EUROBEN

LIFE & PENSION DESIGNATED ACTIVITY COMPANY

Solvency and Financial Condition Report (SFCR)

2018

Euroben Solvency and Financial Condition Report 2018

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Euroben Solvency and Financial Condition Report 2018

1. Summary

This Solvency and Financial Condition Report is prepared under the Solvency II regulatory regime which became effective from 1 January 2016 and which requires public disclosure of the solvency and financial condition of insurance undertakings.

This report covers the business performance for 2018, the systems of governance, risk profile, solvency valuation and capital management.

The Business
Euroben Life & Pension DAC ("Euroben") is closed to new business. The existing business of Euroben consists of an insured and closed Occupational Pension Plan and a small book of annuity business, the Annuity Fund.

The Occupational Pension Plan provides for old age pension, family pension, disability pension and waiver of premium. At December 2018, the Plan consisted of 1,548 beneficiaries (2017: 1,560) of which 1,003 related to pensions in payment at December 2018 (2017: 974). The pensioners and deferred pensioners of the Occupational Pension Plan will receive increased benefits in 2019 in line with Swedish Price Inflation. The Occupational Pension Plan achieved an investment return during 2018 of 0.2% (2017: 5.4%) whilst the Annuity Fund achieved a return of 0.7 % (2017: 3.9%).

The Annuity Fund consists of annuities written on both a fixed term basis and whole of life basis.
The Fund is treated similar to a unit linked contract with guarantees. Each policy within the Annuity fund is expected to have sufficient solvency capital to bear all investment and biometric risk. The Shareholder Fund bears the Expense Risk and Operational Risks connected to the Annuity Fund and of course, the risk of the individual Annuity Fund policies not having sufficient capital to meet its own Solvency Capital Requirement (SCR). There were 40 (2017: 40) customers with 70 (2017: 70) policies and approximately 3,214 beneficiaries at December 2018 (2017: 3,541).

The main focus of Euroben is to run off the existing business as efficiently as possible in line with the policy terms and conditions while managing the policyholder funds to give the best possibility of delivering the expected benefits to beneficiaries.

All business written was through the Swedish Branch of Euroben and all liabilities are denominated in Swedish Kronor.

Euroben is owned by BenCo Insurance Holding B.V. ("BenCo") which is registered in the Netherlands and owns 100% of the Company's issued shares. The ownership of BenCo is Storebrand Livsforsikring AS (89.96%), Mandatum Life (6.49%) and Varma Mutual Insurance Company (3.55%).

Euroben is regulated by the Central Bank of Ireland and under their risk based framework for supervision, known as 'PRISM' or Probability Risk and Impact System it is rated as a "Medium-Low" risk impact company.

Details on the performance of the business are contained in section 2.

System of Governance
Euroben operates a system of governance which is considered appropriate to the size and complexity of the business. The Board operates with two sub Committees, Audit and Risk which have different Chairpersons to the Chair of the Board. The whole of the Board acts as the Audit and Risk Committee as allowed for under the Corporate Governance Requirements. Euroben was compliant during 2018 with the Terms of the Corporate Governance Requirements as set out by the Central Bank of Ireland.

Euroben has established the four key control functions required under Solvency II namely Risk, Actuarial, Compliance and Internal Audit.

Details on the system of Governance are contained in section 3.

Risk Profile
The Central Bank of Ireland classifies Euroben as a "Medium Low" risk impact company using the Bank's risk assessment system. The most recent Own Risk Solvency Assessment (ORSA) carried out by Euroben in December 2018 concluded that Euroben is sufficiently capitalised to meet the risks which face the business.

The Occupational Pension Plan policyholder fund and each Annuity Fund policy bear all of the investment and biometric risk while sufficient surplus exists in the fund or policy. The Euroben shareholder only becomes exposed to investment and biometric risk when the surplus is insufficient to meet the guaranteed benefits.

The main risk to which the shareholder is exposed is operational risk which relates to a breakdown in internal controls leading to losses in the business.

Details of the Risk Profile and exposures are contained in section 4.

Valuation of assets and liabilities
Liabilities to policyholders are calculated for solvency purposes on a best estimate basis. The liabilities are calculated by discounting the projected guaranteed cash flows on a set of interest rates set by the European Insurance and Occupational Pensions Authority (EIOPA) based on the best estimate assumptions for biometric risk and tax. The best estimate liabilities as at 31 December 2018 amounted to 9,990 MSEK (2017: 10,462 MSEK).

Financial assets are held at fair value in the balance sheet.

Details of the methods used to value assets and liabilities are contained in section 5.

Capital Management
During 2018 Euroben decided to value the in-force business (namely the discounted value of the future net shareholder income of the business) following a review of the contract boundaries the period which the shareholder might reasonably expect the business to remain with the Company). In-force business was not previously valued due to the fact that the Company and the Policyholder of the Occupational Pension Plan had previously entered into

agreements of a short term nature. This decision has had a significant impact on the solvency position of Euroben while the risk profile remains unchanged. The shareholder own funds (the funds available to meet the Company's SCR) increased from 198 MSEK to 269 MSEK.
The solvency cover decreased from 391% to 154% during 2018 mainly as a result of introducing the valuation of in-force business to the solvency calculation. A dividend of 23.0 MSEK was paid to the shareholder during 2018 (2017: 28.0 MSEK) and a further foreseeable dividend of 20.3 MSEK in respect of earnings for 2018 has been provided for within own funds. The solvency position represents the ratio of own funds available to meet the SCR requirement.

Euroben retained own funds of 269 MSEK (2017: 198 MSEK) to meet the solvency capital requirement of 175 MSEK at 31 December 2018 (2017: 51 MSEK).

All of the Euroben own funds of 269 MSEK (2017: 198 MSEK) are classified as Tier 1 Capital in that they are readily available to meet the solvency requirements of the business.

Details of the Risk Profile and exposures are contained in section 6.

2. Business and Performance

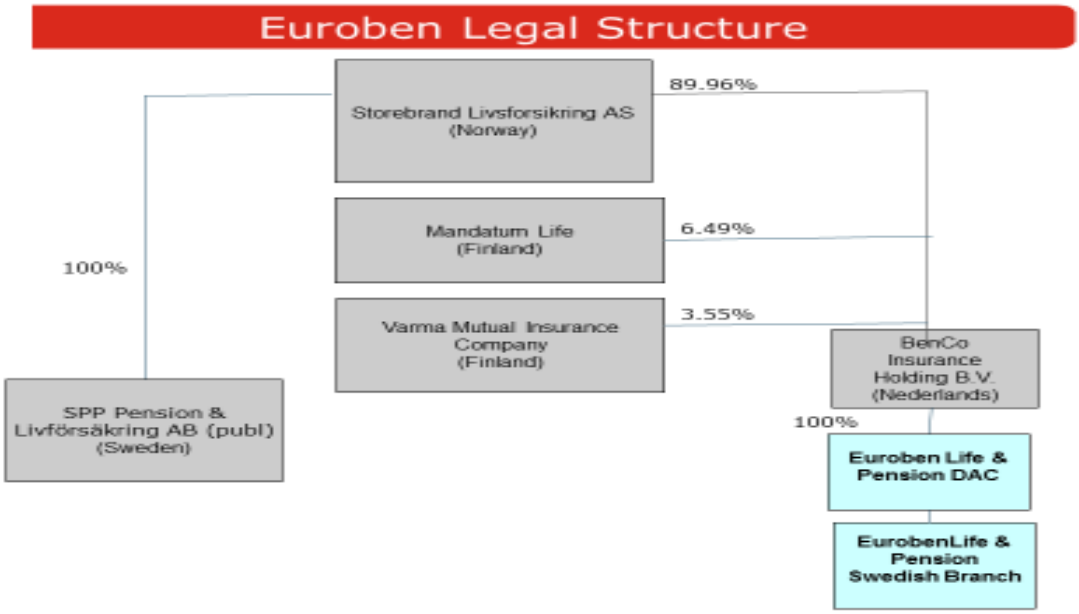
2.1 Business

Euroben Life & Pension DAC is an Irish registered insurance undertaking with its registered address at:
Block 4,
Regus Harcourt Centre,
Harcourt Road,
Dublin 2

Euroben operates its business through a branch in Sweden with the following address:
10, Vasagatan
P.O. Box 6700, 113 85 Stockholm,
Sweden

Euroben is supervised in Ireland by the Central Bank of Ireland with the following address:
North Wall Quay,
Spencer Dock,
PO Box 11517,
Dublin 1

Euroben's external auditors for 2018 were PricewaterhouseCoopers with the following address:
Spencer Dock,
North Wall Quay
Dublin 1



2.2Performance of the Business

The business remained profitable during 2018, recording a profit of 20.3 MSEK for the year (2017: 23.0 MSEK). The business performance was broadly in line with expectations. All of the income was derived from business written through the branch in Sweden. The company retained a strong solvency position with 154% coverage (2017: 391%).

