



Solvency and Financial Condition Report (SFCR)

2020

Euroben Solvency and Financial Condition Report 2020

Contents	Page
1. Summary.....	3
2. Business and Performance.....	6
2.1 Business	6
2.2 Performance of the Business	7
2.3 Performance from underwriting activities	7
2.4 Performance from investment activities	7
2.5 Operating income and expenses	8
2.6 Any Other Information	8
3. System of Governance.....	9
3.1 General Governance Arrangements	9
3.2 Fit and Proper Persons	10
3.3 Risk Management System	11
3.4 ORSA.....	13
3.5 Compliance Function.....	14
3.6 Internal Audit.....	14
3.7 Actuarial Function	14
3.8 Internal Control	15
3.9 Outsourcing	15
3.10 Assessment of Governance.....	16
4. Risk Profile.....	17
4.1 Risk Categories.....	17
4.2 The Prudent Person Principle.....	20
4.3 Risk Mitigation	20
4.4 Risk Sensitivity	21
4.5 Risk Dependencies.....	21
5. Valuation for Solvency Purposes.....	22
5.1 Valuation of Assets.....	22
5.2 Valuation of Technical Provisions.....	25
5.3 Valuation of other Liabilities	27
5.4 Other Information	29
6. Capital Management.....	30
6.1 Own Funds.....	30
6.2 Solvency Capital Requirements and Minimum Capital Requirements ..	31
6.3 Material Non-Compliance with SCR or MCR.....	32
Appendix: Annual Quantitative Reporting Templates.....	33

Euroben Solvency and Financial Condition Report 2020

1. Summary

Proposed Merger

The Board of SPP Pension & Försäkring AB (publ) (SPP), the 100% shareholder of the Company and the Board of the Company reached initial agreement on 20 December 2020 to merge by absorption under the Cross-Border Mergers Regulations 2008, the Company into SPP. The merger is subject to full agreement on the commercial terms and on regulatory and court approval in Ireland and Sweden.

The Company expects the Merger to be completed by the end of 2021 and then the Company will be dissolved.

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 2020, 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 2020, the Plan consisted of 1,499 beneficiaries (2019: 1,521) of which 1,049 related to pensions in payment at December 2020 (2019: 1,011). The pensioners and deferred pensioners of the Occupational Pension Plan will receive increased benefits in 2021 in line with Swedish Price Inflation.

The Annuity Fund consists of annuities written on both a fixed term basis and whole of life basis. The Fund is treated like 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 the guarantees. There were 40 (2019: 40) customers with 67 (2019: 67) policies and 2,321 beneficiaries at December 2020 (2019: 2,774).

The Occupational Pension Plan achieved an investment return during 2020 of 4.1% (2019: 9.0%) whilst the Annuity Fund achieved a return of 4.9% (2019: 8.4%).

The 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 Solvency and Financial Condition Report 2020

The ownership of Euroben changed during 2020. Euroben is now owned 100% by SPP Pension & Försäkring AB (publ) which is owned 100% by Storebrand Livsforsikring AS.

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 Central Bank of Ireland Corporate Governance Requirements. Euroben was compliant during 2020 with these requirements.

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 2020 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 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.

Covid-19

Measures were taken by our key outsourcers to limit the spread of infection within their entities and to ensure continuity in critical operations towards the Company. Since the outbreak of the virus, most of their employees carried out work tasks from home and utilised the opportunities of digital tools. The COVID 19 pandemic led to financial asset volatility. This volatility was managed in line with the risk management systems of the Storebrand Group to reduce the effects on policyholder funds.

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

Euroben Solvency and Financial Condition Report 2020

estimate assumptions for biometric risk and tax. The best estimate liabilities as at 31 December 2020 amounted to 10,348 MSEK (2019: 10,391 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

The risk profile of the Company remains unchanged from 2019. The shareholder own funds (the funds available to meet the Company's Solvency Capital Requirement) increased from 329 MSEK to 346 MSEK.

The solvency cover increased from 216% to 262% during 2020. The solvency cover represents the ratio of own funds to the Solvency Capital Requirement.

