Solvency and Financial Condition Report 2016

Nordea Life Holding AB

Contents

Introduction

The European regulatory framework Solvency II, entered into force on 1 January 2016. The Solvency II regulation introduces a harmonised prudential framework for insurance firms in the EU.

Nordea Life Holding AB calculates a Group solvency position by applying the Solvency II standard formula as defined in the Solvency II regulation. The calculation of the Group solvency position takes into account a volatility adjustment applied in the Danish, Finnish and Norwegian subsidiary, transitional measures for technical provisions applied in the Norwegian subsidiary and transitional measures for equity risk applied in all the Nordic subsidiaries. In addition the calculation takes into account that the occupational pension business within the Swedish subsidiary is subject to the Solvency I capital requirement.

In accordance with the Solvency II regulation Nordea Life Holding AB publishes this Solvency and Financial Condition Report. Solvency and Financial Condition Reports are also available for each of the Nordic subsidiaries within the Nordea Life and Pensions Group.

The purpose of this report is to deliver information to customers and other stakeholders promoting comparability and transparency regarding the business, performance, governance, risk profile, solvency and capital management of the Nordea Life and Pensions Group. The structure of this report adheres to the structure set out in annex XX of the Solvency II delegated regulation (EU) 2015/35.

All amounts in the text of this report are presented in millions of euros, whereas amounts in tables and figures are reported in thousands of euros in accordance with regulation.

On 15 May 2017 the Board of Directors of Nordea Life Holding AB approved this Solvency and Financial Condition Report for publication.

Summary

Nordea Life and Pensions is an insurance group and a leading provider of life and pension products in the Nordic countries with total assets under management of EUR 65.7bn and gross written premiums of EUR 6.5bn at end December 2016.

Nordea Life and Pensions is part of the Nordea banking group and has in place a system of governance based on the overall governance framework of Nordea Bank AB and additional governing documents to cover the life and pensions business.

The risk and capital management process is integrated across Nordea Life and Pensions to ensure that sufficient capital is available to cover all risks taken over the business planning period.

Through the life and insurance activities Nordea Life and Pensions is exposed to a variety of risks. These include underwriting, market, credit, liquidity, operational, business and strategic risks. The two largest risks in terms of contribution to the solvency capital requirement are market risk and underwriting risk.

As part of the risk and capital management process Nordea Life and Pensions performs various stress and scenario tests both overnight and over the business planning period. The results prove that Nordea Life and Pensions has a strong capital position and is resilient even towards more severe stress scenarios.

With a solvency position of 159% at end December 2016 Nordea Life and Pensions has a comfortable level of eligible own funds covering the solvency capital requirement ensuring that Nordea Life and Pensions is able to fulfil its obligations to its customers.

In November 2016 it was announced that the customer-owned Foreningen NLP would purchase 25% of the share capital in the subsidiary in Denmark, Nordea Liv & Pension. The transaction was completed on 10 January 2017 effectively making the customers co-owners of Nordea Liv & Pension.

