

Nordben Life and Pension Insurance Co. Limited

Annual report

For the year ended 31 December 2021

Registered Number: 14861

Nordben Life and Pension Insurance Co. Limited Annual Report

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Company Information

| | |
|---|---|
| Registered office and business address | Old Bank Chambers, La Grande Rue, St Martin, Guernsey, GY4 6RT |
| Company Secretary: | Warwick Helps |
| Independent Appointed Actuary | George Pennington, Zenith Actuarial Limited, Lester House Business Centre, 21 Broad Street, Bury, England, BL9 0DA |
| Independent Auditor: | PricewaterhouseCoopers CI LLP, Royal Bank Place, PO Box 321, 1 Gategny Esplanade, St Peter Port, Guernsey, GY1 4ND |
| Principal bankers: | Barclays Bank PLC, Guernsey Branch, PO Box 41, Le Marchant House, Le Truchot, St Peter Port, Guernsey, GY1 3BE |
| Legal Advisor: | Carey Olsen (Guernsey) LLP, PO Box 98, Carey House, Les Banques, St Peter Port, Guernsey, GY1 4BZ |
| Investment Manager: | Goldman Sachs Asset Management International, Plumtree Court, 25 Shoe Lane, London, EC4A 4AU. Commenced as Investment Manager from 1st July 2021 Storebrand Asset Management AS ceased to act as Investment Manager on 30 June 2021. |
| Principal reinsurer: | Monument Re Limited, Crown House, Ground Floor, 4 Par-la-Ville Road, Hamilton, HM08, Bermuda |
| Independent Trustee: | Zedra Trust Company (Guernsey) Limited, PO Box 341, Third Floor Cambridge House, Le Truchot, St Peter Port, Guernsey, GY1 3UW |

Nordben Life and Pension Insurance Co. Limited Annual Report

Directors' Report

The Directors present their annual report on the affairs of Nordben Life and Pension Insurance Co. Limited ("the Company"), together with the financial statements and the Independent Auditor's report, for the year ended 31 December 2021.

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 is wholly-owned by Monument Re Limited ("Monument Re", together with its subsidiaries "Monument Group"), a Bermuda-based reinsurance company.

Monument Insurance Group Limited, a Bermuda based company, is the Company's ultimate controlling party.

The business strategy of the Company is two-fold:

1. To run off the existing legacy book of policies as efficiently as possible whilst still providing high quality customer service to clients; and
2. To support Monument Group's strategy to acquire and consolidate books of life assurance operations in the European market and predominately in the Crown Dependencies.

Further information regarding the impact of consolidation within the Crown Dependencies, and specifically the Company's future, is detailed in 'Future developments and events after the reporting date

Directors of the Company

The Directors as at 21 March 2022 are shown below:

Manfred Maske (Chairman and Non-Executive Director) - CEO of Monument Re Limited

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

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

Alex Brogden (Non-Executive Director) - CFO of Monument Re Limited

Jeffrey More (Non-Executive Director) - CEO of Monument International Life Assurance Company Limited (appointed on 31 August 2021)

Aidan Holton resigned on 28 June 2021.

Dividends

The Board's recommendation to the Shareholder for Nordben to pay a EUR 15,000,000 dividend was approved by the Shareholder on 28 June 2021 and paid in July 2021.

A dividend of EUR 4,900,000 is expected to be proposed after the approval of this Annual Report.

Future developments and events after the reporting date

At the date of signing this report the Company recognises that the COVID-19 pandemic and the invasion of Ukraine by Russia are ongoing matters. The Company continues to monitor the situations and follow local government guidelines. However, the Company has not been materially affected (financially nor operationally) by the pandemic nor the invasion of Ukraine and we do not believe that either ongoing matter will result in a materially adverse effect on our ability to maintain operations and meet obligations as they fall due.

During 2021, consolidation options available for Monument Group's Crown Dependencies life entities, the Company and Monument International Life Assurance Company Limited ("MILAC"), a sister company, was assessed. In January 2022, the Board approved in principle a Scheme of Transfer of all the Company's insurance business to MILAC, which is subject to review by an Independent Actuary and the Guernsey Financial Services Commission ("the Commission"), and an order of the Royal Court being made. If the Scheme of Transfer is effected, the Company will provide temporary insurance administration support to MILAC under a transitional services agreement, conditional upon the Commission granting Nordben an exemption from the requirement to hold a licence under the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. Once the insurance administration has been migrated to MILAC, it is anticipated that the Company will be liquidated soon after.

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Directors' Report (continued)

Review of the business

The financial result of the Company has been in line with expectation with a loss after tax of EUR 1.5M (2020: a profit of EUR 2.0M). Expenses were around EUR 1M higher than planned, predominantly due to estimated costs related to the expected future liquidation of the Company. However, this has been offset by positive shareholder investment returns and exchange differences on retranslation.

Premium income continues to decrease as the business runs off and lapse rates remain as expected. In the prior year, the Company entered into a 100% quota share intra-group reinsurance ("IGR") agreement with Monument Re resulting in a large reinsurance premium being recognised.

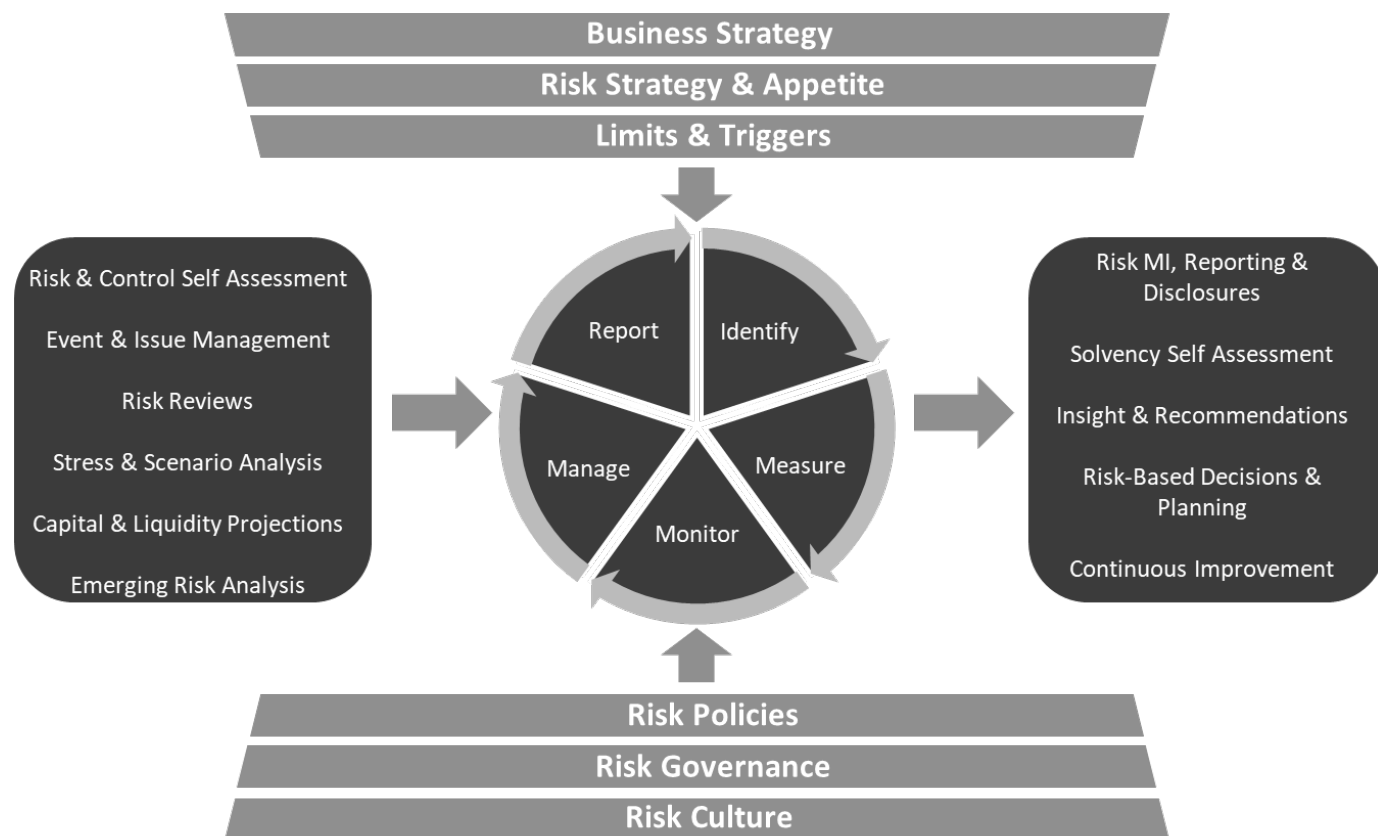
The Company's Capital coverage ratio, calculated using the Bermuda Monetary Authority ("BMA") approach, is a strong 241% (2020: 360%). The reduction in the ratio from the prior period is due to a reduction in the available capital resources which is primarily attributable to the payment of a dividend during the year.

The Board monitors the progress of the Company by reference to the following key financial information:

| EUR millions | 2021 | 2020 |
|--|------|-------|
| Premiums, net of reinsurance | — | (286) |
| Claims incurred, net of reinsurance | (3) | (28) |
| (Loss)/Profit on ordinary activities after tax | (2) | 2 |
| Total shareholder's funds | 20 | 36 |
| Prescribed capital requirement | 9 | 10 |
| Total available capital resources | 20 | 36 |
| Capital coverage ratio | 241% | 360% |

Risk Management

Robust risk management is core to the Company's activities. The Board has adopted the Monument Group's Risk Management Framework to support sound risk-based decision-making and this is visualised below:



The Risk Management Framework is founded on a sound risk culture, an effective system of governance including clear accountabilities, and a suite of policies, working instructions, regulatory procedures, operational procedures, and supplementary internal controls.

Nordben Life and Pension Insurance Co. Limited Annual Report

Directors' Report (continued)

Risk Management (continued)

Responsibility for risk management ultimately lies with the Board. The Board provide leadership, direction, and oversight with regard to the Company's risk management framework, including risk appetite, limits, risk policies, and risk reporting. All policies are reserved for Board approval whereas the approval and on-going review of all working instructions and regulatory procedures are delegated to Senior Management. 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.

The Company's Risk Appetite Statement is aligned to the Company's business strategy, set by the Board, and implemented by Senior Management (constituting the highest level of operational management). The Risk Appetite Statement expresses the Board's appetite across all categories of risk facing the Company. Quantitative risk limits are set for key risks, along with early warning thresholds, which support proactive risk management. Exposures relative to limits and triggers are regularly monitored and reported to the Board.

Principal risks and uncertainties

The key risks to which the Company is exposed are market, insurance risk (including expense risk), counterparty default risk, operational risk, and liquidity risk. Further information is provided in Notes 26 and 27 to the Financial Statements.

Licence conditions

The Company is licensed by the Commission and the following conditions have been imposed on the Company's licence:

- a) 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.

The condition covered an instruction issued 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.

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.

The Commission amended this licence condition twice during 2020 to acknowledge that the Company had entered into an IGR agreement (with an ensuing amendment) with its owner, Monument Re. This includes provisions whereby payments could be made to or from Monument Re as the reinsurer.

- 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 BMA's standard formula to calculate its prescribed capital requirements under The Insurance Business (Solvency) Rules, 2021 ("Solvency Rules") introduced by the Commission. The overall solvency approach adopted by the Company is discussed in Note 27 to the Financial Statements.

