

Nordben Life and Pension Insurance Co. Limited

Annual report and financial statements

**For the year ended
31 December 2018**

Registered Number: 14861

Nordben Life and Pension Insurance Co. Limited

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Nordben Life and Pension Insurance Co. Limited

Company Information

Registered office and business address:	Harbour House, South Esplanade, St Peter Port, Guernsey, GY1 1AP, Channel Islands
Company Secretary:	Warwick Helps (Susan Merrill resigned on 7 June 2018)
Appointed Actuary:	Rosemary Commons, Willis Towers Watson (Ireland) Limited, Willis Towers Watson House, Elm Park Business Campus, Merrion Road, Dublin 4, D04 P231, Ireland
Auditor:	PricewaterhouseCoopers CI LLP, Royal Bank Place, PO Box 321, 1 Gategny Esplanade, St Peter Port, Guernsey, GY1 4ND, Channel Islands
Principal bankers:	Barclays Bank PLC, Guernsey Branch, PO Box 41, Le Marchant House, Le Truchot, St Peter Port, Guernsey, GY1 3BE, Channel Islands
Legal Advisor:	Carey Olsen (Guernsey) LLP, PO Box 98, Carey House, Les Banques, St Peter Port, Guernsey, GY1 4BZ, Channel Islands
Investment Manager:	Storebrand Asset Management AS, Professor Kohts vei 9, PO Box 484, 1327 Lysaker, Norway
Principal reinsurers:	Hannover Ruckversicherung AG, Stockholm Branch, Hantverkargatan 25, PO Box 22085, 10422 Stockholm, Sweden Mandatum Life Insurance Company Limited, Bulevardi 56, FI-00101 Helsinki, Finland
Trustee:	Zedra Trust Company (Guernsey) Limited, PO Box 341, Third Floor Cambridge House, Le Truchot, St Peter Port, Guernsey, GY1 3UW, Channel Islands

Nordben Life and Pension Insurance Co. Limited

Directors' Report

The Directors present their annual report on the affairs of the Company, together with the Financial Statements and the Independent Auditor's report, for the year ended 31 December 2018.

Nordben Life and Pension Insurance Co. Limited ("the Company") is licensed under Section 7 of The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry out long-term and general insurance business, including domestic business.

The Company ceased issuing new policies in early 2016 and its aim is to run-off its long-term liabilities as efficiently as possible.

Directors of the Company

The Directors as at 25 April 2019 are shown below:

Tom Granquist (Chairman) - CEO of Storebrand Forsikring AS

Warwick Helps (Executive Director) - CEO of Nordben Life and Pension Insurance Co. Limited

Arne Hove (Independent Non-Executive Director) - Partner of Aksio Actuarial Intelligence

Paul Cutter - CEO of Euroben Life & Pension DAC

Risto Honkanen - Senior Vice President Sales and Strategic Alliances, Mandatum Life Insurance Company Limited

Michaela Bruneheim resigned on 23 April 2018.

Dividends

No dividend was paid in 2018 (2017: SEK 7,443,000).

Future developments and events after the Statement of Financial Position date

On 21 December 2018 a sales and purchase agreement was signed to transfer ownership of the Company from BenCo Insurance Holding BV to Monument Re Limited, subject to regulatory approval.

On 12 March 2019 the Board approved the novation of an introducer agreement which the Company had entered into in 2016 to BenCo. The novation was completed and signed on 13 March 2019 and constituted a "dividend" for the purposes of section 302 of the Companies (Guernsey) Law, 2008.

Review of the business

The Company made a loss for 2018 of SEK 19.3M (2017: profit of SEK 13.0M) which was predominantly due to the terms of a reinsurance treaty not being followed which had the effect of overstating our Underwriting Results since 2014 when a change was made to our reinsurance arrangements in respect of group risk business that we included in Insurope Multinational Pooling Programs.

The balances recorded in the reinsurance account included the incorrect cancellation of reinsurance premiums and reinsurance recoveries which meant that the reported Underwriting Result was a loss of SEK 16.8M (2017: profit of SEK 9.0M) of which a loss of SEK 16.7M related to the incorrect treatment of the Treaty.

The Administration Result decreased from a profit of SEK 0.7M in 2017, to a loss of SEK 0.3M in 2018, reflecting a reduction in premiums and in policyholders' funds as well as one-off legal, consultancy, and actuarial costs.

The Expense Provision increased by SEK 4.6M to SEK 38.7M.

The Company's Shareholder capital, which averaged SEK 259M over the year (2017: SEK 266M), continues to be invested in short-dated Swedish Government bonds where yields are very low or negative. The majority of the investment result loss in 2018 related to realised and unrealised losses on those short-dated bonds.

Nordben Life and Pension Insurance Co. Limited

Directors' Report (continued)

Key performance indicators

The Board monitors the progress of the Company by reference to the following key performance indicators:

SEK millions	2018	2017	
Administration Result	(1)	1	Administration income less operating expenses
Movement in Expense	(5)	4	Movement in the expense provision
Underwriting Result	(17)	9	Result from Life and Disability insurance business
Policyholders' Funds	5,652	5,903	Policyholders' funds under management at end of year
Shareholder's Funds	250	269	Distributable Shareholder's funds at end of year
Return on Equity	-7.46%	4.88%	Profit for year after tax in relation to average Shareholder's

The figures within the review of the business and the KPIs have been reconciled to the figures prepared under FRS 102. These unaudited reconciliations have been included at the back of this annual report and financial statements on pages 61 and 62 for the benefit of the readers.

Principal risks and uncertainties

The process of risk management is addressed through a framework of policies, working instructions, regulatory procedures, operational procedures and supplementary internal controls. The framework, Risk Management Policy, and the Company's Risk Appetite is set by the Board and implemented by Senior Management (constituting the highest level of operational management), as well as periodically reviewed by a group internal auditor. Compliance with regulation, legal and ethical standards is a high priority for the Company. The Board considers the strategic risks that the company faces and is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively. All policies are reserved for Board approval whereas the approval and ongoing review of all working instructions and regulatory procedures are delegated to Senior Management.

The Company has developed a framework for identifying the risks to which it is exposed, the probability of their occurrence and their economic impact.

The principal risks from the Company's insurance business arise from being able to pay its obligations to policyholders as they fall due. Market and other risks, relating to those financial assets supporting the Company's policyholder liabilities, are closely monitored on a continuous basis. In addition, the Company is exposed to financial risks arising primarily from the investments that it holds. These risks are discussed in Note 38 to the Financial Statements.

The Company acknowledges that its expense risk (the risk arising from the variation in the expenses incurred in servicing insurance or investment contracts) is significant now that the Company is in run-off. In particular, the Company recognises that it may not be able to reduce its costs as quickly as its income reduces. Therefore, this risk is being addressed by the Company's focus on cost control and by maintaining an Expense Provision in anticipation of future inflows not being sufficient to cover future outflows.

Licence conditions

The Company is licensed by the Guernsey Financial Services Commission ("the Commission") and the following conditions have been imposed on the Company's licence:

- As set out under Section 12 of the Insurance Business (Bailiwick of Guernsey) Law, 2002 the Company is required to appoint a Guernsey-based trustee who shall be responsible for safeguarding the Company's assets and assets representing at least 90% of policyholder liabilities must be held in trust. The Company requires the appointed trustee to report full details of the assets held by it to the Commission on a quarterly basis. The Company's Trustee is Zedra Trust Company (Guernsey) Limited who fully replaced SG Kleinwort Hambros Trust Company (CI) Limited on 8 November 2018.

The condition covered an instruction issued some time ago by the Commission regarding the need for the Trustee to inform the Commission if the Company instructs a withdrawal of more than 5% of the market value of the assets held within any one period of one month.

Nordben Life and Pension Insurance Co. Limited

Directors' Report (continued)

Licence conditions (continued)

With effect from 2013, the Company strengthened its policyholder protection arrangements by increasing the percentage of unit-linked policyholder liabilities that must be held in trust to 100%. In addition, only unit-linked funds can be applied in respect of unit-linked business and non-unit-linked funds applied in respect of non-unit-linked business. These amendments have not been imposed on the Company's licence.

- b) The writing of general insurance business is restricted to no more than 5% of the Company's annual premium income.

No new conditions were imposed on the Company's licence during the year.

Solvency Requirements

The Company has adopted the EU Solvency II standard formula to calculate its prescribed capital requirements under The Insurance Business (Solvency) Rules, 2015 ("Solvency Rules") introduced by the Commission. The overall solvency approach adopted by the Company is discussed in Note 40 to the Financial Statements.

The Company is meeting the solvency requirements under the Solvency Rules.

Going concern basis

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual Financial Statements.

Further details regarding the adoption of the going concern basis can be found in Note 1b to the Financial Statements.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- b) the Director has taken all the steps he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

PricewaterhouseCoopers was elected as Storebrand ASA's external auditor at Storebrand ASA's AGM on 11 April 2018. Therefore, Deloitte LLP were not reappointed after the 2017 year-end audit process was completed for the forthcoming year and instead the Company appointed PricewaterhouseCoopers CI LLP for the 2018 year-end audit process.

Approved by the Board and signed on its behalf by:

Signature:

WDH

Name:

WARWICK HELPS

(Director)

Date:

21 MAY 2019

Nordben Life and Pension Insurance Co. Limited

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Nordben Life and Pension Insurance Co. Limited

Corporate Governance

Corporate Governance refers to the manner in which the Company's business is directed and controlled. It encompasses the means by which the Board and Senior Management are held accountable and responsible for their actions and includes corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

The Company ensures that it meets the requirements of the Finance Sector Code of Corporate Governance (the "Code") and in particular Appendix 3: Licensed Insurers of the Code ("Appendix 3"). The Code, issued by the Commission, was effective for the Company from 1 January 2017 and replaced the previous Licensed Insurers' Corporate Governance Code. The Directors undertake a formal review of corporate governance practices following which they provide confirmation that they have considered the effectiveness of their corporate governance practices and are satisfied with their degree of compliance with the specific 'Principles' set out in the Code, in the context of the nature, scale and complexity of the business.

The Board and Senior Management Team

The Board of Directors of the Company oversees the business of the Company. In 2018 the Board held seven Board meetings and a number of matters, which are documented in the Board's Corporate Governance Guidance Document, are specifically reserved for Board approval. Members of the Board receive documentation on the matters to be discussed ahead of each Board Meeting and the Board ensures that it has access to all relevant information.

The Senior Management Team is the highest level of operational management within the Company, which is made up of the Chief Executive Officer and Chief Financial Officer ("CEO"), the Senior Manager Actuarial and Risk Officer and the Senior Manager, Policy Administration. The Senior Management team is led by the CEO and the individual team members take decisions for or within their areas of responsibility on the basis of the authorities set by the Board.

The CEO is the top executive within the Company, with ultimate responsibility for the Company's operations, compliance and performance. The CEO serves as the main link between Senior Management and the Board; and must comply with the guidelines and instructions issued by the Board. The CEO reports upon these instructions at Board Meetings and includes feedback on the Company's activities and financial performance.

The Board of Directors has established standards of business conduct and ethical behaviour for Directors, Senior Management and other personnel. These include policies on conflicts of interest, insider dealing, and confidential data.

The Board has approved a Remuneration Policy for Senior Management. The Board is responsible for determining appropriate levels of remuneration for CEO, and the CEO is responsible for determining appropriate levels of remuneration for the remaining members of Senior Management.

Board oversight

The Board is aware that it is responsible for the integrity of the Company's financial statements and any other formal information relating to its financial performance, as well as any other statutory information required; in addition, that it has a duty to ensure that information is made available as required by applicable rules, regulations and codes and that all statutory and regulatory reporting deadlines are met.

The CEO is the appointed General Representative who is responsible for communicating with the Commission on a timely basis.

Internal controls have been designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with all applicable laws and regulations.

The Company has an internal control system which has been approved by the Board. Management liaise with the external auditor and, as well as the internal auditors, review the internal procedures. The internal control system ensures that there is effective division of duties with access to accounting systems restricted to relevant individuals involved in the preparation of the financial statements.

Nordben Life and Pension Insurance Co. Limited

Corporate Governance (continued)

Board oversight (continued)

The Board has set a Risk Appetite Statement and a Risk Management Policy, which are upheld by Senior Management. The Risk Appetite Statement documents the specific risk appetite thresholds and the escalation process to Senior Management, to the Board and, if applicable, to the Commission. Compliance with the risk appetite thresholds are reported quarterly at Board Meetings. A range of risks are considered that are appropriate to the nature and complexity of the Company's business including the following; underwriting, credit, market, liquidity, legal, business, regulatory, crime, systems and operations, information and communication technology, disaster, and reputational risks.

The Board has managed its responsibilities regarding compliance with all relevant legislation through an effective compliance regime with the assistance of the Board-appointed Compliance Officer and the Board-appointed Money Laundering Reporting Officer ("MLRO").

Appointed Actuary

An Actuary has been appointed (the "Appointed Actuary") as required under Section 40 of the Insurance Business Law. The Appointed Actuary is invited to attend each Board Meeting and is granted access to all relevant information. Actuarial reports are made available to both Senior Management and the Board.

The Company's Appointed Actuary is responsible for establishing that there are adequate technical provisions and makes recommendations to the Board as appropriate. The Board delegates the management of reserving risk to the Appointed Actuary.

The Company is required under Section 198 of the Solvency Rules to perform an Own Risk and Solvency Assessment ("ORSA"), which is used to determine the capital required to run the Company and remain solvent over the next twelve months, with a probability of 99.5%. However, prior to 3 August 2018 and so applicable as at 31 December 2018 the Company met certain conditions in the Solvency Rules that allow the Company's ORSA to consist solely of its Own Solvency Capital Assessment ("OSCA"). The Board delegates the calculation of the OSCA to the Appointed Actuary who presents a report to the Board annually.

On 3 August 2018 the Commission updated the Solvency Rules meaning that the Company will be required to perform a full ORSA from 2019. The first report is anticipated to be prepared as at 30 June 2019.

Independent Auditor's report to the members of Nordben Life and Pension Insurance Co. Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Nordben Life and Pension Insurance Co. Limited (the "Company") as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the annual report and financial statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards, comprising FRS 102, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report to the members of Nordben Life and Pension Insurance Co. Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


PricewaterhouseCoopers CI LLP

Chartered Accountants
Guernsey, Channel Islands

May 2019

Nordben Life and Pension Insurance Co. Limited
Statement of Comprehensive Income
for the year ended 31 December 2018

Technical account – long-term business

SEK thousands

	Notes	2018	2017
Premiums, net of reinsurance			
Gross premiums written	3,4	51,065	91,245
Outward reinsurance premiums	3	(6,693)	(35,788)
		44,372	55,457
Investment income	3	99,566	137,437
Net realised (losses)/gains on financial assets	3	(34,404)	125,214
Net fair value losses on assets at fair value through profit or loss	3	(62,964)	(155,347)
Investment expenses and charges	3	(11,291)	(12,507)
Exchange differences on retranslation	3	156,382	(15,892)
Other technical income, net of reinsurance	3	808	1,886
Investment contracts' benefits	3	(28,008)	52,987
		164,461	189,235
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	3	(362,387)	(835,225)
Amount attributed to insurance pooling arrangements and reinsurers	3	16,376	5,145
		(346,011)	(830,080)
Change in the provision for claims			
Gross amount	3	12,094	(8,375)
Amount attributed to insurance pooling arrangements and reinsurers	3	(1,796)	(14,382)
		10,298	(22,757)
		(335,713)	(852,837)
Change in other technical provisions, net of reinsurance			
Long-term business provision, net of reinsurance			
Gross amount	3	91,915	406,320
		91,915	406,320
Other technical provisions, net of reinsurance			
Technical provisions for linked liabilities	3	114,503	305,506
		206,418	711,826
Technical income, net of investment expenses and charges		35,166	48,224
Fee income on investment contracts	3	3,920	4,060
Net operating expenses	3	(32,178)	(31,567)
Other technical charges, net of reinsurance	3	(26,446)	3,307
Movement in the expense provision for investment contracts	3	263	1,667
Transfer to the fund for future appropriations	1,3,25	(1,581)	(11,094)
Balance on the long-term business technical account		(20,856)	14,597

The Notes on pages 16 to 60 form part of these Financial Statements.