There were no dividends paid to the shareholder during 2020 (2019: 230.6 MSEK). There is no foreseeable dividend provided for at December 2020.

Euroben retained own funds of 346 MSEK (2019: 329 MSEK) to meet the solvency capital requirement of 132 MSEK at 31 December 2020 (2019: 152 MSEK).

All the Euroben own funds of 346 MSEK (2019: 329 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.

Euroben Solvency and Financial Condition Report 2020

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:

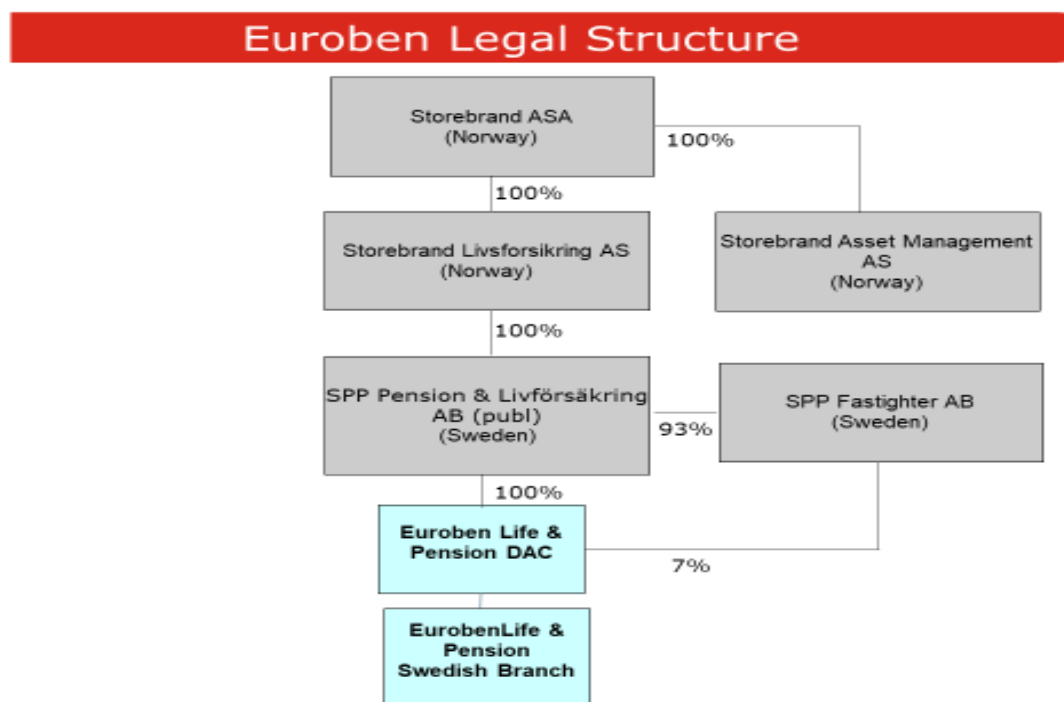
10, Vasagatan
P.O. Box 6700, 113 85 Stockholm,
Sweden

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 2020 were PricewaterhouseCoopers with the following address:

Spencer Dock,
North Wall Quay
Dublin 1



Storebrand Livsforsikring AS is owned by Storebrand ASA which is a company listed on the Norwegian stock exchange.

Euroben Solvency and Financial Condition Report 2020

2.2 Performance of the Business

The business remained profitable during 2020, recording a profit of 30.2 MSEK for the year (2019: 27.2 MSEK). The business performance was broadly in line with expectations. Most of the income was derived from business written through the branch in Sweden. The Company retained a strong solvency position with 262% coverage (2019: 216%).

No new insurance contracts were issued during 2020 although premiums were paid on existing contracts. The premiums amounted to 23 MSEK (2019: 32 MSEK) for the Occupational Pension Plan and 0 MSEK (2019: 1 MSEK) for the Annuity business.

The value of assets in the Occupational Pension Plan decreased marginally to 9,970 MSEK (2019: 9,990 MSEK) whilst the Annuity Fund declined from 498 MSEK to 455 MSEK over the year.

