

Storebrand Liv & Storebrand ASA Outlook To Negative On Proposed Acquisition Of Insurer SPP

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LONDON (Standard & Poor's) Sept. 3, 2007—Standard & Poor's Ratings Services said today it revised its outlook on Norway-based Storebrand Livsforsikring AS (Storebrand Liv) and Storebrand ASA to negative from stable. At the same time, Standard & Poor's affirmed its 'A' long-term counterparty credit and insurer financial strength ratings on Storebrand Liv and its 'BBB+' long-term counterparty credit rating on Storebrand ASA.

The outlook revision follows Storebrand Liv's proposed acquisition of Sweden-based insurer SPP (not rated) from Svenska Handelsbanken (AA-/Stable/A-1+). While Standard & Poor's considers that the Storebrand management is likely to successfully add longer term value to the group through this acquisition, there remain some shorter term risks that are reflected in the negative outlook.

The refinancing risk associated with the transaction and reduction in the financial flexibility of the group add some short-term pressures to Storebrand's rating profile. The finite management resource of Storebrand will be stretched by this acquisition and there remains the risk that Storebrand will not be able to successfully integrate and leverage the newly acquired Swedish operations.

The ratings on Storebrand Liv continue to reflect the company's robust earnings performance, strong competitive position, and the belief that management will successfully generate value from the acquisition over the rating horizon. The ratings are constrained, however, by the execution risk associated with changing Norwegian regulations and the current concentration within the small Norwegian market, although this may be diluted by the successful integration of the SPP operations.

The counterparty credit rating on Storebrand ASA reflects its position as the holding company of the Storebrand group, which includes life insurer Storebrand Liv and Storebrand Bank ASA (BBB+/Positive/A-2). The rating on the holding company is supported

by the strong financial strength characteristics of Storebrand Liv and the Storebrand group's appetite for risk, which is in line with its above-average consolidated capitalization.

"The negative outlook reflects the execution and refinancing risks associated with the SPP acquisition," said Standard & Poor's credit analyst Stephen Hadfield. "In the medium to long term, Standard & Poor's believes that the acquisition, if successfully executed, will be positive for Storebrand Liv's operating performance and competitive position."

The ratings may be lowered if Storebrand Liv is unable to successfully address all of the issues described above, as well as any other significant issues that arise during the acquisition process. The outlook may be revised to stable if Storebrand Liv can successfully tackle these issues, and its competitive position and operating performance can be maintained at the current levels in both Norway and Sweden.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

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