No new insurance contracts were issued during 2018 although premiums were paid on existing contracts. The premiums amounted to 46 MSEK (2017: 50 MSEK) for the Occupational Pension Plan and l MSEK (2017: 1 MSEK) for the Annuity business.

The value of assets in the Occupational Pension Plan declined to 9,533 MSEK (2017: 9,868 MSEK) whilst the Annuity Fund declined from 594 MSEK to 528 MSEK over the year.

The Annuity Fund invests 80% in fixed income securities and 20% in equities.

There were no material events affecting the business performance during 2018.

2.3 Performance from underwriting activities

The Company does not undertake any material underwriting of mortality or disability risk. The Company is exposed to the longevity result of its annuity business and in 2018 the loss amounted to 1.0 MSEK (2017: 3.6 MSEK).

2.4 Performance from investment activities

The Occupational Pension Plan generated an investment return of 0.2% (2017: 5.4%) while the Annuity fund generated a return of 0.7% (2017: 3.9%). The performance reflected falls in the equity markets during 2018.

Shareholder assets are invested in short dated Swedish Kronor fixed income assets and generated a negative return of 0.7% during 2018 (2017: 0.1%) reflecting the very low interest environment in Sweden.

Investment Return:

	2018	**2017**
Shareholder Assets	(0.7)%	0.1%
Occupational Pension Plan	0.2%	5.4%
Annuity Fund	0.7%	3.9%

Investment Income:

	2018		**2017**	
SEKM	**Policyholder Funds**	**Shareholder Funds**	**Policyholder Funds**	**Shareholder Funds**
Income and gains on equities	(16)	-	287	-
Income and gains on fixed interest securities	(1)	(1)	255	1
Income and gains on property	49	-	6	-
Total Investment Return	**32**	**(1)**	**548**	**1**

2.5 Operating income and expenses

SEKM	2018	2017
Fees on Policyholder Funds	55	55
Administrative Costs	(20)	(17)
Asset Management Costs	(9)	(9)

2.6 Any Other Information

The company's main activities continue to be outsourced to other Group companies

Asset management is provided by Storebrand Asset Management (SAM) and Investment management and financial risk management services are provided by the SPP Investment Management team (SPP IM). In addition, service agreements relating to policy administration, accounting and other support services are with SPP Pension & Försäkring AB based in Sweden which is a wholly owned subsidiary of Storebrand Livsforsikring AS.

There are no material leasing arrangements in the business.

There have been no significant transactions or events since the reporting date of 31 December 2018 impacting on the business.

3. System of Governance

3.1 General Governance Arrangements

Euroben is subject to the Corporate Governance Requirements for Insurance Undertakings issued by the Central Bank of Ireland. The Board of Euroben is responsible for the oversight of the business and the strategy and risk appetite. The Board of Euroben consisted of five members during 2018 as follows:

Board	Chairman - Nils Robert Hodnesdal, Non Executive Director (Norwegian) Paul Cutter, Chief Executive Officer (British) Frederic Ottesen – Non Executive Director (Norwegian) Kai Niemi – Independent Non Executive Director (Finnish) Brendan McCarthy– Independent Non executive Director (Irish)

The Board has established two sub committees under defined terms of reference.

Audit Committee	Chairman – Brendan McCarthy – Independent Non Executive Director

The role of the Audit Committee is to assist the Board in meeting its responsibilities for statutory reporting and ensuring the effectiveness of internal controls.

Risk Committee	Chairman - Frederic Ottesen – Non Executive Director

The role of the Risk Committee is to assist the Board in ensuring that an effective risk management system is in place, to ensure compliance with all regulatory obligations and to recommend a suitable risk appetite for the business.

The Board acts as the Audit and Risk Committee as allowed for by the Corporate Governance Requirements due to the size of the undertaking. The Audit and Risk Committees have separate Chairpersons to the Board.

The Board aims to meet at least four times on an annual basis. During 2018 there were seven meetings held.

The Board is responsible for the two staff members' remuneration directly employed by the Company. There is no variable remuneration or performance incentives to any staff members. The Company provides a range of benefits such as life and disability cover to the two employees including contributions to a defined benefit contribution plan.

The CEO is responsible for the implementation for the strategy approved by the Board. The CEO acts as the link between the Board and the management of Euroben.

The Board has set out a list of reserved powers relating to decisions which are reserved for the Board. This includes decisions relating to investment strategy and policy.

The Board has established the four key independent control functions required under the Corporate Governance requirements for Insurance Undertakings namely, risk management, compliance, actuarial and internal audit. These functions are responsible for providing oversight and challenge to the business and providing assurance to the Board, in relation to the Company's control framework.

Material transactions
Euroben makes payment to other entities within the Storebrand group in respect of outsourced services and management of assets as described in Section 3.9. The fees paid were as follows:

	2018	2017
	MSEK	MSEK
Payments to SPP in respect of Outsourced Services	8.1	7.8
Payments to Storebrand in respect of asset management services	8.9	9.3
Payments to SPP Fastigheter in respect of property management services	1.8	1.3
Total	18.8	18.4

Dividends are approved by the Board of Euroben and paid to the shareholder BenCo and in the reporting period a dividend amounting to 23.0 MSEK was paid (2017: 28.0 MSEK). In addition, a foreseeable dividend of 20.3 MSEK is expected to be paid in May 2019.

No other material transactions have taken place between the Company and the shareholder or management during the financial year.

3.2 Fit and Proper Persons

Euroben, since 2011, is subject to a code of Fitness and Probity Standards issued by the Central Bank of Ireland (the Code). The Code has been issued by the Central Bank pursuant to its powers set out under Section 50 of the Central Bank Reform Act 2010. This Act created a statutory system for the regulation of persons performing 'controlled functions' or 'pre-approval controlled functions', and the Code specifies the Standards of Fitness and Probity which all persons performing these functions must, as a minimum, comply with.

In order to comply with the Standards a person holding such positions are required to be:

- Competent and capable
    - A person shall have the qualifications, experience, competence and capacity appropriate to the role and
    - Shall have professional or other qualifications and capacity appropriate to the role
- Honest, ethical and act with integrity
- Financially sound.

In the case of pre-approval controlled functions, firms may not appoint a person to these functions without the prior approval of the Central Bank of Ireland.

Euroben has policies and procedures approved by the Board in place to ensure that persons appointed to controlled or pre-approval controlled functions meet the Code and the minimum standards required.

Appointments to all pre-approval roles must be approved in advance by the Board.

As part of the appointment process all applicants are required to complete and sign a pre-appointment declaration template. This template confirms that the applicant has:

- Read the Code setting out Standards of Fitness and Probity issued by the Central Bank of Ireland and confirmation that they comply with the Standards.
- Agreed to abide by the Standards.
- Agreed to notify Euroben without delay if for any reason they no longer comply with the Standards.
- Agreed that they will promptly notify Euroben of any material changes in the information which they have provided as part of the declaration and that they will inform Euroben in writing of the details of such changes and any other relevant or material information of which they may become aware at any time after the date of the declaration.

Euroben requests from applicants, evidence of academic qualifications and experience required and then assesses how that applicant meets the competent and capable requirements based on the attributes required for the role.

An external service provider conducts background checks on applicants to confirm the applicant has been compliant with the key elements of the Code.

- The applicant completes a detailed on-line questionnaire on the Central Bank's website which is reviewed and approved by an authorised official in Euroben before the application it is submitted to the Central Bank for approval.
- Once approved by the Central Bank, holders of controlled functions are required to confirm their continuing compliance with the Code by means of an annual declaration to Euroben.

3.3 Risk Management System

Euroben has established a comprehensive risk management framework which contains the following:

- A Risk Committee (the full Board acts as the Risk Committee)
- A Risk Appetite Statement;
- A Chief Risk Officer (CRO)
- Policies relating to the preparation of Own Risk and Solvency Assessments and Reserving
- A Risk Management Manual;
- A Risk tolerance matrix for all Risks;
- A Risk Register; and

- A quarterly risk management process for recording assessing and reporting on each individual risk.

Processes are established in the business for the identification, measurement and reporting of risks.

The CRO has direct access to the Board to report any matters of urgent concern relating to the risk profile of the business. In addition, the CRO has a line of communication with the Storebrand Group CRO for the discussion of risk issues.