Nordben Life and Pension Insurance Co. Limited
Statement of Comprehensive Income (continued)
for the year ended 31 December 2018

Non-technical account

SEK thousands

	Notes	2018	2017
Balance on the long-term business technical account		(20,856)	14,597
Investment income		4,237	(1,059)
Exchange differences on retranslation		286	48
Net realised losses on financial assets		(981)	(716)
Net fair value (losses) / gains on assets at fair value through profit or loss		(5,343)	337
Investment expenses and charges (net of rebates)		(206)	(198)
Other income		3,528	-
(Loss) / Profit on ordinary activities before tax		(19,335)	13,009
Tax on profit on ordinary activities	12	-	(25)
(Loss) / Profit for the financial year		(19,335)	12,984

The Company had no other comprehensive income during the year other than that reflected in the Statement of Comprehensive Income above. The above results have been derived from continuing activities.

The Notes on pages 16 to 60 form part of these Financial Statements.

Nordben Life and Pension Insurance Co. Limited
Statement of Financial Position
for the year ended 31 December 2018

Assets

SEK thousands

	Notes	2018	2017
Financial assets			
Held to cover non-linked liabilities - insurance contracts	14	3,050,810	3,266,487
Held to cover linked liabilities - insurance contracts	15	1,311,955	1,446,411
Held to cover linked liabilities - investment contracts	16	1,118,475	1,152,689
		5,481,240	5,865,587
Debtors			
Debtors arising out of direct insurance operations	19	15,433	15,191
Debtors arising out of insurance pooling and reinsurance operations	20	2,535	3,013
Other debtors	21	4,097	3,537
		22,065	21,741
Other assets			
Tangible assets	22	759	1,065
Cash and cash equivalents	23	374,990	363,265
		375,749	364,330
Prepayments and accrued income			
Accrued interest		42,934	45,579
Other prepayments and accrued income		1,667	1,465
		44,601	47,044
Total assets		5,923,655	6,298,702

The Notes on pages 16 to 60 form part of these Financial Statements.

Nordben Life and Pension Insurance Co. Limited
Statement of Financial Position (continued)
for the year ended 31 December 2018

Liabilities and equity

SEK thousands

	Notes	2018	2017
Capital and reserves			
Called up share capital	24	84,166	84,166
Profit and loss account		165,450	184,785
Distributable equity reserve		249,616	268,951
Total shareholder's funds		249,616	268,951
Fund for future appropriations	25	319,507	317,926
Technical provisions for long-term business and claims outstanding			
Long-term business provision	26	2,649,881	2,747,221
Claims outstanding	26	45,976	52,643
	27	2,695,857	2,799,864
Technical provisions for linked liabilities	28	1,518,022	1,632,526
Financial liabilities for investment contracts	29	1,118,970	1,153,046
Creditors			
Creditors arising out of direct insurance operations	31	6,509	9,865
Creditors arising out of insurance pooling and reinsurance operations	32	4,311	37,087
Other creditors including taxation and social insurance	33	10,863	79,437
		21,683	126,389
Total liabilities and equity		5,923,655	6,298,702

The Financial Statements of Nordben Life and Pension Insurance Co. Limited were approved by the Board of Directors and authorised for issue. They were signed on its behalf by:

Signature:

WDH

Name:

WARWICK HELPS

(Director)

Date:

21 MAY 2019

The Notes on pages 16 to 60 form part of these Financial Statements.

Nordben Life and Pension Insurance Co. Limited

Statement of Changes in Equity

for the year ended 31 December 2018

SEK thousands

	Notes	Called up share capital	Profit & loss account	Total
At 1 January 2017		84,166	179,244	263,410
Profit for the financial year		-	12,984	12,984
Dividend in specie	13	-	(7,443)	(7,443)
At 31 December 2017		84,166	184,785	268,951
At 1 January 2018		84,166	184,785	268,951
Loss for the financial year		-	(19,335)	(19,335)
Dividend in specie	13	-	-	-
At 31 December 2018		84,166	165,450	249,616

The Notes on pages 16 to 60 form part of these Financial Statements.

Nordben Life and Pension Insurance Co. Limited
Statement of Cash Flows
for the year ended 31 December 2018

SEK thousands

	Notes	2018	2017
Net cash flow from operating activities	34	3,293	(223)
Interest paid		(23)	(6)
Net cash received from long-term business		1,416	12,569
Net cash generated from operating activities		4,686	12,340
Cash flow from investing activities			
Purchase of investments		(542,987)	(790,489)
Proceeds from the sale of investments		539,043	777,995
Decrease in cash arising from foreign exchange		(5)	(2)
Net cash used in investing activities		(3,949)	(12,497)
Cash flow from financing activities			
Dividend paid	13	-	-
Net cash used in financing activities		-	-
Net increase / (decrease) in cash at bank and in hand		737	(157)
Cash and cash equivalents at the beginning of the year not retained by the long-term business		547	704
Net increase / (decrease) in cash at bank and in hand		737	(156)
Cash and cash equivalents at the end of the year not retained by the long-term business		1,284	548
Cash equivalents at the end of the year retained by the long-term business		7,354	7,627
Total cash and cash equivalents		8,638	8,175
Total cash and cash equivalents consist of:			
Cash at bank and in hand		8,638	8,175
Total cash and cash equivalents		8,638	8,175

The Notes on pages 16 to 60 form part of these Financial Statements.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements

1. Accounting policies

Nordben Life and Pension Insurance Co. Limited is a company incorporated in Guernsey under Guernsey Law and licensed under Section 7 of The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry out long-term and general insurance business, including domestic business. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 2 to 4.

a. General information and basis of accounting

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

The Company's Financial Statements, which have been prepared under the historical cost convention as modified by the revaluation of investments and derivatives, are in compliance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") in conjunction with Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") issued by the Financial reporting Council and in compliance with the Companies (Guernsey) Law, 2008.

The Statement of Comprehensive Income comprises a long-term business technical account (life insurance, disability insurance, pension, and annuity business) and a non-technical account, which includes the result of the Company's non-insurance business activities. The balance (profit on insurance business activities) from the long-term business technical account is then included in the non-technical account and combined with the Company's non-insurance business to determine the profit or loss for the financial year.

The functional currency and presentation currency of the Company is considered to be the Swedish Krona. This is discussed further below in Note 1d.

b. Going concern

The Company's business activities, financial risk management objectives together with the factors likely to affect its future development, performance and financial position are set out in the Directors' Report. Details of the Company's financial instruments and derivative activities, and its exposures to market risk, credit risk, and liquidity risk are described in Note 38 to the Financial Statements. Furthermore, the Company's objectives, policies and processes for managing its capital are described in Note 39 to the Financial Statements.

The Company has net assets in excess of its regulatory solvency requirement. The Company is not dependent on any external finance or support from its shareholder, BenCo Insurance Holdings BV or its shareholders. The Company is in full run-off with long-term liabilities and so the Company will exist until these long-term liabilities have been extinguished. The Directors are aware that the change of control application to the Commission regarding the potential transfer of ownership of the Company assumed that the Company would run-off in line with current expectations. The Directors are very confident that the Company has adequate resources to continue in operational existence therefore they continue to adopt the going concern basis in preparing the annual Financial Statements.

c. Insurance accounting policies

(i) Classification of insurance and investment contracts

The Company has issued contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts which contain significant insurance risk at inception or contracts designated as discretionary participation contracts. A discretionary participation contract entitles the policyholder to receive bonuses as a supplement to guaranteed benefits.

The Annuity Plan, Level Plan, Flex Plan, Save Invest Plan and Triple C Plan are discretionary participation contracts.

The Company defines significant insurance risk as the possibility of having to pay significant additional benefits on the occurrence of an insured event than the benefits payable if the insured event did not occur.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

c. Insurance accounting policies (continued)

(i) Classification of insurance and investment contracts (continued)

The Company's Group Life, Group Disability and Group Accident contracts ("Risk-only contracts") and the Individual Plan (General Conditions dated 1 April 1990) both meet this criteria with the latter having an insured death benefit in excess of 10% of the paid single premium. The last Risk-only contract terminated at the end of 2018.

Investment contracts are those contracts that transfer financial risks with no significant insurance risk and are not designated as discretionary participation contracts.

The Unit Linked Plan, Individual Plan (General Conditions dated on or after 1 January 1993), Living Annuity Plan, Executive Portfolio Bond, and International Investment Plan are investment contracts. It should be noted that all Executive Portfolio Bond contracts were terminated during 2018.

Long-term business fund

The value of the long-term business fund is calculated by the Company's Appointed Actuary following their annual financial investigation into the Company in accordance with Section 41 of The Insurance Business (Bailiwick of Guernsey) Law, 2002 as described in Note 26.

The long-term business fund comprises the technical provisions for long-term business, including claims outstanding, and a fund for future appropriations. The technical provisions have been disclosed in accordance with FRS 103.

As the benefits for plans relating to investment contracts are linked to specific portfolios of assets the provision is calculated as the number of units attached to each policy multiplied by the appropriate unit price at the Statement of Financial Position date. The provisions for plans relating to insurance contracts are further detailed in Note 1.c.(ii).

Premiums

Premiums are accounted for on an accruals basis. Single premiums are those where there is a contractual obligation for the payment of only one premium, whilst annual premiums are those where there is a contractual obligation for the payment of premium on a regular basis.

(ii) Insurance and discretionary participation contracts

Plan substitution

Where plans are substituted by the policyholder or contracts are vested these transactions are reflected as premium only to the extent that they give rise to incremental premiums and are not reflected as claims.

Claims incurred

Claims incurred include maturities, annuities or pensions, disabilities (including waiver of premium), deaths and surrenders/withdrawals.

Maturity claims are accounted for when the claim becomes due for payment.

Annuities, pensions in payment, survivor pensions, and disability pensions are accounted for when each relevant instalment is due for payment.

The Company maintains a cut-off date for death, disability, accident and total/partial permanent disability claims. For the 2018 accounting reference period this date was 31 January 2019. Claims arising prior to or in 2018 and notified before the claim cut-off date are adjusted for in the accounting reference period. However, material claims arising prior to or in 2018 and notified after the claim cut-off date but before the approval of these accounts would be accounted for in the accounting reference period. If a claim is subsequently verified as invalid prior to the claim cut-off date it will be reversed in the accounting reference period.

Surrenders/withdrawals are accounted for when paid or, if earlier, on the date when the liability ceases to be included within the long-term business provision and/or the technical provision for linked liabilities.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

c. Insurance accounting policies (continued)

(ii) Insurance and discretionary participation contracts (continued)

Claims incurred (continued)

Claims payable include related internal and external claims handling costs.

Reinsurance recoveries are accounted for in the same period as the related claims.

Bonuses

Annual bonuses are declared and credited each year to the Flex Plan, Level Plan, Save Invest Plan, and Triple C Plan policies, as well as (if entitled to discretionary increases) Annuity Plan policies, Pensions in Payment, Survivor's Pensions in Payment, and Disability Pensions in Payment. Flex Plan, Save Invest Plan, and Triple C Plan policies do not get credited with bonuses once they have past their maturity date. Survivor's Pensions in Payment and Disability Pensions in Payment arising from the Triple C Plan, Flex Plan, Unit Linked Plan, and Risk-only contracts, as well as Disability Pensions in Payment arising from the Level Plan, accepted by the Company on or after 1 January 2016 form a separate bonus category to those accepted prior to 1 January 2016.

These discretionary increases or bonuses increase policy benefits and, once credited, become guaranteed. Discretionary increases or bonuses are declared effective from 1 January following the Statement of Financial Position date and are applied to the technical account – long-term business ("technical account") within the "Change in other technical provisions, net of reinsurance" line in the financial year preceding the date of declaration.

Level Plan, Annuity Plan, and Pensions in Payment

The provision for the above is calculated using the net premium method and applying the valuation rates of interest shown in Note 26.

For discretionary participation contracts where appropriate, an implicit provision is made for future bonuses by means of a reduction in the valuation rate of interest.

The Company previously offered Annuity Plans with annual discretionary bonuses and with fixed benefits. The valuation rates of interest used are detailed in Note 26. The assumptions to which the estimation of the provision is particularly sensitive are the assumed valuation rate of interest to discount the provision (which may include a provision for future bonuses) and the assumed future mortality experience of policyholders.

Pensions in Payment are:

- Arising from an insured event in Risk-only contracts; or
- Arising from the Triple C Plan, Flex Plan, Level Plan or Unit Linked Plan.

Flex Plan, and Save Invest Plan

The provision for the above plans has been calculated as the total amount of the policyholders' accumulation accounts at the Statement of Financial Position date. The provision includes the bonus declared as a result of the current valuation. No provision is made for future bonuses.

Triple C Plan

The provision for the EUR, SEK and NOK Triple C Plans, and a SEK Corporate Pension Plan has been calculated as the greater of:

- a) the present value of the maturity value using yields based on the matching assets and an appropriate margin for investment expenses and the Shareholder's charge; and
- b) the current surrender value payable at the Statement of Financial Position date.

The provision for the CHF, DKK, GBP, and USD Triple C plans has been calculated as the greater of:

- a) the present value of the maturity value plus the cost of the maturity guarantee as determined using a Black-Scholes method; and
- b) the current surrender value payable at the Statement of Financial Position date.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

c. Insurance accounting policies (continued)

(ii) Insurance and discretionary participation contracts (continued)

It has been assumed that the guarantee under each policy is a maturity guarantee equal to the accumulated account at the Statement of Financial Position date projected to maturity at the guaranteed bonus rate applicable. The provision includes the bonus declared as a result of the current valuation.

Risk-only contracts and risk benefits

A provision is held in respect of the mortality and disability benefits in respect of Risk-only contracts and the risk benefits attached to Flex Plan and Triple C Plan products, and the disability benefits attached to the Level Plan product.

Individual Plan (General Conditions dated 1 April 1990)

As the benefits for these plans are linked to specific pools of assets the provision is calculated as the number of units attaching to each policy multiplied by the appropriate unit price at the Statement of Financial Position date plus the value of the death benefit under the plans.

Non-standard insurance contracts

The Company has issued some 'non-standard insurance contracts' which are a hybrid of two plan types. Each component of the hybrid is treated as a separate plan.

Reinsurance

The Company has entered into Group Life, Group Disability, and Group Accident contracts with corporate entities to provide them with cover for their mortality and morbidity risk. The Company seeks to reduce its exposure to potential losses from these contracts by reinsuring certain levels of mortality and morbidity risk with reinsurers.

The Company also pools mortality and morbidity risk through international pooling networks. Depending on the type and financial circumstances of the international pooling account, losses may be recovered from the pooling account. The Company seeks to reduce its exposure to residual losses in those pooling accounts by use of reinsurance.

The reinsurers, with respect to mortality risks, pay the Company their share of a lump sum payable on the death of an insured life, whilst in the event of a pension becoming payable upon the death of an insured life the reinsurers, depending on the agreed arrangements, either for claims that:

Became eligible before 1 January 2016 and the risk contract was not included in a multinational pool:

pay the Company their share of the capital value of the pension on the basis of appropriate mortality rates and interest rates. Accordingly, the Company bears all of the risks associated with all of the future payments in respect of such claims.

Became eligible on or after 1 January 2016 and the risk contract was not included in a multinational pool:

pay the Company their share of the pension benefit payments. Accordingly, the Company only bears the risks associated with the retained portion of future payments in respect of such claims.

The risk contract was included in a multinational pool:

pay the Company their share of the unrecovered capital value of the pension on the basis of appropriate mortality rates and interest rates. Accordingly, the Company bears all of the risks associated with all of the future payments in respect of such claims.

The reinsurers, with respect to morbidity risks, pay the Company their share of a lump sum payable on the incapacity of an insured life, whilst in the event of a pension becoming payable on the incapacity of an insured life the reinsurers, depending on the agreed arrangements, either for claims that:

Became eligible before 1 January 2015 and the risk contract was not included in a multinational pool:

pay the Company their share of the capital value of the pension on the basis of appropriate mortality and recovery rates, and interest rates. In the event of the pension benefit ceasing in the first five years the Company

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

c. Insurance accounting policies (continued)

(ii) Insurance and discretionary participation contracts (continued)

Reinsurance (continued)

must repay to the reinsurers an appropriate share of the capital value of the pension. Accordingly, the Company bears all of the risks associated with all of the future payments in respect of such claims.