There were no material events affecting the business performance during 2020.

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 2020 made a gain of 1.9 MSEK (2019: 0.2 MSEK).

2.4 Performance from investment activities

The Occupational Pension Plan generated an investment return of 4.1% (2019: 9.0%) while the Annuity Fund generated a return of 4.9% (2019: 8.4%).

Shareholder assets are invested in short dated Swedish Kronor fixed income assets and generated a return of 0.4% during 2020 (2019: 0.7%) reflecting the very low interest rate environment in Sweden.

Investment Return:

	2020	2019
Shareholder Assets	0.4%	0.7%
Occupational Pension Plan	4.1%	9.0%
Annuity Fund	4.9%	8.4%

Investment Income:

	2020		2019	
SEKM	Policyholder Funds	Shareholder Funds	Policyholder Funds	Shareholder Funds
Income and gains on equities	323.3	-	573.1	-
Income and gains on fixed interest securities	54.8	1.2	168.4	1.2
Income and gains on property	44.2	-	50	-
Total Investment Return	422.3	1.2	791.5	1.2

Euroben Solvency and Financial Condition Report 2020

2.5 Operating income and expenses

SEKM	2020	2019
Fees on Policyholder Funds	53	54
Administrative Costs	(18)	(18)
Asset Management Costs	(10)	(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 Livsförsäkring AS.

There have been no significant transactions or events since the reporting date of 31 December 2020 impacting on the business.

Euroben Solvency and Financial Condition Report 2020

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 2020 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 2020 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,

Euroben Solvency and Financial Condition Report 2020

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:

	2020	2019
	MSEK	MSEK
Payments to SPP in respect of Outsourced Services	8.6	8.7
Payments to Storebrand in respect of asset management services	8.1	8.6
Payments to SPP Fastigheter in respect of property management services	1.8	1.8
Total	18.5	19.1

Dividends are approved by the Board of Euroben and paid to the shareholder and in the reporting period no dividends were paid (2019: 230.6 MSEK).

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 under 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.

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:

Euroben Solvency and Financial Condition Report 2020

- 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

Euroben Solvency and Financial Condition Report 2020

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 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 relatively 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 December 2020. 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 330bn 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.

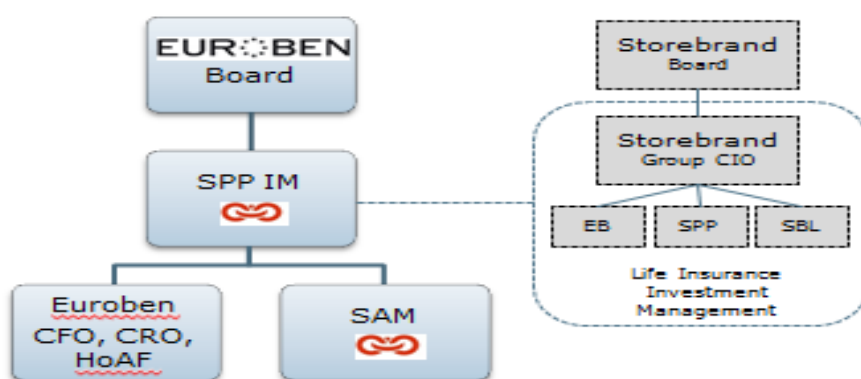
SPP IM may make strategic and policy recommendations to the Euroben Board for consideration. A weekly risk management report is produced by SPP IM and circulated to the management team in Euroben. This weekly report gives details on performance, asset allocation, duration, and risk

Euroben Solvency and Financial Condition Report 2020

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 four-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 by 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

Euroben Solvency and Financial Condition Report 2020

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 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. The final ORSA is then considered at a further Board meeting 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.

3.5 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.

3.6 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.

3.7 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

Euroben Solvency and Financial Condition Report 2020

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 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.

3.8 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 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

Euroben Solvency and Financial Condition Report 2020

required as set out in the agreement. The following key functions were outsourced as at 31 December 2020:

	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.