The Head of the Actuarial Function (HoAF) provides technical support to the Risk Committee and Board particularly in relation to issues impacting on policyholder liabilities. The Board of Euroben is satisfied that the risk management process is sufficient and proportionate for the size and complexity of the business.

The risk appetite statement of the Company is kept under regular review and formally approved by the Board on an annual basis. Criteria for measuring and reporting breaches of the risk appetite are included in the statement. All identified risks have been allocated an owner within the management team. A quarterly risk assessment process is completed including a self-certification by the risk owner on the status of the risk and details of any breaches to the risk appetite. Where breaches or control weaknesses are identified, action plans are agreed in order to get the risk back within the risk tolerance. A quarterly risk report to the Risk Committee includes a status of each of the open risks on the risk register rating risks as either Red, Amber or Green. Risks rated as Amber or red are required to have an action plan to return the risk to a Green (acceptable) status.

The Risk Committee agrees plans for testing the effectiveness of controls to prevent and mitigate key risks. A risk management manual has been developed and approved by the Board. This manual sets out risk management responsibilities along with definitions and details of the risk management framework.

Based on the risk management system in place and the relative simple nature of the business, the Board of Euroben is satisfied that all material risks have been identified and are regularly monitored.

Financial Risk Management
The Board retains responsibility for the approval of investment strategy and policy. This is specified in the Board's reserved powers and in the assignment agreement to SPP IM. A document called 'ALM, Investment and Liquidity Risk Policy Euroben' was approved by the Board in November 2018. This document sets out the governance and management of risks in the investment process. SPP IM has been retained to execute the strategy and implement the policy approved (which includes asset allocation in the context of the liabilities of the Company) by the Euroben Board.

Storebrand Asset Management (SAM) is given a mandate to choose the composition of the various portfolios (e.g. European equities).

This structure gives Euroben access to the Investment Risk Management expertise available within the Storebrand Group. This group comprises individuals from SPP and Storebrand and they have extensive experience in designing investment solutions for policyholder funds with approximately 270bn NOK of guaranteed liabilities.

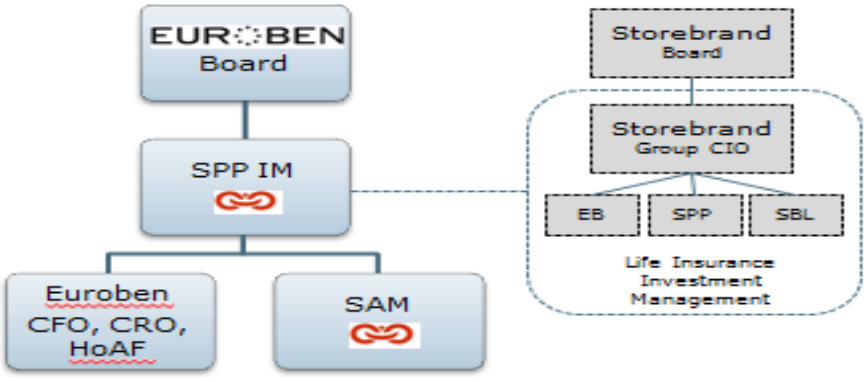
Solvency II regulations require the Company to invest in assets using the Prudent Person Principle. This principle requires undertakings to invest their funds in assets whose risks can be properly identified, measured, monitored, managed and controlled. The principle also requires that assets are available and well diversified with excessive concentration avoided.

SPP IM reports directly to the Euroben Board on a quarterly basis on investment matters.

SPP IM may make strategic and policy recommendations to the Euroben Board for consideration. A weekly risk management report is produced by SPP IM and circulated to the management team in Euroben. This weekly report gives details on performance, asset allocation, duration and risk sensitivities. The CFO and CRO use this report to monitor the status of the investment portfolios against the approved policies and strategies, in accordance with the prudent person principle.

Discretion is given to SIM IM in implementing the Euroben investment policies by the Board allowing a tolerance when setting asset allocation limits and fixed income duration targets on the proviso that risk measures are met. The Board of Euroben retains the authority to approve the purchase of unlisted investments within set limits. The Board of Euroben authorises the use of derivatives for efficient portfolio management and reduction of risk.

Eoin Murphy, Willis Towers Watson, is the Head of the Actuarial Function. He provides input to any proposed changes to investment strategy to ensure the consequences on the calculation of liabilities and capital requirements are fully understood.



3.4 ORSA

Euroben is required to prepare an Own Risk Solvency Assessment (ORSA) on at least an annual basis or if there is an event which results in a significant change in the risk profile of the business. The ORSA looks at all potential risks facing the business and the capital requirement to support those risks.

The ORSA considers output from the risk management system in the business and in particular takes account of known risks to the business. The Solvency II regulatory regime allows insurance firms to use a standard formula approach to calculating capital requirements. This standard formula is based on a typical mid sized insurance operation. Euroben is satisfied that the use of the standard formula is appropriate to Euroben. However, the ORSA looks at risks which may impact on the business which are not reflected in the standard formula or may have an impact greater or smaller than that set out by the standard formula.

The ORSA is prepared each year to coincide with the annual planning process. Both the planning process and the ORSA use a three year time horizon.

The ORSA process and document is owned by the Board. The Board has approved an ORSA policy. The Board delegates the process of preparing the ORSA document to the CRO. Possible scenarios and stress tests are discussed at the Board and those deemed most appropriate are selected to be used for the ORSA. This occurs at the start of the ORSA process and the Head of the Actuarial Function (HoAF) contributes to these discussions on the scenarios and stress tests to be performed.

The CRO also considers scenarios being used within the Storebrand Group ORSA which may be relevant to the Euroben ORSA. The Solvency II balance sheet at the end of September is subjected to the scenarios and stresses selected and the possible impact on the capital position is recorded.

The capital requirements are assessed using the Solvency II standard formula. Euroben then considers whether there are risks which are not adequately dealt with by the standard formula and whether the standard formula over or under states the impact of various risks on the business.
A draft ORSA document is prepared based on input from the CRO, CEO, HoAF and where appropriate our outsourced service providers. The Board review the draft ORSA document, provide feedback and challenge the findings. A separate Board meeting is arranged to consider the ORSA and when approved by the Board a copy is then sent to the Central Bank of Ireland.

A copy of the ORSA is also circulated to the Euroben management team and to certain key outsource suppliers.

3.6 Compliance Function

A Compliance function headed by the Compliance Officer performs checks to ensure that the business is compliant with company policies and procedures together with all regulatory and legal requirements. The Compliance Officer reports directly to the Risk Committee.

3.7 Internal Audit

The Internal audit function is outsourced to EY who are the Storebrand Group Internal Auditors. As an independent control function, Internal Audit provide independent analysis and evaluation of the effectiveness of the system of internal control, the risk management process and the corporate governance systems and processes. The scope of the internal audit work is approved by the Audit Committee on an annual basis or more frequently if required. There are no areas in the undertaking outside the scope of the internal audit function. Findings

arising from internal audit reviews are presented to the Audit Committee with management action plans agreed for any areas identified for improvement. The subsequent internal audit report will focus on the status of implementation of recommendations made in previous reports to ensure that recommendation for improvement are implemented.

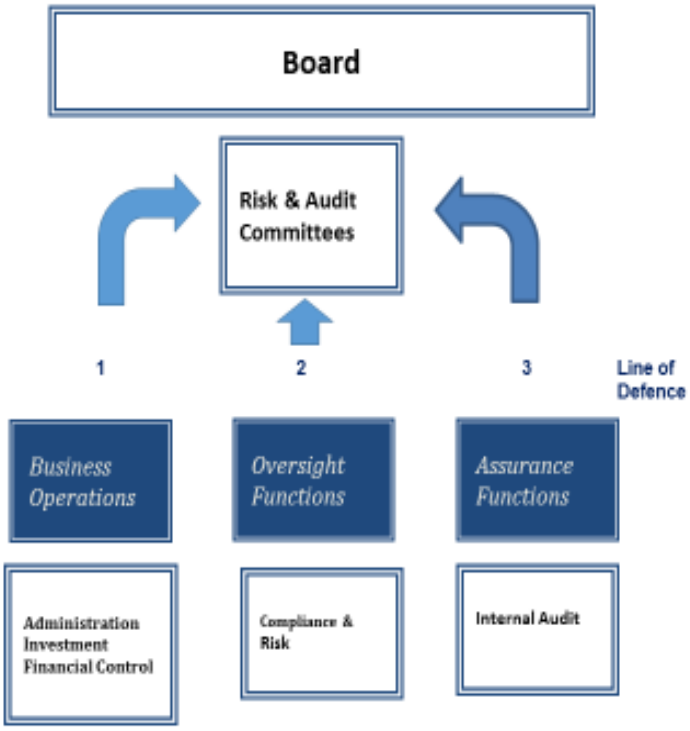
The Internal Audit function may discuss any issues or concerns privately with the Chairman of the Audit Committee. The independence and objectivity of the Internal Audit function is maintained by the appointment of a 'big four" Audit firm to this role and by maintaining a full scope of issues to be considered in the internal audit reviews.