Became eligible on or after 1 January 2015 and the risk contract was not included in a multinational pool:

pay the Company their share of the pension benefit payments. Accordingly, the Company only bears the risks associated with the retained portion of future payments in respect of such claims.

The risk contract was included in a multinational pool:

pay the Company their share of the unrecovered capital value of the pension on the basis of appropriate mortality and recovery rates, and interest rates. In the event of the pension benefit ceasing in the first five years the Company must repay to the reinsurers an appropriate share of the capital value of the pension. Accordingly, the Company bears all of the risks associated with all of the future payments in respect of such claims.

The Company accounts for reinsurance as follows:

Outward reinsurance premiums are accounted for in the same period as the related insurance premiums and are shown in the technical account gross of reinsurance commissions.

For "Claims incurred, net of reinsurance" where:

The risk contract was not included in a multinational pool:

the reinsurers' share is the share of the claims paid attributed to the reinsurers for the period.

The risk contract was included in a multinational pool:

the reinsurer's share is also the share of the claims paid attributed to the reinsurers for the period. However, recoveries of claims from pooling accounts are accounted for in the period the pooling account is settled in which the recoveries emerge. As such the reinsurer's share of claims paid in the period the pooling account is settled are then adjusted to be the reinsurer's share of the total value of the claim after recoveries.

Payments made to or received from a Pooling Network in respect of business included in a Multinational Pooling Account are included in the "Other technical charges, net of reinsurance" line. The Company makes a provision for future net expected payments in respect of business which is pooled in an Insurope Multinational Pool and related net payments to its reinsurer in respect of such business in the year they are incurred, releasing those provisions in the year the payments are made.

For "Change in the provision for claims" the amount payable by the reinsurers or paid to the reinsurers in the period is shown in the technical account as the change in the provision for claims attributed to insurance pooling arrangements and reinsurers.

Reinsurance commissions and reinsurance profit commissions are included in the "Other technical income, net of reinsurance" line. Reinsurance profit commissions are payable annually and are recognised at the Statement of Financial Position date only when due for payment by the reinsurer.

Reinsurers' share of technical provisions relates to the reinsurers' share of the valuation reserve in respect of disability claims in the course of payment.

Amounts recoverable under reinsurance contracts are assessed for impairment at each Statement of Financial Position date. If objective evidence of impairment exists, reinsurance assets are reduced to the level at which they are considered to be recoverable and an impairment loss is recognised in the technical account.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

c. Insurance accounting policies (continued)

(ii) Insurance and discretionary participation contracts (continued)

Fund for future appropriations

The fund for future appropriations represents all discretionary participation fund liabilities for which the allocation between discretionary participation contract policyholders and the Shareholder has not been determined by the Appointed Actuary and the Board at the Statement of Financial Position date. Transfers between the fund for future appropriations and the technical account represent the changes in these unallocated amounts between Statement of Financial Position dates.

(iii) Investment contracts

Revenue

Amounts received from and paid to policyholders of investment contracts are accounted for as deposits received (or repaid) and are not included in premium or claims in the technical account. Transfers of plans between investment contracts are excluded from premiums and from claims.

Investment contract policies are charged for policy administration services and these fees are recognised as income in the accounting period in which the services are rendered.

(iv) Expense provision

A cash flow projection is undertaken for each policy and product category (excluding Risk-only contracts) as detailed in Note 26.2 (a) and Note 26.2 (b) to establish whether or not future inflows are sufficient to cover future outflows. A certain proportion of the total expenses for each product category are allocated as being directly attributable to each policy and the remainder of the expenses are considered overheads. Where the margins on a policy are insufficient to cover these directly attributable expenses an additional provision is held. For policies where margins exceed the directly attributable expenses the excess income over expenses may be used to cover the overheads. If there is a projected shortfall of excess income compared with overheads an additional provision is held. These provisions are calculated for each product line assuming that all policies are paid up and no new business is written and are included in the long-term business provision, technical provisions for linked liabilities or financial liabilities for investment contracts lines as appropriate. Additionally, as detailed in Note 26.2 (c), projections were carried out to establish whether or not future income was sufficient to meet future expenses after allowing for future diseconomies of scale and allowing for extinguishing future liabilities at a cost to the Company.

The overall expense provision is held in Sterling but as the functional and presentational currency of the Company is the Swedish Krona it is also sensitive to exchange rate movements. Movements in the expense provision relating to discretionary participation contracts are displayed in the "Long-term business provision, net of reinsurance" line in the technical account; movements in the expense provision relating to Individual Plan (General Conditions dated 1 April 1990) contracts are displayed in the "Technical provisions for linked liabilities" line in the technical account; and movements in the expense provision relating to investment contracts are displayed in the "Movement in the expense provision for investment contracts" line in the technical account.

d. Foreign currency translation

The Company was financed in Swedish Krona therefore the Company has determined the functional currency and presentation currency of the Company to be the Swedish Krona.

(i) Technical account

The Company issues insurance and investment contracts in a number of currencies and accordingly funds are maintained for each contract type and currency within the long-term business fund. The currency of each fund ("source currency") is typically the currency in which premiums are paid and claims settled.

In addition, a shareholder's fund is maintained. This fund is credited with the charges and fees to which the

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

d. Foreign currency translation (continued)

(i) Technical account (continued)

Company is entitled under the terms and conditions of the insurance and investment contracts and debited with the expenses of operating the Company's life business. The income and expense cash flows are in a mixture of currencies; however, the currency in which the Company is financed is the Swedish Krona and the Company has therefore determined the source currency of the Shareholder's fund to be the Swedish Krona.

Transactions in foreign currencies within each fund are converted into the source currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the relevant source currency at the rate of exchange ruling at the Statement of Financial Position date. Exchange gains and losses during the period on the retranslation and settlement of foreign currency monetary assets and liabilities are recognised in the Statement of Comprehensive Income of the fund in the period in which they arise.

The assets and liabilities of the funds are translated from their respective source currencies into Swedish Krona using the year end exchange rates, and their income and expenses using the average exchange rates for the year, to the extent that they are not materially different to the transactions based rates. Unrealised gains or losses resulting from translation of the source currencies to Swedish Krona, except for insurance liabilities, are included in the technical account in the "Exchange differences on retranslation" line. Exchange differences on retranslation of the insurance liabilities of the long term business account are included in the technical account within the "Change in other technical provisions, net of reinsurance" line.

Exchange differences on retranslation are not attributable to, and do not affect, the assets and liabilities of the long-term business fund.

Year end exchange rates used for converting the results of each fund from their respective source currencies into Swedish Krona are as follows:

Currency	2018	2017
Danish Krone	0.7363	0.7573
Euro	0.0987	0.1017
Norwegian Krone	0.9767	0.9990
Pound Sterling	0.0886	0.0903
Swedish Krona	1.0000	1.0000
Swiss Franc	0.1112	0.1190
United States Dollar	0.1128	0.1221

The non-technical account shows the net result from long-term business (in essence the result from the Shareholder's fund in the technical account, the underwriting result in respect of Risk-only contracts, the movement in the expense provision, net investment income from shareholder's funds, and other income and charges related to the Company's non-insurance business).

e. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial liabilities at fair value through profit or loss consist of the technical provisions related to insurance and investment contracts in-force. The provisions are calculated by the Appointed Actuary based on the assumptions and methodologies adopted by the Company. Further details on the key assumptions and the disaggregation of the financial liabilities are detailed in Notes 26 to 30.

The Company classifies its investments into the following categories: financial assets at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the investments were

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

e. Financial instruments (continued)

acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

(i) Financial assets at fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or is so designated by the Company. Derivatives are also classified as financial assets at fair value through profit or loss (held for trading).

Financial assets designated as at fair value through profit or loss at inception are those that are:

- held to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- managed and whose performance is evaluated on a fair value basis. The Company invests in equity and debt securities, and measures them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

Purchases and sales of financial assets are recognised on trade date (i.e. the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributed to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the appropriate technical or non-technical account (together the "Statement of Comprehensive Income").

Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these financial assets are included in the Statement of Comprehensive Income in the period in which they arise.

The translation differences on monetary securities are recognised in the Statement of Comprehensive Income.

Interest on securities is recognised in the Statement of Comprehensive Income on an accruals basis. Dividends on equity instruments are recognised in the Statement of Comprehensive Income when the Company's right to receive payments is established. Both are included within the "Investment income" line.

The fair values of quoted investments are based on current mid prices. If the market for a financial asset is not active the Company establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, relying as little as possible on entity-specific inputs and in any event for "linked liability insurance & investment contracts" (i.e. Unit Linked Plan, Individual Plan (General Conditions dated 1 April 1990), Individual Plan (General Conditions dated on or after 1 January 1993), Living Annuity Plan, Executive Portfolio Bond and International Investment Plan) a basis which is consistent with the recognised liability.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

e. Financial instruments (continued)

(i) Financial assets at fair value through profit or loss (continued)

The Financial Statements include holdings in unlisted shares, which are measured at fair value ("FV"). FV is estimated by applying the net asset value without adjustment to the number of shares held. The FV changes to holdings in the unlisted shares relating to insurance contracts are reported through the Statement of Comprehensive Income whereas the FV changes to holdings in the unlisted shares relating to investment contracts are not reported through the Statement of Comprehensive Income. For contracts that are classified as investment contracts the value of the liabilities is linked to the FV of the assets.

In relation to the discretionary participation funds Storebrand Asset Management AS provides a valuation of the unquoted assets, which are reviewed for reasonableness by Management.

In relation to linked liability insurance & investment contracts the Company receives annual valuations from either the administrator (in the case of private equity funds) or financial statements (in the case of unquoted companies). The financial statements for unquoted companies are unaudited (although generally prepared by regulated corporate service providers) and therefore subject to additional internal review to ensure that the nature and performance of activities is in line with the Company's expectations.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and manage interest rate risk. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments include forward foreign exchange contracts and interest rate swaps.

All derivatives are initially recognised in the Statement of Financial Position at their fair value, which usually represents their cost. They are subsequently re-measured at their fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the Statement of Financial Position as they do not represent the fair value of these transactions. These amounts are disclosed in Note 17.

Forward foreign exchange contracts

Foreign exchange contracts, which include spot and forward contracts, represent binding agreements in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date.

At the Statement of Financial Position date forward foreign exchange contracts were held in relation to linked liability insurance & investment contracts. No forward foreign exchange contracts were held in relation to the Shareholder's assets or within the discretionary participation contracts' funds.

Interest rate swaps

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments. Interest rate swaps are initially recognised in the Statement of Financial Position at their fair value, which usually represents their cost. They are subsequently re-measured at their fair value. Fair values are obtained by using discounted cash flow model valuation techniques.

At the Statement of Financial Position date the Company utilised an interest rate swap, the purpose of which was to increase the duration of an asset within the discretionary participation contracts' funds. No interest rates swaps were held in relation to the Shareholder's assets or the linked liability insurance & investment contracts.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

e. Financial instruments (continued)

(ii) Loans and receivables (continued)

fair value through profit or loss. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms (see Note 1.g. for the accounting policy on impairment). The Directors consider that the carrying values of assets held at amortised cost approximate fair value.

(iii) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. It excludes cash balances held for investment purposes under investment contracts.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

f. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives. The principal rates used for this purpose are as follows:

Leasehold improvements	10%	Fixtures and fittings	15%
Computer equipment and software	33%	Office equipment	25%

g. Impairment of assets

The carrying values of the Company's assets, except those designated as fair value through profit or loss, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If objective evidence of impairment is indicated the asset's recoverable amount (being the greater of fair value less cost to sell and value in use assessed by reference to discounted future cash flows) is estimated. An impairment loss is recognised in the Statement of Comprehensive Income to the extent that the carrying value of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment is not considered for those assets held at fair value through profit or loss.

h. Pensions costs

The Company contributes towards a defined contribution scheme for its employees. Contributions to the scheme are charged to the technical account.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

i. Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are charged to the technical account as incurred over the lease term.

j. Related party transactions

The Company discloses transactions with related parties which are not wholly-owned within the same group.

k. Taxation

Taxation expense for the period comprises current tax recognised in the reporting period and is recognised in the Statement of Comprehensive Income. Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the following financial year. Estimates and judgments are continually being evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances but which may not necessarily be borne out in practice. The most significant areas of estimation and judgment are in respect of the long-term business provision and in particular with regard to the provision of reserves for expenses. Please refer to Notes 26 to 29.

Another significant area of judgement is in relation to the valuation of unlisted investments for which management perform a review of valuation data provided by third parties to satisfy themselves that the valuation is reasonable. Please refer to Note 1 e. (i) for details.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

3. Technical account – long-term business by product

The following tables present the technical account – long-term business disaggregated across the policyholders' funds for the years ended 31 December 2018 and 31 December 2017:

SEK thousands		Notes	Discretionary participation contracts	Risk-only contracts	Linked liability insurance & investment contracts		Shareholder's technical fund	Total
					Investments held at risk of insurance contract holders	Investments held at risk of investment contract holders		
			2018	2018	2018	2018	2018	2018
Premiums, net of reinsurance								
Gross premiums written			48,901	2,164	-	-	-	51,065
Outward reinsurance premiums			(5,728)	(965)	-	-	-	(6,693)
			43,173	1,199	-	-	-	44,372
Investment income	A		69,024	37	18,844	10,199	1,462	99,566
Net realised (loss)/gains on financial assets			(3,227)	(186)	32,434	(63,511)	86	(34,404)
Net fair value (losses)/gains on assets at fair value through profit or loss	A		(6,614)	-	(122,606)	66,908	(652)	(62,964)
Investment expenses and charges			(2,800)	-	(2,724)	(5,767)	-	(11,291)
Exchange differences on retranslation			87,231	(924)	49,328	20,179	568	156,382
Other technical income, net of reinsurance			-	808	-	-	-	808
Investment contracts benefits	B		-	-	-	(28,008)	-	(28,008)
			186,787	934	(24,724)	-	1,464	164,461
Claims incurred, net of reinsurance								
Claims Paid								
Gross amount			(272,079)	(7,187)	(85,432)	-	2,311	(362,387)
Amount attributed to insurance pooling arrangements and reinsurers			3,868	12,508	-	-	-	16,376
			(268,211)	5,321	(85,432)	-	2,311	(346,011)
Change in the provision for claims								
Gross amount			5,479	6,615	-	-	-	12,094
Amount attributed to insurance pooling arrangements and reinsurers			-	(1,796)	-	-	-	(1,796)
			5,479	4,819	-	-	-	10,298
			(262,732)	10,140	(85,432)	-	2,311	(335,713)
Change in other technical provisions, net of reinsurance								
Long-term provision, net of reinsurance								
Gross amount			96,733	(3,473)	-	-	(1,345)	91,915
			96,733	(3,473)	-	-	(1,345)	91,915
Other technical provisions, net of reinsurance								
Technical provisions for linked liabilities			-	-	118,626	-	(4,123)	114,503
			96,733	(3,473)	118,626	-	(5,468)	206,418
Technical income/(expenses), net of investment expenses and charges								
Fee income on investment products			-	-	-	3,920	-	3,920
Other technical charges, net of reinsurance			(372)	(23,037)	(3,037)	-	-	(26,446)
Movement in the expense provision for investment contracts			-	-	-	-	263	263
Transfer to the fund for future appropriations			(1,581)	-	-	-	-	(1,581)
Balance on the long-term business technical account before net operating expenses	C		18,835	(15,436)	5,433	3,920	(1,430)	11,322
Net operating expenses	D							(32,178)
Balance on the long-term business technical account								(20,856)

A - The investment income and the net fair value (losses)/gains on assets at fair value through profit or loss represent the whole of the investment income arising in the Company's long-term business fund. The investment income and the net fair value (losses)/gains on assets at fair value through profit or loss shown in the non-technical account arise from the Shareholder's funds held in the non-technical account.