Euroben Solvency and Financial Condition Report 2020

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 to 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. If 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 using 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 daily to ensure that they are within the limits allowed for in the mandates approved by the Board.

Asset exposure 31 December 2020:

	Occupational Pension Plan		Annuity Fund		Shareholder Fund	
	2020	2019	2020	2019	2020	2019
Equities	23%	24%	22%	22%	-	-
Fixed Income	63%	63%	75%	75%	86%	81%
Cash Equivalents	4%	4%	3%	3%	14%	19%
Property	10%	9%	-	-	-	-
Total	100%		100%		100%	

Euroben Solvency and Financial Condition Report 2020

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 455 MSEK at 31 December 2020 (December 2019: 498 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 23 MSEK in 2020 (2019: 33 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 47 MSEK at 31 December 2020. (2019: 47 MSEK).

Euroben is exposed to operational risk from inadequate or failed internal processes, people, and systems or from external events because 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.

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

Euroben Solvency and Financial Condition Report 2020

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:

	2020		2019	
Credits by credit rating	%	MSEK	%	MSEK
AAA	23	882	24	743
AA+	4	132	1	25
AA	-	-	3	91
AA-	10	379	11	328
A+	5	197	6	167
A	4	156	8	244
A-	21	795	20	602
BBB+	3	97	4	130
BBB	12	473	10	301
BB+	-	7	1	23
BB	-	10	-	-
BBB-	4	132	3	111
None	14	535	9	267
Total	100	3,795	100	3,032

Credits by country of issue	%	MSEK	%	MSEK
Sweden	65	2,466	62	1,888
Finland	6	239	9	283
Norway	11	414	11	316
Denmark	9	356	10	311
Iceland	4	147	4	105
Netherlands	-	18	1	43
Germany	3	91	2	50
France	1	32	-	-
UK	1	30	-	-
Others	-	2	1	36
Total	100	3,795	100	3,032

The five highest exposures to credits are:

	Counterparty	Exposure SEKM	Credit Rating
1	DNB Boligkreditt AS	100	AAA
2	Spb 1 Boligkredi AS	99	AAA
3	BlueStep Bank AB	99	AA+
4	Uppsalahem AB	88	AA-
5	Landshypotek AB	76	AAA

The shareholder assets have a high concentration of credit risk in the form of Swedish Government guaranteed fixed income securities which account for 63% of the shareholder own funds. The short-term duration of these assets (average 6 months) limits the risk.

Euroben Solvency and Financial Condition Report 2020

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	
	2020	2019	2020	2019
Swedish Government	8%	8%	-	-
Swedish Mortgage	13%	17%	-	-
Government Guaranteed	16%	27%	86%	81%
Credits	56%	45%	14%	19%
Mortgage Loans	2%	-	-	-
Private Debt	5%	3%	-	-
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. Approximately 10% of the total assets of the Occupational Pension Plan are invested in illiquid property assets, unquoted equities and corporate loans. 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 using a dynamic risk management process which protects a minimum level of surplus while allowing the Plan to take investment risk. If 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.

Euroben Solvency and Financial Condition Report 2020

All assets except for international equities are denominated in Swedish Kronor. Euroben hedges the exchange rate in respect of non-Swedish Kronor assets 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 Own Risk and Solvency Assessment (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 Annuity 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.

Euroben Solvency and Financial Condition Report 2020

5. Valuation for Solvency Purposes

The following is a summary of the FRS (*) balance sheet of Euroben as at 31 December 2020:

Assets	SEKM	SEKM	Liabilities	SEKM	SEKM
	2020	2019		2020	2019
Financial Assets	11,034	11,004	Technical Provisions	10,421	10,488
Debtors	23	12	Creditors	421	373
Other Assets	83	114	Accruals & Deferred Income	2	3
			Capital & Reserves	296	266
Total	11,140	11,130	Total	11,140	11,130

* 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.