3.8 Actuarial Function

Actuarial services are provided to Euroben through an outsource service agreement with SPP Pension & Försäkring AB, (SPP) which is based in Sweden. SPP is a 100% owned subsidiary within the Storebrand Group. SPP provides calculations for best estimate liabilities and capital requirements. The role of Head of Actuarial Function (HoAF) is outsourced to Willis Towers Watson. The services provided under this outsource agreement are set out in a statement of work agreed between Willis Towers Watson and Euroben. The Head of the Actuarial Function reports to the Board on an annual basis and when necessary recommends to the Board changes in assumptions to be made in the calculation of provisions or capital requirements. In addition, the Head of the Actuarial Function advises the Board on any discretionary increases to benefits and changes to premium rates used. The Head of the Actuarial Function gives an opinion to the Board on the effectiveness of the company's reinsurance programme and underwriting policy and also gives an opinion in relation to the contents of the ORSA. The Head of the Actuarial Function also provides an actuarial report on the calculation of the technical provisions to the Euroben Board.

3.5 Internal Control

The Internal Control system in Euroben is based on the three lines of defence structure as follows:



There is a division of duties principle in the business to ensure that more than one individual is required to initiate and approve transactions and that there is proper oversight of all activities.

The Board establishes guidelines for internal governance and control for the control functions and also establishes the checks and balances for each control function.

3.9 Outsourcing

Many of the key functions within Euroben are outsourced to other Storebrand Group entities. All outsourcing arrangements are subject to a legal agreement with the outsource service provider setting out the basis of the services to be provided. The Euroben policy on outsourcing is to give preference to other entities within the Storebrand Group in selecting a supplier provided the required levels of expertise and efficiency can be attained. Outsourced service suppliers report to Euroben Management on a regular basis setting out how the services have met the standards required as set out in the agreement. The following key functions were outsourced as at 31 December 2018:

	Service	**Outsource Service Provider**	Jurisdiction
1	Policy Administration	SPP Pension & Försäkring AB (publ)	Sweden
2	Asset Management	Storebrand Asset Management AS	Norway
3	Financial Risk Management	SPP Pension & Försäkring AB (publ)	Sweden
4	IT, Accounting and Actuarial Services	SPP Pension & Försäkring AB (publ)	Sweden
5	Head of Actuarial Function	Willis Towers Watson	Ireland
6	Internal Audit Function	EY	Norway

3.10 Assessment of Governance

The Board of Euroben assess the effectiveness of the system of governance on an annual basis taking account of any changes in structures, roles or risk profile.

Euroben is a low risk business in run off. The Board is satisfied that the system of governance in use is appropriate for the nature, scale and complexity of Euroben's business. A document containing all company policies and strategies is reviewed and approved on an annual basis by the Board. This document also sets out the duties of the Board, CEO and management team.

4. Risk Profile

Euroben is closed to new business. The Occupational Pension Plan or policies within the Annuity Fund are expected to meet their future liabilities as they fall due and have sufficient capital to meet the risks to which they are exposed. Euroben manages the risks and de-risks accordingly so that it is very unlikely that the Company will have to provide capital support to the Occupational Pension Plan or particular policies within the Annuity Fund. Euroben is regarded as a low risk business because the Company is effectively a fee business and unlikely to be exposed to any material losses arising from the risks to which the policyholder funds are exposed. The Central Bank of Ireland classifies Euroben as a "medium low" risk impact undertaking using the Bank's risk assessment system.

4.1 Risk Categories

Market Risk

Market risk is the possible loss due to falls in the financial markets affecting asset values or loss arising from a mismatch of timing between expected future policy payments and future cash flows from assets backing liabilities.

Shareholder assets are mainly invested in short dated fixed income instruments (currently with an average duration of 4 months). Market risk in respect of shareholder assets is therefore very limited.

The Occupational Pension Plan and policies within the Annuity Fund bear all market risk while sufficient surplus exists in the Pension Plan or Annuity Fund policies to pay the guaranteed benefits. The surplus represents the difference between the insurance capital and the value of the guaranteed benefits. In the event that there is insufficient surplus on a policy to pay the guaranteed benefits, the shareholder becomes liable to fund the shortfall.

The Occupational Pension Plan and policies within the Annuity Fund are exposed to market risk, including interest rate risk. This is controlled through the use of mandates approved by the Board which limit the exposure to various asset classes, sectors and geographical areas.

The Company uses a dynamic risk management process to control market risk in the Occupational Pension Plan whereas the Annuity Fund has a fixed allocation of equities and bonds. This process leads to the Occupational Pension Plan reallocating to less risky assets in the event of the surplus falling below a given value.

Market risk is also managed by monitoring the exposures on a daily basis to ensure that they are within the limits allowed for in the mandates approved by the Board.

Asset exposure 31 December 2018:

	Occupational Pension Plan		**Annuity Fund**		**Shareholder Fund**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Equities	26%	30%	19%	23%	-	-
Fixed Income	63%	60%	78%	77%	81%	82%
Cash Equivalents	2%	1%	3%	-	19%	18%
Property	9%	9%		-		-
Total	**100%**		**100%**		**100%**	

Longevity Risk
The Occupational Pension Plan bears its biometric risk. Regular reviews of mortality experience against assumptions are made to ensure the mortality assumptions in the calculation of the best estimate of the liability reflect the actual mortality experience and up to date expectations of future changes in mortality experience.

Each policy within Annuity Fund also bears its biometric risk while there is sufficient surplus on each policy to bear the risk. The Company can make small profits or losses due to longevity and in recent years there have been losses in the range of 1.8 MSEK – 6.4MSEK which is small in the context of the level of capital held to support the business. Furthermore, the Annuity Fund at 528 MSEK at 31 December 2018 (December 2017: 596 MSEK) is declining and so the risk to the Company's own funds is limited.

Longevity risk is monitored by performing periodic exercises to determine the actual experience compared to the assumptions made for longevity.

Underwriting Risk
As the company is closed to new business, exposure to underwriting risk is limited. Euroben does accept new premiums to secure additional benefits on existing policies, just 46 MSEK in 2018 (2017: 50 MSEK).

Operational Risk
The main risk to which the shareholder is exposed is operational risk and the capital requirement is calculated as a percentage of the best estimate liabilities. The capital requirement for operational risk was 45 MSEK at 31 December 2018. (2017: 47 MSEK).

Euroben is exposed to operational risk from inadequate or failed internal processes, people and systems or from external events as a result of error or fraud. Most key functions are outsourced to other group operations such as investment management and policy administration. Errors which occur in performing these outsource services are covered by an outsource agreement which provides for compensation in the event of errors being made by the service provider. The risk of fraud is assessed as being low due to the nature of the business and the control environment in place.

Operational risk is managed by the establishment of a robust system of internal controls with reporting to the Audit and Risk Committee by management, internal and external audit on possible weaknesses in the environment.

Concentration Risk
Concentration risk relates to the risk arising from an overexposure to a single entity or a single geographic location or industry. Euroben is reliant on one policy, the Occupational Pension Plan, which accounts for approximately 95% of Euroben's income. If the Plan was to move to another insurance provider Euroben's business would become unviable due to overheads required to manage the business compared to the income from the Annuity Fund. In this scenario the Annuity Fund policies would most likely be transferred to another group company and the business wound up.

Credit Risk

Credit risk is the risk of loss due to the inability of counterparties or intermediaries to fulfil financial obligations. There is significant credit risk in the Occupational Pension Plan in respect of Swedish Corporates. This risk is mitigated by evaluating the credit rating of counterparties with a minimum credit rating required for investment and limiting the exposure per counterparty. The liabilities of the policyholder funds are all in SEK. All bonds are denominated in SEK matching the currency of the liability.

