

Overview

The Board of Directors has considered a report from the Actuary and the investment performance of the various policyholders' currency funds so that they could declare the bonuses for 2009.

(Note: The bonuses are subject to change following the results of the actuarial valuation).

The key issues to highlight to policyholders are as follows:

- Solvency and the ability to meet our future liabilities as they fall due are of primary importance.
- The Board is confident, on the basis of recent analysis of assets and liabilities, that our capital position and our ability to pay claims remains secure.
- The Triple C Plan, Level Plan and Annuity Plan policyholders' currency funds have achieved modest or negative returns in 2009.

Equity markets generally produced good returns e.g. the European FTSE Eurofirst 300 index increased by 25.7% and the United States S&P 500 index by 23.4%. However, the level of exposure to equity markets was low following the poor performance of equity markets in 2008 and the limited capacity of the policyholder's funds to take investment risk. The proportion of these funds invested in equities was approximately 10% at the end of 2009 compared to 3% at the end of 2008.

Bond returns have been zero or negative (for example 0% for Norwegian Krone, -1.5% for Euro, -5% for Swedish Krona and -11.5% for United States Dollar). Therefore, the investment strategy of matching guaranteed benefits by bonds had a negative impact on bonuses (although weak bond returns can be offset by the decrease in the value of our liabilities due to higher interest rates).

- The Board's conclusion is to declare no bonuses for the Level Plan and no annual increase for the Annuity Plan or Pensions in Payment.
- In the case of the Triple C Plan the guaranteed bonus applicable to policies would be applied and only in the Danish Krone, Euro, Swedish Krona, and United States Dollar Triple C policyholders' funds would a bonus be declared, namely 3%, 1%, 2% and 1% respectively.
- In the case of the Flex Plan the Board is able to declare bonuses reflecting the investment performance of short government bonds and in some currencies a transfer from reserves.

- The outlook for 2010 is uncertain. Hopefully, in 2010 there will be positive returns on equity and bond markets but risks apply to both asset categories. For Flex Plan, bonus rates may not benefit as much from transfers from reserves as in 2009.

So, the detailed declarations are summarised as follows:

Triple C Plan and Corporate Triple C Plan

	2009 Bonus %	Consumer price increase Sept 2008 - Sept 2009 %
Danish Krone	3.0	0.8
Euro	1.0	-0.3
Norwegian Krone	0.0	1.2
Sterling	0.0	1.1
Swedish Krona	2.0	-1.6
Swiss Franc	0.0	-0.9
United States Dollar	1.0	-1.3

The above rates are subject to a minimum of the guaranteed bonus which varies between 0% and 3%, depending on the currency of the contract, the date the Plan was started and/or the date the Plan premiums were paid to the Company.

The Triple C Plan bonus is added to each policyholder's account at the end of the year. A proportion of the full annual rate of bonus is credited in relation to each part of the account which has been held for a period less than a full year.

The target bonus (to include both guaranteed bonus and additional bonus) is 2% (1% for Swiss Franc) plus inflation for the period September to September in the relevant currency. This is a target and not a guarantee as the bonus could be higher or lower. The bonus target may change over time. In 2005 the target bonus for all currencies but Swiss Franc was reduced from 3% plus inflation for the period September to September in the relevant currency to 2% plus inflation for the period September to September in the relevant currency. In 2002 the target bonus for Swiss Franc was reduced from 3% plus inflation for the period September to September to 2% plus inflation for the period September to September. In 2007 the target bonus for Swiss Franc was reduced from 2% plus inflation for the period September to September to 1% plus inflation for the period September to September. These changes were as a result of sustained reductions in the relative gap between bond yields and inflation in the relevant currencies.

The Company's record over the last 10 years has been as follows:

	Annualised bonus applied for years 2000 to 2009 excluding the effect of guaranteed bonus %	Annualised consumer price increase Sept 1999 - Sept 2009 %
Danish Krone	2.44	2.05
Euro	2.34	2.09
Norwegian Krone	2.13	2.12
Sterling	2.28	1.85
Swedish Krona	3.14	1.46
Swiss Franc	1.44	0.89
United States Dollar	3.09	2.55

Note that the annualised bonus applied figures in the table exclude the effect of the guaranteed bonus since, as noted above, the guaranteed bonus varies depending on the date the Plan started and date the Plan premiums were paid to the company. For policies that include premiums with a guaranteed bonus exceeding the additional bonus in one or more years from 2000 to 2009, the annualised bonus applied will be greater than shown in the table.

Nordben is currently reviewing whether the bonus target remains appropriate having regard to the current investment strategy, expected yields and inflation. This review is being carried out at the same time as Nordben is sourcing investment advice directly from SPP and Storebrand Asset Management. If any changes are made then these will be notified to policyholders in due course.

The interim bonus rates are the guaranteed bonuses for maturities or death claims prior to the next declaration of bonus and 50% of the guaranteed bonuses for policies that surrender or change currency.

These Plans guarantee the value of the invested premium and accumulated bonuses at maturity or retirement.

- A percentage of the assets is invested in fixed interest bonds in the appropriate currency to broadly match the guarantees underlying the Triple C Plan.
- The other assets are invested to try to secure the best return for policyholders within an acceptable level of risk. These investments could include equity funds and cash.
- An investment reserve fund is maintained in each currency to smooth out the effects of capacity market fluctuations.