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

Going concern basis

If the aforementioned Scheme of Transfer is executed as planned, the directors intend to cease operations as soon as temporary insurance administration support to MILAC is no longer required and then liquidate the Company as soon as is practical. As a result, the financial statements have been prepared on a basis other than going concern, which is detailed further in in Note 1b to the Financial Statements.

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Directors' Report (continued)

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 ought to have taken as a director to make himself 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 CI LLP, currently appointed as the Company's Auditor, have expressed their willingness to continue in office as the Company's Auditor and appropriate arrangements have been put in place for them to be deemed reappointed as the Company's Auditor in the absence of an annual general meeting.

Approved by the Board and signed on its behalf by:

Signature: 

Name: Warwick Helps (Director)

Date: 13 April 2022

Nordben Life and Pension Insurance Co. Limited Annual Report

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, "UK Accounting Standards").

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 Annual Report

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 ("Code") issued by the Commission and in particular Appendix 3: Licensed Insurers of the Code ("Appendix 3"). 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 2021 the Board held four Board meetings. 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 a further Senior Manager. 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.

The Company's Risk Appetite Statement is aligned to the Company's business strategy, set by the Board, and implemented by Senior Management (constituting the highest level of operational management). The Risk Appetite Statement expresses the Board's appetite across all categories of risk facing the Company. Quantitative risk limits are set for key risks, along with early warning thresholds, which support proactive risk management. Exposures relative to limits and triggers are regularly monitored and reported to the Board.

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Corporate Governance (continued)

Board oversight (continued)

The Risk Appetite Statement also documents the escalation process to Senior Management, to the Board and, if applicable, to the Commission. Compliance with the risk appetite thresholds is reported quarterly at Board Meetings.

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

Appointed Actuary

An Actuary has been appointed ("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 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%. The Company is also required to produce an 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 following the year end, and also provides an estimate of the OSCA position to the Board quarterly. The Company then uses the OSCA to produce the ORSA. In December 2021, the Company submitted an ORSA Report performed as at 30 June 2021.

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 2021, 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 2021;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter - financial statements prepared on a basis other than going concern

We draw attention to note 1b in the financial statements, which refers to the intention of the directors to cease the company's operations as soon as temporary insurance administration support to a sister company is no longer required and then to liquidate the company as soon as is practical. These financial statements have therefore been prepared using a basis other than going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report 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 related 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

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

Report on the audit of the financial statements (continued)

so. See note 1b to the financial statements, which refers to the directors' conclusion on preparing the financial statements on a basis other than going concern.

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.
- 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.

Use of this report

This independent auditor's report, including the opinions, 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 these opinions, 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.

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.


PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
14 April 2022

Nordben Life and Pension Insurance Co. Limited Annual Report

Statement of Comprehensive Income

for the year ended 31 December 2021

Technical account - long term business

| EUR thousands | Notes | 2021 | 2020 |
|--|--------|----------------|--------------|
| Premiums, net of reinsurance | | | |
| Gross premiums written | 3 | 865 | 1,572 |
| Outward reinsurance premiums | 3,25 | (923) | (287,079) |
| | | (58) | (285,507) |
| Investment income | 3 | 2,785 | 6,957 |
| Net realised (losses)/gains on financial assets | 3 | (2,151) | 20,937 |
| Net fair value gains/(losses) on assets at fair value through profit or loss | 3 | 18,931 | (6,504) |
| Investment expenses and charges | 3 | (455) | (938) |
| Exchange differences on retranslation | 3 | 313 | (324) |
| Other technical income, net of reinsurance | 3 | 2,278 | 184 |
| Investment contracts' movements | 3 | (11,805) | 17,001 |
| | | 9,838 | (248,194) |
| Claims incurred, net of reinsurance | | | |
| Claims paid | | | |
| Gross amount | 3 | (2,731) | (28,429) |
| Amount attributed to insurance pooling arrangements and reinsurers | 3 | 68 | 69 |
| | | (2,663) | (28,360) |
| Change in the provision for claims | | | |
| Gross amount | 3 | 266 | 199 |
| Amount attributed to insurance pooling arrangements and reinsurers | 3 | (27) | (456) |
| | | 239 | (257) |
| | | (2,424) | (28,617) |
| Change in other technical provisions, net of reinsurance | | | |
| Long-term business provision, net of reinsurance | | | |
| Gross amount | 3 | (6,059) | 252,140 |
| | | (6,059) | 252,140 |
| Other technical provisions, net of reinsurance | | | |
| Technical provisions for linked liabilities | 3 | (11,357) | 4,110 |
| | | (17,416) | 256,250 |
| Technical income, net of investment expenses and charges | | | |
| Fee income on investment contracts | 3 | 414 | 441 |
| Net operating expenses | 3 | (3,843) | (3,236) |
| Other technical income/(charges), net of reinsurance | 3 | 6,918 | (12,213) |
| Transfer from/(to) the fund for future appropriations | 1,3,20 | 3,985 | 38,086 |
| Balance on the long-term business technical account | | (2,528) | 2,517 |

Nordben Life and Pension Insurance Co. Limited

Statement of Comprehensive Income (continued)

for the year ended 31 December 2021

Non-technical Account

| EUR thousands | Notes | 2021 | 2020 |
|--|-------|----------------|--------------|
| Balance on the long-term business technical account | | (2,528) | 2,517 |
| Investment income | | 265 | 153 |
| Exchange differences on retranslation | | 665 | (353) |
| Net realised gains/(losses) on financial assets | | (154) | (290) |
| Net fair value gains/(losses) on assets at fair value through profit or loss | | 255 | (53) |
| Investment expenses and charges (net of rebates) | | (45) | (11) |
| (Loss) / Profit on ordinary activities before tax | | (1,542) | 1,963 |
| Tax on profit on ordinary activities | 10 | — | — |
| Total comprehensive (Loss) / Profit on ordinary activities after tax | | (1,542) | 1,963 |

The accounting policies and estimation techniques in the Notes to the Financial Statements form an integral part of these financial statements.

The above results have been derived from continuing activities.

Nordben Life and Pension Insurance Co. Limited
Statement of Financial Position
as at 31 December 2021

Assets

| EUR thousands | Notes | 2021 | 2020 |
|---|-------|----------------|----------------|
| Financial assets | | | |
| Held to cover non-linked liabilities - insurance contracts | 12 | 227,091 | 273,354 |
| Held to cover linked liabilities - insurance contracts | 13 | 130,553 | 118,464 |
| Held to cover linked liabilities - investment contracts | 14 | 122,396 | 105,552 |
| | | 480,040 | 497,370 |
| Reinsurers' share of technical provisions | | | |
| Long-term business provision | 25 | 239,620 | 264,894 |
| Claims outstanding | | 998 | 1,633 |
| | | 240,618 | 266,527 |
| Debtors | | | |
| | 17 | | |
| Debtors arising out of direct insurance operations | | 784 | 850 |
| Debtors arising out of insurance pooling and reinsurance operations | | 76 | 1 |
| Other debtors | | 606 | 437 |
| | | 1,466 | 1,288 |
| Other assets | | | |
| Tangible assets | | 23 | 42 |
| Cash and cash equivalents | 18 | 48,251 | 39,004 |
| | | 48,274 | 39,046 |
| Prepayments and accrued income | | | |
| Accrued interest | | 2,375 | 3,129 |
| Other prepayments and accrued income | | 517 | 373 |
| | | 2,892 | 3,502 |
| Total assets | | 773,290 | 807,733 |

Nordben Life and Pension Insurance Co. Limited

Statement of Financial Position

as at 31 December 2021 (continued)

Liabilities and equity

| EUR thousands | Notes | 2021 | 2020 |
|---|-----------|----------------|----------------|
| Capital and reserves | | | |
| Called up share capital | 19 | 9,245 | 9,245 |
| Profit and loss account | | 13,136 | 29,678 |
| Foreign currency translation reserve | | (2,572) | (2,572) |
| Total shareholder's funds | | 19,809 | 36,351 |
| Fund for future appropriations | 20 | 26,339 | 30,324 |
| Technical provisions for long-term business and claims outstanding | 20 | | |
| Long-term business provision | | 203,938 | 223,890 |
| Claims outstanding | | 3,823 | 4,089 |
| | | 207,761 | 227,979 |
| Technical provisions for linked liabilities | | 136,454 | 124,259 |
| Financial liabilities for investment contracts | | 122,618 | 105,660 |
| Creditors | 21 | | |
| Creditors arising out of direct insurance operations | | 88 | 250 |
| Creditors arising out of insurance pooling and reinsurance operations | | 258,536 | 282,164 |
| Other creditors including taxation and social insurance | | 1,685 | 746 |
| | | 260,309 | 283,160 |
| Total liabilities and equity | | 773,290 | 807,733 |

The accounting policies and estimation techniques in the Notes to the Financial Statements form an integral part of these financial statements.

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: 

Name: Warwick Helps (Director)

Date: 13 April 2022

Nordben Life and Pension Insurance Co. Limited

Statement of Changes in Equity

for the year ended 31 December 2021

| EUR thousands | Called up share capital | Profit & loss account | Foreign currency translation reserve | Total |
|-------------------------------|----------------------------|--------------------------|---|---------------|
| At 1 January 2020 | 9,245 | 27,715 | (2,572) | 34,388 |
| Profit for the financial year | — | 1,963 | — | 1,963 |
| At 31 December 2020 | 9,245 | 29,678 | (2,572) | 36,351 |
| At 1 January 2021 | 9,245 | 29,678 | (2,572) | 36,351 |
| Dividend Paid | — | (15,000) | — | (15,000) |
| Loss for the financial year | — | (1,542) | — | (1,542) |
| At 31 December 2021 | 9,245 | 13,136 | (2,572) | 19,809 |

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Statement of Cash Flows

for the year ended 31 December 2021

| EUR thousands | Notes | 2021 | 2020 |
|---|-----------|-----------------|----------------|
| Net cash flow from operating activities | 22 | (473) | (213) |
| Interest paid | | (416) | (153) |
| Net cash received / (paid) from long-term business | | 10,933 | (1,905) |
| Net cash generated / (used in) from operating activities | | 10,044 | (2,271) |
| Cash flow from investing activities | | | |
| Purchase of investments | | (25,602) | (132,922) |
| Proceeds from the sale of investments | | 22,178 | 136,971 |
| Net cash (used) / generated from investing activities | | (3,424) | 4,049 |
| Cash flow from financing activities | | | |
| Dividend paid | 11 | (15,000) | — |
| Net cash used in financing activities | | (15,000) | — |
| Net (decrease) / increase in cash at bank and in hand | | (8,380) | 1,778 |
| Cash and cash equivalents at the beginning of the year not retained by the long-term business | | 13,364 | 11,586 |
| Net (decrease) / increase in cash at bank and in hand | | (8,380) | 1,778 |
| Cash and cash equivalents at the end of the year not retained by the long-term business | | 4,984 | 13,364 |
| Cash equivalents at the end of the year retained by the long-term business | | 944 | 538 |
| Total cash and cash equivalents | | 5,928 | 13,902 |
| Total cash and cash equivalents consist of: | | | |
| Cash at bank and in hand | | 5,928 | 13,902 |
| Total cash and cash equivalents | | 5,928 | 13,902 |

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Notes to the Financial Statements

1. Accounting policies

Nordben Life and Pension Insurance Co. Limited ("the Company") 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 nature of the Company's operations and its principal activities are set out in the Directors' Report and the address of the registered office is Old Bank Chambers, La Grande Rue, St Martin, Guernsey, GY4 6RT.