5.1 Valuation of Assets

The following is a summary of the value of assets held as at 31 December 2020:

Asset Type	Note	FRS	Reclassification Adjustments	Represented FRS	Valuation Adjustments	Solvency II Value 31/12/20	Solvency II Value 31/12/19
		SEK'M	SEK'M	SEK'M	SEK'M	SEK'M	SEK'M
Shares and Holding in Group Companies	1	281	(281)				-
Loans to Group Companies	2	603	(603)				-
Property	1&2	-	884	884	-	884	839
Debt & other Fixed Income Securities	3	6,940	(709)	6,231	-	6,231	6,772
Shares & Holdings in Investment Funds	3	2,534	709	3,243	-		
Equities Collective Undertakings						1,852	1,889
						1,391	911
Other Financial Assets	4	322	-	322	-	322	270
Loans and Mortgages	5	91	-	91	-	91	103

Euroben Solvency and Financial Condition Report 2020

Derivative Assets	6	263	-	263	-	263	220
Cash at Bank		79	-	79	-	79	110
Debtors	7	23	-	23	-	23	12
Tax Recoverable	7	4	-	4	-	4	4
Reinsurance Recoverable	7				4	4	-
Contingent Assets	8	-	-	-	134	134	159
Total		11,140	-	11,140	138	11,278	11,289

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 7.06 % (2019: 7.17%) 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"), 81.20 % (2019: 82.49%), SPP Fastigheter KB, 7.58 % (2019: 7.91%) and SPP Fastigheter KB 2, 4.16 % (2019: 2.43 %). 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

The Company conducts a comprehensive process to ensure that the values established for financial instruments are as in line with the market as possible. Publicly listed financial instruments are valued on the basis of official final bid prices on the appropriate stock exchange, obtained via Reuters and Bloomberg. Fund units are generally valued at the updated official NAV prices where these exist. As a general rule, bonds are valued on the basis of final bid 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

Euroben Solvency and Financial Condition Report 2020

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

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.

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.

Level 1: Financial instruments valued on the basis of quoted prices for identical assets in active markets

Fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities. 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 Instruments valued 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.

Level 3: Financial instruments valued on the basis of information that is not observable in accordance with level 2

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). The types of investments classified as level 3 are described in more detail below.

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 350 million (2019: SEK 391 million) and is based on the most recent valuation received adjusted for cashflows and any market effects from the most recent valuation until the reporting date.

Other investment funds classified at level 3 consist of private debt, real estate and mortgage loans and have a net asset value of SEK 437 million (2019 : SEK 175 million).

Euroben Solvency and Financial Condition Report 2020

Loans classified as level 3 relate to direct loans to companies in the Nordic markets, net asset value: SEK 91 million (2019: SEK 103 million).

4. Other Financial Assets

Other financial assets mainly consists of money market instruments.

5. Loans and Mortgages

Private debt is valued at the estimated recoverable amount.

6. 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.

7. Other Assets

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

8. Future Commitments

Euroben has committed, contingent on certain circumstances, to contribute to private equity and property funds. Estimated commitments at 31 December 2020 were 134 MSEK (2019: 159 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 except for accrued interest which is included in the value of the asset under Solvency II and leads to a reclassification.

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.

Euroben Solvency and Financial Condition Report 2020

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 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 2020 this was based on 70% 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. The equivalent assumptions for year end 2019 were 75% of DUS14 and M90 respectively.

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 used 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 2020	Dec 2019
Guaranteed Liabilities	7,448	7,447
Discretionary Benefits	2,900	2,944
Best Estimate Liabilities	10,348	10,391
Risk Margin	21	28
Technical Provisions	10,369	10,419

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.

Euroben Solvency and Financial Condition Report 2020

There are several 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 2020 was SEK 21M (2019: 28 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, 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 SCR for Euroben.

5.3 Valuation of other Liabilities

Euroben put a longevity treaty in place in 2013 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 cashflows will reflect the most up to date assumptions relating to longevity experience. The value of the swap at 31 December 2020 was a liability of 125 MSEK, (December 2019: 129 MSEK).