A Business and Performance

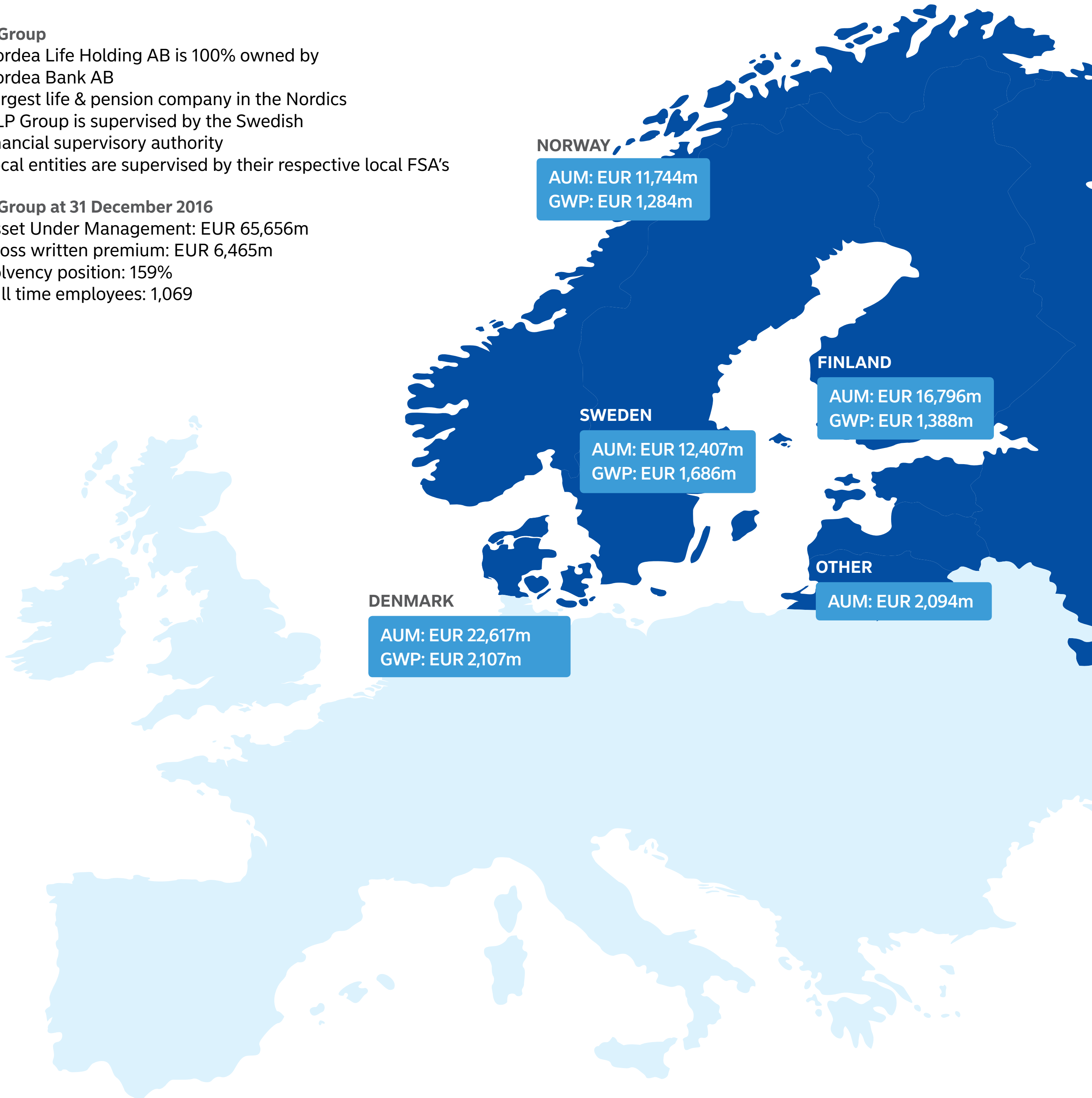
A Business and performance

Nordea Life and Pensions (NLP) is a leading provider of life and pension products in the Nordic countries. The business strategy is set at a local entity level adhering to the overall NLP strategy of being a market return company with a focus in the Nordics.

Figure A1 NLP Group overview, 31 December 2016

NLP Group
- Nordea Life Holding AB is 100% owned by Nordea Bank AB
- Largest life & pension company in the Nordics
- NLP Group is supervised by the Swedish financial supervisory authority
- Local entities are supervised by their respective local FSA's

NLP Group at 31 December 2016
- Asset Under Management: EUR 65,656m
- Gross written premium: EUR 6,465m
- Solvency position: 159%
- Full time employees: 1,069



A1 Business

Legal structure

At 31 December 2016 Nordea Life Holding AB (NLH AB) fully owned seven local subsidiaries in Denmark (NLP-DK), Finland (NLP-FI), Norway (NLP-NO), Sweden (NLP-SE), Poland, Estonia and Latvia. In November 2016 it was communicated that the customer-owned Foreningen NLP would purchase 25% of the share capital in NLP-DK, opening up for a unique opportunity to serve mutual interests of customers and NLP-DK. The Danish financial supervisory authority approved the transaction on 22 December 2016. The transaction was completed on 10 January 2017.

NLH AB is a 100% owned subsidiary of Nordea Bank AB. Both NLH AB and Nordea Bank AB are domiciled in Sweden.