The following is an analysis of credits held:

	2018		2017	
Credits by credit rating	**%**	**MSEK**	**%**	**MSEK**
AAA	19	404	10	184
AA+	1	25	4	75
AA-	14	282	17	312
A+	8	177	13	253
A	8	156	4	74
A-	23	482	23	436
BBB+	9	187	12	226
BBB	4	81	2	45
BB+	2	34	2	40
BBB-	4	86	1	25
None	8	171	12	232
Total	**100**	**2,085**	**100**	**1,908**

Credits by country of issue	**%**	**MSEK**	**%**	**MSEK**
Sweden	64	1,331	61	1,167
Finland	10	201	13	238
Norway	9	193	13	248
Denmark	7	136	4	76
Iceland	4	88	3	50
Netherlands	2	50	3	51
Switzerland	2	50	3	50
Others	2	36	-	28
Total	**100**	**2,085**	**100**	**1,908**

The five highest exposures to credits are:

	Counterparty	**Exposure SEKM**	**Credit Rating**
1	Uppsalahem AB	86	AA-
2	Landshypotek AB	73	AAA
3	Elivio AB	49	None
4	Skandiabanken AB	48	AAA
5	Sparbanken Skane AB	48	A-

The shareholder assets have a high concentration of credit risk in the form of Swedish Government guaranteed fixed income securities which account for about 50% of the shareholder own funds. The short term duration of these assets (0.3 years) limits the risk.

The policyholder funds also have a high concentration of credit risk in the form of Swedish Government guaranteed fixed income securities. These assets are held to back the liabilities in the policyholder funds.

The following was the allocation of fixed income assets:

	Policyholder Funds		**Shareholder Funds**	
	2018	2017	2018	2017
Swedish Government	10%	10%		-
Index Linked	-	6%		-
Swedish Mortgage	24%	24%		-
Government Guaranteed	30%	29%	81%	82%
Credits	33%	30%	19%	18%
Private Debt	3%	1%		-
Total	**100%**	**100%**	**100%**	**100%**

All of the policyholder liabilities are denominated in Swedish Kronor. As a result, assets are mainly invested in Swedish Kronor assets. There is a concentration risk in respect of Swedish fixed income and equity assets. Further details on asset concentration risk are set out in section 4.3 below.

Liquidity Risk
Liquidity risk is the risk that the company does not have sufficient funds available or that the company cannot sell assets at acceptable prices, to honour all anticipated cash flow commitments as they fall due and/or to meet unanticipated cash demands. This risk is controlled by the Company through the investment strategy which requires holding mainly marketable securities. The nature of the business being occupational pensions or annuities means that cash flows are predictable and liquidity can be planned with some degree of certainty. This is therefore not considered to be a material risk.

4.2 The Prudent Person Principle

Euroben meets the Prudent Person Principle by the Board approving mandates for the investment of assets to ensure there are acceptable limits on asset classes, liquidity, concentration and diversification. The vast majority of asset held by Euroben are securities traded on a recognised stock exchange. Less than 10% of the total assets of the Occupational Pension Plan are invested in illiquid property assets and unquoted equities. These assets are still well diversified. The exposure to the Swedish economy through credits is mitigated by the diverse holdings. In addition, there is good diversification within the credits by sector such as banking, industry consumables etc. In addition, there are exposure limits set out in the investment policy.

4.3 Risk Mitigation

Market risk is mitigated in the Occupational Pension Plan by the use of a dynamic risk management process which protects a minimum level of surplus while allowing the Plan to take investment risk. In the event that the level of surplus reduces, exposure to risky assets is reduced.

The Occupational Pension Plan is exposed to longevity risk. This is mitigated to a small extent by the existence of a longevity swap with Hannover Re. This swap protects the Plan from longevity risk for those members aged 75 and above as at 1 January 2013. This swap protects approximately 5% of the longevity risk on the Plan.

All assets with the exception of international equities are denominated in Swedish Kronor. Euroben hedges the exchange rate in respect of non Swedish kronor assets in order to mitigate exchange rate volatility.

The CRO reports to the Risk Committee on a quarterly basis setting out the status of each risk to which the Company is exposed. The Risk Committee may recommend additional action to mitigate specific risks.

4.4 Risk Sensitivity

The level of surplus on the Occupational Pension Plan is sensitive to changes in the value of equities held. The 2018 ORSA process looked at the risk sensitivity to a fall in equity values. This exercise showed that the Occupational Pension Plan could withstand an immediate fall of 40% in equities while remaining solvent and in a position to meet future guaranteed benefits.

The Annity Fund is also sensitive to market risk. A stress on an individual policy basis in the Annuity Fund demonstrates that there is little likelihood of the Company having to support the Annuity Fund.

4.5 Risk Dependencies

There is a dependency between the market risk exposure and the concentration risk which has been described above. As the liabilities are denominated in SEK a significant element of the assets held are invested in Swedish assets.

5. Valuation for Solvency Purposes

The following is a summary of the FRS (*) balance sheet of Euroben as at 31 December 2018:

Assets	SEKM	SEKM	Liabilities	SEKM	SEKM
	2018	2017		2018	2017
Financial Assets	10,456	10,887	Technical Provisions	10,060	10,462
Debtors	7	11	Creditors	242	267
Other Assets	67	62	Accruals & Deferred Income	2	2
			Capital & Reserves	226	229
Total	**10,530**	**10,960**	**Total**	**10,530**	**10,960**

5.1 Valuation of Assets

The following is a summary of the value of assets held as at 31 December 2018:

Asset Type	Note	FRS	Reclassification Adjustments	Represented FRS	Valuation Adjustments	Solvency II Value 31/12/18	Solvency II Value 31/12/17
		SEK'M	SEK'M	SEK'M	SEK'M	SEK'M	SEK'M
Shares and Holding in Group Companies	1	216	(216)	-	-	-	-
Loans to Group Companies	2	587	(587)	-	-	-	-
Property	1&2	-	803	803	-	803	776
Debt & other Fixed Income Securities	3	6,695	(251)	6,444	-	6,444	6,543
Shares & Holdings in Investment Funds Equities Collective Undertakings	3	2,710	141	2,851	-	 2,054 797	2,565 707
Other Financial Assets	4	126		126	-	126	-
Loans and Mortgages	5	-	110	110		110	65
Derivative Assets	6	123			-	123	95
Cash at Bank		44	-	44	-	44	180
Debtors		7	-	7	-	7	11
Tax Recoverable	7	22	-	22	-	22	18

Contingent Assets	8	-	-	-	165	165	225
Total		10,530	-	10,530	165	10,695	11,185

* The financial statements of Euroben are prepared based on Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Ireland" ("FRS 102"), in conjunction with Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103"), issued by the Financial Reporting Council.

Notes:

1. **Shares and holdings in Group companies**

   The shares in group companies are measured at fair value through the profit and loss account and the return is credited to policyholders.

   The Company holds 7.33% (2017: 7.36%) of the share capital of SPP Fastigheter AB. The remaining capital of SPP Fastigheter AB is held by 3 related companies, SPP Pension & Försäkring AB (publ) ("SPP"), 84.35% (2017: 84.67%), SPP Fasigheter KB, 8.09% (2017: 9.97%) and SPP Fastigheter KB 2, 0.23% (2017: 0.00%). SPP irrevocably granted to the Company an option to sell its shares in SPP Fastigheter AB at net asset value (the "Put Option"). The Put Option is exercisable once (and not several times) in whole (but not in part) under the following circumstances: 1) Where the Corporate Occupational Pension Plan is transferred from the Company or if the agreement governing the Corporate Occupational Pension Plan is terminated; 2) Where the Company's continued ownership of the shares in SPP Fastigheter AB, due to circumstances which are outside of the Company's control, would have a material adverse impact (financial or otherwise) on the Company. The Put Option also requires SPP to direct SPP Fastigheter AB to repay any loans provided by the Company which are outstanding on the day the Put Option is exercised by the Company.

2. **Loans to Group Companies**
   The loans refer to the funding of long term investments in real estate related assets within the policyholder funds by issuing unsecured shareholder loans to the related property investments company, SPP Fastigheter AB. SPP Fastigheter AB uses the loans to fund property investments.

3. **Financial Assets at Fair value**
   Listed financial instruments are valued on the basis of official final prices on the appropriate stock exchange obtained via Reuters and Bloomberg. Fund units are generally stated at the updated official NAV prices where these exist. As a general rule, bonds are valued on the basis of prices from Reuters and Bloomberg. Bonds that are not quoted regularly will normally be valued on the basis of recognised theoretical models. These sorts of valuations are based on discount rates consisting of swap

interest rates plus a credit premium. The credit premium will be issuer specific and normally based on a consensus of credit spreads quoted by a selected brokerage house.

The Company categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels express the differing degree of liquidity and different measuring methods.

a. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities.
b. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
c. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Level 1: Financial instruments valued on the basis of quoted prices

This category encompasses listed equities that the Company considers are significantly liquid.

Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1.

Level 2: Financial Instrument value on the basis of observable market information not covered by level 1

This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that prices can be derived from observable, related markets. Level 2 encompasses equities or equivalent equity instruments for which market prices are available, but where the turnover volume is too limited to meet the criteria in level 1. Equities on this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified as level 2. Interest rate and currency swaps, non-standardised interest rate and currency derivatives are also classified as level 2. Funds are generally classified as level 2 and encompass equity, interest and hedge funds.