B - Investment contracts' benefits are accrued to the account of the contract holder as the fair value of the net movement arising from the underlying assets. All the contracts in this category are designated as fair value through profit or loss and were designated to this category upon initial recognition.

C - Balance on the long-term business technical account before net operating expenses includes underwriting profit, shareholder charges and fee income on investment contracts.

D - Total expenses incurred by the Company were SEK 34,489,000 (2017: SEK 34,408,000), which consists of the net operating expenses above and claims handling fees of SEK 2,311,000 (2017: 2,841,000).

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

3. Technical account – long-term business by product (continued)

SEK thousands		Discretionary participation contracts	Risk-only contracts	Linked liability insurance & investment contracts		Shareholder's technical fund	Total
				Investments held at risk of insurance contract holders	Investments held at risk of investment contract holders		
		2017	2017	2017	2017	2017	2017
Premiums, net of reinsurance							
Gross premiums written		54,091	37,154	-	-	-	91,245
Outward reinsurance premiums		(6,199)	(29,589)	-	-	-	(35,788)
		47,892	7,565	-	-	-	55,457
Investment income	A	73,909	188	44,672	17,326	1,342	137,437
Net realised (losses)/gains on financial assets		(7,029)	(114)	75,035	57,345	(23)	125,214
Net fair value (losses)/gains on assets at fair value through profit or loss	A	(12,561)	-	(30,929)	(112,033)	176	(155,347)
Investment expenses and charges		(2,936)	-	(4,996)	(4,575)	-	(12,507)
Exchange differences on retranslation		(46,497)	2,063	41,023	(11,051)	(1,430)	(15,892)
Other technical income, net of reinsurance		-	1,886	-	-	-	1,886
Investment contracts benefits	B	-	-	-	52,987	-	52,987
		52,778	11,588	124,805	(1)	65	189,235
Claims incurred, net of reinsurance							
Claims paid							
Gross amount		(422,531)	7,151	(417,005)	-	(2,840)	(835,225)
Amount attributed to insurance pooling arrangements and reinsurers		909	4,236	-	-	-	5,145
		(421,622)	11,387	(417,005)	-	(2,840)	(830,080)
Change in the provision for claims							
Gross amount		9,888	(18,263)	-	-	-	(8,375)
Amount attributed to insurance pooling arrangements and reinsurers		-	(14,382)	-	-	-	(14,382)
		9,888	(32,645)	-	-	-	(22,757)
		(411,734)	(21,258)	(417,005)	-	(2,840)	(852,837)
Change in other technical provisions, net of reinsurance							
Long-term provision, net of reinsurance							
Gross amount		386,796	19,122	-	-	402	406,320
		386,796	19,122	-	-	402	406,320
Other technical provisions, net of reinsurance							
Technical provisions for linked liabilities		-	-	302,734	-	2,772	305,506
		386,796	19,122	302,734	-	3,174	711,826
Technical income, net of investment expenses and charges							
		27,840	9,452	10,534	(1)	399	48,224
Fee income on investment products		-	-	-	4,060	-	4,060
Other technical charges, net of reinsurance		(42)	7,607	(4,258)	-	-	3,307
Movement in the expense provision for investment contracts		-	-	-	-	1,667	1,667
Transfer to the fund for future appropriations		(11,094)	-	-	-	-	(11,094)
Balance on the long-term business technical account before net operating expenses							
	C	16,704	17,059	6,276	4,059	2,066	46,164
Net operating expenses	D						(31,567)
Balance on the long-term business technical account							14,597

4. Segmental analysis

The primary segmental information is presented for product lines as this reflects the dominant source and nature of the Company's risks and returns.

Insurance and discretionary participation contracts

Where regular premiums are received other than annually the reported regular new business premiums are calculated on an annualised basis. Products substituted due to the exercise of standard contract terms or due to an amendment to a Company Insurance Agreement are not included in the premium statistics.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

4. Segmental analysis (continued)

Insurance and discretionary participation contracts (continued)

The Company ceased issuing new policies in early 2016 and its final risk-only contract coverage terminated on 31 December 2018.

Gross premiums written

SEK thousands	2018	2017
Annuity Plan	-	-
Flex Plan	1,587	2,188
Level Plan	691	665
Triple C Plan	46,623	51,238
Risk-only contracts	2,164	37,154
Gross premiums written	51,065	91,245

Gross new premiums written

SEK thousands	2018	2017
Risk-only contracts - Group - single premiums	-	24
Gross new premiums written	-	24

Gross benefits written

SEK thousands	2018	2017
Individual Plan	600	55,430
Living Annuity Plan	-	2,084
Unit Linked Plan	655	4,708
Gross benefits written	1,255	62,222

5. Cost borne by discretionary participation contracts

SEK thousands	2018	2017
Investment expenses	2,800	2,936
Trustee expenses	443	273
	3,243	3,209

Investment expenses are fees for the provision of asset management and investment advisory services, both of which were provided by Storebrand Asset Management AS for the year. The fees disclosed are net of rebates amounting to SEK 511,000 (2017: SEK 484,000).

Trustee expenses are the fees charged by the independent third party trustee ("the Trustee"). The Trustee is Zedra Trust Company (Guernsey) Limited who fully replaced SG Kleinwort Hambros Trust Company (CI) Limited on 8 November 2018.

6. Auditor's remuneration

The Company's audit fees, included in the technical account, amounted to SEK 566,000 (2017: SEK 884,000).

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

7. Commissions and introducers' fees

Total commissions and introducers' fees accounted for by the Company during the year amounted to SEK 993,000 (2017: SEK 1,022,000) and are included in the technical account.

8. Directors' remuneration

The Non-Executive Directors were paid fees of SEK 1,015,000 for the year ended 31 December 2018 (2017: SEK 1,106,000).

9. Staff numbers and costs

SEK thousands

	2018	2017
Wages and salaries	13,186	14,429
Guernsey social insurance costs	708	769
Other pension costs	776	705
The average number of persons including executive directors and part-time employees employed by the Company during the year	18	20

10. Pension costs

The Company funds a pension scheme providing benefits based on the contributions to that scheme. In addition, the Company provides a lump sum in the event of an employee dying in service, a benefit insured with an United Kingdom insurance company. Those funds are independent of the finances of the Company. All contributions and premiums for death-in-service benefits are charged to staff costs against the profit of the Company for the year in which the contributions and premiums are made. The charge for the current year was SEK 706,000 (2017: SEK 705,000).

11. Profit for the financial year

SEK thousands

	2018	2017
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible assets	479	576
Operating lease payments for premises	2,636	2,607

12. Tax on profit on ordinary activities

As of 1 January 2013 Guernsey expanded the company intermediate rate of income tax to include licensed insurers (in respect of domestic business). Therefore, the Company is taxable at 10% in respect of domestic insurance business under the Guernsey intermediate income tax rate. All other business is taxable at the company standard rate of 0%.

In 2018 the Company did not write any domestic insurance business therefore as at 31 December 2018 taxation due from the Company amounted to SEK Nil (2017: SEK 25,000).

13. Dividends on equity shares

No dividend is payable in 2018 (2017: SEK 7,443,000).

On 12 March 2019 the Board approved the entry into a novation agreement to gift the value of an introducer agreement to BenCo for nil consideration. This arrangement constituted a "dividend" for the purposes of section 302 of the Companies (Guernsey) Law, 2008.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

14. Financial assets held to cover non-linked liabilities – insurance contracts

SEK thousands

	2018	2017
Flex Plan and Save Invest Plan policyholders' funds		
Shares and mutual funds	51,796	60,629
Debt securities	478,516	664,446
	530,312	725,075
Triple C Plan, Annuity Plan, Level Plan, and Pensions in Payment policyholders' funds		
Shares and mutual funds	270,175	281,699
Debt securities	1,971,805	1,972,030
Derivatives	15,236	16,634
	2,257,216	2,270,363
Shareholder's non-technical fund		
Debt securities	226,772	231,386
	226,772	231,386
Shareholder's technical fund		
Debt securities	36,510	39,663
	36,510	39,663
	3,050,810	3,266,487

The cost of the above investments at 31 December 2018 was SEK 2,716,176,000 (2017: SEK 2,925,700,000).

Mutual funds refer to units in Unit Trusts, Open-Ended Investment Companies and Undertakings for Collective Investments in Transferable Securities investing in fixed interest securities or equities.

Included in debt securities of the Triple C Plan, Annuity Plan, Level Plan, and Pensions in Payment above is an unlisted debt instrument issued by Municipality Finance plc. As at 31 December 2018 the Company, on the advice of the Investment Manager, valued the instrument at SEK 157,237,000 (2017: SEK 156,367,000) using discounted cash flows.

The above investments are managed by Storebrand Asset Management AS.

15. Financial assets held to cover linked liabilities - insurance contracts

SEK thousands

	2018	2017
Fixed interest securities	297,181	351,246
Equities		
- Quoted	351,606	412,613
- Unquoted	5,901	5,694
Units in mutual funds		
- Equities	518,104	509,104
- Fixed interest securities	139,163	167,754
Derivatives	-	-
	1,311,955	1,446,411

The cost of the above investments at 31 December 2018 was SEK 1,287,040,000 (2017: SEK 1,304,789,000).

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

15. Financial assets held to cover linked liabilities - insurance contracts (continued)

The above investments are managed by:

SEK thousands	2018	2017
UBS Europe SE	889,535	-
Nordea Bank S.A.	-	1,007,601
Danske Bank S.A.	360,210	359,435
Others (Investment managers managing less than SEK150 million)	62,210	79,375
	1,311,955	1,446,411

In October 2018, the entirety of the Company's Nordea Bank S.A. portfolios were transferred to UBS Europe SE ("UBS") as part of the sale of the Nordea Luxembourg business to UBS.

16. Financial assets held to cover linked liabilities - investment contracts

SEK thousands	2018	2017
Unit Linked Plan		
Other investments	188,308	215,610
Cash available for investment	-	1
	188,308	215,611
*Other investment contracts		
Fixed interest securities (incl. mutual funds)	323,063	321,388
Equities (incl. mutual funds)	546,108	566,392
Cash available for investment	61,103	48,948
Derivatives	(107)	350
	930,167	937,078
Total investment contracts	1,118,475	1,152,689

*Other investment contracts include Individual Plan, Living Annuity Plan, and International Investment Plan.

The Unit Linked Plan investments held under an International Pension Plan contract provided by Zurich International Life Limited, which is shown as other investments for the Unit Linked Plan. These other investments are a variable mix of cash, equities, fixed interest securities and mutual funds.

The cost of the above investments at 31 December 2018 was SEK 787,066,000 (2017: SEK 843,340,000).

Mutual funds refer to units in Unit Trusts, Open-Ended Investment Companies and Undertakings for Collective Investments in Transferable Securities investing in fixed interest securities or equities.

The above investments are managed by:

SEK thousands	2018	2017
Zurich International Life Limited	188,308	215,610
Coutts & Co	240,699	255,379
Cannon Asset Management Limited	172,919	77,952
Others (investment managers managing less than SEK 150 million)	516,549	603,748
	1,118,475	1,152,689

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

17. Derivative financial instruments

The following tables provide a detailed breakdown of the contractual or notional amounts and the fair values of the Company's derivative financial instruments at fair value through profit or loss outstanding as at 31 December 2018 and 31 December 2017:

31 December 2018

SEK thousands

	Notional principals		Fair values	
	Positive values	Negative values	Assets	Liabilities
Linked liabilities				
Forward exchange rate contracts	19,194	(19,439)	-	(107)
	19,194	(19,439)	-	(107)
Non-linked liabilities				
Interest rate swap contract	51,193	(51,193)	15,236	-
	51,193	(51,193)	15,236	-

31 December 2017

SEK thousands

	Notional principals		Fair values	
	Positive values	Negative values	Assets	Liabilities
Linked liabilities				
Forward exchange rate contracts	22,584	(22,303)	350	-
	22,584	(22,303)	350	-
Non-linked liabilities				
Interest rate swap	50,050	(50,050)	16,634	-
	50,050	(50,050)	16,634	-

At year end the Company held one interest rate swap (2017: one interest rate swap) which matures on 7 July 2031.

18. Fair value estimation

The table below discloses by level fair value measurements for financial instruments held at fair value in the Statement of Financial Position by using the following fair value measurement hierarchy:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (Level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted mid prices at the Statement of Financial Position date, as described in Note 1.e.(i). These instruments are included in Level 1. Instruments included in Level 1 comprise listed equities, debt instruments and exchange traded funds.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Company includes investments in mutual funds within Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Valuation techniques used to value financial instruments are described in Note 1.e.(i).

There were no transfers between Level 1 and Level 2 or Level 3 during 2018 or 2017.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

18. Fair value estimation (continued)

The following table presents the Company's assets and liabilities (excluding insurance contract liabilities) measured at fair value at 31 December 2018 and at 31 December 2017:

SEK thousands	Level 1 2018	Level 2 2018	Level 3 2018	Total 2018
Financial assets at fair value through profit or loss:				
- debt securities	2,540,949	172,654	-	2,713,603
- shares and mutual funds	97,260	224,711	-	321,971
- derivatives	-	15,236	-	15,236
Assets held to cover linked liabilities	799,122	1,401,272	230,036	2,430,430
Total	3,437,331	1,813,873	230,036	5,481,240
Financial liabilities at fair value through profit or loss:				
- investment contracts	-	1,118,970	-	1,118,970
Total	-	1,118,970	-	1,118,970
SEK thousands	Level 1 2017	Level 2 2017	Level 3 2017	Total 2017
Financial assets at fair value through profit or loss:				
- debt securities	2,551,767	355,758	-	2,907,525
- shares and mutual funds	238,296	104,031	-	342,328
- derivatives	-	16,634	-	16,634
Assets held to cover linked liabilities	924,491	1,480,378	194,230	2,599,100
Total	3,714,554	1,956,801	194,230	5,865,587
Financial liabilities at fair value through profit or loss:				
- investment contracts	-	1,153,046	-	1,153,046
Total	-	1,153,046	-	1,153,046

The following table summarises the changes in Level 3 instruments for the year ended 31 December 2018:

SEK thousands	Unquoted equities 2018	Unquoted equities 2017
Opening balance	194,230	297,433
Net amount disposed of during the year	(17,266)	(36,740)
Gains/(losses) recognised in the profit and loss	53,072	(66,463)
Closing balance	230,036	194,230

The Financial Statements include holdings in unlisted shares, which are measured at fair value ("FV"). FV is estimated by applying the net asset value without adjustment to the number of shares held. The FV changes to holdings in the unlisted shares relating to insurance contracts are reported through the Statement of Comprehensive Income whereas the FV changes to holdings in the unlisted shares relating to investment contracts are not reported through the Statement of Comprehensive Income. For contracts that are classified as investment contracts the value of the liabilities is linked to the FV of the assets.

19. Debtors arising out of direct insurance operations

SEK thousands	2018	2017
Due from policyholders	15,433	15,191
	15,433	15,191

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

20. Debtors arising out of insurance pooling and reinsurance operations

SEK thousands

	2018	2017
Due from intermediaries	1,292	-
Due from related parties	1,243	3,013
	2,535	3,013

21. Other debtors

SEK thousands

	2018	2017
Due from policyholders	3,419	3,050
Due from intermediaries	130	117
Due from related parties	88	2
Other debtors	460	368
	4,097	3,537

22. Tangible assets

SEK thousands

	Leasehold improvements	Office equipment	Computer equipment & software	Fixtures & fittings	Total
Cost or valuation					
At 1 January 2018	1,727	39	4,296	2,429	8,491
Additions	-	-	161	12	173
Disposals	-	-	(142)	(38)	(180)
At 31 December 2018	1,727	39	4,315	2,403	8,484
Depreciation					
At 1 January 2018	1,440	39	3,665	2,282	7,426
Charge for the year	133	-	306	40	479
Disposals	-	-	(142)	(38)	(180)
At 31 December 2018	1,573	39	3,829	2,284	7,725
Net book value at 31 December 2018	154	-	486	119	759
At 31 December 2017	287	-	631	147	1,065

23. Cash and cash equivalents

SEK thousands

	2018	2017
Flex Plan and Save Invest Plan	125,734	9,456
Triple C Plan, Annuity Plan and Level Plan	37,398	102,349
Risk-only contracts	13,071	73,406
Individual Plan (1st April 1990)	190,149	169,879
Shareholders		
- Technical	7,354	7,627
- Non technical	1,284	548
	374,990	363,265

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

24. Called up share capital

SEK thousands

	2018	2017
Authorised		
Ordinary shares of SEK 100 each	174,166	174,166
Issued and fully paid		
Ordinary shares of SEK 100 each	84,166	84,166
Issued, uncalled and unpaid		
Ordinary shares of SEK 100 each	90,000	90,000

The Company is wholly-owned by BenCo Insurance Holding B.V. (BenCo), a company registered in The Netherlands. BenCo is owned by; Storebrand Livsforsikring AS (89.96%), Mandatum Life (6.49%) and Varma Mutual Insurance Company (3.55%).