NLP's business predominantly focuses on the Nordic region. The subsidiaries in Poland, Estonia and Latvia conduct their business as fund managers. The subsidiaries in Poland and the Baltics are fully consolidated in the financial statement whereas in the Solvency II balance sheet they are reported as participations. A process to sell the business in Poland and the Baltics was initiated in 2016, for more information see section A5 "Any other information".

Business Composition

The life and pensions business of NLP generally consists of a range of different life and health products, from endowments with a duration of a few years, to very long-term pension savings contracts with durations exceeding 40 years.

Total assets under management (AuM) were EUR 65,656m and gross written premiums (GWP) were EUR 6,465m at 31 December 2016. The year-on-year progression of AuM, and GWP in the past year is shown in Table A1.1. AuM increased by 8% in 2016, and GWP decreased by 20% mainly driven by a decrease of GWP in NLP-FI. The legal operating profit was EUR 428m up 10% from 2015.

Table A1.1 Key financials for NLP

EURk	31 Dec 2016	31 Dec 2015	Change
AuM	65,656,412	60,614,280	8%
Total GWP	6,465,063	8,058,333	−20%
Insurance with profit participation	582,977	757,048	−23%
Index-linked and unit-linked insurance	5,563,597	6,985,076	−20%
Other life insurance	223,052	212,335	5%
Health insurance (direct business)	81,303	90,845	−11%
Non-Life	14,134	13,030	8%
Legal operating profit	427,746	390,045	10%

For all Nordic subsidiaries, the index-linked and unit-linked contracts (unit-linked savings products) constitute the majority of the total GWP. This is in line with the overall strategy of being a market return company.

The distribution channels vary by country with a combination of own sales force, external distribution partners and the Nordea Bank branch network.

Material operations and transactions within the Group

Subordinated loans from NLH AB to the subsidiaries represent an amount equivalent to EUR 722m at 31 December 2016.

NLP has established a shared cost agreement to cover the costs of the establishment of the Life Group Function, further described in section B1 "General information on the system of governance".

For material transactions within NLP see section B1 "General information on the system of governance".

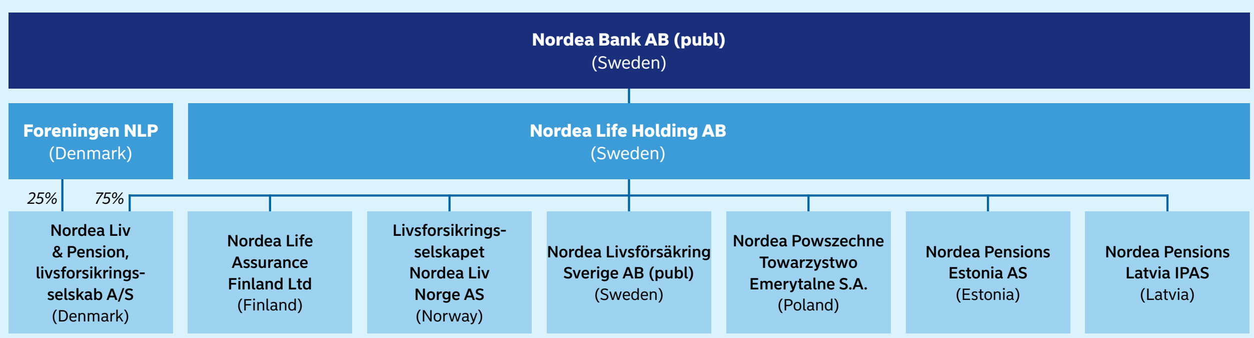
Financial supervisory authority and external audit

NLH AB is the ultimate parent insurance holding company and is located in Sweden. NLH AB is under group supervision headed by the Swedish Supervisory Authority, Finansinspektionen[1].

Table A1.2 Gross written premiums for the Group by line of business

EURk	Denmark	Finland	Norway	Sweden	Group
Insurance with profit participation	357,214	26,976	125,597	73,190	582,977
Index-linked and unit-linked insurance	1,624,293	1,313,797	1,044,492	1,581,016	5,563,597
Other life insurance	111,137	47,307	32,985	31,623	223,052
Health insurance (direct business)	14,162	–	67,141	–	81,303
Non-life	–	–	14,134	–	14,134
Total GWP	**2,106,806**	**1,388,080**	**1,284,348**	**1,685,829**	**6,465,063**

Figure A1.1 Legal structure of NLP at 10 January 2017



Further details on the organisation of the subsidiaries are provided in Appendix 2.