Level 3: Financial instruments valued on the basis of information that is not observable

Equities classified as level 3 encompass investments in primarily unlisted/private companies. Private equity is classified as level 3 through investments in funds. The private equity funds that the Company holds are units in a number of the Storebrand International Private Equity Funds. The net asset value of the fund holdings is SEK 304 million (2017: SEK 290 million) and is based on the unaudited financial statements of the funds at 30 September 2018 adjusted for cashflows and any market effects during the final quarter. Other alternative investment funds classified at level 3 consist of private debt and real estate and have a net asset value of SEK 155 million (2017: SEK 89 million) and are based on the unaudited financial statements of the fund at 30 September 2018 adjusted for cashflows and any market effects during the final quarter. Private debt are investments of direct loans to companies in the Nordic markets, net asset value: SEK 109 million (2017: SEK 65 million).

4. **Loans and Mortgages**
   Private debt is valued at the estimated recoverable amount.

5. **Derivative Assets**
   Forward foreign currency contracts are valued using spot exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are valued at the present value of estimated future cash flows and discounted based on applicable yield curves from quoted interest rates.

   Unlisted derivatives, primarily interest rate and currency instruments are also valued using recognised theoretical models. The money market rates, swap rates, exchange rates and volatilities that provide the basis for valuation are obtained from Reuters and Bloomberg. For foreign exchange forwards and swaps, each leg of the cash flows is discounted on the relevant money market STIBOR/LIBOR (or similar) curve. Similarly for interest rate swaps, each leg is also discounted using the relevant STIBOR swap curve.

6. **Other Assets**
   Other assets such as debtors and accruals are valued at their estimated recoverable amounts.

7. **Future Committments**
   Euroben has committed, contingent on certain circumstances, to contribute to private equity and property funds. Estimated commitments at 31 December 2018 were 165 MSEK (2017: 225 MEK) and these will be met from the Corporate Occupational Pension Plan policyholder fund.

The valuation of assets for Solvency II purposes is identical to that used for the FRS statutory accounts with the exception of accrued interest which is included in the value of the asset under Solvency II and leads to a reclassification.

The Company has entered into commercial non-cancellable leases on office equipment where it is not in the best interests of the company to purchase these assets.

5.2 Valuation of Technical Provisions

Technical provisions are valued in accordance with Article 77 of the Solvency II Directive and consist of the Best Estimate Liabilities (BEL) and a risk margin.

Transitional Measures and allowance adjustments
Euroben does not use rely on transitional measures or adjustments. For the avoidance of doubt the following statements are made;

1. Euroben does not use the **matching adjustment** referred to in Article 77b of Directive 2009/138/EC
2. Euroben does not use the **volatility adjustment** referred to in Article 77d of Directive 2009/138/EC
3. **The transitional risk-free interest rate term structure** referred to in Article 308c of Directive 2009/138/EC is not applied
4. The **transitional deduction** referred to in in Article 308d of Directive 2009/138/EC is not applied

Euroben does not use company specific parameters or the simplified calculations allowed by the regulations.

This Solvency II valuation compares to the statutory accounts which uses an investment accounting approach to the valuation of technical provisions. This means that the technical provisions equal the assets held by the policyholder funds in the statutory accounts.

Best estimate liabilities are calculated by discounting the projected guaranteed cash flows based on the best estimate assumptions for biometric risk and tax. For the Corporate Occupational Pension Plan the key assumption relates to longevity and at December 2018 this was based on 75% of DUS14. DUS is a mortality table developed in the Swedish market based on actual experience. For the Annuity Fund, the current assumption for longevity is M90 an older Swedish mortality table. These assumptions are unchanged from year end 2017.

The liabilities are discounted using the EIOPA risk free rate structures without the use of the matching adjustment or volatility adjustment.

The liabilities consist of guaranteed benefits and discretionary benefits. Guaranteed benefits represent the benefits which Euroben is contractually required to provide to beneficiaries. Discretionary benefits representing the surplus on the funds may be paid to secure future indexation of benefits to the beneficiaries in the case of the Corporate Occupational Pension Plan or in the case of the Annuity Fund to enhance the level of benefits to the beneficiary.

Best Estimate Liabilities

SEKM	Dec 2018	Dec 2017
Guaranteed Liabilities	7,158	7,253
Discretionary Benefits	2,788	3,209
Best Estimate Liabilities	9,946	10,462
Risk Margin	43	10
Technical Provisions	**9,989**	**10,472**

The Risk Margin is defined as the amount required to ensure the value of the technical provisions is increased from the discounted best estimate to an amount equivalent to the theoretical level required to transfer the obligations to another insurance undertaking. The risk margin is calculated based on the risks which cannot be hedged. Market risk is not included as it is considered that any residual market risk can be hedged. Euroben mainly invests in marketable securities.

There are a number of methodologies available for the calculation of the risk margin. Euroben uses an approximation of the individual risks for each future year. It is considered that this method gives a better approximation of the risk margin. This option involves outputting the cash flows from the model used in calculating the liabilities and calculating the present value of future charges and the present value of the Company's expenses at each future month.

The risk margin has been calculated as at December 2018 as SEK 43M (2017 : 10 MSEK).

Solvency capital requirements are calculated on a gross and net basis. The Gross SCR calculates the capital required to meet the risks to which the policyholder funds are exposed to before taking account of the loss absorbing capacity of the funds, that is, the surplus capital available to meet these risks.

The risk margin is based on the net solvency capital requirements (SCR), that is after taking the loss absorbency capacity of the policyholder funds in to account and so the policyholder funds do not contribute to the risk margin requirement as the loss absorbency in these funds ensures that the capital requirement is nil. The risk margin is therefore calculated based only on operational risk and the shareholder is solely responsible for the risk margin capital requirement.

The risk margin reduces the own fund assets available to meet the solvency capital requirement for Euroben.

5.3 Valuation of other Liabilities

Euroben put a longevity treaty in place in 2013 in order to protect the Corporate Occupational Pension Plan from adverse longevity experience. The treaty includes 283 lives in existence on the Plan as at 1 January 2013 aged 75 and above.

The reinsurance treaty takes the form of a longevity swap whereby Euroben has swapped a series of variable cashflows for fixed cashflows relating to the lives covered.

The valuation of the swap is completed by comparing the discounted fixed cashflows to the discounted variable cashflows. The variable cashfows will reflect the most up to date

assumptions relating to longevity experience. The value of the swap at 31 December 2018 was a liability of 126 MSEK, (December 2017 137 MSEK.

Liability Type	Note	FRS	Reclassification Adjustments	Represented FRS	Valuation Adjustments	Solvency II Value 31/12/18	Solvency II Value 31/12/17
		SEK'M	SEK'M	SEK'M	SEK'M	SEK'M	SEK'M
Best Estimate Liabilities	1	10,060	-	10,060	(114)	9,946	10,462
Risk Margin	2	-	-	-	43	43	10
Deferred Capital Contribution (see page 28)	3	2	-	2	(2)	-	-
Other Creditors	4	111	-	111	-	111	114
Accruals	4	2	-	2	-	2	2
Longevity Swap Reserve	5	126	(126)	-	-	-	-
Derivatives	6	3	126	129	-	129	151
Contingent Liabilities	7	-	-	-	165	165	225
Deferred Tax	8	-	-	-	9	9	-
Shareholder Funds	9	226	-	226	64	290	221
Total		10,530	-	10,530	165	10,695	11,185

Notes:

1. **Technical Provisions**
   The basis of the calculation of technical provision is set out above in section 5.2.

2. **Risk Margin**
   The Solvency II technical provisions include a risk margin of 43 MSEK as explained in section 5.2.

3. **Deferred Capital Contributions**
   The FRS provisions include a deferred capital contribution in respect of Annuity Fund policies which is not required under Solvency II.
4. **Other Creditors and Accruals**
   Other Creditors and accruals are valued in accordance with the FRS accounting valuations and are based on the estimated costs of settling these balances.

5. **Longevity Swap**
   The longevity swap agreement sets out the fixed leg cash flows to be used over the lifetime of the treaty. The fixed cashflows were prepared by Hannover Re using their mortality basis. The floating leg on the swap is the actual annuity payments made. The difference between the two legs is calculated quarterly and cash settled by either party to the transaction depending on whether the floating or fixed leg is larger.

   The longevity swap reserve allows for net "expected" future payments under the treaty and is calculated on a basis consistent with the Solvency II best estimate calculations. The calculation is based on the assumption that the swap will be held to maturity and is not the market value as it is not a listed instrument.