Flex Plan, Corporate Flex Plan and Save Invest Plan

	2009 Bonus %	Interim bonus on maturity/death %	Interim bonus on surrender/change of currency %
Danish Krone	4.5	3.0	1.5
Euro	3.0	2.0	1.0
Norwegian Krone	3.5	3.0	1.5
Sterling	3.5	2.0	1.0
Swedish Krona	3.5	2.0	1.0
Swiss Franc	1.5	1.5	0.75
United States Dollar	2.5	2.0	1.0

The Flex Plan bonus is added to each policyholder's account at the end of the year. A proportion of the full annual rate of bonus is credited in relation to each part of the account which has been held for a period less than a full year.

The Plans were closed to new business in October 2000.

These Plans guarantee the value of the invested premium and accumulated bonuses at maturity or retirement.

- The duration (average term) of the assets is kept to a low level - currently 1 – 3 years because the majority of policyholders can surrender without penalty.
- Investments are primarily in AAA government bonds in the appropriate currency.
- An investment reserve fund is maintained in each currency to smooth out the effects of capital market fluctuations.

The future bonus rates will typically, over time, reflect the return on the assets underlying the portfolios, currently short term fixed interest bonds. This is not a guarantee of future bonus rates or future investment strategy.

Annuity Plan and Pensions in Payment (excluding Level Plan Pensions in Payment)

	2009 Bonus/Pension increase applying from 1 Jan 2010 %	Consumer price increase Sept 2008 - Sept 2009 %
Danish Krone	0.0	0.8
Euro	0.0	-0.3
Norwegian Krone	0.0	1.2
Sterling	0.0	1.1
Swedish Krona	0.0	-1.6
Swiss Franc	0.0	-0.9
United States Dollar	0.0	-1.3

The bonus/pension increase is applied to the accrued benefits/pension amounts of each policy at 31 December 2009 and thus is effective for payments from 1 January 2010.

The target bonus/pension increase is inflation from September to September in the relevant currency. This is a target and not a guarantee as the bonus could be higher or lower. The bonus target may change over time.

The Company's record over the last 10 years has been as follows:

	Annualised bonus/pension increase applied from 1 Jan 2001 to 1 Jan 2010 %	Annualised consumer price increase Sept 1999 - Sept 2009 %
Danish Krone	0.75	2.05
Euro	0.85	2.09
Norwegian Krone	0.70	2.12
Sterling	0.94	1.85
Swedish Krona	1.19	1.46
Swiss Franc	0.40	0.89
United States Dollar	1.14	2.55

Nordben is currently reviewing whether the bonus target remains appropriate having regard to the current investment strategy, expected yields and inflation. This review is being carried out at the same time as Nordben is sourcing investment advice directly from SPP and Storebrand Asset Management. If any changes are made then these will be notified to policyholders in due course.

The Annuity Plan policyholders' funds are invested with the Triple C Plan policyholders' funds and so please see above for investment details.

Level Plan

	2009 Bonus/Pension increase %	Consumer price increase Sept 2008 - Sept 2009 less 1% (the bonus target) %
Danish Krone	0.0	-0.2
Euro	0.0	-1.3
Norwegian Krone	0.0	0.2
Sterling	0.0	0.1
Swedish Krona	0.0	-2.6
Swiss Franc	0.0	-1.9
United States Dollar	0.0	-2.3

The bonus is applied to the accrued benefits of each policy at 31 December 2009.

The target bonus is inflation from September to September in the relevant currency less 1%. This is a target and not a guarantee as the bonus could be higher or lower. The bonus target may change over time. In 2005 the target bonus was reduced from inflation from September to September in the relevant currency to reflect the sustained reduction in the relative gap between bond yields and inflation.

The Company's record over the last 10 years has been as follows:

	Annualised bonus/pension increase applied from 1 Jan 2001 to 1 Jan 2010 %	Annualised consumer price increase Sept 1999 - Sept 2009 %
Danish Krone	0.35	2.05
Euro	0.45	2.09
Norwegian Krone	0.45	2.12
Sterling	0.60	1.85
Swedish Krona	0.75	1.46
Swiss Franc	0.10	0.89
United States Dollar	0.70	2.55

Nordben is currently reviewing whether the bonus target remains appropriate having regard to the current investment strategy, expected yields and inflation. This review is being carried out at the same time as Nordben is sourcing investment advice directly from SPP and Storebrand Asset Management. If any changes are made then these will be notified to policyholders in due course.

The Level Plan policyholders' funds are invested with the Triple C Plan policyholders' funds and so please see above for investment details.

For further details please refer to "Funds and Bonus" on our website www.nordben.com.

Policyholder Protection

Nordben Life and Pension insurance Co. Limited is licensed to write long term business under the Insurance Business (Bailiwick of Guernsey) Law, 2002. The statutory functions of regulation under the legislation are carried out by the Guernsey Financial Services Commission.

To protect policyholders the Commission requires life companies registered in Guernsey to hold assets representing 90% of the policyholders' liabilities in trusteeship with a third party trustee.

20 January 2010