1) Finansinspektionen, Box 7821, SE-103 97 Stockholm, Sweden, Visiting address: Brunnsgatan 3, Stockholm, E-mail: finansinspektionen@fi.se or firstname.lastname@fi.se, Tel.: +46 8 408 980 00 (switchboard), Fax: +46 8 24 13 35.

Each local entity within NLP is under the supervision of the local financial supervisory authorityauthority in each country.

The external auditor of NLP is Öhrlings PriceWaterhouse Coopers AB[2].

A2 Underwriting performance

The underwriting performance at an aggregated level is reflected by the gross written premiums for each line of business compared with the claims and expenses as shown in table A2.1.

Insurance with profit participation (participating savings products) show a net outflow of EUR 994m and unit-linked insurance show a net inflow of EUR 2,811m. New contracts are mainly issued in unit-linked savings products. The business lines other life insurance and health insurance show a solid performance as claims and expenses are significantly lower than the premiums.

A3 Investment performance

The investment returns shown in table A3.1 are aggregated across NLP's local subsidiaries and across product types. Across the Group, the majority of investment return came from equity exposure mainly towards the Nordic domestic markets and developed markets. Return on bonds and interest rate derivatives were driven in particular by Danish and Norwegian interest rate trends.

Securitisation

NLP does not invest directly in securitised credit structures, but has exposure through credit fund managers. At year-end 2016 NLP invested in four credit funds, of which two are in the process of being divested.

A4 Performance of other activities

No other significant activities were undertaken in 2016.

A5 Any other information

In June 2016 an agreement to take over Nordea's pension fund in Poland was signed by Aegon Europe Holding B.V., pending approval by the Polish financial supervisory authority.

Furthermore, in August 2016 Nordea Bank AB entered into an agreement with DNB to combine their operations in the Baltic region to create a leading main bank in the Baltics with strong Nordic roots. NLP therefore expects to transfer its business in the Baltics to the new company during 2017.

Table A2.1 Underwriting performance

EURk	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Health insurance (direct business)	Non-life	Total 2016	Total 2015
Gross written premium	582,977	5,563,597	223,052	81,303	14,134	6,465,063	8,058,333
Claims and expenses	1,577,210	2,752,609	157,828	58,262	9,871	4,548,730	4,726,592

Table A3.1 Investment Performance

EURk	31 Dec 2016	31 Dec 2015
Return on bonds	482,076	175,408
Gain/loss on interest rate derivatives	294,846	–276,897
Other interest expenses	–214,045	–341,246
Adjustment to market value	187,492	209,721
Total return on interest bearing securities	**750,369**	**–233,014**
Gain/loss on foreign exchange derivatives	–23,488	–285,222
Currency gain/loss on deposits	6,442	34,160
Other interest income	216,251	414,674
Return on deposits and derivatives	**199,205**	**163,612**
Return on shares	1,632,779	1,353,137
Return on pension funds	188,624	–89,830
Gain/loss on equity derivatives	–51,150	–45,412
Total return on shares	**1,770,253**	**1,217,895**
Gain/loss on private equity	19,170	173,195
Gain/loss on hedge funds	9,437	35,613
Gain/loss on high yield bonds	36,165	77,638
Gain/loss on structured credit	22,439	819
Gain/loss on other alternative investments	262	326
Return on alternative investments	**87,473**	**287,592**
Return on investment properties	**237,180**	**166,634**
Total investment return	**3,044,480**	**1,602,718**

Note: The table shows the overall investment performance in absolute numbers. The numbers from the different countries have been aligned to the accounting standards used on a group level. The table shows aggregated numbers for all countries and all products.

2) Öhrlings PriceWaterhouseCoopers AB, 113 97 Stockholm, Visiting address: Torsgatan 21, 113 21 Stockholm , Tel.: +46 10 212 40 00, Fax: +46 10 214 30 00.