The Company is wholly-owned by Monument Re Limited ("Monument Re", together with its subsidiaries "Monument Group"), a Bermuda based reinsurance company.

Monument Insurance Group Limited, a Bermuda based company, is the Company's ultimate controlling party.

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 and presentation currency of the Company is Euro.

b. Going concern

In January 2022, the Board approved in principle a Scheme of Transfer of all the Company's insurance business to Monument International Life Assurance Company Limited ("MILAC"), which is subject to review by an Independent Actuary and the Commission, and an order of the Royal Court being made. If the Scheme of Transfer is effected, the Company will provide temporary insurance administration support to MILAC under a transitional services agreement, conditional upon the Commission granting Nordben an exemption from the requirement to hold a licence under the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. The directors intend to cease operations as soon as temporary insurance administration support to MILAC, a sister company, is no longer required and then liquidate the Company as soon as is practical. Accordingly, the financial statements have been prepared on a basis other than going concern. The transferred assets and liabilities will be valued at fair value.

The application of other than a going concern basis had no impact on the assets measurement given that the recorded amounts appropriately reflect the fair value of the assets as at 31 December 2021. The results and liabilities as at 31 December 2021 include expected costs to be incurred in winding up the Company. In all other respects the financial statements have been prepared in accordance with the accounting framework and Guernsey law.

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Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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, Pensions in Payment, Flex Plan, Save Invest Plan and Triple C Plan are discretionary participation contracts. 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.

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

The Company's Individual Plan (General Conditions dated 1 April 1990) contracts meet the criteria to be classified as an insurance contract as they have an insured death benefit in excess of 10% of the paid single premium.

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, and International Investment Plan are investment contracts.

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 determined under the Economic Balance Sheet ("EBS") regime, as detailed in Note 20.

The long-term business fund comprises the Technical Provisions ("TP") for long-term business (being the value of the Best-Estimate Liabilities ("BEL") plus a Risk Margin ("RM")), including claims outstanding, and a fund for future appropriations.

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, disability pensions (including waiver of premium benefits), 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.

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Notes to the Financial Statements (continued)

1. Accounting policies (continued)

c. Insurance accounting policies (continued)

(ii) Insurance and discretionary participation contracts (continued)

The Company maintains a cut-off date for death, disability, accident and total/partial permanent disability claims. For the 2021 accounting reference period this date was 31 January 2022. Claims arising prior to or in 2021 and notified before the claim cut-off date are adjusted for in the accounting reference period. In addition, material claims arising prior to or in 2021 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.

Claims payable include related 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. 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.

Discretionary participation contracts

The TP for Level Plan, Annuity Plan, Pensions in Payment, Flex Plan, Save Invest Plan, and the Triple C Plan is estimated as the sum of the BEL and a RM, as determined under the EBS regime, as detailed in Note 20.

Note 20 gives the assumptions used in estimating the TP. The assumptions to which the estimation of the TP for Level Plan, Annuity Plan, and Pensions in Payment, and Triple C Plans are particularly sensitive to the assumed valuation rate of interest used to discount the TP. The estimation of the TP for Level Plan, Annuity Plan, and Pensions in Payment is also sensitive to the assumed future mortality experience of policyholders.

Risk benefits

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

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 entered into a 100% quota share IGR with Monument Re in 2020. The IGR covers the benefits and expenses (i.e. the shareholder charge and the costs of managing the investments) payable in respect of discretionary participation contracts and the benefits payable in respect of shareholder-funded claims. The IGR covers benefits payable net of other pre-existing external reinsurance.

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Notes to the Financial Statements (continued)

1. Accounting policies (continued)

c. Insurance accounting policies (continued)

(ii) Insurance and discretionary participation contracts (continued)

Reinsurance (continued)

The Company accounts for reinsurance as follows:

Outwards reinsurance premiums on a stand-alone basis are written in the same accounting period as the related premiums for the direct insurance business being reinsured.

For "Claims incurred, net of reinsurance", the reinsurers' share is the share of the claims paid attributed to the reinsurers for the period. 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.

"Reinsurers' share of technical provisions" relates to the reinsurers' share of the valuation reserve in respect of the benefits reinsured and are estimated in a manner consistent with the liability associated with the reinsured policy.

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.

The Company has also entered into contracts to reduce its exposure to potential losses from the risk benefits attached to Flex Plan, Triple C Plan, and Level Plan contracts by reinsuring certain levels of mortality and morbidity risk with other reinsurers, but these are less significant.

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.

d. Foreign currency translation

The functional currency and presentation currency of the Company is Euro.

(i) Technical account

The Company's insurance and investment contracts were issued 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 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 Company has determined the source currency of the Shareholder's fund to be Euro.

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.

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Notes to the Financial Statements (continued)

1. Accounting policies (continued)

d. Foreign currency translation (continued)

(i) Technical account (continued)

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 Euro 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 Euro, 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 Euro are as follows:

| Currency | 2021 | 2020 |
|----------------------|---------|---------|
| Danish Krone | 7.4370 | 7.4412 |
| Euro | 1.0000 | 1.0000 |
| Norwegian Krone | 10.0244 | 10.5032 |
| Pound Sterling | 0.8413 | 0.9026 |
| Swedish Krona | 10.2938 | 10.0810 |
| Swiss Franc | 1.0375 | 1.0840 |
| United States Dollar | 1.1370 | 1.2298 |

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

The Company has chosen to measure and recognise its financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement (as adopted in the EU). In accordance with IAS 39, 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 Note 20.

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 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

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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)

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 in 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 ("FV") of quoted investments provided by Investment Managers are based on current bid prices with the exception of the discretionary participation funds where they are based on current mid prices. If the market for a financial asset is not active the Company establishes FV by using valuation techniques or by verifying to an independent resource. The Company holds an International Pension Plan ("IPP") contract with a regulated life company in the Isle of Man for its Unit Linked Plan business. The valuations of the quoted investments determining the value of the IPP contract are based on current bid prices.

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 and 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, and International Investment Plan a basis which is consistent when recognising the attributable liability.

The Financial Statements include holdings in unlisted shares, which are measured at FV. FV is estimated by applying the net asset value of the investee entity to the number of shares held. 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, BlackRock provides a valuation of the unquoted assets, which are reviewed for reasonableness by Management.

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

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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 valuation date of assets underlying the linked liability insurance and investment contracts are as follows:

- a. Certain private equity funds and unquoted companies: As at 30 September 2021
- b. All other assets: As at 31 December 2021

Valuation assessments for certain private equity funds and unquoted companies are subject to additional internal review by Management to assess market movements, recoverability of loans, etc. Management exercises judgment to conclude whether the values of any investments determined at 30 September are a reasonable approximation to the fair value of these investments at the reporting date, 31 December. Any material changes (from the valuation date to 31 December) are considered, and where appropriate, adjusted for in the Company's financial statements.

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 an interest rate swap.

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 disclosed in Note 15.

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 and investment contracts, Shareholder's assets, and 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 interest rate swaps, the purpose of which was to alter the duration of assets within the discretionary participation contracts' funds. No interest rates swaps were held in relation to the Shareholder's assets or the linked liability insurance and 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 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.

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Notes to the Financial Statements (continued)

1. Accounting policies (continued)

e. Financial instruments (continued)

(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. 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.

g. Pensions costs

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

h. 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.

i. Related party transactions

The Company discloses transactions with related parties in accordance with the requirements of FRS 102.

j. 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. Please refer to Note 20.

Another key accounting estimate and judgement is in 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.

As detailed in Note 1.e.(i), Management exercised judgment in concluding that the values of any investments determined at 30 September 2021 are a reasonable approximation to the fair value of these investments at the reporting date, 31 December 2021. The valuation assessments at the above valuation dates are subject to additional internal review by Management to assess market movements, recoverability of loans, etc. Any material changes (from the valuation date to 31 December) are considered and, where appropriate, adjusted for in the Company's financial statements.

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Notes to the Financial Statements (continued)

3. Technical account – long-term business by product classification

The following tables present the technical account – long-term business disaggregated across the policyholders' funds by product classification for the years ended 31 December 2021 and 31 December 2020:

| EUR thousands | | Non-linked liability insurance contracts | Linked liability insurance contracts | Linked liability investment contracts | Shareholder's technical fund | Total |
|--|----------|--|--------------------------------------|---------------------------------------|------------------------------|----------------|
| | Notes | 2021 | 2021 | 2021 | 2021 | 2021 |
| Premiums, net of reinsurance | | | | | | |
| Gross premiums written | | 865 | — | — | — | 865 |
| Outward reinsurance premiums | | (923) | — | — | — | (923) |
| | | (58) | — | — | — | (58) |
| Investment Income | A | 1 | 896 | 1,737 | 151 | 2,785 |
| Net realised gains/(losses) on financial assets | | (14,516) | 6,426 | 6,037 | (98) | (2,151) |
| Net fair value gains/(losses) on assets at fair value through profit or loss | A | 14,841 | 6,516 | (2,249) | (177) | 18,931 |
| Investment expenses and charges | | (41) | (700) | (156) | 442 | (455) |
| Exchange differences on retranslation | | 13 | — | — | 300 | 313 |
| Other technical income, net of reinsurance | | (371) | — | — | 2,649 | 2,278 |
| Investment contracts benefits | B | — | — | (11,805) | — | (11,805) |
| | | (131) | 13,138 | (6,436) | 3,267 | 9,838 |
| Claims incurred, net of reinsurance | | | | | | |
| Claims Paid | | | | | | |
| Gross amount | | 2,005 | (2,111) | (2,625) | — | (2,731) |
| Amount attributed to insurance pooling arrangements and reinsurers | | 68 | — | — | — | 68 |
| | | 2,073 | (2,111) | (2,625) | — | (2,663) |
| Change in the provision for claims | | | | | | |
| Gross amount | | 266 | — | — | — | 266 |
| Amount attributed to insurance pooling arrangements and reinsurers | | (27) | — | — | — | (27) |
| | | 239 | — | — | — | 239 |
| | | 2,312 | (2,111) | (2,625) | — | (2,424) |
| Change in other technical provisions, net of reinsurance | | | | | | |
| Long-term provision, net of reinsurance Gross amount | | | | | | |
| | | (5,981) | — | — | (78) | (6,059) |
| | | (5,981) | — | — | (78) | (6,059) |
| Other technical provisions, net of reinsurance | | | | | | |
| Technical provisions for linked liabilities | | — | (11,392) | 35 | — | (11,357) |
| | | (5,981) | (11,392) | 35 | (78) | (17,416) |
| Technical income/(expenses), net of investment expenses and charges | | | | | | |
| Fee Income on investment products | | — | — | — | 414 | 414 |
| Other technical charges, net of reinsurance | | (1,894) | (515) | 8,900 | 427 | 6,918 |
| Transfer to/from the fund for future appropriations | | 3,985 | — | — | — | 3,985 |
| Balance on the long-term business technical account before net operating expenses | C | (1,709) | (880) | (126) | 4,030 | 1,315 |
| Net operating expenses | D | | | | | (3,843) |
| Balance on the long-term business technical account | | | | | | (2,528) |

A - The investment income and the net fair value 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 gains/(losses) 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 EUR 4,079,000 (2020: EUR 3,422,000), which consists of the net operating expenses above and claims handling fees of EUR 236,000 (2020: EUR 186,000). Restructuring costs of EUR 985,000 (2020: EUR NIL) were also included.

