEK 20 bn to SEK 455 bn

- The SPP Group's profit after tax for the first half of 2000 amounted to SEK 12.5 bn (first half of 1999: SEK 19.3 bn). This 35 per cent decline in earnings was mainly due to a lower investment return as a result of decreased value growth on the stock markets.
- Premiums written fell 7 per cent to SEK 11.9 bn (12.8) due to less single premiums in the parent company. Periodic premiums increased in both the parent company SPP and the subsidiary SPP Liv.
- The expense ratio amounted to 5.5 per cent (4.2).
- At 30 June 2000, the market value of the assets managed by the Group was SEK 455 bn (390). This represents an increase of SEK 20 bn since year-end 1999.
- Investments provided the parent company with a return of 5.0 per cent (7.5). Net sales were carried out of Swedish equities and Swedish fixed-income securities during the period, while the holding of fixed-income securities outside Sweden was increased. SPP Liv's total return, including the settled promissory note claim on the parent company SPP, amounted to 3.6 per cent.
- The Group's share of the Swedish life and pension insurance market is estimated at 11 per cent (11). In the sub-market for occupational pension insurance open to competition, market share rose to 28 per cent (27).
- The aim is to complete the work of finding a new ownership constellation for SPP Liv and SPP Fonder before the end of the year.

SPP operates within long-term savings in insurance and mutual funds. The Group has approximately 1.9 million individual insurance contracts and SEK 455 billion in assets under management. SPP is assigned by the Swedish Employers' Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK) to administer occupational pension insurance based on the ITP Plan. SPP Liv is one of Sweden's two leading companies within the occupational pension segment that is open to competition and SPP Investment Management is one of the largest asset managers in the Nordic region.



Lars Otterbeck:

SPP safeguards security and reliability

In the first six months of the year SPP provided evidence yet again of its ability to safeguard the security and reliability that forms the backbone of the Group's activities.

Within investment management, where the goal is to achieve the highest possible risk-adjusted return, the choice of individual investments was successful and purchases and sales were made when appropriate. At the same time, SPP Liv continued to win customers and market shares in a segment exposed to intense competition. As a result of this and the efficiency of its organisation, SPP achieved a good financial result.

Furthermore, decisions regarding the collective reserve policy and the sale of the business exposed to competition created opportunities for the future that are positive for customers and insured individuals, as well as employees and principals.

Collective reserve

The Swedish Competition Authority's approval of SPP's new collective reserve policy has provided an appropriate solution to handling the company's surplus funds which takes into account the interests of policyholders and insured individuals in a satisfactory manner. The initial payments of client company funds started at the end of August.

SPP has carefully monitored the development of its solvency margin. At 30 June 2000, it was so high (129 per cent) that it became necessary to make preparations to reduce it at the next year-end. Since stock market prices are falling, SPP is awaiting further developments.

The sale of SPP Liv and SPP Fonder

Intensive work is under way to implement the sale of SPP Liv and SPP Fonder, which was decided in April, in the best possible way.

The intention of the sale is to give these companies a more independent role in the market and the possibility to expand on freer terms. As a result, the prerequisites for SPP's ITP business will also become clearer.

Since the start six years ago, SPP Liv has developed into one of the two leading companies in the markets for both occupational pensions open to competition and privately paid pension insurance. SPP Fonder has also developed very well with strong growth in the number of customers and assets under management.

A prospectus for the sale was produced during the summer. Negotiations with a selected number of potential buyers will start in September. The intention is to be able to reach a deal before the end of the year.

At the same time, SPP is streamlining the operations that focus on collectively agreed occupational pensions and investment management.

Main winners

The level of competence within the Group in each and every one of its areas of operation is among the foremost in the country. Now that we are laying the foundations for an even stronger focus on our core competencies – through SPP Liv and SPP Fonder acquiring new owners and SPP concentrating its energy around expertise in efficient insurance administration and secure asset management – both operations and employees will benefit greatly from these changes. The main winners, however, will be our customers, principals and insured individuals.

Lars Otterbeck
CEO



Försäkringsbolaget SPP, ömsesidigt (SPP)

Försäkringsbolaget SPP, ömsesidigt, is the parent company in the SPP Group and is assigned by the Swedish Employers' Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK) to administer the ITP Plan.