B System of Governance

B System of governance

B1 General information on the system of governance

Overall governance at NLP
NLP is governed overall by the Nordea Group Directives, NLP Group policies, NLP's Risk Appetite Framework (RAF), policies and instructions. The local entities have additional policies, guidelines, processes and procedures in place as needed to comply with local legislation and local business requirements.

The Board of Directors of NLH AB (the Board) and the Boards of the local subsidiaries bear overall responsibility for NLP's operations. The Board ensures that NLP's organisational structure is justified and transparent with a clear division of duties and areas of responsibility ensuring effective and sound governance.

Board of Directors
The Board bears the responsibility for overseeing a robust and comprehensive governance structure and for ensuring the effectiveness of the risk management system and control framework.

The Board ensures that NLP's organisational structure is appropriate and transparent with a clear allocation of functions and areas of responsibility that ensure sound and efficient governance, and enable supervisors to conduct efficient supervision. Furthermore, the Board ensures that NLP's organisation in respect of accounting, management of funds, and the financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained.

To ensure segregation of duties and allocation of responsibilities to the Head of NLP (Group CEO), the Board has set and approved instructions for the Group CEO which clearly define the areas of responsibility and obligations in relation to the Board.

The Board has decided not to appoint any committee within the Board.

Life Executive Management Group
The Group CEO ensures the executive management of the company in accordance with the instructions and orders issued by the Board. The Group CEO ensures that the accounts of the company comply with the law and that its financial affairs have been reliably arranged. The Group CEO supplies the Board with the information necessary for the Board to perform its duties.

The strategic direction for NLP across the group is set by the Life Executive Management Group ("LEMG"). The forum also shares best practice across the group and acts as a steering committee for strategic initiatives. LEMG consists of the Group CEO, the CEOs of the four Nordic countries, the Head of Group Risk Office (Group CRO), the Head of Finance (Group CFO), the Head of Business support, the Head of Investments (Group CIO), the Wealth Management People Business Partner and the Wealth Management IT representative.

Life Group Functions
In organisational terms, NLP has decided to establish a global unit that supports the local entities in reporting, monitoring, IT, investment, compliance and risk management. As part of the Life Group Function, the People Business Partner is responsible for the strategic people agenda within NLP.

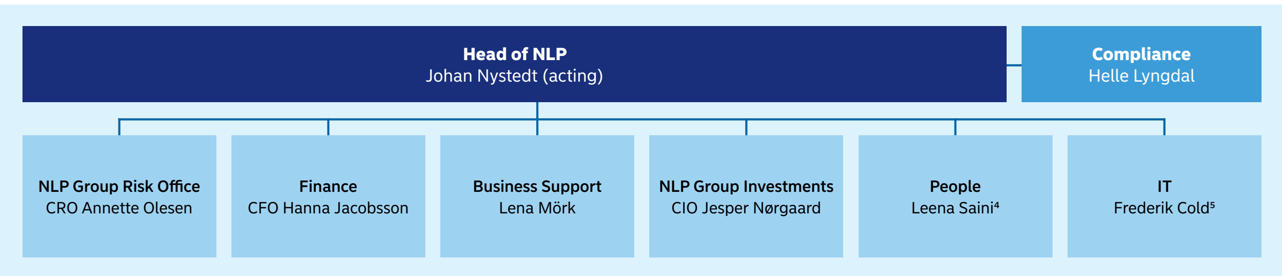
The organisation and reporting lines of the Life Group Functions are shown in Figure B1.1.

NLP Group Risk Office
The NLP Group Risk Office is headed by the NLP Group CRO who bears overall responsibility for risk management as well as capital management in terms of modelling, assessments and monitoring at the NLP Group level. The NLP Group CRO is overall responsible for the Group Risk Management Function.

Independence of the NLP Group CRO is ensured by dual reporting lines, one to the NLP Group CEO and one to the Nordea Group CRO. The NLP Group CRO attends all regular NLH Board meetings. The NLP Group CRO also has the possibility of communicating directly with the Board on his/her own initiative.

Independence of the Local Risk Management Functions is ensured by local CROs having dual reporting lines, one to the NLP Group CRO and one to the local CEO or executive man-

Figure B1.1 Life Group Function[3]



3) Nordea Life & Pensions was headed by Nils Bolmstrand at 31December 2016. Nils Bolmstrand was appointed new head of Asset Management as of 1 January 2017 at the same time the Swedish CEO, Johan Nystedt, was appointed acting head of NLP in parallel with his position as head of NLP-SE.