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

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

| EUR thousands | | Non-linked liability insurance contracts | Linked liability insurance contracts | Linked liability investment contracts | Shareholder's technical fund | Total |
|--|-------|---|---|--|---------------------------------|--------------|
| | Notes | 2020 | 2020 | 2020 | 2020 | 2020 |
| Premiums, net of reinsurance | | | | | | |
| Gross premiums written | | 1,572 | — | — | — | 1,572 |
| Outward reinsurance premiums | | (287,079) | — | — | — | (287,079) |
| | | (285,507) | — | — | — | (285,507) |
| Investment Income | A | 6,065 | (208) | 954 | 146 | 6,957 |
| Net realised (losses)/gains on financial assets | | 12,667 | 4,596 | 3,674 | — | 20,937 |
| Net fair value (losses)gains on assets at fair value through profit or loss | A | (1,496) | (3,493) | (1,631) | 116 | (6,504) |
| Investment expenses and charges | | (377) | 154 | (824) | 109 | (938) |
| Exchange differences on retranslation | | (20) | — | — | (304) | (324) |
| Other technical income, net of reinsurance | | 184 | — | — | — | 184 |
| Investment contracts benefits | B | — | 17 | 16,984 | — | 17,001 |
| | | (268,484) | 1,066 | 19,157 | 67 | (248,194) |
| Claims incurred, net of reinsurance | | | | | | |
| Claims paid | | | | | | |
| Gross amount | | (16,491) | (5,200) | (6,552) | (186) | (28,429) |
| Amount attributed to insurance pooling arrangements and reinsurers | | 69 | — | — | — | 69 |
| | | (16,422) | (5,200) | (6,552) | (186) | (28,360) |
| Change in the provision for claims | | | | | | |
| Gross amount | | 199 | — | — | — | 199 |
| Amount attributed to insurance pooling arrangements and reinsurers | | (456) | — | — | — | (456) |
| | | (257) | — | — | — | (257) |
| | | (16,679) | (5,200) | (6,552) | (186) | (28,617) |
| Change in other technical provisions, net of reinsurance | | | | | | |
| Long-term provision, net of reinsurance | | | | | | |
| Gross amount | | 246,140 | — | — | 6,000 | 252,140 |
| | | 246,140 | — | — | 6,000 | 252,140 |
| Other technical provisions, net of reinsurance | | | | | | |
| Technical provisions for linked liabilities | | — | 4,590 | (480) | — | 4,110 |
| | | 246,140 | 4,590 | (480) | 6,000 | 256,250 |
| Technical income, net of investment expenses and charges | | | | | | |
| Fee Income on investment products | | — | — | — | 441 | 441 |
| Other technical charges, net of reinsurance | | (2,752) | 2,278 | (12,229) | 490 | (12,213) |
| Movement in the expense provision for investment contracts | | — | — | — | — | — |
| Transfer to the fund for future appropriations | | 38,086 | — | — | — | 38,086 |
| Balance on the long-term business technical account before net operating expenses | C | (3,689) | 2,734 | (104) | 6,812 | 5,753 |
| Net operating expenses | D | | | | | (3,236) |
| Balance on the long-term business technical account | | | | | | 2,517 |

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Notes to the Financial Statements (continued)

4. Cost borne by discretionary participation contracts

| EUR thousands | 2021 | 2020 |
|---------------------|------|------|
| Investment expenses | 296 | 319 |
| Trustee expenses | 17 | 25 |
| | 313 | 344 |

Investment expenses are fees net of rebates amounting to EUR 7,000 (2020: EUR 13,000) for the provision of asset management and investment advisory services, provided by Storebrand Asset Management AS until 30 June 2021 and Goldman Sachs Asset Management International thereafter.

Trustee expenses are the fees charged by the independent third party trustee, Zedra Trust Company (Guernsey) Limited.

5. Auditor's remuneration

The Company's audit fees, included in the technical account, amounted to EUR 161,000 (2020: EUR 182,000).

6. Commissions and introducers' fees

Total commissions and introducers' fees accounted for by the Company during the year amounted to EUR 72,000 (2020: EUR 60,000) and are included in the technical account.

7. Directors' remuneration

The Non-Executive Directors were paid fees of EUR 15,000 for the year ended 31 December 2021 (2020: EUR 14,000).

8. Staff numbers and costs

| EUR thousands | 2021 | 2020 |
|---|-------|-------|
| Wages and salaries | 1,069 | 1,052 |
| Guernsey social insurance costs | 47 | 57 |
| Other pension costs | 87 | 72 |
| The average number of persons including executive directors and part-time employees employed by the Company during the year | 12 | 15 |

9. 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 a 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 total charge for the current year including all contributions and premiums for death-in-service benefits was EUR 87,000 (2020: EUR 72,000).

10. 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%.

The Company has not written any domestic insurance business since 2016 therefore no taxation was due from the Company as at 31 December 2021 (2020: EUR Nil).

11. Dividends on equity shares

The Board's recommendation to the Shareholder for Nordben to pay a EUR 15,000,000 dividend was approved by the Shareholder on 28 June 2021 and paid in July 2021. A dividend of EUR 4,900,000 is expected to be proposed after the approval of this Annual Report.

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

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

| EUR thousands | 2021 | 2020 |
|---|----------------|----------------|
| Non-linked liabilities - insurance contracts | | |
| Shares and mutual funds | 42,146 | — |
| Debt securities | 179,062 | 258,937 |
| Derivatives | (1,593) | 1,700 |
| | 219,615 | 260,637 |
| Shareholder's non-technical fund | | |
| Shares and mutual funds | 1,896 | — |
| Debt securities | 5,343 | 8,258 |
| Derivatives | 237 | — |
| | 7,476 | 8,258 |
| Shareholder's technical fund | | |
| Debt securities | — | 4,459 |
| | — | 4,459 |
| | 227,091 | 273,354 |

The cost of the above investments at 31 December 2021 was EUR 196,793,000 (2020: EUR 240,473,000).

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 non-linked liabilities – insurance contracts above is an unlisted debt instrument issued by Municipality Finance plc. As at 31 December 2021, the Company valued the instrument at EUR 15,301,000 (2020: EUR 15,765,000) using discounted cash flows.

13. Financial assets held to cover linked liabilities – insurance contracts

| EUR thousands | 2021 | 2020 |
|-----------------------------|----------------|----------------|
| Fixed interest securities | 4,696 | 5,332 |
| Equities | | |
| - Quoted | 64,201 | 60,490 |
| - Unquoted | 830 | 460 |
| Units in mutual funds | | |
| - Equities | 34,068 | 26,476 |
| - Fixed interest securities | 26,758 | 25,706 |
| | 130,553 | 118,464 |

The cost of the above investments at 31 December 2021 was EUR 110,171,000 (2020: EUR 105,649,000).

14. Financial assets held to cover linked liabilities – investment contracts

| EUR thousands | 2021 | 2020 |
|--|----------------|----------------|
| Fixed interest securities (incl. mutual funds) | 3,125 | 8,057 |
| Equities (incl. mutual funds) | 79,469 | 77,092 |
| Other investments | 35,245 | 18,311 |
| Cash available for investment | 4,557 | 2,092 |
| Total investment contracts | 122,396 | 105,552 |

The cost of the above investments at 31 December 2021 was EUR 75,218,000 (2020: EUR 73,837,000).

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

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.

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Notes to the Financial Statements (continued)

15. 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 2021 and 31 December 2020:

| 31 December 2021 EUR thousands | Notional principals | | Fair values | |
|-----------------------------------|---------------------|------------------|--------------|----------------|
| | Positive values | Negative | Assets | Liabilities |
| Forward exchange rate contracts | 38,588 | (38,588) | 340 | (263) |
| Interest rate swap contract | 86,317 | (86,317) | 175 | (1,608) |
| | 124,905 | (124,905) | 515 | (1,871) |
| 31 December 2020 EUR thousands | Notional principals | | Fair values | |
| | Positive values | Negative | Assets | Liabilities |
| Interest rate swap | 4,380 | (4,380) | 1,700 | — |
| | 4,380 | (4,380) | 1,700 | — |

At 31 December 2020, the Company held one interest rate swap contract. At 31 December 2021, the Company held 16 interest rate swap contracts and 22 forward foreign exchange contracts, maturing at a variety of different dates.

16. 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 2021 or 2020.

The following table presents the Company's assets and liabilities (excluding insurance contract liabilities) measured at fair value at 31 December 2021:

| EUR thousands | Level 1 2021 | Level 2 2021 | Level 3 2021 | Total 2021 |
|--|-----------------|-----------------|-----------------|----------------|
| Financial assets at fair value through profit or loss: | | | | |
| - debt securities | 166,615 | 35,310 | 26,552 | 228,477 |
| - shares and mutual funds | — | — | — | — |
| - derivatives | — | — | (1,386) | (1,386) |
| Assets held to cover linked liabilities | 78,993 | 110,714 | 63,243 | 252,950 |
| Total | 245,608 | 146,024 | 88,409 | 480,041 |
| Financial liabilities at fair value through profit or loss: | | | | |
| - investment contracts | — | 122,396 | — | 122,396 |
| Total | — | 122,396 | — | 122,396 |

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

16. 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 2020:

| EUR thousands | Level 1 2020 | Level 2 2020 | Level 3 2020 | Total 2020 |
|--|-----------------|-----------------|-----------------|----------------|
| Financial assets at fair value through profit or loss: | | | | |
| - debt securities | 255,932 | 15,722 | — | 271,654 |
| - shares and mutual funds | — | — | — | — |
| - derivatives | — | 1,700 | — | 1,700 |
| Assets held to cover linked liabilities | 60,489 | 109,946 | 53,581 | 224,016 |
| Total | 316,421 | 127,368 | 53,581 | 497,370 |
| Financial liabilities at fair value through profit or loss: | | | | |
| - investment contracts | — | 105,552 | — | 105,552 |
| Total | — | 105,552 | — | 105,552 |

17. Debtors

| EUR thousands | 2021 | 2020 |
|--------------------------|--------------|--------------|
| Due from policyholders | 784 | 850 |
| Due from intermediaries | 76 | 1 |
| Due from related parties | 230 | 37 |
| Other debtors | 376 | 400 |
| | 1,466 | 1,288 |

18. Cash and cash equivalents

| EUR thousands | 2021 | 2020 |
|--|---------------|---------------|
| Non-linked liability insurance contracts | 37,480 | 19,492 |
| Linked liability insurance contracts | 4,843 | 5,610 |
| Shareholders | | |
| - Technical | 944 | 538 |
| - Non technical | 4,984 | 13,364 |
| | 48,251 | 39,004 |

19. Called up share capital

| EUR thousands | 2021 | 2020 |
|------------------------------------|--------|--------|
| Authorised | | |
| Ordinary shares of SEK 100 each | 19,132 | 19,132 |
| Issued and fully paid | | |
| Ordinary shares of SEK 100 each | 9,245 | 9,245 |
| Issued, uncalled and unpaid | | |
| Ordinary shares of SEK 100 each | 9,887 | 9,887 |

20. Technical Provisions

The approach used for estimating the value of the long-term business fund for the Company is to use best estimate technical provisions.

The Company has determined UK GAAP liabilities to be equivalent to the Bermudian Technical Provisions ("TP") which is given by the sum of the best-estimate liabilities ("BEL") and a Risk Margin ("RM"), as determined under the Economic Balance Sheet ("EBS") regime.