Liability Type	Note	FRS	Reclassification Adjustments	Represented FRS	Valuation Adjustments	Solvency II Value 31/12/20	Solvency II Value 31/12/19
		SEK'M	SEK'M	SEK'M	SEK'M	SEK'M	SEK'M
Best Estimate Liabilities	1	10,421	-	10,421	(73)	10,348	10,391
Risk Margin	2	-	-	-	21	21	28
Deferred Capital Contribution (see page 27)	3	2	-	2	(2)	-	-
Other Creditors	4	288	-	288	(2)	286	235
Accruals	4	2	-	2	8	10	3
Provision for Tax		6		6	(6)	-	

Euroben Solvency and Financial Condition Report 2020

Longevity Swap Reserve	5	125	(125)	-	-		-
Derivatives	6	-	125	125	1	126	135
Contingent Liabilities	7	-	-	-	134	134	159
Deferred Tax	8	-	-	-	7	7	9
Shareholder Funds	9	296	-	296	50	346	329
Total		11,140	-	11,140	138	11,278	11,289

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 21 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 assumes 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.

Euroben Solvency and Financial Condition Report 2020

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 2020 were 134 MSEK (2019: 159 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.

5.4 Other Information

The SFCR has not been prepared on a going concern basis because the Directors of SPP and the Company have agreed in principle to merge the Company into SPP by absorption under the Cross-Border Mergers Regulations 2008. The merger is subject to full agreement on the commercial terms and on regulatory and court approval in Ireland and Sweden.

The Company expects the Merger to be completed by the end of 2021 and then Company will be dissolved.

Euroben Solvency and Financial Condition Report 2020

6. Capital Management

6.1 Own Funds

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

SEKM	2020	2019
Shareholder Funds		
Share Capital	249	249
Profit & Loss Account	47	17
Total Shareholder Funds per FRS Statutory Accounts	296	266
Risk Margin	(21)	(28)
Deferred Capital Contributions	2	2
Value of In-Force business less deferred tax	69	89
Excess of Assets over Liabilities	346	329
Foreseeable Dividend	-	-
Total Capital Available SII	346	329

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 2020 it amounted to 50 MSEK (63 MSEK 2019). The main portion of the reconciliation reserve refers to the value of in-force business recognised on the Solvency II balance sheet. 21 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 0.37% (2019: 0.67%) 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. There were no dividends paid in 2020 (2019: 231.0 MSEK). The dividend policy is to pay as a 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 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

Euroben Solvency and Financial Condition Report 2020

addition, the surplus on the policyholder funds cannot be used to meet the SCR requirements of the Euroben shareholder.

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 2020 are summarised as follows:

Analysis of Capital Requirements	December 2020		December 2019	
	Gross	Net	Gross	Net
	SEKM	SEKM	SEKM	SEKM
	Policyholder & Shareholder Funds	Shareholder	Policyholder & Shareholder Funds	Shareholder
Total Market Risk	1,603	23	1,560	30
Longevity Risk	395	-	311	1
Counterparty Risk	49	2	19	-
Operational Risk	-	47	47	47
Lapse Risk	-	77	-	94
Expenses	-	11	13	15
Deferred Taxes	-	(7)	-	(9)
Diversification benefit	(288)	(21)	(243)	(26)
Total Solvency Capital Requirement (SCR)	1,759	132	1,707	152
Total Minimum Capital Requirement (MCR)	-	59	-	68
Assets available to meet MCR/SCR	3,247	346	3,368	329
SCR Coverage	185%	262%	197%	216%

Based on the solvency capital requirement of 132 MSEK and available assets of 346 MSEK, Euroben had solvency coverage of 262% as at 31 December 2020 (December 2019: 216%).

The MCR for Euroben for December 2020 is based on 45% of the solvency capital requirement.

Euroben Solvency and Financial Condition Report 2020

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 2020 with the MCR and SCR. The SCR is formally calculated on a quarterly basis and estimated daily.