Storebrand ASA, a company registered in Norway, is regarded as the Company's ultimate controlling party. Consolidated Financial Statements can be obtained from the following website www.Storebrand.no/en

The Company increased its authorised and issued share capital from 841,660 to 1,741,660 shares of SEK 100 per share in 2013 with 900,000 ordinary shares of SEK 100 per share uncalled.

25. Fund for future appropriations

The fund for future appropriations represents all discretionary participation funds for which the allocation between discretionary participation contract policyholders and the Shareholder has not been determined at the Statement of Financial Position date. The following table presents the fund for future appropriations as at the Statement of Financial Position date:

SEK thousands

	2018	2017
Investment reserve funds relating to:		
Flex Plan and Save Invest Plan	37,786	43,150
Triple C Plan	101,654	109,014
Annuity Plan, Level Plan and Pensions in Payment	180,067	165,762
	319,507	317,926

26. Long-term business provision

26.1 Principal valuation assumptions

The principal assumptions underlying the calculation of the long-term business provision for all contracts as at 31 December 2018 are as follows:

- The long-term business provision in respect of retirement benefits for Flex Plan policies is calculated as the total amount of the policyholders' accumulated accounts.
- The long-term business provision in respect of retirement benefits for the EUR, SEK and NOK Triple C Plan, and a SEK Corporate Pension Plan's policies is calculated as the greater of:
 - the present value of the maturity value using yields based on matching assets and an appropriate margin for investment expenses and the Shareholder's charge; and
 - the current surrender value payable at the Statement of Financial Position date.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

26. Long-term business provision (continued)

26.1 Principal valuation assumptions (continued)

The yields of matching assets used to calculate the present value of maturity values as at 31 December 2018 are:

EURO		SEK		SEK Corporate Pension Plan		NOK	
Maturity (months)	Valuation interest rate (% per annum)	Maturity (months)	Valuation interest rate (% per annum)	Maturity (months)	Valuation interest rate (% per annum)	Maturity (months)	Valuation interest rate (% per annum)
0	0.05	0	(0.38)	0	(0.31)	0	1.71
102	0.26	23	(0.02)	2	(0.38)	> 98	2.38
132	0.51	58	0.85	23	(0.19)		
186	0.68	> 161	1.16	41	(0.02)		
> 258	0.81			58	0.85		
				> 161	1.16		

The 31 December 2018 valuation interest rates were obtained by reducing the above yields by a margin of 0.75% (2017: 0.70%) in one year's time, increasing by 0.05% each year until it reaches 1.10%, after which the margin remains at 1.10%.

The yields of matching assets used to calculate the present value of maturity values as at 31 December 2017 were:

EURO		SEK		SEK Corporate Pension Plan		NOK	
Maturity (months)	Valuation interest rate (% per annum)	Maturity (months)	Valuation interest rate (% per annum)	Maturity (months)	Valuation interest rate (% per annum)	Maturity (months)	Valuation interest rate (% per annum)
0	(0.25)	0	(0.39)	0	(0.75)	0	1.19
56	0.38	35	0.17	14	(0.39)	65	1.60
114	0.57	70	1.15	35	(0.10)	> 110	2.33
144	0.83	> 173	1.46	53	0.17		
198	1.02			70	1.15		
> 270	1.17			> 173	1.46		

- c) The long-term business provision in respect of retirement benefits for the CHF, DKK, GBP, and USD Triple C Plan policies are calculated as the greater of:

- the present value of the maturity value plus the cost of the guaranteed bonus; and
- the current surrender value payable at the Statement of Financial Position date.

The cost of the guaranteed bonus is obtained using Black-Scholes methodology. The assumptions underlying the Black-Scholes method are set out below. To determine the Valuation interest rate, the "Underlying Interest Rate" for each currency less an appropriate margin for investment expenses and the Shareholder's charge is used. The Underlying Interest Rate is calculated from the yield earned on the underlying assets (the "Earned Rate") and the yield on government bonds of appropriate duration and in the relevant currency (the "Risk-free Interest Rate") as follows:

$$\text{Underlying Interest Rate} = \text{Minimum} \{ (\text{Government Bond Rate} + \text{Earned Rate}) / 2, \text{Government Bond Rate} \}$$

The 31 December 2018 valuation interest rates were obtained by reducing the below yields by a margin of 0.75% (2017: 0.70%) in one year's time, increasing by 0.05% each year until it reaches 1.10%, after which the margin remains at 1.10%.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

26. Long-term business provision (continued)

26.1 Principal valuation assumptions (continued)

Currency	Risk-free Interest Rate (% per annum)		Underlying Interest Rate (% per annum)		Dividend yield (% per annum)		Historical volatility of assets (% per annum)	
	2018	2017	2018	2017	2018	2017	2018	2017
Swiss Franc	(0.26)	(0.19)	(0.59)	(0.56)	1.10	1.10	1.17	0.90
Danish Krone	0.66	0.87	0.03	0.13	1.10	1.10	0.68	0.72
Pound Sterling	1.30	1.33	1.30	1.33	1.10	1.10	7.73	7.81
United States Dollar	2.84	2.50	2.84	2.50	1.10	1.10	6.44	6.48

- d) The long-term business provision in respect of Level Plan policies, and Annuity Plan policies and Pensions in Payment is calculated as the difference between the present value of the prospective benefit and the present value of the future net premiums payable in respect of that benefit.

Pensions in Payment are:

- Pensions (annuities) secured at maturity from Triple C Plans, Flex Plans or Unit Linked Plans; or
- Pensions paid on an insured event in Risk-only contracts; or
- Disability Pensions in Payment arising from Triple C Plans, Flex Plans, Unit Linked Plans or Level Plans; or
- Survivor Pensions in Payment arising from Triple C Plans, Flex Plans or Unit Linked Plans.

The valuation rates of interest, prior to being adjusted for an appropriate margin for investment expenses and the Shareholder's charge are shown below.

Currency	Level Plan policies		Valuation rates of interest (% per annum)				Claims in payment in Shareholder's fund	
			Annuity Plan policies					
			eligible for discretionary increases		not eligible for discretionary increases			
2018	2017	2018	2017	2018	2017	2018	2017	
Euro	0.93	1.13	(1.11)	(0.97)	(0.48)	(0.53)	(1.11)	(0.97)
Norwegian Krone	1.93	1.32	(0.12)	(0.73)	1.75	1.58	(0.12)	(0.73)
Pound Sterling	1.58	1.64	(0.31)	(0.32)	1.79	1.76	n/a	(0.32)
Swedish Krona	0.93	1.14	(1.43)	(1.28)	(0.12)	n/a	n/a	(1.28)
Swiss Franc	(0.42)	(0.42)	(2.67)	(2.63)	n/a	n/a	n/a	n/a
United States Dollar	2.78	2.43	0.89	0.61	2.92	2.63	0.89	0.61

The 31 December 2018 valuation interest rates were obtained by reducing the above rates by a margin, except for Claims in payment in the Shareholder's fund (where no reduction is made to the above rates). This margin used was 0.75% (2017: 0.70%) in one year's time, increasing by 0.05% each subsequent year until it reaches 1.10%, after which the margin remains at 1.10%.

- e) The long-term business provision in respect of Individual Plan (general conditions dated 1 April 1990) policies is calculated as the unit reserve equal to the sum of each fund's asset values plus the additional mortality reserve in respect of the death benefit payable under the plans.
- f) The long-term business provision in respect of Unit Linked Plan policies is calculated as the surrender value at selling price of the units allocated to each policy as at the Statement of Financial Position date.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

26. Long-term business provision (continued)

26.1 Principal valuation assumptions (continued)

- g) The long-term business provision in respect of Risk-only contracts (not including premiums pooled in an IGP or Insurope multinational pool) is calculated as that part of the premium paid for life assurance and disability benefits prior to the Statement of Financial Position date in respect of a period at risk after the Statement of Financial Position date (i.e. the unearned risk premium reserve) together with an incurred but not reported reserve of SEK 2.5M (2017: SEK 1.0M) and SEK 0.5M (2017: SEK 14.2M). The long-term business provision in respect of risk contracts that were included in a multinational pool is the net of reinsurance risk premium collected in the year up to the Statement of Financial Position date together with a deferred waiting period reserve as calculated by the multinational pool.

The 'Claims outstanding' liabilities shown in the Statement of Financial position, where the risk contract was not included in a multinational pool, consists of:

- The provision for the disability claims within the discretionary participation policyholders' funds;
- Plus the gross provision for disability and survivor claims outside the discretionary participation policyholders' funds;
- Less the reinsurance provision for disability and survivor claims outside the discretionary participation policyholders' funds.

Where the risk contract was included in a multinational pool, the 'Claims outstanding' liabilities shown in the Statement of Financial position consist of the same above items, noting that receipts of loss settlements from multinational pools are not included, and if appropriate the reinsurance provision for the claims are then adjusted to be the reinsurer's share of the total value of the claim after receipt of loss settlements from multinational pools.

The table below shows a reconciliation from the 'Claims outstanding' in the Statement of Financial Position to the disability claims development tables given later in this note:

SEK thousands

	2018	2017
Gross disability claims reserves (as shown in disability claims development table)	50,529	68,418
Gross provision for survivor claims outside the discretionary participation policyholders' funds	24,645	18,850
Reinsurance provision for disability and survivor claims outside the discretionary participation policyholders' funds	(29,198)	(34,625)
Claims outstanding (as shown in the Statement of Financial Position)	45,976	52,643

The table below shows the disability claims development over five years to 31 December 2018:

SEK thousands

Pure underwriting year	2013 and prior	2014	2015	2016	2017	2018	Total
Estimate of claims incurred:							
After one year		7,030	14,084	16,822	21,258	10,809	
After two years		2,954	4,321	10,963	5,242		
After three years		2,507	9,403	1,925			
After four years		1,496	9,839				
After five years		531					
As at 31 December 2018	30,237	531	9,839	1,925	5,242	10,809	58,584
Less claims paid	5,115	197	735	619	500	889	8,055
Gross reserves	25,122	334	9,105	1,306	4,742	9,919	50,529

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

26. Long-term business provision (continued)

26.1 Principal valuation assumptions (continued)

The table below shows the disability claims development over five years to 31 December 2017.

SEK thousands							
Pure underwriting year	2012 and prior	2013	2014	2015	2016	2017	Total
Estimate of claims incurred:							
After one year		10,983	7,030	14,084	16,822	21,258	
After two years		5,085	2,954	4,321	10,963		
After three years		3,403	2,507	9,403			
After four years		3,285	1,496				
After five years		2,461					
As at 31 December 2017	33,340	2,461	1,496	9,403	10,963	21,258	78,921
Less claims paid	4,783	720	857	685	1,730	1,727	10,503
Gross reserves	28,557	1,740	639	8,718	9,233	19,531	68,418

The discretionary participation policyholder funds bear the future longevity and investment risks in respect of disability claims that resulted in a pension being payable and became eligible on or before 31 December 2014 and survivor pension claims that became eligible on or before 31 December 2015. For disability claims that became eligible on or after 1 January 2015, the Shareholder shares with the reinsurer the future longevity and investment risks. For survivor pension claims that became eligible on or after 1 January 2016, the Shareholder shares with the reinsurer the future longevity and investment risks.

h) The valuation mortality assumptions are shown below:

Product	Valuation mortality assumptions	
	2018	2017
Flex Plan, Triple C Plan, Corporate Triple C Plan, Individual Plan (general conditions dated 1 April 1990),	100% PNMA00 (for males) 100% PNFA00 (for females)	100% PNMA00 (for males) 100% PNFA00 (for females)
Individual Plan (general conditions dated 1 January 1993 or afterwards),	projected using an average of the medium cohort and long cohort projections subject to a minimum improvement of 1.75% per annum	projected using an average of the medium cohort and long cohort projections subject to a minimum improvement of 1.75% per annum
Living Annuity Plan, Executive Portfolio Bond, Unit Linked Plan and Group Unit Linked Plan		
Level Plan, Annuity Plan and Pensions in Payment	75% PNMA00 (for males) 75% PNFA00 (for females) projected using an average of the medium cohort and long cohort projections subject to a minimum improvement of 1.75% per annum	75% PNMA00 (for males) 75% PNFA00 (for females) projected using an average of the medium cohort and long cohort projections subject to a minimum improvement of 1.75% per annum

i) Disability claims are valued using recovery assumptions based on the so called "SUS functions", recovery functions parameterised from the Swedish insurance industry's study of disability data for the period 2000 to 2007.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

26. Long-term business provision (continued)

26.2 Expense provision

- a) In addition to holding a provision for the current accrued value of the benefits the Appointed Actuary has investigated whether a per policy expense provision is required to meet any projected shortfall of administration charges over attributable expenses met within the long-term business fund for all products except the Risk-only contracts. Where required an expense provision is held.

The annual per policy expenses assumed in the cash flow projections are set out below for the relevant products:

Product	Annual attributable expense assumptions	
	2018	2017
Flex Plan and Triple C Plan	SEK 890 per policy per annum	SEK 797 per policy per annum
Level Plan, Annuity Plan and Pensions in Payment	SEK 782 per policy per annum plus an additional SEK 169 per annuity payment	SEK 715 per policy per annum plus an additional SEK 166 per annuity payment
Individual Plan (general conditions dated 1 April 1990)	SEK 20,444 – SEK 50,432 per policy per annum	SEK 17,674 – SEK 31,002 per policy per annum
Individual Plan (general conditions dated 1 January 1993 or afterwards)	SEK 19,589 – SEK 29,037 per policy per annum	SEK 16,901 – SEK 24,358 per policy per annum
Living Annuity Plan and Executive Portfolio Bond	SEK 15,079 – SEK 19,589 per policy per annum	SEK 0 – SEK 21,993 per policy per annum
International Investment Plan	SEK 27,847 per policy per annum	SEK 40,065 per policy per annum
Unit Linked Plan and Group Unit Linked Plan	SEK 889 per policy per annum	SEK 525 per policy per annum

For Individual Plan, Living Annuity Plan, Executive Portfolio Bond and International Investment Plan policies the attributable expenses have been determined on an individual policy basis and are within the ranges shown above. It is assumed that an annual administration charge, of 0.60% per annum in 2018 increasing by 0.05% each subsequent year until it is 1.0% per annum, will apply to Triple C Plan, Flex Plan, Level Plan, and Annuity Plan, Claims in Payment, and Pensions in Payment which are eligible for discretionary increases. Further, an annual charge of GBP 56 on Triple C Plan paid-up policies which have an account value less than GBP 11,050 is taken (both the charge and the threshold increase annually in line with GBP inflation). It is assumed that these charges and the charges applicable to each Individual Plan, Living Annuity Plan, Executive Portfolio Bond, International Investment Plan, and Unit Linked Plan policy will be available to meet expenses.