The BEL is based on an assessment of cash flows required to satisfy insurance obligations. Best-estimate corresponds to a probability-weighted average of future cash flows with an allowance, where applicable, for contract boundaries. The BEL is determined by discounting the best estimate cash flows at the risk free-curves provided by the Bermuda Monetary Authority ("BMA"). The currency of the curve is determined by the currency of the policyholder liabilities. Where curves are not provided by the BMA, the Company follows the same methodology as laid down by the BMA to generate appropriate curves.

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Notes to the Financial Statements (continued)

20. Technical Provisions (continued)

The RM reflects uncertainty inherent in the best estimate cash flows. It follows a cost of capital approach, with a prescribed 6% cost of capital charge. It includes an allowance for insurance, operational, and counterparty default risk capital, projected over the contract period and discounted at risk-free rates. The risk-free curve used is given by the reporting currency, EUR.

The Fund for Future Appropriations represents the assets within the Discretionary Participation funds where the allocation between Discretionary Participation contracts and the shareholder has not been determined at the Statement of Financial Position date.

These technical provisions 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 2021:

| EUR thousands | Best estimate liabilities | | Fund for future appropriations | | Risk Margin | | Total Long-term business fund | |
|--|---------------------------|----------------|--------------------------------|---------------|--------------|--------------|-------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Non-linked liability insurance contracts | 205,603 | 225,665 | — | — | 2,158 | 2,314 | 207,761 | 227,979 |
| Fund for future appropriations | — | — | 26,339 | 30,324 | — | — | 26,339 | 30,324 |
| Linked liability insurance contracts | 135,944 | 123,766 | — | — | 510 | 493 | 136,454 | 124,259 |
| Linked liability investment contracts | 122,157 | 105,163 | — | — | 461 | 497 | 122,618 | 105,660 |
| | 463,704 | 454,594 | 26,339 | 30,324 | 3,129 | 3,304 | 493,172 | 488,222 |

An amount of EUR 1.7M (2020: 1.7M) has been included in the long-term business provision in respect of policyholders' bonuses.

20.1 Principal valuation assumptions

An annual review is performed on the claims experience of the Company to determine the appropriateness of the demographic assumptions used in calculating the BEL.

The principal assumptions underlying the calculation of the BEL at the Statement of Financial Position date are set out below:

- a. **Expenses:** A regular investigation is performed by the Company to monitor its expense experience to determine expenses incurred in administering and running the business. Expenses are analysed into various components and then run off using an appropriate set of risk drivers. First the expenses are analysed between run-off expenses and non-recurring expenses including New Business expenses, Project expenses, and Integration expenses.

The run-off expenses are then split between products and further split between marginal costs and overhead costs as follows:

| Product category | 2021 | | 2020 | |
|---|-------------|-------------|-------------|-------------|
| | Marginal | Overhead | Marginal | Overhead |
| Flex Plan and Triple C Plan | EUR 393,000 | EUR 780,000 | EUR 432,000 | EUR 857,000 |
| Level Plan, Annuity Plan, and Pensions in Payment | EUR 18,000 | EUR 35,000 | EUR 18,000 | EUR 36,000 |
| Unit Linked Plan and Group Unit Linked Plan | EUR 15,000 | EUR 30,000 | EUR 16,000 | EUR 32,000 |
| Individual Plan, Living Annuity Plan, and International Investment Plan | EUR 122,000 | EUR 242,000 | EUR 119,000 | EUR 235,000 |

The Marginal expenses are used to derive the per policy costs. The per policy costs are determined by dividing the marginal expenses by the expected average number of policies in-force over 2021. The projected policy count then gives the run-off of marginal expenses. The overhead costs are run off using a suitable driver, which currently is the policy count and so in effect all run-off costs are variable with volume.

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Notes to the Financial Statements (continued)

20. Technical Provisions (continued)

20.1 Principal valuation assumptions (continued)

| Product | 2021 | 2020 |
|---|--|---|
| Flex Plan and Triple C Plan | EUR 85.86 per policy per annum | EUR 82.01 per policy per annum |
| Level Plan, Annuity Plan and Pensions in Payment | EUR 44.3 per policy per annum plus an additional EUR 13.67 per annuity payment | EUR 42.41 per policy per annum plus an additional EUR 12.74 per annuity payment |
| Unit Linked Plan and Group Unit Linked Plan | EUR 87.01 per policy per annum | EUR 83.03 per policy per annum |
| Individual Plan, Living Annuity Plan, and International Investment Plan | EUR 1,385.40 – EUR 2,230.84 per policy per annum | EUR 1,298.22 – EUR 1,855.68 per policy per annum |

The assumed expense inflation rate is 4.32% (2020: 3.36%).

It is assumed that an annual administration charge of 0.75% per annum in 2021 (2020: 0.70%) increasing by 0.05% each subsequent year until it is 1.00% per annum, will apply to Triple C Plan, Flex Plan, Level Plan, Annuity Plan, Claims in Payment, and Pensions in Payment which are eligible for discretionary increases.

Further, an annual charge of GBP 60 (2020: 58) on Triple C Plan paid-up policies which have an account value less than GBP 11,644 (2020: 11,316) 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, International Investment Plan, and Unit Linked Plan policy will be available to meet expenses.

b. Mortality: The valuation mortality assumptions are shown below:

| Product | Valuation mortality assumptions | |
|---|---|---|
| | 2021 | 2020 |
| Flex Plan, Triple C Plan, Corporate Triple C Plan, Individual Plan (general conditions dated 1 April 1990), Individual Plan (general conditions dated 1 January 1993 or afterwards), Living Annuity Plan, Unit Linked Plan and Group Unit Linked Plan | 100% PNMA00 (for males) 100% 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 | 100% PNMA00 (for males) 100% 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 |
| Level Plan, Annuity Plan and Pensions in Payment | 80% PNMA00 (for males) 80% 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 | 80% PNMA00 (for males) 80% 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 |

c. Morbidity: 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 2000-2007.

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Notes to the Financial Statements (continued)

20. Technical Provisions (continued)

20.1 Principal valuation assumptions (continued)

d. **Surrenders:** The main surrender assumptions are shown below:

| Product | Surrender rate (% per annum) | |
|---|-------------------------------------|-------------------------------------|
| | 2021 | 2020 |
| Flex Plan | 4.50 | 5.00 |
| Triple C Plan (excluding SEK Skilstaf) | 6.50 | 6.00 |
| Triple C Plan (SEK Skilstaf) | 4.50 | 5.00 |
| Triple C Individual Plan | 7.50 | 8.00 |
| Level Plan, Annuity Plan and Pensions in Payment | n/a | n/a |
| Individual Plan | 4.00 and expected termination dates | 4.00 and expected termination dates |
| Living Annuity Plan / International Investment Plan | 1.00 and expected termination dates | 1.00 and expected termination dates |
| Unit Linked Plan | 4.00 and expected termination dates | 5.00 and expected termination dates |

The main partial surrender assumptions are shown below:

| Product | Partial surrender rate (% per annum) | |
|--|--------------------------------------|------|
| | 2021 | 2020 |
| Flex Plan | 0.00 | 0.50 |
| Triple C Plan | n/a | n/a |
| Level Plan, Annuity Plan and Pensions in Payment | n/a | n/a |
| Individual Plan / International Investment Plan | 2.50 | 3.00 |
| Living Annuity Plan | 0.00 | 0.00 |
| Unit Linked Plan | 0.00 | 0.50 |

e. **Discount rates:** The discount rates used in the calculation of the Technical Provisions depend on the currency of the liabilities. For all business, risk-free rates provided by the BMA are used where published. Where curves are not provided by the BMA, the Company follows the same methodology as laid down by the BMA to generate appropriate curves. Sample rates are given in the table below:

| Year | Risk Free Spot Rates | | | | | | | | | | | | | |
|------|----------------------|---------|---------|---------|---------|---------|-------|---------|-------|-------|---------|---------|-------|-------|
| | CHF | | DKK | | EUR | | GBP | | NOK | | SEK | | USD | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| 1 | (0.79)% | (0.88)% | (0.25)% | (0.25)% | (0.60)% | (0.65)% | 0.79% | (0.10)% | 1.18% | 0.39% | (0.02)% | (0.14)% | 0.43% | 0.09% |
| 2 | (0.70)% | (0.87)% | (0.14)% | (0.28)% | (0.42)% | (0.65)% | 1.10% | (0.07)% | 1.49% | 0.46% | 0.19% | (0.12)% | 0.83% | 0.10% |
| 3 | (0.52)% | (0.83)% | (0.01)% | (0.29)% | (0.27)% | (0.64)% | 1.21% | (0.01)% | 1.63% | 0.59% | 0.37% | (0.08)% | 1.07% | 0.14% |
| 4 | (0.52)% | (0.79)% | 0.08% | (0.29)% | (0.19)% | (0.62)% | 1.22% | 0.05% | 1.70% | 0.72% | 0.50% | (0.03)% | 1.18% | 0.23% |
| 5 | (0.33)% | (0.72)% | 0.15% | (0.28)% | (0.12)% | (0.59)% | 1.20% | 0.09% | 1.74% | 0.83% | 0.59% | 0.03% | 1.27% | 0.33% |
| 6 | (0.24)% | (0.67)% | 0.20% | (0.26)% | (0.06)% | (0.56)% | 1.19% | 0.14% | 1.76% | 0.93% | 0.67% | 0.08% | 1.33% | 0.45% |
| 7 | (0.17)% | (0.61)% | 0.25% | (0.24)% | (0.01)% | (0.53)% | 1.14% | 0.18% | 1.77% | 1.00% | 0.73% | 0.13% | 1.38% | 0.56% |
| 8 | (0.11)% | (0.56)% | 0.31% | (0.20)% | 0.05% | (0.48)% | 1.12% | 0.22% | 1.77% | 1.07% | 0.77% | 0.18% | 1.42% | 0.67% |
| 9 | (0.06)% | (0.50)% | 0.36% | (0.17)% | 0.11% | (0.44)% | 1.11% | 0.26% | 1.77% | 1.12% | 0.82% | 0.23% | 1.46% | 0.76% |
| 10 | (0.01)% | (0.45)% | 0.41% | (0.13)% | 0.18% | (0.39)% | 1.11% | 0.30% | 1.78% | 1.17% | 0.86% | 0.28% | 1.49% | 0.85% |
| 20 | (0.02)% | (0.23)% | 0.63% | 0.06% | 0.46% | (0.11)% | 1.06% | 0.48% | 1.61% | 1.34% | 1.10% | 0.55% | 1.69% | 1.27% |
| 30 | 0.02% | (0.32)% | 0.53% | 0.02% | 0.40% | (0.13)% | 1.00% | 0.48% | 1.52% | 1.33% | 1.03% | 0.50% | 1.65% | 1.36% |
| 40 | 0.24% | (0.18)% | 0.63% | 0.17% | 0.60% | 0.03% | 1.09% | 0.66% | 1.60% | 1.46% | 1.13% | 0.64% | 1.82% | 1.61% |
| 50 | 0.53% | 0.23% | 0.97% | 0.55% | 0.92% | 0.47% | 1.39% | 1.10% | 1.84% | 1.74% | 1.43% | 0.99% | 2.22% | 2.08% |

f. **Investment expenses:** Investment expenses of 0.085% (2020: 0.085%) is assumed in the best-estimate cash flows for the Discretionary Participation investments.