6. **Derivative Liabilities**
   Forward foreign currency contracts are valued using spot exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are valued at the present value of estimated future cash flows and discounted based on applicable yield curves from quoted interest rates.

   Unlisted derivatives, primarily interest rate and currency instruments are also valued using recognised theoretical models. The money market rates, swap rates, exchange rates and volatilities that provide the basis for valuation are obtained from Reuters and Bloomberg. For foreign exchange forwards and swaps, each leg of the cash flows is discounted on the relevant money market STIBOR/LIBOR (or similar) curve. Similarly for interest rate swaps, each leg is also discounted using the relevant STIBOR swap curve.

   The longevity swap capital value is categorised as a derivative under Solvency II.

7. **Contingent Commitments**
   The company has committed, contingent on certain circumstances, to contribute to private equity and property funds. Estimated commitments at 31 December 2018 were 165 MSEK (2017: 225 MSEK) and these will be met from the Corporate Occupational Pension Plan policyholder fund.

8. **Deferred tax**
   The deferred tax liability relates to the deferred tax on the value of in-force business.

9. **Shareholder Funds**
   Shareholder Funds are shareholder own funds and are described in section 6.

6. Capital Management

6.1 Own Funds

Own Funds are made up of share capital, distributable reserves and retained profits.

SEKM	Actual 2018	Actual 2017
Shareholder Funds		
Share Capital	**6**	**6**
Distributable Reserve	**200**	**201**
Profit & Loss Account	**20**	**22**
Total Shareholder Funds per FRS Statutory Accounts	**226**	**229**
Risk Margin	**(43)**	**(10)**
Deferred Capital Contributions	**2**	**2**
Value of In-Force business less deferred tax	**104**	**-**
Excess of Assets over Liabilities	**290**	**221**
Foreseeable Dividend	**(20)**	**(23)**
Total Capital Available SII	**269**	**198**

The difference in the shareholder own funds between the statutory accounts and the Solvency II position is known as the reconciliation reserve. This reconciliation reserve represents issues which are accounted for differently between the statutory and Solvency II basis and at 31 December 2018 it amounted to 43 MSEK (minus 31 MSEK 2017). The main portion of the reconciliation reserve, refers to the value of in-force business recognised on the Solvency II balance sheet and the foreseeable dividend for which own funds has been reduced. This dividend is not reflected in the statutory accounts. In addition, 43 MSEK relates to the risk margin which is required to be held as part of the best estimate liabilities under SII but is not required under the statutory basis which assumes the company continues as a going concern. The deferred capital contribution is prepared on a statutory accounts basis and represents a provision for policies which may need capital support in the future (2 MSEK). The deferred capital contribution provision is the difference for each Annuity policy between the discounted value of the guaranteed benefits of the policy, based on the 10 year swap rate of 1% (2017:1.20%) and after allowance for tax and charges, and the technical provision for each policy, subject to a minimum of zero.

Euroben's policy on 'own funds' is that sufficient capital should be maintained to cover the risks to which the business is exposed to in 'run off' with excess capital returned to the shareholders. A dividend of 23.0 MSEK was paid during 2018 (2017: 28.0 MSEK). The dividend policy is to pay by dividend the previous year's earnings with a minimum capital level being maintained.

None of Euroben's own funds are subject to the Solvency II transitional arrangements and Euroben has no ancillary own funds. All of Euroben's own funds are classified as tier 1 in that they are the highest quality and are available immediately to support the business. Own funds are invested in short dated securities with an average duration of 4 months.

The surplus available on the Occupational Pension Plan cannot be used to cover losses on the Annuity Fund and the surplus available on the Annuity Fund cannot be used to cover losses on the Occupational Pension Plan. Surplus on individual annuity Fund policies cannot be used to cover losses on other Annuity Fund policies. In other words there can be no cross subsidisation. In addition, the surplus on the policyholder funds cannot be used to meet the SCR requirements of the Euroben shareholder.

Euroben has issued 200M SEK worth of uncalled share capital that is not considered in the calculation of capital available to meet the solvency requirements. In the very unlikely event, that capital was required to support the business then these uncalled shares would be called, effectively raising capital from the shareholders.

Euroben does not value the inforce business on the Solvency II balance sheet.

The capital required to support the Annuity Fund is based on an assessment on an individual policy basis of the likely shareholder capital required to meet the guaranteed liabilities on policies with insufficient insurance capital to meet the benefits.

6.2 Solvency Capital Requirements and Minimum Capital Requirements

Solvency capital requirements are calculated on a gross and net basis. The policyholder funds maintain sufficient capital to cover the risks to which they are exposed. The Gross SCR calculates the capital required to meet the risks to which the policyholder funds are exposed to before taking account of the loss absorbing capacity of the funds, that is, the surplus capital available to meet these risks.

The shareholder is responsible for the net solvency capital requirement which is the capital that the Central Bank would expect the Company to maintain based on the regulations. The SCR calculations at December 2018 are summarised as follows:

Analysis of Capital Requirements	**December 2018**		**December 2017**	
	Gross	**Net**	**Gross**	**Net**
	SEKM	**SEKM**	**SEKM**	**SEKM**
	Policyholder & Shareholder Funds	**Shareholder**	**Policyholder & Shareholder Funds**	**Shareholder**
Total Market Risk	1,440	33	1,870	4
Longevity Risk	284	1	286	-
Counterparty Risk	18	1	21	-
Operational Risk	-	45	-	47
Lapse Risk	-	117	-	-
Expenses	-	17	-	-
Deferred Taxes	-	(9)	-	-
Diversification benefit	(199)	(30)	(207)	-
Total Solvency Capital Requirement (SCR)	**1,543**	**175**	**1,970**	**51**

Total Minimum Capital Requirement (MCR)	**-**	**79**	**-**	**36**
Assets available to meet MCR/SCR	**2,857**	**269**	**3,209**	**198**
SCR Coverage	**185%**	**154%**	**163%**	**391%**

Based on the solvency capital requirement of 175 MSEK and available assets of 269 MSEK, Euroben had solvency coverage of 154% as at 31 December 2018 (December 2017: 391%).

The MCR for Euroben for December 2018 is based on the 45% of the solvency capital requirement calculation of the absolute floor for the MCR. At December 2017 the MCR was based on the MCR 'floor' of €3,700,000 (36 MSEK).

Euroben uses the standard formula developed by EIOPA to calculate the solvency capital requirements.

Euroben does not use the duration based equity risk sub module in the calculation of the SCR.

6.3 Material Non Compliance with SCR or MCR

Euroben was compliant on a continuous basis during 2018 with the MCR and SCR. The SCR is formally calculated on a quarterly basis and estimated on a daily basis.

Appendix: Annual Quantitative Reporting Templates

S.02.01.02	Balance Sheet
S.05.01.02	Premiums, Claims and Expenses by Line of Business
S.05.02.01	Premiums, Claims and Expenses by Country
S.12.01.02	Life Technical Provisions
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement for Undertakings using the standard formula
S.28.01.01	Minimum Capital Requirements

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0.00
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	10 221 221 434.72
R0080	*Property (other than for own use)*	803 130 114.10
R0090	*Holdings in related undertakings, including participations*	0.00
R0100	*Equities*	2 053 834 624.69
R0110	*Equities - listed*	2 052 471 256.38
R0120	*Equities - unlisted*	1 363 368.31
R0130	*Bonds*	6 444 844 920.96
R0140	*Government Bonds*	2 930 170 634.92
R0150	*Corporate Bonds*	3 514 674 286.04
R0160	*Structured notes*	0.00
R0170	*Collateralised securities*	0.00
R0180	*Collective Investments Undertakings*	797 090 988.44
R0190	*Derivatives*	122 320 786.53
R0200	*Deposits other than cash equivalents*	0.00
R0210	*Other investments*	0.00
R0220	Assets held for index-linked and unit-linked contracts	0.00
R0230	Loans and mortgages	109 739 956.69
R0240	*Loans on policies*	0.00
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	109 739 956.69
R0270	Reinsurance recoverables from:	0.00
R0280	*Non-life and health similar to non-life*	0.00
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0.00
R0320	*Health similar to life*	0.00
R0330	*Life excluding health and index-linked and unit-linked*	0.00
R0340	*Life index-linked and unit-linked*	0.00
R0350	Deposits to cedants	0.00
R0360	Insurance and intermediaries receivables	3 072 120.00
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	25 724 735.33
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00
R0410	Cash and cash equivalents	169 982 601.77
R0420	Any other assets, not elsewhere shown	165 182 784.74
R0500	**Total assets**	10 694 923 633.25