- b) In addition to a per policy expense provision, aggregate expense provision calculations were carried out whereby the Appointed Actuary has investigated for each product category except the Risk-only contracts whether a provision is required to meet any projected shortfall of "excess income" compared with non-attributable expenses within the long-term business fund and, accordingly, an expense provision is held. The excess income is the sum of the excess (if any) of the annual administration charge or charges over the per policy expenses. The total expense provision for each product is the sum of the per policy and aggregate components. The assumed annual non-attributable expenses are given below for the relevant products:

Product category	Annual non-attributable expense assumption			
	2018		2017	
Flex Plan and Triple C Plan	SEK	10,398,496	SEK	10,191,393
Level Plan, Annuity Plan and Pensions in Payment	SEK	698,333	SEK	680,488
Individual Plan, Living Annuity Plan, International Investment Plan and Executive Portfolio Bond	SEK	3,659,018	SEK	3,873,045
Unit Linked Plan and Group Unit Linked Plan	SEK	1,637,902	SEK	590,679

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

26. Long-term business provision (continued)

26.2 Expense provision (continued)

- c) An investigation was carried out into whether the Company would generate sufficient income in order to cover its expenses as the Company is run-off making allowance for expected future diseconomies of scale. The total expected best estimate income generated by the Company was compared with its total expected future expenses (including a margin for prudence); additionally, an allowance was included for the possible costs of extinguishing future liabilities. An additional expense provision is held, accordingly, to meet any shortfall determined by this investigation. On the current assumptions, no extra provision has been required.
- d) No expense provision is held in respect of Risk-only contracts as they are short term contracts renewable annually and none of the Risk-only contracts have been renewed beyond 31 December 2018.
- e) The provision calculated under 26.1 above, together with any provision required to meet future expenses calculated above under 26.2 form part of the technical provisions.
- f) The assumed expense inflation rate is 3.50% per annum (2017: 3.25%).
- g) The discount rate for the purpose of expense provision calculations is 1.30% per annum (2017: 1.30%), based on the yield on assets backing the expense provision as at 31 December 2018 less a margin for prudence. It is also assumed that foreign exchange rates remain constant over the projection period.

The asset growth rates used in calculating the expense provision for discretionary participation products are based on the weighted average yields on the assets backing each of the currency policyholder funds as at 31 December 2018 with an upper limit of the yield on 10 year government bonds in the relevant currency.

The asset growth rate for the linked liability products is 2% per annum, which reflects the nature of the underlying assets.

- h) The main valuation surrender assumptions for the purpose of the expense provision calculations are shown below:

Product	Surrender rate (% per annum)	
	2018	2017
Flex Plan	2.00	2.00
Triple C Plan (excluding SEK Skilstaf)	2.00	2.00
Triple C Plan (SEK Skilstaf)	3.75	3.75
Level Plan, Annuity Plan and Pensions in Payment	0.00	0.00
Individual Plan and Living Annuity Plan	0.50	0.50
Individual Plan (general conditions dated 1 January 1993 or afterwards) and Living Annuity Plan	0.50	0.50
Executive Portfolio Bond	N/A	100 in 2018
International Investment Plan	0.50	0.50
Unit Linked Plan	2.50	2.50
Group Unit Linked Plan	2.50	2.50

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

26. Long-term business provision (continued)

26.2 Expense provision (continued)

- i) The main valuation partial surrender assumptions for the purpose of the expense provision calculations are shown below:

Product	Partial surrender rate (% per annum)	
	2018	2017
Flex Plan	0.75	0.75
Triple C Plan (excluding SEK Skilstaf)	N/A	N/A
Triple C Plan (SEK Skilstaf)	N/A	N/A
Level Plan, Annuity Plan and Pensions in Payment	N/A	N/A
Individual Plan	5.96	5.96
Living Annuity Plan	N/A	N/A
Executive Portfolio Bond	N/A	N/A
International Investment Plan	5.96	5.96
Unit Linked Plan	0.00	0.00
Group Unit Linked Plan	0.00	0.00

26.3 Impact of valuation assumption changes

The impact of valuation assumption changes this year is to decrease the technical provisions for long-term business and claims outstanding by SEK 23M (2017: decrease of SEK 12M) to SEK 2,696M. The change in valuation interest rates accounts for most of the increase in reserves arising from assumption changes.

The long-term business provision is sensitive to changes in the principal assumptions adopted. For example, a reduction in the valuation rates of interest of 1% for each currency would increase the long-term business provision by SEK 299M (2017: increase of SEK 321M) from SEK 2,696M to SEK 2,995M. However, the assets supporting the long-term business provision would increase by SEK 287M (2017: increase of SEK 296M).

The expense provision is sensitive to changes in the principal assumptions adopted. For example, a reduction in the valuation rates of interest of 1% for each currency would increase the expense provision by SEK 9.6M (2017: increase of SEK 6.9M) from SEK 38.7M to SEK 48.3M. However, the assets supporting the expense provision would increase by SEK 3.9M (2017: increase of SEK 3.6M). Note that this impact is not symmetric and an increase in the valuation rates of interest of 1% would decrease the expense provision by SEK 6.7M (2017: decrease of SEK 6.2M). However, the assets supporting the expense provision would decrease by SEK 3.5M (2017: decrease of SEK 3.2M)..

The expense provision is also sensitive to changes in the foreign exchange rates. For example, a 10% strengthening of GBP in relation to other currencies would lead to an increase in the expense provision of SEK 7.8M (2017: increase of SEK 5.8M).

27. Technical provisions for long-term business and claims outstanding

SEK thousands

	2018	2017
Flex Plan and Save Invest Plan	618,332	695,276
Triple C Plan	1,027,637	1,028,458
Annuity Plan, Level Plan	1,004,299	1,027,863
Risk-only contracts	23,010	27,033
Expense provision	22,579	21,234
	2,695,857	2,799,864

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

28. Technical provisions for linked liabilities

SEK thousands

	2018	2017
Individual Plan (1 April 1990)	1,502,839	1,621,466
Expense and mortality provision	15,183	11,060
	1,518,022	1,632,526

29. Financial liabilities for investment contracts

SEK thousands

	2018	2017
Individual Plan	548,408	466,858
Living Annuity Plan	36,647	40,442
Unit Linked Plan	188,308	215,610
Executive Portfolio Bond	-	59,511
International Investment Plan	344,679	369,434
Expense and mortality provision	928	1,191
	1,118,970	1,153,046

30. Long-term business fund

The long-term business fund comprises the technical provisions for long-term business, including claims outstanding, and a fund for future appropriations. The technical provisions have been disclosed in accordance with Financial Reporting Standard 103, "Insurance Contracts" issued by the Financial Reporting Council.

The technical provisions in Notes 27, 28 and 29 have been determined by the Appointed Actuary as part of the actuarial valuation of the Company carried out and the following table presents the long-term business fund at 31 December 2018:

SEK thousands

	2018	2017
Technical provisions for long-term business and claims outstanding	2,695,857	2,799,864
Technical provisions for linked liabilities	1,518,022	1,632,526
Technical provisions for investment contracts	1,118,970	1,153,046
Fund for future appropriations	319,507	317,926
	5,652,356	5,903,362

The following amounts have been included in the long-term business provision in respect of policyholders' bonuses:

SEK thousands

	2018	2017
Flex Plan and Save Invest Plan	761	1,672
Triple C Plan	14,944	18,109
Level Plan, Annuity Plan and Pensions in Payment	8,871	4,799
	24,576	24,580

31. Creditors arising out of direct insurance operations

SEK thousands

	2018	2017
Due to policyholders	6,509	9,865
	6,509	9,865

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

32. Creditors arising out of insurance pooling and reinsurance operations

SEK thousands

	2018	2017
Due to intermediaries	4,311	37,087
	4,311	37,087

33. Other creditors including taxation and social insurance

SEK thousands

	2018	2017
Due to policyholders	5,632	72,351
Due to intermediaries	10	57
Due to related parties	925	940
Due to tax and social security	662	933
Other creditors	3,634	5,156
	10,863	79,437

Tax and Social Security is payable in the next 12 months.

34. Reconciliation of profit on ordinary activities before tax to net cash inflow from operating activities

SEK thousands

	2018	2017
Total (loss)/profit before tax	(19,335)	13,009
Profit/(loss) relating to long-term business	20,856	(14,597)
Adjustments:		
Interest paid/(received)	24	7
Shareholder realised and unrealised gains	6,324	379
Allocated investment income	(4,260)	1,052
Net cash received/(paid) from long term business	-	25
Exchange differences on re-translation	(286)	(48)
Movement in other assets or liabilities	(30)	(50)
Net cash inflow/(outflow) from operating activities	3,293	(223)

35. Operating lease commitments

At 31 December 2018 the Company had a lease agreement in respect of its premises, which is reviewed every three years. The lease expires on 4 November 2019. The annual commitments under this non-cancellable operating lease are GBP 276,300 (SEK 3,187,000).

36. Ultimate controlling party

Storebrand ASA, a company registered in Norway, is regarded as the Company's ultimate controlling party.

37. Related party transactions

Storebrand Livsforsikring AS, Norway

Storebrand Livsforsikring AS ("SLAS") is a related company that is wholly-owned by Storebrand ASA and owns an 89.96% holding in BenCo Insurance Holding B.V., the Company's sole shareholder. Consolidated Financial Statements can be obtained from the following website www.Storebrand.no/en.

The Company reviews accumulations of risk and models potential losses arising from catastrophic events therefore catastrophe protection has been put in place through participation in a catastrophe reinsurance programme held by SLAS. Premiums amounting to SEK 5,000 (2017: SEK 74,000) were paid to SLAS.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

37. Related party transactions (continued)

Storebrand Asset Management AS, Norway

Storebrand Asset Management AS ("SAM") is a related company that is wholly-owned by Storebrand ASA.

The Company entered into an arm's length transaction for the management of insurance assets relating to the discretionary participation contracts and the Shareholder's funds. Investment management fees amounting to SEK 3,434,000 (2017: SEK 3,458,000) were paid for this service. At the Statement of Financial Position date fees of SEK 858,000 (2017: SEK 859,000) were outstanding.

Mandatum Life Insurance Company Limited, Finland

Mandatum Life Insurance Company Limited ("Mandatum") owns a 6.49% holding in BenCo Insurance Holding B.V., the Company's sole shareholder.

The Company entered into the following arm's length transactions:

- a) An arm's length reinsurance arrangement under which it ceded a proportion of its mortality and disability risks up to a specific limit. Reinsurance premiums amounting to SEK 4,044,000 (2017: SEK 8,700,000) were paid to Mandatum of which SEK 4,590,000 (2017: SEK 2,365,000) were due at the Statement of Financial Position date.

The Company was due reinsurance recoveries and commissions from Mandatum at the year-end amounting to SEK 5,030,000 (2017: SEK 3,595,000).

Interben Trustees Limited

Interben Trustees Limited ("Interben") is a wholly-owned subsidiary of BenCo Insurance Holding B.V., the Company's shareholder.

The Company entered into the following transactions with Interben:

SEK thousands	Amount payable or (receivable) in the year 2018	Amount (due to) or from the Company at year end 2018	Amount payable or (receivable) in the year 2017	Amount (due to) or from the Company at year end 2017
Services provided to Interben	(959)	-	(1,251)	-
Services provided by Interben	264	62	46	46
Sundry fees	-	-	1	-
Directors' Fees	-	-	138	-
Commission payable to / (receivable from) Interben on Group Risk trusts	20	-	48	12
Net amount payable/(receivable)	(675)	62	(1,018)	58

The Company provided office accommodation, administrative and accounting services to Interben under a service agreement totalling SEK 959,000 (2017: SEK 1,251,000) during the year with Nil (2017: Nil) due at the Statement of Financial Position date.

The Company paid for the following services provided by Interben:

- a) From December 2017, the Company outsourced certain administrative services to Interben in relation to its Unit Linked contracts. The amount payable in year was SEK 142,000 (2017: SEK 6,000), with Nil (2017: SEK 6,000) being due at the Statement of Financial Position date.
- b) Administrative services were also outsourced to Interben for Nordben Nominees Limited and two Accompanying Spouses International plans. The amount payable in the year was SEK 122,000 (2017: SEK 40,000), with SEK 62,000 (2017: SEK 40,000) being due at the Statement of Financial Position date.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

37. Related party transactions (continued)

Interben Trustees Limited (continued)

The Company paid Interben for administration fees and disbursements not recoverable from clients during the year of Nil (2017: SEK 1,000) with Nil (2017: Nil) outstanding at the Statement of Financial Position date.

Until 1 June 2017, the Company paid a fee to Interben for the services of one of their employees as Director of the Company (2017: SEK 137,000). This employee of Interben held the Directorship in their own name.

The Company pays commission to Interben in relation to certain Group Risk trusts. The amount paid during the year was SEK 19,000 (2017: SEK 48,000) with Nil receivable (2017: SEK 12,000) at the Statement of Financial Position date.

38. Management of country risk and financial risk

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance, and solvency.

The Board has approved a Risk Appetite Statement as well as compliance and risk management policies which are upheld by Senior Management. The Board consider the strategic risks to the Company and a range of risks appropriate to the nature and complexity of the Company's business, including country risk and financial risk, are considered by Senior Management on an ongoing basis.

The Board has set an investment policy that covers the investment approach for the Shareholder's funds and the assets held in respect of all the Company's products.

Storebrand Asset Management AS is the investment manager ("Investment Manager") appointed by the Company to manage the assets in respect of the discretionary participation contracts and the Shareholder's funds. The Company also has in place agreements with other investment managers to manage the assets for its linked liability insurance and investment contracts.

The Investment Manager manages the portfolio of investments and exposures, repositioning investments to remain in line with the investment policy approved by the Board and the investment mandate and/or instructions issued by Senior Management. The Investment Manager provides the Company with daily information on the performance and exposure of the managed assets, which Senior Management reviews with reference to the investment policy and risk appetite statement. Any significant issues are raised with the Board.

The other investment managers invest assets for the Company's linked liability insurance & investment contracts either in regulated mutual funds or in-line with investment guidelines agreed by the Company.

a. Country risk

The Company is exposed to country risk through its financial assets, financial liabilities (investment contracts), reinsurance assets and insurance liabilities. In particular, the key country risks are that a country will be unable or unwilling to repay its debts. The majority of the Company's country risk is attributable to Sweden, Denmark, USA, Germany and Norway.

For the discretionary participation contracts' portfolios and Shareholder's funds, the Company specifies the exposure to countries via investment mandates and/or instructions to the Investment Manager. The Investment Manager reports any breaches to the Senior Management. Any significant issues are raised with the Board.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

b. Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts.

The most important components of this financial risk are market risk (including interest rate risk, equity price risk, and currency risk), credit risk, and liquidity risk.

These risks arise from open positions in interest rate, currency, and equity markets, all of which are exposed to general and specific market movements. The risks that the Company primarily faces, due to the nature of its investments and liabilities, are interest rate risk and equity price risk.

The Company has not materially changed the processes to manage its financial risks from previous periods.