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Notes to the Financial Statements (continued)

20. Technical Provisions (continued)

20.1 Principal valuation assumptions (continued)

- g. Risk-only Contracts:** The long-term business provision in respect of Risk-only contracts (not including premiums pooled in a 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 zero (2020: EUR 0.25M) for life risks and zero (2020: EUR 0.10M) for disability risks. 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:

| EUR thousands | 2021 | 2020 |
|--|--------------|--------------|
| Gross disability claims reserves (as shown in disability claims development table) | 3,284 | 3,543 |
| Gross provision for survivor claims outside the discretionary participation policyholders' funds | 539 | 546 |
| Claims outstanding (as shown in the Statement of Financial Position) | 3,823 | 4,089 |

The table below shows the disability claims development over five years to 31 December 2021:

| EUR thousands | 2016 and prior | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|------------------------------|----------------|-------|-------|------|------|------|-------|
| Pure underwriting year | | | | | | | |
| Estimate of claims incurred: | | | | | | | |
| After one year | | 2,065 | 1,050 | 50 | — | — | |
| After two years | | 509 | 1,004 | 62 | — | — | |
| After three years | | — | 1,228 | 49 | — | — | |
| After four years | | — | 1,229 | — | — | — | |
| After five years | | — | — | — | — | — | |
| 31/12/2021 | 2,532 | — | 1,229 | 49 | — | — | 3,810 |
| Less claims paid | 460 | — | 49 | 17 | — | — | 526 |
| Gross reserves | 2,072 | — | 1,180 | 32 | — | — | 3,284 |

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Notes to the Financial Statements (continued)

20. Technical Provisions (continued)

20.1 Principal valuation assumptions (continued)

The table below shows the disability claims development over five years to 31 December 2020.

| EUR thousands | | | | | | | |
|------------------------------|----------------|-------|-------|-------|------|------|-------|
| Pure underwriting year | 2015 and prior | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
| Estimate of claims incurred: | | | | | | | |
| After one year | | 1,607 | 2,031 | 1,032 | 50 | — | |
| After two years | | 1,047 | 501 | 1,004 | 63 | — | |
| After three years | | 184 | — | 1,229 | — | — | |
| After four years | | 587 | — | — | — | — | |
| After five years | | 561 | — | — | — | — | |
| 31/12/2020 | 2,241 | 561 | — | 1,229 | 63 | — | 4,094 |
| Less claims paid | 441 | 45 | — | 48 | 17 | — | 551 |
| Gross reserves | 1,800 | 516 | — | 1,181 | 46 | — | 3,543 |

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.

20.2 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 EUR 4.3M (2020: increase of EUR 9.4M) to EUR 207.8M (2020: EUR 228.0M). 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. However, as the Company has executed a 100% quota share Intra Group Reinsurance ("IGR") agreement that covers benefits payable by the discretionary participation contracts and the shareholder funded claims in payment, the reinsurance recoverable asset moves in an equal and opposite direction to the best estimate policyholder liabilities.

Nonetheless, the present value of expected income less the present value of expected expenses on in force business ("PVIF") and the RM sensitive to changes in the principal assumptions adopted. Note that an increase in the PVIF results in a decrease to the TP. For example:

- a reduction in the valuation rates of interest of 1% for each currency would:
 - increase the PVIF by EUR 2.7M (2020: increase of EUR 4.7M);
 - increase the RM by EUR 1.1M (2020: increase of EUR 0.8M); and so
 - decrease the TP by EUR 1.6M (2020: decrease of EUR 3.9M).
- a 10% strengthening of GBP in relation to other currencies would:
 - decrease the PVIF by EUR 1.9M (2020: decrease of EUR 2.0M);
 - increase the RM by EUR 0.4M (2020: increase of EUR 0.3M); and so
 - decrease the TP by EUR 2.3M (2020: decrease of EUR 2.4M).
- a 10% one-off increase in expenses together with a 1% increase in the expense inflation assumption would:
 - decrease the PVIF by EUR 4.4M (2020: decrease of EUR 4.3M);
 - increase the RM by EUR 1.6M (2020: increase of EUR 0.7M); and so
 - decrease the TP by EUR 6.0M (2020: decrease of EUR 5.0M).

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Notes to the Financial Statements (continued)

21. Creditors

| EUR thousands | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| Due to policyholders | 88 | 250 |
| Due to intermediaries | 562 | 308 |
| Due to related parties | 257,974 | 281,856 |
| Due to tax and social security | 50 | 55 |
| Other creditors | 1,635 | 691 |
| | 260,309 | 283,160 |

The Company entered into a 100% quota share IGR with the Company's shareholder, Monument Re. The IGR covers the benefits and expenses (i.e. the shareholder charge and the costs of managing the investments) payable in respect of discretionary participation contracts and the benefits payable in respect of shareholder-funded claims. As at 31 December 2021, the funds withheld amount due to Monument Re was EUR 257.6M (2020: EUR 281.7M).

Other creditors includes EUR 985,000 of estimated costs related to the expected future liquidation of the Company.

22. Reconciliation of profit before tax to net cash from operating activities

| EUR thousands | 2021 | 2020 |
|--|--------------|--------------|
| Total (loss) / profit before tax | (1,542) | 1,963 |
| Loss / (profit) relating to the long-term business | 2,528 | (2,517) |
| Adjustments: | | |
| Interest paid/(received) | — | 153 |
| Shareholder realised and unrealised gains | (78) | 345 |
| Allocated investment income | (416) | (153) |
| Exchange differences on re-translation | (965) | — |
| Movement in other assets or liabilities | — | (4) |
| Net cash outflow from operating activities | (473) | (213) |

23. Operating lease commitments

The Company entered into a lease agreement in respect of its current premises in October 2019. The lease expires on 30 June 2027 with an option for either party to offer 12 months' notice on an early break at 30 June 2024, an option which is likely to be taken if the Company is to be liquidated by the early break date. The annual commitments under this non-cancellable operating lease are circa EUR 160,000 (2020: EUR 160,000).

24. Ultimate controlling party

Monument Insurance Group Limited, a Bermuda based company, is the Company's ultimate controlling party.

25. Related party transactions

The related party transactions relating the Company's current ownership are detailed below:

Monument Re Limited, Bermuda

Monument Re is the sole Shareholder of the Company.

The Company entered into a 100% quota share IGR with Monument Re during 2020. The IGR covers the benefits and expenses (i.e. the shareholder charge and the costs of managing the investments) payable in respect of discretionary participation contracts and the benefits payable in respect of shareholder-funded claims.

The Company also provided personnel resources to Monument Re for the benefit of group integrations. Furthermore, Monument Re provided personnel resources to the Company in 2020 predominantly to assist with a large finance project.

The Company has entered into service agreements with a number of entities within the Monument Re Group. The services are an exchange of personnel resources (from Nordben to Monument Re Group entities), and outsourcing and support services (from Monument Re Group entities to Nordben). A table of transactions with all Monument Re Group entities is below.

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Notes to the Financial Statements (continued)

25. Related party transactions (continued)

| Entity Name | Nature of Transactions | Amount Charged/Received during the year | Amount Payable/Receivable at the Statement of Financial Position Date |
|--|---|--|---|
| Knight Strategic Holdings (UK) Ltd | Outsourcing of accounting and financial reporting | Charged EUR 131,000 (2020: Charged EUR Nil) | EUR 98,000 Payable (2020: EUR Nil Payable) |
| Monument Insurance Services Ltd | Outsourcing of fund administration | Charged EUR 123,000 (2020: Charged EUR Nil) | EUR 4,000 Payable (2020: EUR Nil Payable) |
| Monument Re Limited | Outsourcing of supporting services (actuarial, risk management, legal, compliance, investments, HR, IT) | Paid EUR 379,000 (2020: Paid EUR 177,000) | EUR 284,000 Payable (2020: EUR 44,000 Payable) |
| | IGR Reinsurance premiums | Paid EUR 632,000 (2020: Paid EUR 287,000,000) | Nil |
| | Reinsurance recoveries | EUR 8,005,000 (2020: 264,894,000) | EUR 239,620,000 Receivable (2020: EUR 264,894,000 Receivable) |
| | Funds withheld creditor balance (see Note 21) | | EUR 257,590,000 Payable (2020: EUR 281,741,000 Payable) |
| | Provision of personnel services for Group integrations | Received EUR 343,000 (2020: Received EUR 119,000) | EUR 188,000 Receivable (2020: EUR 36,000 Receivable) |
| Monument Management Services (IOM) Ltd | Support services provided (risk, human resources, integrations, compliance) | Received EUR 41,000 (2020: Received EUR Nil) | EUR 41,000 Receivable (2020: EUR Nil Receivable) |

Hannover Rück SE, Sweden

Hannover Rück SE (Hannover) is a shareholder of Monument Re Limited, the sole Shareholder of the Company.

The Company has entered into an arm's length reinsurance arrangement under which it cedes a proportion of its mortality and disability risks up to a specific limit. Reinsurance premiums amounting to EUR 92,000 (2020: EUR 89,000) were paid to Hannover Rück. At the Statement of Financial Position date, EUR 92,000 (2020: EUR 60,000) was due. The Company was due reinsurance recoveries from Hannover Rück at the year-end amounting to EUR 349,000 (2020: EUR 234,000).

Hannover Re (Bermuda) Ltd

The Company has entered into an arm's length insurance arrangement whereby Hannover Re provides stop-loss cover that reimburses the loss in own funds due to higher-than-expected lapses. Reinsurance premiums amounting to EUR 10,000 (2020: EUR 6,000) were paid to Hannover Re. At the Statement of Financial Position date, EUR Nil (2020: EUR Nil) was due.

26. Management of country risk and financial risk

The Company has adopted the Monument Group's Risk Management Framework. The Risk Management Framework is founded on a sound risk culture, an effective system of governance, clear accountabilities, and a suite of policies, working instructions, regulatory procedures, operational procedures, and supplementary internal controls. The approach seeks to mitigate potential adverse effects on the Company's financial performance, and solvency.

The Board considers the business strategy of the Company in determining the risk appetite of the Company. At least annually, the Board reviews and approves the Company's Risk Appetite Statement, which outlines the Company's appetite for each type of key risk and its strategy for accepting, managing, and mitigating these risks. Risk appetite is articulated in qualitative terms and/or quantitative metrics across the key risk categories and written policies have been established to address these risks.

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Notes to the Financial Statements (continued)

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

The novel coronavirus (COVID-19) outbreak has developed rapidly through 2020, 2021, and into 2022, with a significant number of infections reported across a wide range of countries and regions. At the date of signing this report the ultimate economic and social consequences of the COVID-19 outbreak are uncertain. A pandemic may increase insurance claims, cause investment losses, and disrupt business operations.

Measures taken by various governments to contain the virus have also affected economic activity. Counterparty credit risk and liquidity risk may also increase.

The Company has a number of risk mitigations as part of the general management of the business, which can be utilised to mitigate the potential impact of COVID-19. The Company is resilient to stress across each of these areas of risk, having regard to the risk mitigations described in this note and Note 27 to the Financial Statements.

While it is not possible to identify the financial impact of COVID-19 on the Company's financial statements, the sensitivities provided in this note and Note 20 to the Financial Statements provide an indication of the impact of changes in our key assumptions related to the areas of risk before considering the risk mitigations available. In addition, the Company maintains excess capital above its regulatory capital requirements, which are calibrated to a one in 200 year stress event.

The Company has entered into an IGR agreement with its shareholder, Monument Re Limited. This cedes market risk and demographic risk in the discretionary participation contracts. The reinsurance is collateralised, to mitigate reinsurance counterparty exposure.