Euroben Solvency and Financial Condition Report 2020

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

All templates are denominated in SEK

Euroben Solvency and Financial Condition Report 2020

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
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	10,621,167,583
R0080	<i>Property (other than for own use)</i>	884,070,878
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	1,851,853,178
R0110	<i>Equities - listed</i>	1,851,853,178
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	6,230,949,996
R0140	<i>Government Bonds</i>	2,079,241,292
R0150	<i>Corporate Bonds</i>	4,151,708,704
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	1,391,462,958
R0190	<i>Derivatives</i>	262,830,573
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	91,301,364
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	91,301,364
R0270	Reinsurance recoverables from:	4,072,819
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	
R0300	<i>Health similar to non-life</i>	
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	4,072,819
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	4,072,819
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	26,800,794
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
R0410	Cash and cash equivalents	400,907,212
R0420	Any other assets, not elsewhere shown	133,791,061
R0500	Total assets	11,278,040,833

Euroben Solvency and Financial Condition Report 2020

S.02.01.02 Balance Sheet

		Solvency II value
Liabilities		C0010
R0510	Technical provisions - non-life	0
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	
R0540	<i>Best Estimate</i>	
R0550	<i>Risk margin</i>	
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	
R0590	<i>Risk margin</i>	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	10,369,366,304
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	10,369,366,304
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	10,347,917,223
R0680	<i>Risk margin</i>	21,449,081
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0730	Other technical provisions	
R0740	Contingent liabilities	133,654,000
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	6,913,608
R0790	Derivatives	125,609,760
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	432,021
R0830	Reinsurance payables	9,343,878
R0840	Payables (trade, not insurance)	282,858,690
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	3,498,678
R0900	Total liabilities	10,931,676,939
R1000	Excess of assets over liabilities	346,363,894

Euroben Solvency and Financial Condition Report 2020

S.05.01.02 Premiums, Claims and Expenses by Line of Business

Life	Line of Business for: life insurance obligations		Total
	Insurance with profit participation	Other life insurance	
	C0220	C0240	C0300
Premiums written			
R1410 Gross	22,754,338	143,749	22,898,087
R1420 Reinsurers' share	0	0	0
R1500 Net	22,754,338	143,749	22,898,087
Premiums earned			
R1510 Gross	22,754,338	143,749	22,898,087
R1520 Reinsurers' share	0	0	0
R1600 Net	22,754,338	143,749	22,898,087
Claims incurred			
R1610 Gross	378,308,694	58,478,953	436,787,647
R1620 Reinsurers' share			0
R1700 Net	378,308,694	58,478,953	436,787,647
Changes in other technical provisions			
R1710 Gross	-387,778,993	-19,950,331	-407,729,324
R1720 Reinsurers' share			0
R1800 Net	-387,778,993	-19,950,331	-407,729,324
R1900 Expenses incurred	24,678,658	1,857,533	26,536,192
R2500 Other expenses			161,173
R2600 Total expenses			26,697,364

Euroben Solvency and Financial Condition Report 2020

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
		SE						
R1400		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
R1410	Gross		22,898,087					22,898,087
R1420	Reinsurers' share		0					0
R1500	Net	0	22,898,087					22,898,087
Premiums earned								
R1510	Gross		22,898,087					22,898,087
R1520	Reinsurers' share		0					0
R1600	Net	0	22,898,087					22,898,087
Claims incurred								
R1610	Gross		436,787,647					436,787,647
R1620	Reinsurers' share		0					0
R1700	Net	0	436,787,647					436,787,647
Changes in other technical provisions								
R1710	Gross		-407,729,324					-407,729,324
R1720	Reinsurers' share		0					0
R1800	Net	0	-407,729,324					-407,729,324
R1900	Expenses incurred	8,326,334	18,209,857					26,536,192
R2500	Other expenses							161,173
R2600	Total expenses							26,697,364

Euroben Solvency and Financial Condition Report 2020

S.12.01.02 Life Technical Provisions

		Other life insurance			Total (Life other than health insurance, incl Unit-linked)	
		Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees		
		C0020	C0060	C0070	C0080	C0150
R0010	Technical provisions calculated as a whole					0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after					0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
R0030	Gross Best Estimate	9,898,988,947			448,928,276	10,347,917,223
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	4,072,819				4,072,819
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	9,894,916,128		0	448,928,276	10,343,844,403
R0100	Risk margin	20,156,771	1,292,310			21,449,081
Amount of the transitional on Technical Provisions						
R0110	Technical Provisions calculated as a whole					0
R0120	Best estimate					0
R0130	Risk margin					0
R0200	Technical provisions - total	9,919,145,718	450,220,586			10,369,366,304