The following tables summarise the asset composition of the variety of contracts, insurance and Shareholder's funds as at 31 December 2018 and 31 December 2017 respectively. Linked liability insurance & investment contracts have been excluded from the table. Debtor and creditor balances include inter-fund balances that have not been eliminated for presentational purposes in the note.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

b. Financial risk (continued)

SEK thousands	Discretionary participation contracts	Risk-only contracts	Shareholder's technical fund	Shareholder's non-technical fund	Total
	2018	2018	2018	2018	2018
Assets					
<u>Debt securities</u>					
Government					
< 6 months	99,993	-	-	-	99,993
6 months to 1 year	223,188	-	-	-	223,188
1 year to 2 years	197,415	-	-	226,772	424,187
2 years to 5 years	100,593	-	-	-	100,593
> 5 years	1,671,894	-	36,510	-	1,708,404
Non-government					
1 year to 2 years	-	-	-	-	-
> 5 years	157,237	-	-	-	157,237
<u>Shares and mutual funds</u>					
Relating to equity exposure	254,759	-	-	-	254,759
Relating to debt exposure	67,213	-	-	-	67,213
<u>Derivative financial instruments</u>	15,236	-	-	-	15,236
	2,787,528	-	36,510	226,772	3,050,810
Cash and cash equivalents:	163,133	13,071	7,354	1,283	184,841
Tangible assets	-	-	759	-	759
Debtors:					
Debtors - profit commission	-	803	-	-	803
Debtors - reinsurers	-	2,865	-	-	2,865
Debtors - other	45,942	14,471	5,966	150,312	216,691
Total assets	2,996,603	31,210	50,589	378,367	3,456,769
Liabilities and equity					
Policyholders' liabilities:					
Flex Plan and Save Invest Plan	618,332	-	-	-	618,332
Triple C Plan	1,027,637	-	-	-	1,027,637
Level Plan	543,009	-	-	-	543,009
Annuity Plan and Pensions in Payment	461,290	-	-	-	461,290
Creditors - reinsurance	2,425	-	-	-	2,425
Creditors - other	24,403	8,200	11,899	128,751	173,253
Reserve for risk benefits	-	22,835	-	-	22,835
Reserves for shareholder's reinsurance of mortality and disability insurance risks within discretionary participation contracts	-	175	-	-	175
Expense and mortality provisions	-	-	38,690	-	38,690
Distributable equity reserve	-	-	-	249,616	249,616
Reserve funds	319,507	-	-	-	319,507
Total liabilities and equity	2,996,603	31,210	50,589	378,367	3,456,769

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

b. Financial risk (continued)

SEK thousands	Discretionary participation contracts	Risk-only contracts	Shareholder's technical fund	Shareholder's non-technical fund	Total
	2017	2017	2017	2017	2017
Assets					
<u>Debt securities</u>					
Government					
< 6 months	93,506	-	-	225,366	318,872
6 months to 1 year	156,122	-	-	-	156,122
1 year to 2 years	448,578	-	-	-	448,578
2 years to 5 years	59,745	-	-	-	59,745
> 5 years	1,878,525	-	39,663	-	1,918,188
Non-government					
1 year to 2 years	-	-	-	6,021	6,021
<u>Shares and mutual funds:</u>					
Relating to equity exposure	264,522	-	-	-	264,522
Relating to debt exposure	77,805	-	-	-	77,805
<u>Derivative financial instruments</u>	16,634	-	-	-	16,634
	2,995,437	-	39,663	231,387	3,266,487
Cash and cash equivalents	111,802	73,406	7,627	548	193,383
Tangible assets	-	-	1,065	-	1,065
Debtors:					
Debtors - profit commission	-	1,783	-	-	1,783
Debtors - reinsurers	1,398	-	-	-	1,398
Debtors - other	50,347	8,825	28,936	161,792	249,900
Total assets	3,158,984	84,014	77,291	393,727	3,714,016
Liabilities and equity					
Policyholders' liabilities:					
Flex Plan and Save Invest Plan	695,276	-	-	-	695,276
Triple C Plan	1,028,458	-	-	-	1,028,458
Level Plan	555,335	-	-	-	555,335
Annuity Plan and Pensions in Payment	472,528	-	-	-	472,528
Creditors - reinsurance	-	168	-	-	168
Creditors - other	89,461	56,813	43,806	124,775	314,855
Reserve for risk benefits	-	26,957	-	-	26,957
Reserves for shareholder's reinsurance of mortality and disability insurance risks within discretionary participation contracts	-	76	-	-	76
Expense and mortality provisions	-	-	33,485	-	33,485
Distributable equity reserve	-	-	-	268,952	268,952
Reserve funds	317,926	-	-	-	317,926
Total liabilities and equity	3,158,984	84,014	77,291	393,727	3,714,016

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

b. Financial risk (continued)

(i) Market risk

For the linked liability insurance and investment contracts the Company matches all the assets on which the unit prices are based with assets in the respective contract's portfolio. Therefore the Board is of the opinion that these contracts do not give rise to material market risk. However, for certain linked liability insurance and investment contracts, the death benefit the Company is required to pay is the value of the plan at the date of death. This exposes the Company, in the event of death, to market risk because the value of the plan could move between date of death and date of the actual payment.

This risk is managed by maintaining appropriate provisions, by having the ability to constrain the plans' investment strategy and to charge the plans' appropriate mortality premiums.

The market risks for discretionary participation contracts, Risk-only contracts, Shareholder's technical fund ("STF"), and Shareholder's non-technical fund ("SNTF") are addressed below under interest rate risk, equity price risk and currency risk.

(a) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities, the Company being predominantly exposed to fair value interest rate risk.

A number of countries currently have very low or negative official rates. This is an issue for the Company as it has liabilities denominated in CHF, DKK, EUR, and SEK and holds assets in those currencies to back its liabilities.

In respect of the discretionary participation contracts, the EUR, NOK and SEK Triple C Plans, and the SEK Corporate Pension Plan policyholders' funds' guaranteed liabilities are matched by cash-flows, and updated quarterly. For the other Triple C Plan, Level Plan, Annuity Plan, and Pension in Payment policyholders' funds Senior Management monitor interest rate risk by calculating the mean duration of the assets and the liabilities to policyholders. The mean duration is an indication of the sensitivity of the assets and liabilities to changes in current interest rates. The mean duration of the liabilities is determined by discounting the liabilities by a market rate of interest. The Company aims to broadly match the mean duration (including the surrender value floor) of its liabilities by investing in appropriately dated fixed interest assets and by utilising derivative financial instruments.

Due to the dual guarantee in Triple C (i.e. the current surrender value, or the present value of the maturity plus the cost of the guaranteed bonus) there is a shift in liability interest rate sensitivity at an interest rate corresponding to an average guarantee rate. This is managed by continuously adjusting the interest rate sensitivity of the fixed income portfolios.

The gap between the mean duration of the assets and the mean duration of the liabilities is calculated quarterly. Significant gaps are normally limited by means of buying and selling fixed interest securities of different durations. The following paragraphs demonstrate that there is no material interest rate sensitivity.

For Flex Plan and Save Invest Plan the mean duration of the assets that back the liabilities is 0.9 years (2017: 1.2 years). The mean duration of policyholders' liabilities if held to the maturity of the contract is 10.5 years (2017: 11.6 years). However, the contracts can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions, typically the policyholders' accumulated accounts at the date of surrender. The valuation liability at the Statement of Financial Position date is taken as the value of the accumulated accounts and has a duration of zero. Accordingly the duration of the assets is kept to a low level and an appropriate reserve fund is maintained.

For the EUR, NOK and SEK Triple C Plans, and SEK Corporate Pension Plan, the aggregated mean duration of the fixed interest assets that back the guaranteed policyholder liabilities is 11.8 years (2017: 12.2 years). The aggregated mean duration of the guaranteed policyholder liabilities is 11.1 years (2017: 11.8 years).

For the other Triple C, Level and Annuity Plans, and Pensions in Payment, the aggregated mean duration of the cash and fixed interest assets that back the policyholder liabilities is 14.5 years (2017: 14.6 years).

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

b. Financial risk (continued)

(i) Market risk (continued)

(a) Interest rate risk (continued)

The aggregated mean duration of the policyholder liabilities (including the surrender value floor) is 13.7 years (2017: 13.9 years).

In order to address interest rate risk, and to the extent permitted in the Company's investment policy approved by the Board, the Company is able to use derivatives in the discretionary participation contracts. At the Statement of Financial Position date the only derivative being utilised by the discretionary participation contracts is an interest rate swap for duration management.

Furthermore, although Flex Plan and Save Invest Plan portfolios are at risk from interest rate rises, this is immaterial due to the short duration of assets held. Triple C, Level and Annuity Plans, and Pensions in Payment are not subject to the impacts of the low interest rate environment as the assets are largely matched and are of a duration of more than 10 years.

The shareholder may, if approved, take a proportion of the discretionary participation contracts' assets as a charge. A 1% increase in interest rates would reduce the discretionary participation contracts' assets by SEK 287M (2017: SEK 296M). The resulting shareholder charge would reduce by SEK 1.7M (2017: SEK 1.5M).

In relation to Risk-only contracts a significant proportion of the liabilities are in respect of long-term claims but the Company maintains all of the funds' financial assets in cash, cash equivalents and short-dated deposits. As such, the Company is exposed to a decrease in interest rates. A 1% decrease in interest rates would result in a loss of SEK 3.5M (2017: SEK 5.6M). Management deem the likelihood of material charges being applied due to the low interest rate environment to be minimal.

The Shareholder's funds in the STF and SNTF are invested in short duration fixed income securities therefore have a limited interest rate risk. In the SNTF the duration of the Shareholder's funds is 0.2 years (2017: 0.2 years). A 1% increase/decrease in interest rates would result in a loss/profit of SEK 444,000 (2017: SEK 495,000). Management deem the likelihood of material charges being applied due to the low interest rate environment to be minimal.

(b) Equity price risk

Equity price risk is borne by the Triple C Plan, Level Plan, Annuity Plan, and Pensions in Payment discretionary participation contracts as a result of their holdings in equity investments. These investments are equity exchange-traded funds and equity funds and are classified as financial assets at fair value through profit and loss. The risk is managed by the use of an asset liability driven allocation strategy which adjusts the exposure to equities to be broadly equivalent to the investment reserves, i.e. assets backing guaranteed liabilities do not have an equity price risk. However, if these discretionary participation contracts were not sufficiently funded the Shareholder would be obliged to meet the underlying guaranteed benefits.

Exposure to equities in aggregate is monitored in order to ensure compliance with the Company's investment policy and the investment management agreement. The Company has a defined investment policy which is approved by the Board and sets limits on the Company's exposure to equities both by market and in aggregate.

Investment matters including impacts of changes to equity prices are monitored on an ongoing basis by Senior Management. An investment report is regularly tabled at Board meetings and significant decisions are approved by the Board. Senior Management and the Investment Manager develop, implement and monitor investment strategy with input from the Appointed Actuary.

There is no equity price risk for the Flex Plan and Save Invest Plan discretionary participation contracts, Risk-only contract funds, STF and SNTF because these funds do not currently invest in equities. Senior Management believes the Shareholder is not directly exposed to any material equity price sensitivity although equity price risk sensitivity impacts the fund for future appropriations from which transfers are made to the Shareholder. There is also no equity price risk in linked liability insurance & investment contracts because changes in the value of equity securities match the liability to the policyholders who bear all equity price risk under these contracts.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

b. Financial risk (continued)

(i) Market risk (continued)

(c) Currency risk

Currency risk is a form of market risk that arises from the potential change in the exchange rate of one currency against another. This risk can impact the value of assets, investments, and their related interest and dividend payment streams, especially those securities denominated in foreign currency.

There is no material currency risk for discretionary participation contracts as the assets and liabilities of each fund are generally matched in source currency.

The Risk-only contracts are issued in various currencies. The Company is exposed to currency risk to the extent that claims (after reinsurance recoveries) may exceed net premiums collected in that currency. This risk is not seen as material compared to the underlying insurance risks underwritten.

In the STF the Company is exposed to currency risk due to administration income being generated in seven currencies whilst the majority of expenses are settled in Sterling. If Sterling had been 10% stronger against other currencies during the year, expenses for 2018 would have increased by approximately SEK 2.4M (2017: SEK 2.6M).

(ii) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due and at the agreed terms. The credit risk is monitored on a daily basis by the Investment Manager, on a quarterly basis by Senior Management and the Board approve any change in credit policy.

The creditworthiness of banks and reinsurers is monitored quarterly by reviewing credit and financial strength ratings provided by rating agencies and other publicly available information. Counterparty default risk is considered by Senior Management on a gross basis (unless a net basis is contractually agreed) and findings are reported to the Appointed Actuary on an annual basis.

The discretionary participation contracts' asset portfolios are exposed to credit risk in respect of amounts due from bond issuers, banks, banks' derivative counterparties, bonds held in mutual funds, and reinsurers. The Company controls the level of credit risk in the portfolios via investment mandates and/or instructions to the Investment Manager. The investment mandates set limits on the portfolios' total holdings by credit ratings, and its exposure to a single counterparty. The portfolios also limit their credit risk by predominately investing in high grade government bonds.

The Risk-only contract funds are exposed to credit risk in respect of amounts due from banks and reinsurers.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as an insurer. If a reinsurer fails to pay a claim the Company remains liable for the payment to the policyholder.

Under the Company's reinsurance arrangements the reinsurer is required to pay the Company: on the death of an insured life either, their share of any lump sum benefits plus their share of the pension benefit payments, or their share of the capitalised value of the pension on the basis of appropriate mortality rates and interest rates; on incapacity of an insured life either their share of the pension benefit payments, or their share of the capitalised value of the pension on the basis of appropriate mortality rates, recovery rates and interest rates. The insurer and reinsurer settle premiums and claims within 40-60 days of each calendar quarter end.

In addition, under some of the Company's reinsurance arrangements the reinsurer is required to pay the Company reinsurance profit commission annually. Furthermore, the Company has reinsurance cover for losses arising from catastrophic events through participation in a catastrophe reinsurance program arranged by the Storebrand Group. In the event of a claim arising from a catastrophic event, the Company would be at risk of the reinsurers participating in the catastrophe reinsurance program defaulting on the resulting reinsurance recoveries.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

b. Financial risk (continued)

(ii) Credit risk (continued)

The STF and SNTF are exposed to credit risk in respect of amounts due from Swedish government bonds with an AAA rating, bond issuers and banks. In line with mandates agreed by the Company the Investment Manager manages the level of credit risk by placing limits on the proportions held by credit rating.

In relation to assets backing linked liability insurance & investment contracts Senior Management deem that there is no material credit risk to the Company. Furthermore, Senior Management believe that there is no material credit risk for the Company should an investment manager or other institution default in its obligations to the Company as the assets backing linked liability insurance & investment contracts are held in segregated client accounts and cannot be made available to the creditors of the counterparty upon their liquidation. The Company monitors the credit risk of such counterparties on a quarterly basis, ensures that counterparties are regulated in a jurisdiction acceptable to the Company and seeks to obtain controls documentation on an annual basis.

There is the risk of loss of assets held in custody due to the negligence or fraudulent action of a custodian or of a sub-custodian. On an annual basis the Company obtains controls documentation to confirm the ongoing protection of policyholder assets and obtains confirmation that such custodians or sub-custodians are fit and proper to perform their role, that they continue to be regulated in a jurisdiction acceptable to the Company and that policyholder assets continue to be held in segregated accounts from the custodian's/sub-custodian's own assets. The Company may also demand the immediate withdrawal of assets from one custodian to another.

Senior Management have applied appropriate mean annual issuer-weighted corporate default rates (as recognised by Moody's) to all assets exposed to credit risk and have concluded that the risk is immaterial.

Overall, the concentration of credit risk is substantially unchanged compared to the prior year. No financial assets are past due or impaired at the reporting date and Senior Management expects no losses from non-performance by these counterparties. The Company maintains strict controls on derivative financial instruments by both amount and term. The amount, subject to credit risk at any one time, is linked to the current fair value of derivative financial instruments.

The assets bearing credit risk as at 31 December 2018 and 31 December 2017 are summarised below together with analysis by credit rating taken from ratings agencies approved by the Commission:

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

b. Financial risk (continued)

(ii) Credit risk (continued)

SEK thousands	Discretionary participation contracts 2018	Risk-only contracts 2018	Shareholder's technical fund 2018	Shareholder's non-technical fund 2018	Total 2018
Debt securities including accrued interest	2,483,387	-	36,594	233,266	2,753,247
Mutual funds and shares relating to debt securities	67,213	-	-	-	67,213
Mutual funds and shares relating to equity exposure	254,759	-	-	-	254,759
Derivative and financial instruments	15,236	-	-	-	15,236
Assets arising from insurance contracts	12,425	3,008	-	-	15,433
Assets arising from profit commissions	-	803	-	-	803
Assets arising from reinsurance contracts	-	2,865	-	-	2,865
Assets arising from other debtors	-	-	3,490	-	3,490
Cash at bank and in hand	163,133	13,071	7,354	1,283	184,841
Total assets bearing credit risk	2,996,153	19,747	47,438	234,549	3,297,887

AAA	2,199,984	9,984	-	233,266	2,443,234
AA	298,638	-	36,594	(1)	335,231
A	163,132	6,755	7,352	1,284	178,523
BAA	-	-	-	-	-
BBB	110,697	-	-	-	110,697
Below BBB or not rated	223,702	3,008	3,492	-	230,202
Total assets bearing credit risk	2,996,153	19,747	47,438	234,549	3,297,887

SEK thousands	Discretionary participation contracts 2017	Risk-only contracts 2017	Shareholder's technical fund 2017	Shareholder's non-technical fund 2017	Total 2017
Debt securities including accrued interest	2,673,461	-	39,752	231,387	2,944,600
Mutual funds and shares relating to debt securities	77,805	-	-	-	77,805
Mutual funds and shares relating to equity exposure	264,522	-	-	-	264,522
Derivative and financial instruments	16,634	-	-	-	16,634
Assets arising from insurance contracts	12,667	2,525	-	-	15,192
Assets arising from profit commissions	-	1,783	-	-	1,783
Assets arising from reinsurance contracts	1,398	-	-	-	1,398
Assets arising from other debtors	-	-	2,650	-	2,650
Cash at bank and in hand	111,802	73,406	7,627	548	193,383
Total assets bearing credit risk	3,158,289	77,714	50,029	231,935	3,517,967

AAA	2,376,321	-	-	225,366	2,601,687
AA	313,771	48,904	39,752	6,021	408,448
A	103,995	24,502	7,612	150	136,259
BAA	1,398	1,783	-	-	3,181
BBB	120,013	-	14	398	120,425
Below BBB or not rated	242,791	2,525	2,651	-	247,967
Total assets bearing credit risk	3,158,289	77,714	50,029	231,935	3,517,967

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

38. Management of country risk and financial risk (continued)

c. Financial risk (continued)

(iii) Liquidity risk

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when due.