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0.00
R0520	*Technical provisions - non-life (excluding health)*	0.00
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0.00
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	9 989 555 097.67
R0610	*Technical provisions - health (similar to life)*	0.00
R0620	*TP calculated as a whole*	0.00
R0630	*Best Estimate*	0.00
R0640	*Risk margin*	0.00
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	9 989 555 097.67
R0660	*TP calculated as a whole*	0.00
R0670	*Best Estimate*	9 946 408 137.62
R0680	*Risk margin*	43 146 960.05
R0690	Technical provisions - index-linked and unit-linked	0.00
R0700	*TP calculated as a whole*	0.00
R0710	*Best Estimate*	0.00
R0720	*Risk margin*	0.00
R0730	Other technical provisions	
R0740	Contingent liabilities	165 182 784.74
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	8 999 450.36
R0790	Derivatives	129 167 923.77
R0800	Debts owed to credit institutions	0.00
R0810	Financial liabilities other than debts owed to credit institutions	0.00
R0820	Insurance & intermediaries payables	749 875.18
R0830	Reinsurance payables	8 497 233.40
R0840	Payables (trade, not insurance)	98 745 172.40
R0850	Subordinated liabilities	0.00
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0.00
R0880	Any other liabilities, not elsewhere shown	4 396 613.79
R0900	**Total liabilities**	10 405 294 151.31
R1000	**Excess of assets over liabilities**	289 629 481.94

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Insurance with profit participation	Other life insurance	Total
		C0220	C0240	C0300
	Premiums written			
R1410	*Gross*	45 695 564.00	667 517.00	46 363 081.00
R1420	*Reinsurers' share*	0.00	15 825.00	15 825.00
R1500	*Net*	45 695 564.00	651 692.00	46 347 256.00
	Premiums earned			
R1510	*Gross*	45 695 564.00	667 517.00	46 363 081.00
R1520	*Reinsurers' share*	0.00	15 825.00	15 825.00
R1600	*Net*	45 695 564.00	651 692.00	46 347 256.00
	Claims incurred			
R1610	*Gross*	351 178 072.00	66 740 538.14	417 918 610.14
R1620	*Reinsurers' share*			0.00
R1700	*Net*	351 178 072.00	66 740 538.14	417 918 610.14
	Changes in other technical provisions			
R1710	*Gross*	15 710 859.61	8 207 698.83	23 918 558.44
R1720	*Reinsurers' share*			0.00
R1800	*Net*	15 710 859.61	8 207 698.83	23 918 558.44
R1900	**Expenses incurred**	26 295 877.34	1 979 259.59	28 275 136.93
R2500	**Other expenses**			-1 229 101.42
R2600	**Total expenses**			27 046 035.51

S.05.02.01

Premiums, claims and expenses by country

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Life	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
R1400			SE					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	*Gross*		46 363 081.00					46 363 081.00
R1420	*Reinsurers' share*		15 825.00					15 825.00
R1500	*Net*	0.00	46 347 256.00	0.00	0.00	0.00	0.00	46 347 256.00
	Premiums earned							
R1510	*Gross*		46 363 081.00					46 363 081.00
R1520	*Reinsurers' share*		15 825.00					15 825.00
R1600	*Net*	0.00	46 347 256.00	0.00	0.00	0.00	0.00	46 347 256.00
	Claims incurred							
R1610	*Gross*		417 918 610.14					417 918 610.14
R1620	*Reinsurers' share*		0.00					0.00
R1700	*Net*	0.00	417 918 610.14	0.00	0.00	0.00	0.00	417 918 610.14
	Changes in other technical provisions							
R1710	*Gross*		23 918 558.44					23 918 558.44
R1720	*Reinsurers' share*		0.00					0.00
R1800	*Net*	0.00	23 918 558.44	0.00	0.00	0.00	0.00	23 918 558.44
R1900	**Expenses incurred**	11 546 803.97	16 728 332.96					28 275 136.93
R2500	**Other expenses**							-1 229 101.42
R2600	**Total expenses**							27 046 035.51

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Other life insurance			Total (Life other than health insurance, incl Unit-linked)
				Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0060	C0070	C0080	C0150
R0010	**Technical provisions calculated as a whole**					0.00
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole					0.00
	Technical provisions calculated as a sum of BE and RM					
	Best estimate					
R0030	**Gross Best Estimate**	9 430 947 901.02			515 460 236.60	9 946 408 137.62
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					0.00
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	9 430 947 901.02		0.00	515 460 236.60	9 946 408 137.62
R0100	**Risk margin**	28 386 398.13	14 760 561.91			43 146 960.05
	Amount of the transitional on Technical Provisions					
R0110	Technical Provisions calculated as a whole					0.00
R0120	Best estimate					0.00
R0130	Risk margin					0.00
R0200	**Technical provisions - total**	9 459 334 299.16	530 220 798.51			9 989 555 097.67

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	5 620 000.00	5 620 000.00		0.00	
R0030	Share premium account related to ordinary share capital	0.00	0.00		0.00	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00	0.00		0.00	
R0050	Subordinated mutual member accounts	0.00		0.00	0.00	0.00
R0070	Surplus funds	0.00	0.00			
R0090	Preference shares	0.00		0.00	0.00	0.00
R0110	Share premium account related to preference shares	0.00		0.00	0.00	0.00
R0130	Reconciliation reserve	263 709 481.94	263 709 481.94			
R0140	Subordinated liabilities	0.00		0.00	0.00	0.00
R0160	An amount equal to the value of net deferred tax assets	0.00				0.00
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0.00	0.00	0.00	0.00	0.00
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0.00				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0.00				
R0290	**Total basic own funds after deductions**	269 329 481.94	269 329 481.94	0.00	0.00	0.00
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0.00				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0.00				
R0320	Unpaid and uncalled preference shares callable on demand	0.00				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0.00				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0.00				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0.00				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0390	Other ancillary own funds	0.00				
R0400	**Total ancillary own funds**	0.00			0.00	0.00

	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	269 329 481.94	269 329 481.94	0.00	0.00	0.00
R0510	Total available own funds to meet the MCR	269 329 481.94	269 329 481.94	0.00	0.00	
R0540	Total eligible own funds to meet the SCR	269 329 481.94	269 329 481.94	0.00	0.00	0.00
R0550	Total eligible own funds to meet the MCR	269 329 481.94	269 329 481.94	0.00	0.00	

R0580	SCR	174 783 499.30
R0600	MCR	78 652 574.69
R0620	Ratio of Eligible own funds to SCR	154.09 %
R0640	Ratio of Eligible own funds to MCR	342.43 %

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	289 629 481.94
R0710	Own shares (held directly and indirectly)	0.00
R0720	Foreseeable dividends, distributions and charges	20 300 000.00
R0730	Other basic own fund items	5 620 000.00
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0.00
R0760	Reconciliation reserve	263 709 481.94

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0.00
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0.00
R0790	Total Expected profits included in future premiums (EPIFP)	0.00

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1 212 026 368.29		
R0020	Counterparty default risk	17 516 670.73		
R0030	Life underwriting risk	288 908 894.32		
R0040	Health underwriting risk	0.00		
R0050	Non-life underwriting risk	0.00		
R0060	Diversification	-198 978 025.39		
R0070	Intangible asset risk	0.00		
R0100	**Basic Solvency Capital Requirement**	1 319 473 907.96		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	44 758 836.62
R0140	Loss-absorbing capacity of technical provisions	-1 180 449 794.91
R0150	Loss-absorbing capacity of deferred taxes	-8 999 450.36
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0.00
R0200	**Solvency Capital Requirement excluding capital add-on**	174 783 499.30
R0210	Capital add-ons already set	0.00
R0220	**Solvency capital requirement**	174 783 499.30

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0.00
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	16 856 602.13
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	158 083 661.79
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0.00
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0.00

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

		C0010
	Linear formula component for non-life insurance and reinsurance obligations	
R0010	MCR_{NL} Result	0.00

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

		C0040
	Linear formula component for life insurance and reinsurance obligations	
R0200	MCR_L Result	131 602 027.06

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	6 867 265 763.39	
R0220	Obligations with profit participation - future discretionary benefits	2 563 682 137.63	
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	515 460 236.60	
R0250	Total capital at risk for all life (re)insurance obligations		

		C0070
	Overall MCR calculation	
R0300	Linear MCR	131 602 027.06
R0310	SCR	174 783 499.30
R0320	MCR cap	78 652 574.69
R0330	MCR floor	43 695 874.83
R0340	Combined MCR	78 652 574.69
R0350	Absolute floor of the MCR	38 485 550.00
R0400	**Minimum Capital Requirement**	78 652 574.69