Euroben Solvency and Financial Condition Report 2020

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)	248,994,333	248,994,333		0	
R0030 Share premium account related to ordinary share capital	0	0		0	
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050 Subordinated mutual member accounts	0		0	0	0
R0070 Surplus funds	0	0			
R0090 Preference shares	0		0	0	0
R0110 Share premium account related to preference shares	0		0	0	0
R0130 Reconciliation reserve	97,369,561	97,369,561			
R0140 Subordinated liabilities	0		0	0	0
R0160 An amount equal to the value of net deferred tax assets	0				0
R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0

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
---	---

Deductions

R0230 Deductions for participations in financial and credit institutions	0				
R0290 Total basic own funds after deductions	346,363,894	346,363,894	0	0	0

Ancillary own funds

R0300 Unpaid and uncalled ordinary share capital callable on demand	0				
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				
R0320 Unpaid and uncalled preference shares callable on demand	0				
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390 Other ancillary own funds	0				
R0400 Total ancillary own funds	0			0	0

Available and eligible own funds

R0500 Total available own funds to meet the SCR	346,363,894	346,363,894	0	0	0
R0510 Total available own funds to meet the MCR	346,363,894	346,363,894	0	0	
R0540 Total eligible own funds to meet the SCR	346,363,894	346,363,894	0	0	0
R0550 Total eligible own funds to meet the MCR	346,363,894	346,363,894	0	0	

R0580 SCR	132,313,843
R0600 MCR	59,541,229
R0620 Ratio of Eligible own funds to SCR	261.77%
R0640 Ratio of Eligible own funds to MCR	581.72%

Reconciliation reserve

	C0060
R0700 Excess of assets over liabilities	346,363,894
R0710 Own shares (held directly and indirectly)	0
R0720 Foreseeable dividends, distributions and charges	
R0730 Other basic own fund items	248,994,333
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760 Reconciliation reserve	97,369,561

Expected profits

R0770 Expected profits included in future premiums (EPIFP) - Life business	
R0780 Expected profits included in future premiums (EPIFP) - Non- life business	
R0790 Total Expected profits included in future premiums (EPIFP)	0

Euroben Solvency and Financial Condition Report 2020

S.25.01.21 Solvency Capital Requirement for Undertakings using the standard formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	1,603,396,443		
R0020 Counterparty default risk	48,835,380		
R0030 Life underwriting risk	395,348,097		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	0		
R0060 Diversification	-288,227,836		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	1,759,352,084		
Calculation of Solvency Capital Requirement	C0100		
R0130 Operational risk	46,565,628		
R0140 Loss-absorbing capacity of technical provisions	-1,666,690,261		
R0150 Loss-absorbing capacity of deferred taxes	-6,913,608		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	132,313,843		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	132,313,843		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	86,118,768		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	44,864,895		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
Approach to tax rate	C0109		
R0590 Approach based on average tax rate	No		
Calculation of loss absorbing capacity of deferred taxes	LAC DT		
	C0130		
R0640 LAC DT	-6,913,608		
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	-6,913,608		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

Euroben Solvency and Financial Condition Report 2020

S.28.01.01 Minimum Capital Requirements

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_t Result

C0040

133,681,664

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
---	--

C0050

7,238,019,024

2,731,957,569

377,940,630

C0060

R0210 Obligations with profit participation - guaranteed benefits

R0220 Obligations with profit participation - future discretionary benefits

R0230 Index-linked and unit-linked insurance obligations

R0240 Other life (re)insurance and health (re)insurance obligations

R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

R0300 Linear MCR

C0070

133,681,664

R0310 SCR

132,313,843

R0320 MCR cap

59,541,229

R0330 MCR floor

33,078,461

R0340 Combined MCR

59,541,229

R0350 Absolute floor of the MCR

38,350,500

R0400 Minimum Capital Requirement

59,541,229