4) Reporting line is to Head of People WM and dotted line to Head of NLP.

5) Reporting to Head of WMO IT Solutions , dotted line to Head of NLP.

agement. Coordination between the Group Risk Office and the local Risk Management Functions is facilitated through a CRO Forum, operational risk and internal control working group and various committees.

Finance

Finance is headed by the NLP Group CFO who reports to the NLP Group CEO and has overall responsibility for the finance area. NLP Group Finance coordinates all contact with the Nordea Group related to finance queries and financial reporting. Within the NLP Group Finance Function a Data Management team is established covering development and improvement of the NLP Solvency II data warehouse, NLP Solvency II reporting platform and Data/IT processes in the NLP Solvency II set-up.

Local CFOs have dual reporting lines one to the local CEO and one to the NLP Group CFO.

Business Support

Head of Business Support has overall responsibility for driving a global NLP programme with the aim of establishing an efficient assurance system and for implementing new regulations within the Group. The Head of Business Support reports to the Group CEO.

NLP Group Investments

NLP Group Investments is headed by the Group CIO who has overall responsibility for the Liability Driven and Market Return investment processes within NLP. The Group CIO reports to the NLP Group CEO. Within NLP Group Investments a Global Investment Operations unit is established. The unit covers all investment operations-related processes e.g. trade execution, middle office, back office and settlement processes. Furthermore, it is responsible for operational governance and due diligence in the investment operation process. The head of Investment Operations chairs the investment operations committee which is established to ensure that operational requirements are taken into consideration when making new investments and for existing investments if there is change in the operational requirements.

Local CIOs have dual reporting lines, one to the Group CIO and one to the local CEO. The Group CIO chairs the Nordic Investment Committee (NICO), of which local CIOs are members. NICO is a joint forum supporting the Group CIO in managing the NLP investment process.

IT and People

IT at NLP is part of the Nordea Bank IT platform. IT is headed by the Head of Wealth Management IT. Local IT officers have dual reporting lines, one to the Head of Wealth Management IT and one to the local business owner.

The Nordea Group People Organisation is responsible for implementing and facilitating the HR processes within NLP. The People organisation consists of the People Business Partner within NLP and Nordea Group People units. The People Business Partner is responsible for the strategic People agenda within NLP and is part of the Wealth Management People organisation, with a reporting line to the Head of Wealth Management People. The Group People units, such as Talent Acquisition, People Direct and People Consultants support NLP on a local level. The subsidiaries in the Baltics and Poland are supported by local HR teams.

Solvency II key functions

The key functions Risk Management Function, Compliance Function and Actuarial Function are all an integral part of NLP's organisation. In organisational terms, the Group CRO and the Group Compliance Officer (CO) report to the Group CEO, whereas the Head of the Actuarial Function reports to the Group CRO.

In NLP internal audit is outsourced to and conducted by Nordea Group Internal Audit.

The roles and responsibilities as well as the implementation of the key functions are described in sections B3–B6.

Organisational and governance changes at NLP in 2016

The following changes to NLP's organisational set-up and governance were made in 2016:

- Management team of NLH AB:
  - New Group CEO, Nils Bolmstrand, started on 12 January 2016[6].
  - New Group Compliance Officer, Helle Lyngdal, started on 1 June 2016.
  - The role of the Group CFO was split into two. The new Group CFO, Hanna Jacobsson, started on 1 September 2016 and the new Head of Business Support, Lena Mörk, started on 22 August 2016.
- Committees:
  - The Balance Sheet Committee was established to enable an efficient use of capital within the NLP Group.
- Teams:
  - A new Global Investment Operations unit was established in NLP Group Investment on 1 March 2016.
  - A new Data Management team was established in the Finance Function on 1 June 2016
- Key organisational changes in local entities:
  - New CEO of NLP-SE started on 1 June 2016.
  - New CEO of NLP-NO started on 1 October 2016.
  - New CRO of NLP-DK started on 8 August 2016.
  - New CIO of NLP-SE started on 1 April 2016.
  - New COO of NLP-DK started on 1 January 2016.