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.

With effect from 1 July 2021 the Company appointed Goldman Sachs Asset Management ("GSAM") to replace Storebrand Asset Management as its investment manager ("Investment Manager") to manage the assets in respect of the discretionary participation contracts and the Shareholder's funds.

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 Group investment team with daily information on the performance and exposure of the managed assets. The Group investment team provides a weekly report to the Company, which Senior Management reviews with reference to the investment policy and risk appetite statement. The Group investment team also provides an update to the Board quarterly and any significant issues that occur outwith that cycle are raised with the Board.

The Company also has in place agreements with other investment managers to manage the assets for its linked liability insurance and investment contracts. The other investment managers invest assets for the Company's linked liability insurance and 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, France, and Norway. In respect of the discretionary participation contracts this risk has been ceded under the IGR agreement.

b. Financial risk

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.

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.

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

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

b. Financial risk (continued)

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

The following tables summarise the asset composition of the variety of contracts, insurance and Shareholder's funds as at 31 December 2021 and 31 December 2020, respectively. Linked liability insurance and investment contracts have been excluded from the table. Debtor and creditor balances include inter-fund balances that have not been eliminated for presentation purposes in the note.

| EUR thousands | Non-linked liability contracts 2021 | Shareholder's technical fund 2021 | Shareholder's non-technical fund 2021 | Total 2021 |
|---|--|---|--|----------------|
| Assets | | | | |
| <u>Debt securities</u> | | | | |
| Government: | | | | |
| < 6 months | 14,328 | — | 7,238 | 21,566 |
| 6 months to 1 year | 4,804 | — | — | 4,804 |
| 1 year to 2 years | 8,523 | — | — | 8,523 |
| 2 years to 5 years | 7,527 | — | — | 7,527 |
| > 5 years | 186,027 | — | — | 186,027 |
| Non-government: | | | | |
| > 5 years | — | — | — | — |
| <u>Shares and mutual funds</u> | | | | |
| Relating to equity exposure | — | — | — | — |
| Relating to debt exposure | — | — | — | — |
| <u>Derivative financial instruments</u> | (1,593) | — | 237 | (1,356) |
| Cash and cash equivalents | 219,616 | — | 7,475 | 227,091 |
| Tangible assets | 37,480 | 944 | 4,984 | 43,408 |
| Debtors: | | | | |
| Debtors - profit commission | — | — | — | — |
| Debtors - reinsurers | 240,690 | 3 | — | 240,693 |
| Debtors - other | 343 | 3,826 | 45 | 4,214 |
| Total assets | 498,129 | 4,796 | 12,504 | 515,429 |
| Liabilities and equity | | | | |
| Policyholders' liabilities: | | | | |
| Reserves for non-linked contracts | 207,759 | — | — | 207,759 |
| Creditors - reinsurance | 257,999 | — | — | 257,999 |
| Creditors - other | (486) | 993 | 819 | 1,326 |
| Expense and mortality provisions | — | — | — | — |
| Total shareholder's funds | 6,518 | 3,803 | 11,685 | 22,006 |
| Reserve funds | 26,339 | — | — | 26,339 |
| Total liabilities and equity | 498,129 | 4,796 | 12,504 | 515,429 |

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

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

b. Financial risk (continued)

| EUR thousands | Non-linked liability contracts 2020 | Shareholder's technical fund 2020 | Shareholder's non-technical fund 2020 | Total 2020 |
|---|--|---|--|----------------|
| Assets | | | | |
| <u>Debt securities</u> | | | | |
| Government: | | | | |
| < 6 months | 33,907 | — | 3,437 | 37,344 |
| 6 months to 1 year | 5,454 | — | — | 5,454 |
| 1 year to 2 years | 5,679 | — | — | 5,679 |
| 2 years to 5 years | 4,207 | — | 3,955 | 8,162 |
| > 5 years | 192,373 | 4,458 | 866 | 197,697 |
| Non-government: | | | | |
| > 5 years | 17,318 | — | — | 17,318 |
| <u>Shares and mutual funds:</u> | | | | |
| Relating to equity exposure | — | — | — | — |
| Relating to debt exposure | — | — | — | — |
| <u>Derivative financial instruments</u> | 1,700 | — | — | 1,700 |
| | 260,638 | 4,458 | 8,258 | 273,354 |
| Cash and cash equivalents | 22,552 | 538 | 13,364 | 36,454 |
| Tangible assets | — | 42 | — | 42 |
| Debtors: | | | | |
| Debtors - profit commission | — | — | — | — |
| Debtors - reinsurers | 266,526 | — | — | 266,526 |
| Debtors - other | 1,097 | 273 | 60 | 1,430 |
| Total assets | 550,813 | 5,311 | 21,682 | 577,806 |
| Liabilities and equity | | | | |
| Policyholders' liabilities: | | | | |
| Reserves for non-linked contracts | 227,976 | — | — | 227,976 |
| Creditors - reinsurance | 282,063 | — | — | 282,063 |
| Creditors - other | 2,106 | 5,311 | (6,646) | 771 |
| Expense and mortality provisions | — | — | — | — |
| Total shareholder's funds | 8,344 | — | 28,328 | 36,672 |
| Reserve funds | 30,324 | — | — | 30,324 |
| Total liabilities and equity | 550,813 | 5,311 | 21,682 | 577,806 |

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Notes to the Financial Statements (continued)

26. 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, credit spread risk, currency risk, inflation rate risk, and equity price 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. However, the Company has entered into an IGR agreement with its shareholder, Monument Re Limited, which has transferred the interest rate risk for its discretionary participation contracts and the liabilities in respect of long term claims in relation to Risk-only contracts to the reinsurer.

The Shareholder may, if approved, take a proportion of the discretionary participation contracts' assets as a charge and therefore is sensitive to a change in interest rates.

The Shareholder's funds in the STF and SNTF are invested in cash, private credit funds, money market funds, index linked government bonds, and forward foreign exchange contracts, and have a limited interest rate risk.

In summary, the Company is exposed to unfavourable movements in interest rates as shown below:

| Sensitivity | Impact on | Change (EUR thousands) | |
|--|--|------------------------|------|
| | | 2021 | 2020 |
| 1% parallel increase in interest rates | Shareholder charge | 195 | 203 |
| | Profit and loss due to Shareholder in the STF and SNTF | 184 | 599 |

Management deem the likelihood of material charges being applied due to the low interest rate environment to be minimal.

(b) Credit spread risk

At the reporting date, the Company had exposure to holdings in a non-government bonds and ICAVs (internal Monument Group funds investing in infrastructure debt, private credit, residential mortgages, sovereigns and supranational agencies, and trade finance) in respect of its discretionary participation contracts. Movements in spreads impact the market value of these fixed interest assets. If these discretionary participation contracts were not sufficiently funded the Shareholder would be obliged to meet the underlying guaranteed benefits. The Company has entered into an IGR agreement with its shareholder, Monument Re Limited and this has transferred the credit spread risk for its discretionary participation contracts to the reinsurer.

Exposure to credit spread risk 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 credit spread risk.

(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.

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Notes to the Financial Statements (continued)

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

b. Financial risk (continued)

(i) Market risk (continued)

(c) Currency risk (continued)

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. However, during 2021 the Company entered into foreign exchange forward contracts which are intended to materially offset this currency risk. The impact on the PVIF if Sterling had been 10% stronger against other currencies is given in Note 20.2. The Company incurs expenses in Sterling, but has a reporting currency of Euro and if Sterling had been 10% stronger against other currencies during the year, expenses for 2021 would have increased by approximately EUR 0.2M (2020: EUR 0.2M).

(d) Inflation rate risk

The Company is exposed to inflation rates being higher than expected, in particular wage inflation. The Company also holds some index linked UK government bonds in its SNTF. The impact on the Technical Provisions of changes in inflation is given in Note 20.2.

(e) Equity price risk

At the Statement of Financial Position date, the Company was exposed to a low level of equity price risk in respect of charges taken from linked liability insurance and investment contracts. The Company is not exposed to equity risk in respect of policyholder liabilities on these contracts because changes in the value of equity securities match the liability to the policyholders who bear the equity price risk under these contracts.

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 on-going 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 Monument Group Investments team and the Appointed Actuary.

There is no equity price risk for the Triple C Plan, Flex Plan, Save Invest Plan, Level Plan, Annuity Plan, and Pensions in Payment 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.

(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. Credit risk is monitored by the Investment Manager who provides the Group investment team with daily information. The Group investment team also receive investment information from other sources, for example BlackRock, and provide a weekly report to the Company which is reviewed by Senior Management. The Group investment team also provide an update to the Board quarterly and the Board approves any change to the 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. Additionally, the Group investment team monitor rating transitions for assets held and report on this weekly. 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.

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

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

b. Financial risk (continued)

(ii) Credit risk (continued)

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 ICAVs, 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.

The Company has entered into an IGR agreement with its shareholder, Monument Re Limited, which transferred the credit risk for its discretionary participation contracts and the liabilities in respect of long term claims in relation to Risk-only contracts to the reinsurer.

Reinsurance is also 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.

In respect of the IGR, collateral is held as required by the IGR framework, which has the effect of reducing the exposure of the Company to the risk of the reinsurer defaulting.

The STF and SNTF are exposed to credit risk in respect of amounts due from UK government bonds, and banks, and a holding in the Private Credit ICAV. 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 and 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 and 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 on-going 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 and transfer to another.

Overall, the concentration of credit risk is substantially unchanged compared to the prior year. There have however been some notable changes to the assets held as a result of the implementation of an updated investment strategy approved when the IGR was entered into. The discretionary participation assets now include a greater exposure to supranational bonds, corporate bonds, and ICAVs. However, as noted above, the IGR agreement transferred the credit risk for its discretionary participation contracts to the reinsurer. 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 the derivative financial instruments.