The parent company reported a profit after tax of SEK 10.3 bn for the first half of 2000 (first half of 1999: 15.4 bn). This decline was mainly due to a lower investment return and premiums written.

Most of the promissory note claim that SPP Liv has had on the parent company since 1996, and which amounted to approximately SEK 59 bn at year-end 1999, was settled in April. Fixed-income securities and equities worth a total of SEK 56.9 bn were transferred to SPP Liv. A SEK 5.8 bn receivable for illiquid assets such as real estate and unlisted shares remained at 30 June 2000. This claim was settled in July and August.

Premiums written amounted to SEK 6.7 bn (9.4). Periodic premiums rose 18 per cent while single premiums decreased by 97 per cent. This decline was due to the fact that ahead of last spring's price increase, client companies chose to settle considerably more pension commitments than normal. The reversionary bonus amounted to SEK 2.7 bn (2.2).

The expense ratio rose to 2.3 per cent (2.0) and the management expense ratio fell to 0.13 per cent (0.16).

In accordance with the ruling from the Swedish Financial Accounting Standards Council, SPP reports its share of the allocation from the surplus funds as an asset at estimated present value in the balance sheet, which affects key ratios. The positive earnings impact amounted to SEK 98 m in the form of lower operating expenses. The expense ratio excluding the allocation from surplus funds amounted to 3.8 per cent and the management expense ratio to 0.18 per cent.

The market value of the parent company's investments amounted to SEK 370 bn on 30 June, an increase of approximately SEK 15 bn or 4 per cent since year-end 1999.

The collective reserve amounted to SEK 79.9 bn on 30 June, 20 per cent more than at year-end 1999. The collective solvency margin which was 124 per cent at the beginning of the year amounted to 129 per cent.

SPP Liv

SPP Liv is wholly owned by Försäkringsbolaget SPP, ömsesidigt, and offers financial security solutions for the section of the occupational pension market that is open to competition as well as certain private complements.

SPP Liv reported a profit after tax of SEK 1.7 bn for the first half of 2000 (first half of 1999: 3.4 bn). This decline was mainly due to a lower investment return. The settlement of the promissory note described in the section on the parent company had a negative effect on the formal return on SPP Liv's portfolio.

Premiums written rose 52 per cent to SEK 5.1 bn (3.4), mainly due to increased sales of early retirement pensions and unit linked insurance. New business measured in annual premiums rose to SEK 2.3 bn (1.7).

The expense ratio fell to 9.7 per cent (10.3) and the management expense ratio rose to 1.2 per cent (1.0).



On 30 June, the market value of investments amounted to SEK 85 bn, an increase of SEK 5 bn or 6 per cent since year-end 1999. The return on the portfolio for individual traditional life insurance was 2.0 per cent (7.0).

The collective reserve amounted to SEK 16.5 bn on 30 June, 14 per cent more than at the end of 1999. The collective solvency margin, which was 123 per cent at the beginning of the year, amounted to 125 per cent.

SPP Investment Management

SPP Kapitalförvaltning AB is wholly owned by Försäkringsbolaget SPP, ömsesidigt. The company manages the investment portfolios for SPP and SPP Liv and is also responsible for managing assets on behalf of external investors.

The market value of assets under management on 30 June was SEK 466 bn (first half of 1999: 390.4 bn). The value of the discretionary assignments amounted to SEK 7.0 bn (4.9).

SPP Fonder

SPP Fonder is part of SPP Investment Management and manages the Group's insurance and savings funds.

On 30 June, assets under management in these funds amounted to SEK 4.8 bn (first half of 1999: 1.9 bn), of which externally managed funds accounted for SEK 0.2 bn. In the first half of 2000, the funds had a net inflow of SEK 1.1 bn. At the same time, the number of customers increased by approximately 31 per cent to around 153,000. The number of customers on 30 June 1999 totalled 80,000.