Remuneration

The Board of Directors of Nordea Bank AB decides on the Remuneration Policy, based on an analysis of the potential risks involved, and ensures that it is applied and followed-up as proposed by the Nordea Bank Board Remuneration Committee. The Remuneration Policy is adopted by the Board of Directors of NLH AB.

The Remuneration Policy supports NLP's ability to recruit, develop and retain highly motivated, competent and performance-oriented employees. NLP offers competitive, but not market-leading compensation packages.

NLP has a total remuneration approach to compensation that recognises the importance of well-balanced but varied remuneration structures based on business and local market needs, and of compensation being consistent with and promoting sound and effective risk management, and not encouraging excessive risk-taking or counteracting NLP's long-term interests. NLP makes use of the following variable remuneration components:

- Profit Sharing aims to stimulate value creation for customers and shareholders and is offered to all employees of the Nordea Group. The performance criteria for the 2016 programme reflect the Nordea Group's long-term targets: Return on Capital at Risk, Return on Equity and Customer Satisfaction.
- One Time Payment can be granted to employees in the event of extraordinary performance that exceeds requirements or expectations, or in connection with temporary project work.
- Variable Salary Part is offered to selected managers and specialists to reward strong performance. Individual performance is assessed based on a predetermined set of well-defined financial and non-financial success criteria.

6) At December 2016 it was announced that Nils Bolmstrand was appointed new head of Asset Management as of 1 January 2017. The Swedish CEO, Johan Nystedt, was appointed acting head of NLP in parallel with his position as head of NLP-SE.

- Executive Incentive Programme may be offered to recruit, motivate and retain selected managers and key employees, and aims to reward strong performance and efforts. The programme contains predefined financial and non-financial performance criteria at Group, Business Area/Group Function/Division and Unit/individual level.

The Remuneration Policy does not include any supplementary pension or early retirement schemes for members of the Board or other key function holders.

Material transactions during the reporting period

A dividend payment of EUR 300m was made from NLH AB to Nordea Bank AB in 2016. Dividends of EUR 825m in total were distributed from the Finnish as well as the Danish subsidiary to NLH AB during 2016.

B2 Fit and proper requirements

NLP operates in accordance with the fit and proper requirements of Nordea Group as set out in the Policy for selecting and assessing the suitability of the CEO, Executive Vice Presidents and key function holders and in accordance with the specific requirements in the Instructions for fit and proper requirements at Nordea Life & Pensions.

In order to meet fit and proper requirements, a person needs to possess and demonstrate the requisite qualities that will allow him/her to perform the duties and shoulder the responsibilities of his/her position at the company. These qualities relate to the integrity demonstrated in personal behaviour and business conduct, soundness of judgement and a sufficient degree of knowledge, experience and professional qualifications.

The fit and proper assessments are carried out as a part of the recruitment process, which is conducted in accordance with the Nordea Recruitment Policy and on an ongoing basis as part of each employee's regular Performance and Development Dialogue.

The assessment process of whether the person is "fit" includes an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other businesses and shall take account of the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial and management skills of the person.

The assessment process of whether a person is "proper" includes an assessment of that person's honesty and financial soundness based on evidence regarding their character, personal behaviour and business conduct including any criminal, financial or supervisory aspects relevant for the purpose of the assessment.

B3 Risk management system including the own risk and solvency assessment

Overarching NLP risk management system and control framework

Risk and capital management at NLP is governed by principles and procedures stated in charters, policies, instructions and guidelines in effect throughout the organisation. All legal entities within NLP are subject to the same internal control and risk management environment.

The NLP Risk Management System and Control Framework is governed overall by the NLP Risk Management Strategy, the NLP Risk Management Policy, the NLP Risk Appetite Framework and Nordea Group Directives. It is operationally embedded through the key risk and capital management processes, regular reports to key stakeholders and additional instructions and documentation.