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Notes to the Financial Statements (continued)

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

b. Financial risk (continued)

(ii) Credit risk (continued)

The assets bearing credit risk as at 31 December 2021 and 31 December 2020 are summarised below together with analysis by credit rating taken from ratings agencies approved by the Commission:

| EUR thousands | Non-linked liability contracts | Shareholder's technical fund | Shareholder's non-technical fund | Total |
|---|--------------------------------|------------------------------|----------------------------------|----------------|
| | 2021 | 2021 | 2021 | 2021 |
| Debt securities including accrued interest | 179,061 | — | 5,343 | 184,404 |
| Mutual funds and shares relating to debt securities | 42,147 | — | 1,896 | 44,043 |
| Mutual funds and shares relating to equity exposure | — | — | — | — |
| Derivative and financial instruments | (1,593) | — | 237 | (1,356) |
| Assets arising from insurance contracts | — | — | — | — |
| Assets arising from profit commissions | — | — | — | — |
| Assets arising from reinsurance contracts | — | — | — | — |
| Assets arising from other debtors | 241,033 | 3,852 | 45 | 244,930 |
| Cash at bank and in hand | 37,480 | 944 | 4,984 | 43,408 |
| Total assets bearing credit risk | 498,128 | 4,796 | 12,505 | 515,429 |
| AAA | 98,617 | — | — | 98,617 |
| AA | 86,334 | — | 5,343 | 91,677 |
| A | 41,654 | 944 | 4,984 | 47,582 |
| BBB | — | — | 237 | 237 |
| Below BBB or not rated | 271,523 | 3,852 | 1,941 | 277,316 |
| Total assets bearing credit risk | 498,128 | 4,796 | 12,505 | 515,429 |

| EUR thousands | Non-linked liability contracts | Shareholder's technical fund | Shareholder's non-technical fund | Total |
|---|--------------------------------|------------------------------|----------------------------------|----------------|
| | 2020 | 2020 | 2020 | 2020 |
| Debt securities including accrued interest | 258,938 | 4,458 | 8,258 | 271,654 |
| Mutual funds and shares relating to debt securities | — | — | — | — |
| Mutual funds and shares relating to equity exposure | — | — | — | — |
| Derivative and financial instruments | 1,700 | — | — | 1,700 |
| Assets arising from insurance contracts | — | — | — | — |
| Assets arising from profit commissions | — | — | — | — |
| Assets arising from reinsurance contracts | — | — | — | — |
| Assets arising from other debtors | 267,623 | 273 | 60 | 267,956 |
| Cash at bank and in hand | 22,552 | 538 | 13,364 | 36,454 |
| Total assets bearing credit risk | 550,813 | 5,269 | 21,682 | 577,764 |
| AAA | 206,499 | — | — | 206,499 |
| AA | 59,803 | 4,469 | 8,318 | 72,590 |
| A | 18,544 | 538 | 13,364 | 32,446 |
| BBB | — | — | — | — |
| Below BBB or not rated | 265,967 | 262 | — | 266,229 |
| Total assets bearing credit risk | 550,813 | 5,269 | 21,682 | 577,764 |

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Notes to the Financial Statements (continued)

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

b. Financial risk (continued)

(ii) 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 and supranational bonds and also invest in investment-grade corporate bonds, and ICAVs. The liquidity of ICAVs is restricted as notice for redemption is limited to either once or twice per month on the days the ICAV is valued. However, it may be possible to arrange for a redemption on other dates if urgently required. 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 predominately 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.

c. Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. This definition is intended to include all risk exposures to which the Company is exposed, other than the financial and strategy risks considered elsewhere. Operational risks include outsourcing arrangements to external providers, information security, legal, regulatory, fraud, and people risks.

The main operational risks of the Company are:

- Incorrect processing of manual policy administration (with regards to invoicing, pricing, underwriting, etc.);
- Key-man risk for certain specialist staff roles;
- Outsourcing Service Providers not meeting their requirements and contractual obligations in relation to service quality and reliability, security and business continuity;
- Risk of legal disputes arising from historical policy contracts;
- Systems downtime due to power outages or other infrastructure vulnerabilities; and
- Staff home-working as a result of COVID-19 pandemic, which introduces additional operational risks.

The Company monitors and controls operational risks using the following methods:

- Regular Risk and Control Self-Assessment process;
- Event and issue management process, root cause analysis and learning from adverse experience;
- Oversight exercised by Internal Audit, Risk Management, and Compliance functions; and
- Key person risk is mitigated by succession planning.

Technical measures such as firewalls and access restrictions have been established in order to protect systems and are periodically tested. A business continuity plan is in place and tested annually for effectiveness.

d. Group risk

Group Risk is the risk of loss or other adverse impact on the Company arising from financial or non-financial relationships between entities within the Group. This includes reputational, contagion, accumulations, concentration, and intra-Group transaction risk.

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Notes to the Financial Statements (continued)

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

d. Group risk (continued)

Risk reporting at Group level mitigates the risk of unidentified risk accumulations or concentrations. Significant commonality of Board composition mitigates the risk of lack of awareness or communication of activity in different parts of the Group. Intra-group transaction risks are mitigated by close scrutiny of intra-group transactions including external specialist input where appropriate. Conflicts would be managed in accordance with the Group's conflicts of interest policy. The IGR framework the Company has adopted means that collateral in respect of risk ceded to Group companies and this has the effect of reducing the exposure of the Company to the risk of the reinsurer defaulting.

e. Strategic risk

Strategic risk is the risk that the business will fail to identify and react appropriately to opportunities and threats arising from changes in the market.

The main strategic risks of the Company are:

- Inability to run off the existing legacy book of policies efficiently and maintain high quality customer service to clients; and
- Lack of opportunities and/or lack of success in consolidating books of life assurance operations across the Crown Dependencies.

The Company mitigates and controls strategic risk as follows:

- Risk Policy imposing requirements for strategic risk management;
- Board members with broad experience and deep industry knowledge;
- Rigorous due diligence process led by internal experts with support from external specialists as required;
- Detailed integration planning assisted by internal experts with experience in consolidating books of long-term insurance operations;
- Emerging risk analysis and reporting; and
- Strategic risks are measured qualitatively.

f. Sustainability risk

Sustainability risk is the risk of loss or other adverse impact on the Company arising from environmental, social and governance ("ESG") risks, or the risk of adverse social or environmental externalities arising from the activities of the Company.

Sustainability risk has been incorporated into the Company's risk management framework. ESG limits are included in the Company's investment policy, and monitoring processes are in place to measure exposure relative to those limits.

The Company promotes corporate and social responsibility.

27. 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 provides life and disability risk cover on a small proportion of the discretionary participation contracts. 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 ranged from 95% and above.

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.

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

27. Management of insurance risk (continued)

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, 2021 (“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 best estimate liabilities excluding unit reserves for linked liabilities and the reserves for future discretionary benefits in the discretionary participation contracts.

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 BMA 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”). 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.

The Company last issued an ORSA report prepared as at 30 June 2021. The ORSA report was submitted prior to 31 December 2021.

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 BMA approach 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 Board have determined that 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 EUR 20,793,000 (2020: EUR 36,351,000).

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

The Company has not included the value of any 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.

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Notes to the Financial Statements (continued)

27. Management of insurance risk (continued)

Restrictions on available capital resources (continued)

The Company's total available capital resources as at 31 December 2021 and 31 December 2020 are summarised below:

| Capital statement table — 2021 EUR thousands | Discretionary participation contracts | Other life business | Life business shareholder's funds | Total life business |
|---|---|------------------------|---|------------------------|
| Shareholder's funds | | | | |
| Distributable equity reserve | — | — | 20,793 | 20,793 |
| | — | — | 20,793 | 20,793 |
| Other qualifying capital | | | | |
| Fund for future appropriations | 26,339 | — | — | 26,339 |
| Total available capital resources | 26,339 | — | 20,793 | 47,132 |
| MCR | — | — | 6,271 | 6,271 |
| Overall surplus capital over MCR | 26,339 | — | 14,522 | 40,861 |
| PCR | — | — | 8,618 | 8,618 |
| Overall surplus capital over PCR | 26,339 | — | 12,175 | 38,514 |
| Analysis of policyholders' liabilities | | | | |
| Discretionary participation contracts | 203,104 | — | — | 203,104 |
| Risk-only contracts | — | 2,501 | — | 2,501 |
| Unit-linked | — | 258,101 | — | 258,101 |
| Risk margin | — | — | 3,127 | 3,127 |
| Total technical liabilities | 203,104 | 260,602 | 3,127 | 466,833 |

| Capital statement table — 2020 EUR thousands | Discretionary participation contracts | Other life business | Life business shareholder's funds | Total life business |
|---|---|------------------------|---|------------------------|
| Shareholder's funds | | | | |
| Distributable equity reserve | — | — | 36,351 | 36,351 |
| | — | — | 36,351 | 36,351 |
| Other qualifying capital | | | | |
| Fund for future appropriations | 30,324 | — | — | 30,324 |
| Total available capital resources | 30,324 | — | 36,351 | 66,675 |
| MCR | — | — | 6,760 | 6,760 |
| Overall surplus capital over MCR | 30,324 | — | 29,591 | 59,915 |
| PCR | — | — | 10,120 | 10,120 |
| Overall surplus capital over PCR | 30,324 | — | 26,231 | 56,555 |
| Analysis of policyholders' liabilities | | | | |
| Discretionary participation contracts | 252,790 | — | — | 252,790 |
| Risk-only contracts | — | 3,199 | — | 3,199 |
| Unit-linked | — | 228,932 | — | 228,932 |
| Risk margin | — | — | 3,301 | 3,301 |
| Total technical liabilities | 252,790 | 232,131 | 3,301 | 488,222 |

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

27. Management of insurance risk (continued)

Restrictions on available capital resources (continued)

The movement in the Company's available capital resources for the years 2021 and 2020 are summarised below:

| Movement in capital resources - 2021 | | | |
|---|--|--|----------------------------|
| EUR thousands | Discretionary participation contracts | Other life business and shareholder's funds | Total life business |
| Balance at 1 January 2021 | 30,324 | 36,351 | 66,675 |
| Effect of exchange rate variations | (738) | (235) | (973) |
| Effect of investment variations | (9,442) | 212 | (9,230) |
| Effect of changes in assumptions | 5,344 | (2,221) | 3,123 |
| Fund charge | (1,828) | 1,828 | — |
| Surplus distribution | (1,674) | — | (1,674) |
| Other factors | 4,353 | (142) | 4,211 |
| Payment of ordinary dividends | — | (15,000) | (15,000) |
| Balance at 31 December 2021 | 26,339 | 20,793 | 47,132 |

| Movement in capital resources - 2020 | | | |
|---|--|--|----------------------------|
| EUR thousands | Discretionary participation contracts | Other life business and shareholder's funds | Total life business |
| Balance at 1 January 2020 | 68,410 | 34,387 | 102,797 |
| Effect of exchange rate variations | (1,792) | (499) | (2,291) |
| Effect of investment variations | 16,672 | 141 | 16,813 |
| Effect of changes in assumptions | (49,971) | 350 | (49,621) |
| Fund charge | (1,983) | 1,983 | — |
| Surplus distribution | (1,663) | — | (1,663) |
| Other factors | 651 | (11) | 640 |
| Payment of ordinary dividends | — | — | — |
| Balance at 31 December 2020 | 30,324 | 36,351 | 66,675 |

Capital management policies and objectives

The Company requires that sufficient capital is held to meet 165% of its PCR and also that sufficient capital is held to meet its OSCA.

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 risks:

- 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.
- 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. The Company has entered into a Mass Lapse reinsurance agreement to cede some of its Surrender risk.
- 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. The Company has entered into an IGR agreement that cedes its longevity risk to the reinsurer.

Nordben Life and Pension Insurance Co. Limited Annual Report

Notes to the Financial Statements (continued)

27. Management of insurance risk (continued)

Capital resource sensitivities (continued)

- d) 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 and through the IGR 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, and purchasing reinsurance.

28. Events after the reporting date

At the date of signing this report the Company recognises that the COVID-19 pandemic and the invasion of Ukraine by Russia are ongoing matters. The Company continues to monitor the situations and follow local government guidelines. However, the Company has not been materially affected (financially nor operationally) by the pandemic nor the invasion of Ukraine and we do not believe that either ongoing matter will result in a materially adverse effect on our ability to maintain operations and meet obligations as they fall due.

During 2021, consolidation options available for Monument Group's Crown Dependencies life entities, the Company and Monument International Life Assurance Company Limited ("MILAC"), a sister company, was assessed. In January 2022, the Board approved in principle a Scheme of Transfer of all the Company's insurance business to MILAC, which is subject to review by an Independent Actuary and the Commission, and an order of the Royal Court being made. If the Scheme of Transfer is effected, the Company will provide temporary insurance administration support to MILAC under a transitional services agreement, conditional upon the Commission granting Nordben an exemption from the requirement to hold a licence under the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. Once the insurance administration has been migrated to MILAC, it is anticipated that the Company will be liquidated soon after.

29. Approval of financial statements

The Financial Statements were approved by the Board on 13 April 2022.