For further information, please contact:

Lars Otterbeck, CEO, +46 8 441 66 60

Kerstin Stenberg, Senior Vice President, Corporate Finance & Administration, +46 8 441 61 40

Cecilia Schön, Senior Vice President, Corporate Communications, +46 8 441 93 50

For information about SPP Liv, please contact:

Anders Östryd, President of SPP Liv, +46 8 441 69 35

Ulf Magnusson, Head of Analysis and Communications at SPP Liv, +46 70-544 68 28

Address:

Försäkringsbolaget SPP

SE-103 73 Stockholm

E-mail: info@spp.se

Website: www.spp.se

SPP Group and SPP (parent company), summary profit and loss account and balance sheet

| Profit and loss account SEK m | SPP Group | | SPP (parent company) | |
|--------------------------------------|------------------|------------------|----------------------|------------------|
| | Jan-June 2000 | Jan-June 1999 | Jan-June 2000 | Jan-June 1999 |
| Premiums written | 11,877 | 12,824 | 6,740 | 9,438 |
| Investment income | 20,559 | 26,905 | 16,041 | 21,573 |
| Claims incurred | -5,780 | -4,493 | -4,314 | -3,448 |
| Change in other technical provisions | -11,831 | -14,021 | -6,704 | -10,916 |
| Operating expenses | -651 | -541 | -156 | -191 |
| Other | -39 | -6 | -1 | - |
| Appropriations | - | - | - | - |
| Tax on profit for the year | -1,642 | -1,346 | -1,356 | -1,068 |
| Net profit for the period | 12,493 | 19,322 | 10,250 | 15,388 |

| Balance sheet SEK m | SPP Group | | SPP (parent company) | |
|---|-----------------|----------------|----------------------|----------------|
| | 30 June 2000 | 31 Dec 1999 | 30 June 2000 | 31 Dec 1999 |
| Investments | 462,111 | 432,764 | 372,729 | 350,447 |
| Other assets | 13,093 | 11,163 | 9,379 | 9,077 |
| Total assets | 475,204 | 443,927 | 382,108 | 359,524 |
| Untaxed reserves | - | - | 501 | 501 |
| Bonus funds | 213,653 | 205,881 | 182,809 | 176,762 |
| Technical provisions | 245,643 | 232,432 | 186,394 | 178,357 |
| Other liabilities | 15,908 | 5,614 | 12,404 | 3,904 |
| Total shareholders' equity, provisions and liabilities | 475,204 | 443,927 | 382,108 | 359,524 |

SPP Liv Group, summary profit and loss account and balance sheet

| Profit and loss account SEK m | SPP Liv Group | |
|--------------------------------------|------------------|------------------|
| | Jan-June 2000 | Jan-June 1999 |
| Premiums written | 5,136 | 3,386 |
| Investment income | 3,970 | 4,781 |
| Claims incurred | -1,465 | -1,045 |
| Change in other technical provisions | -5,126 | -3,104 |
| Operating expenses | -499 | -349 |
| Other | 9 | -1 |
| Tax on profit for the year | -285 | -278 |
| Net profit for the period | 1,740 | 3,390 |

| Balance sheet SEK m | SPP Liv Group | |
|---|-----------------|----------------|
| | 30 June 2000 | 31 Dec 1999 |
| Investments | 88,776 | 82,062 |
| Other assets | 2,795 | 1,401 |
| Total assets | 91,571 | 83,463 |
| Bonus funds, including equity | 29,415 | 28,244 |
| Technical provisions | 59,249 | 54,075 |
| Other liabilities | 2,907 | 1,144 |
| Total shareholders' equity, provisions | 91,571 | 83,463 |