The discretionary participation contracts primarily invest in liquid government bonds and also invest in investment-grade corporate bonds, exchange traded funds, bond funds and equity funds. The Company also monitors its cash flows in order to be able to meet expected surrenders and maturity payments as they fall due.

In relation to the Risk-only contracts the Company holds assets in liquid call accounts to meet claim payments or reinsurance premium payments. In the event that claims (after reinsurance recoveries) exceed premiums in a given period, the Company would transfer money from the SNTF to the fund.

The Company bears no liquidity risk for the assets backing linked liability insurance and investment contracts because the Company does not pay the policyholders until the assets have been realised. The assets are typically quoted securities and are easily realisable. However, when the asset cannot be realised the contract permits the transfer of the asset to the policyholders.

The Company holds assets for the STF in liquid call accounts to meet expenses. In the event that expenses exceed income in a given period, the Company loans cash from its SNTF (see below) to the STF.

The assets can be readily realised in the SNTF as the Company invests in liquid short dated instruments and retains sufficient cash to meet unexpected transfers to the STF.

The liquidity of the above funds is formally monitored on a monthly basis through Management cash flow meetings.

39. Management of insurance risk

The Company maintains the Shareholder's and policyholders' funds in a consistent manner with the Company's risk appetite, regulatory requirements and market requirements of its business.

The Company still provides life and disability risk cover on a small proportion of the discretionary participation contracts. However, cover provided under all risk-only contracts, with the exception of one client, terminated on 31 December 2017. Cover for the remaining client terminated on 31 December 2018. Policies on underwriting and reinsurance have been implemented and material issues are highlighted to the Board by Senior Management. The Company seeks to reduce its exposure to potential losses by reinsuring certain levels of mortality and morbidity risk with reinsurers. The level of mortality and morbidity risk ceded to reinsurers prior to 31 December 2018 ranged from 80% and above; this increases to 95% and above from 1 January 2019.

The Company is subject to regulatory capital tests and also employs internal assessments to allocate capital and manage risk. The Company meets all of these requirements and has sufficient resources and financial strength.

In reporting financial strength, capital and solvency is measured in accordance with Guernsey Law and as prescribed by regulations or instructions issued by the Commission.

Restrictions on available capital resources

There is a regulatory requirement for the Company to maintain adequate capital and liquidity. The Guernsey Insurance Business (Solvency) Rules, 2015 as amended by the Insurance Business (Solvency) (Amendment) Rules, 2018 ("Solvency Rules"), require the Company to hold sufficient capital to meet the Prescribed Capital Requirement ("PCR") and Minimum Capital Requirement ("MCR").

The Company's MCR is calculated as 2.5% of its total technical provisions excluding technical provisions for linked liabilities and the fund for future appropriations.

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

39. Management of insurance risk (continued)

Restrictions on available capital resources (continued)

Under the Solvency Rules a range of methods for calculating the PCR are prescribed and the Company is able to choose which method it uses. The Company has chosen to calculate its PCR using the European Union's ("EU") Solvency II approach which is a "Recognised Standard Formula" as allowed by and described in the Solvency Rules.

The Solvency Rules also require a licensed insurer to perform an Own Risk and Solvency Assessment ("ORSA"). Due to its size, until August 2018, the Solvency Rules allowed the Company to limit the scope of its ORSA to its own assessment and calculation of its solvency requirements (the Own Solvency Capital Assessment or "OSCA").

The main difference between an ORSA and an OSCA is that the OSCA only looks at the capital required over a twelve month time horizon whereas an ORSA also focuses on the capital required over the longer term.

In August 2018 the Commission updated the Solvency Rules meaning that the Company will be required to perform a full ORSA from 2019. The first report is anticipated to be prepared as at 30 June 2019.

The approach to the calculation of the OSCA is not prescribed. However, guidance has been issued on some of the areas to be considered and the format of the report. The suitability of the capital available should also be considered. The process used by the Company when calculating its OSCA is to follow the latest EU Solvency II standard formula technical specifications and to supplement these with an assessment of other risks which fall outside the standard formula.

The results of the OSCA may be compared with the PCR. Whilst the capital requirements determined in the OSCA may be larger than the PCR, broadly speaking the Commission would not require action to increase capital held, or to reduce risks undertaken, provided that capital remains over the PCR. However, the Commission reserves its right to do so.

The Company's available capital is subject to certain restrictions. In particular, no transfers from the long-term business fund can take place other than from an established surplus identified from an actuarial valuation of the fund. If one or more of the policyholders' funds are in deficit, the amount transferred from the long-term business fund will be net of the amount needed to eliminate the deficit.

The regulatory capital resources to meet the PCR are equal to:

- a) the difference between assets and liabilities on the basis of their determination in accordance with Recognised Accounting Standards; plus
- b) the value of any basis adjustment (e.g. change from prudent to best estimate technical provisions); less
- c) the value of any regulatory adjustment determined by the Commission.

The Company's total available regulatory capital resources to meet the PCR are SEK 300,472,000 (2017: SEK 303,963,000).

The Commission have not determined any regulatory adjustment to the Company's regulatory capital resources.

The Company has not included the value of issued but uncalled capital in its regulatory capital resources to meet its PCR and does not have any type 2 letters of credit or other off-balance sheet assets and so the Company's regulatory capital resources to meet its MCR is the same as its regulatory capital resources to meet its PCR

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

39. Management of insurance risk (continued)

Restrictions on available capital resources (continued)

The Company's total available capital resources as at 31 December 2018 and 31 December 2017 are summarised below:

Capital statement table – 2018 SEK thousands	Discretionary participation contracts	Other life business	Life business shareholder's funds	Total life business
Shareholder's funds				
Distributable equity reserve	-	-	249,616	249,616
	-	-	249,616	249,616
Other qualifying capital				
Fund for future appropriations	319,507	-	-	319,507
	319,507	-	249,616	569,123
Regulatory adjustments				
Capital resources basis adjustment	-	-	50,856	50,856
Total available capital resources	319,507	-	300,472	619,979
MCR	-	-	56,774	56,774
Overall surplus capital over MCR	319,507	-	243,698	563,205
PCR	-	-	157,043	157,043
Overall surplus capital over PCR	319,507	-	143,429	462,936
Analysis of policyholders' liabilities				
Discretionary participation contracts	2,672,847	-	-	2,672,847
Risk-only contracts	-	23,010	-	23,010
Unit-linked	-	2,636,992	-	2,636,992
Total technical liabilities	2,672,847	2,660,002	-	5,332,849
Capital statement table – 2017 SEK thousands	Discretionary participation contracts	Other life business	Life business shareholder's funds	Total life business
Shareholder's funds				
Distributable equity reserve	-	-	268,951	268,951
	-	-	268,951	268,951
Other qualifying capital				
Fund for future appropriations	317,926	-	-	317,926
	317,926	-	268,951	586,877
Regulatory adjustments				
Capital resources basis adjustment	-	-	35,012	35,012
Total available capital resources	317,926	-	303,963	621,889
MCR	-	-	58,554	58,554
Overall surplus capital over MCR	317,926	-	245,409	563,335
PCR	-	-	174,543	174,543
Overall surplus capital over PCR	317,926	-	129,420	447,346
Analysis of policyholders' liabilities				
Discretionary participation contracts	2,772,831	-	-	2,772,831
Risk-only contracts	-	27,033	-	27,033
Unit-linked	-	2,785,572	-	2,785,572
Total technical liabilities	2,772,831	2,812,605	-	5,585,436

Nordben Life and Pension Insurance Co. Limited

Notes to the Financial Statements (continued)

39. Management of insurance risk (continued)

Restrictions on available capital resources (continued)

The movement in the Company's available capital resources for the years 2018 and 2017 are summarised below:

Movement in capital resources SEK thousands	Discretionary participation contracts	Other life business and shareholder's funds	Total life business
Balance at 1 January 2018	317,926	303,963	621,889
Effect of exchange rate variations	7,714	201	7,915
Effect of investment variations	55,906	(1,191)	54,715
Effect of changes in assumptions	(12,785)	(4,551)	(17,336)
Risk fund adjustment	-	(16,773)	(16,773)
Fund charge	(16,295)	16,295	-
Surplus distribution	(24,576)	-	(24,576)
Other factors	(8,383)	(13,316)	(21,699)
Payment of ordinary dividends	-	-	-
Movement in capital resources basis adjustment	-	15,844	15,844
Balance at 31 December 2018	319,507	300,472	619,979
Balance at 1 January 2017	306,831	329,064	635,895
Effect of exchange rate variations	(3,627)	(899)	(4,526)
Effect of investment variations	28,450	57	28,507
Effect of changes in assumptions	7,167	4,358	11,525
Risk fund adjustment	-	8,997	8,997
Fund charge	(13,940)	13,940	-
Surplus distribution	(24,581)	-	(24,581)
Other factors	17,626	(13,468)	4,158
Payment of ordinary dividends	-	(7,443)	(7,443)
Movement in capital resources basis adjustment	-	(30,643)	(30,643)
Balance at 31 December 2017	317,926	303,963	621,889

Capital management policies and objectives

The Company requires that sufficient capital is held to meet 130% of its PCR and also that sufficient capital is held to meet its OSCA.

Furthermore, the risks within the discretionary participation funds are managed so that they are expected to be solvent with a 99.5% probability over a year and so are expected to cover the solvency capital requirements they generate plus a buffer.

Capital resource sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of liabilities. It is also sensitive to assumptions and experience relating to mortality, persistency, and expenses.

The most significant sensitivities arise from the following six risks:

- Market risk in relation to the discretionary participation funds, which would arise if the return from the investments supporting these funds was lower than assumed for reserving. This risk is addressed through the Company's investment policy and framework.
- Market risk in relation to the discretionary participation funds, which would arise if adverse changes in the value of assets supporting the funds could not be fully reflected in payments to policyholders because of the effect of guarantees. This risk is addressed through the Company's investment policy and framework.

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Notes to the Financial Statements (continued)

39. Management of insurance risk (continued)

Capital resource sensitivities (continued)

- c) Expense risk arising from the variation in the expenses incurred in servicing insurance or investment contracts. This risk is addressed by Senior Management's focus on cost control and by maintaining an expense provision in anticipation of future inflows not being sufficient to cover future outflows.
- d) Surrender risk which would arise if the level of policies surrendering was heavier than that assumed. The Company's surrender experience is monitored for any significant changes in experience.
- e) Longevity risk in relation to discretionary participation funds which would arise if the mortality of the insured lives were lighter than that assumed. The Company's mortality experience is monitored for any significant changes in experience.
- f) Credit risk which would arise if a bank, bond issuer, reinsurer or other counterparty defaulted on its commitments to the Company. This risk is addressed through the Company's investment policy and framework.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate and Senior Management was not expected to reduce the future impact, then assumptions relating to future experience would be changed to reflect it. In this way liabilities would be increased to anticipate the future impact of the worse experience with an immediate impact on the capital positions.

Examples of possible management actions to reduce future impacts include changes to bonus rates, changes to discretionary surrender terms, cost-reduction initiatives, increasing management charges, purchasing reinsurance and cancelling Risk-only contracts.

40. Margin of solvency

The Solvency Rules, which came into force on 1 May 2015, set out the rules for companies to meet the PCR and the MCR.

The Company's MCR is effectively 2.5% of its total technical provisions excluding technical provisions for linked liabilities and the fund for future appropriations. As at 31 December 2018 this was SEK 56,774,000 (2017: SEK 58,554,000).

Under the Solvency Rules a range of methods for calculating the PCR are prescribed and the Company is able to choose which method it uses. The Company has chosen to calculate its PCR using a "Recognised Standard Formula" as allowed by and described in the Solvency Rules. Under this approach, the Company's PCR as at 31 December 2018 was SEK 157,043,000 (2017: SEK 174,543,000).

As at 31 December 2018, the excess of assets over technical provisions and other liabilities, i.e. capital available to meet the MCR and the PCR, was SEK 300,472,000 (2017: SEK 303,963,000).

41. Post Statement of Financial Position events

On 21 December 2018 a sales and purchase agreement was signed to transfer ownership of the Company from BenCo Insurance Holding BV to Monument Re Limited, subject to regulatory approval.

On 12 March 2019 the Board approved the novation of an introducer agreement which the Company had entered into in 2016 to BenCo. The novation was completed and signed on 12 March 2019 and constituted a "dividend" for the purposes of section 302 of the Companies (Guernsey) Law, 2008.

Nordben Life and Pension Insurance Co. Limited

Unaudited reconciliation of the Company's business review to the Statement of Comprehensive Income

SEK thousands

	Note	2018	2017
Profit before tax		(19,335)	13,009
<u>Consisting of:</u>			
Administraton income		29,265	34,788
Administration expenses		(29,607)	(34,095)
Administration result		(342)	693
Underwriting result		(16,773)	8,997
Investment result		(1,196)	(1,039)
Movement in expense provision (not including exchange differences on retranslation)		(4,551)	4,358
Other income/expenses		3,527	-
		(19,335)	13,009
<u>Administration Income</u>			
Discretionary participation contracts (incl 1/2% income)	3	18,835	16,704
Risk-only contracts (including underw riting result)		(15,696)	16,745
Less: underw riting result		16,773	(8,996)
Linked liability insurance contracts	3	5,433	6,276
Fee income on investment contracts	3	3,920	4,059
		29,265	34,788
<u>Administration Expenses</u>			
Net operating expenses	3	(32,178)	(31,567)
Shareholder's claims handling expenses	3	2,311	(2,840)
Expenses recharged to Risk-only contracts	3	260	312
		(29,607)	(34,095)
<u>Underwriting Result</u>			
Risk-only contracts balance on technical account	3	(15,436)	17,059
Risk-only contracts administration Income		(1,077)	(7,750)
Expenses recharged to Risk-only contracts	3	(260)	(312)
		(16,773)	8,997
<u>Investment Result</u>			
Investment income - technical account		1,462	1,342
Investment (cost)/income - non-technical account		4,237	(1,059)
Realised losses - non-technical account		(981)	(716)
Realised loss on Expense Provision gilt		86	(22)
Unrealised gains - technical account		(652)	176
Unrealised gains/(losses) - non-technical account		(5,343)	337
Investment expenses		(206)	(198)
Foreign exchange and other expenses - technical account		(85)	(947)
Foreign exchange and other expenses - non-technical account		286	48
		(1,196)	(1,039)

Nordben Life and Pension Insurance Co. Limited

Unaudited reconciliation of the Company's key performance indicators to the Statement of Comprehensive Income and the Statement of Financial Position

SEK millions

	Note	2018	2017
<u>Administration result</u>			
Administration income		29	35
Administration expenses		(30)	(34)
		(1)	1
<u>Movement in expense provision</u>			
Basic expense and mortality provisions	27,28,29	39	33
Movement in expense provision (not including exchange differences on retranslation)		(5)	4
		(5)	4
<u>Policyholders' funds</u>			
Long-term business fund	30	5,652	5,903
<u>Return on equity</u>			
(Loss)/Profit for the financial year		(19,335)	12,984
Total average Shareholder's funds		259,284	266,181
Percentage		-7.46%	4.88%