Investment income

| SPP | Market value 30/06/2000 | | Net invest. 30/06/2000 | Change in value | | Market value 31/12/1999 | | Total return % | | |
|--|----------------------------|--------|---------------------------|-----------------|------|----------------------------|--------|-------------------|-----------------------|------------------|
| | SEK bn | % | SEK bn | SEK bn | % | SEK bn | % | Jan-June 2000 | Jan-June 2000 adj. | Jan-June 1999 |
| Fixed-income excl. direct loans | 185.2 | 49.3% | -12.4 | 1.2 | 0.6% | 196.4 | 47.4% | 3.5% | 3.5% | -1.3% |
| Swedish | 134.9 | 35.9% | -21.9 | 1.0 | 0.7% | 155.8 | 37.6% | 3.5% | 3.6% | -1.0% |
| Foreign | 50.3 | 13.4% | 9.5 | 0.2 | 0.5% | 40.6 | 9.8% | 3.4% | 3.3% | -2.2% |
| Direct loans | 4.6 | 1.2% | -0.2 | 0.0 | 0.3% | 4.8 | 1.1% | 3.4% | 3.4% | 2.0% |
| Equities | 151.4 | 40.3% | -38.2 | 8.7 | 5.4% | 180.9 | 43.7% | 6.7% | 5.8% | 18.4% |
| Swedish | 85.9 | 22.9% | -26.5 | 8.4 | 9.8% | 104.0 | 25.1% | 11.3% | 9.3% | 21.8% |
| Foreign | 65.5 | 17.4% | -11.7 | 0.3 | 0.4% | 76.9 | 18.6% | 1.4% | 1.0% | 14.2% |
| Real estate | 34.4 | 9.2% | 1.1 | 1.0 | 2.8% | 32.3 | 7.8% | 6.0% | 6.0% | 8.0% |
| Total investments (excl. promissory note) | 375.6 | 100.0% | -49.7 | 10.9 | 2.8% | 414.4 | 100.0% | 5.0% | 4.7% | 7.5% |
| Less promissory note SPP Liv | -5.8 | | 53.6 | | | -59.4 | | -5.0% | | 7.5% |
| Total investments | 369.8 | | 3.9 | 10.9 | 2.8% | 355.0 | | 5.0% | | 7.5% |

SPP Liv

| | | | | | | | | | | |
|---|------|--------|-------|------|-------|------|--------|-------|------|-------|
| Fixed income excl. direct loans | 44.4 | 56.0% | 31.7 | 0.1 | 0.2% | 12.7 | 61.1% | 3.3% | 3.5% | -1.0% |
| Swedish | 31.1 | 39.2% | 18.3 | 0.2 | 0.6% | 12.7 | 61.1% | 4.0% | 3.8% | -1.0% |
| Foreign | 13.3 | 16.8% | 13.4 | -0.1 | -1.9% | - | - | 0.3% | 0.0% | - |
| Equities | 35.0 | 44.0% | 27.3 | -0.4 | -2.1% | 8.0 | 38.9% | -0.2% | 6.3% | 18.5% |
| Swedish | 19.3 | 24.3% | 14.9 | -0.3 | -3.3% | 4.7 | 22.8% | -1.0% | 9.1% | 21.9% |
| Foreign | 15.7 | 19.7% | 12.4 | -0.1 | -0.7% | 3.3 | 16.1% | 0.7% | 1.9% | 13.7% |
| Total investments (excl. promissory note) | 79.4 | 100.0% | 59.0 | -0.3 | -0.8% | 20.7 | 100.0% | 1.8% | 4.3% | 5.8% |
| Plus promissory note | 5.8 | | -53.6 | | | 59.4 | | 5.0% | | 7.5% |
| Total investments | 85.2 | | 5.4 | -0.3 | -0.8% | 80.1 | | 3.6% | | 7.1% |

Adjusted total return in SPP Liv

On 1 April 2000, the SPP parent company paid most of its promissory note liability from 1996 to SPP Liv by transferring liquid assets to a value of SEK 56.9 bn.

Through their effect on the capital base during the current financial year, the large cash flows from the promissory note settlement distort the percentage return figures for both companies' portfolios in the insurance industry's standard accounting. For this reason, the above tables include a column for adjusted total return where the effect of these cash flows is eliminated. The total return on real estate and direct loans is not adjusted since it is not affected.

According to the modified calculation, the total return for SPP Liv excluding the promissory note amounts to 4.3 per cent and according to the standardised calculation to 1.8 per cent.



The promissory note was issued when the parent company streamlined its insurance portfolio. Occupational pensions and commitments outside the ITP assignment were transferred from the parent company to SPP Liv without any ownership transfer of corresponding investments. The promissory note had an opening value of SEK 38 bn.