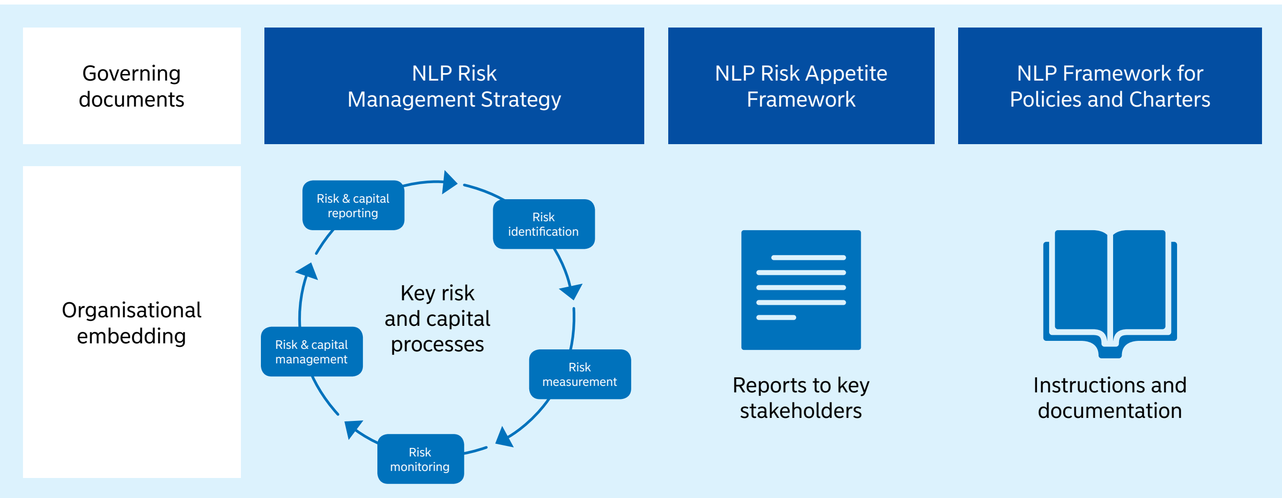
The NLP Risk Management System and Control Framework is underpinned by the Nordea Group Internal Control Framework, as set out in the Nordea Group Policy for Internal Control. This includes principles for the control environment in which the business operates, including a clear and transparent organisational structure, segregation of duties and application of the four-eyes principle. The internal control framework is further described in section B4 "Internal control system".

Risk culture

NLP adheres to the Nordea Group Internal Control Framework through setting clear roles and responsibilities and maintaining a transparent governance structure. NLP is committed to having in place a sound risk culture to support the successful implementation of the NLP Risk Management Strategy. Regular employee training, communication and appropriate incentives and rewards are initiatives taken to support a sound risk culture.

Under the Nordea Group Internal Control Framework, the business is responsible for its own daily proactive risk management, including raising issues as appropriate, and for operating the business within agreed limits. This includes putting effective controls into place and monitoring these controls.

Figure B3.1 NLP's risk management system and control framework



Risk Management Strategy

The NLP Risk Management Strategy is approved by the Board. The key principles underlying the NLP Risk Management Strategy are:

- Taking on risks that are within the NLP Risk Appetite Framework/limits/budget and return considerations, which can be understood, controlled, monitored and reported on. Risks beyond the scope of these considerations should be avoided
- Having a coherent and consistent global/local NLP risk management system and control framework
- Having a Risk Management Function that acts as a risk partner for the business
- Meeting future regulatory requirements that affect the management of risk and capital

Risk appetite

The Board is ultimately responsible for the overall risk appetite of NLP and for deciding on principles for how risk appetite should be managed.

The starting point for defining NLP's risk appetite is the overall business strategy and the available capital base. The Risk Appetite Framework (RAF) considers key risks relevant to NLP and is on an aggregated level represented in terms of financial risk, insurance risk, business risk, operational risk, solvency and compliance risk.

For each type of risk, overall lines and limits are cascaded to the local entities and are further delegated within the entities as appropriate. Further lines and limits exist in local entities as required by legislation or for business reasons.

The Risk Appetite Framework is updated at least annually to ensure the adequacy and effectiveness of the risk management strategies.

Risk management process

NLP has in place a consistent and coherent risk and capital management process which includes activities for identifying, measuring, monitoring, managing and reporting on risks and it's capital implications.

Risk identification

Risk identification is embedded within the business and risks are identified through top-down as well as bottom-up processes. As part of the top-down assessments emerging risks as well as strategic risks are covered. The bottom-up processes include but are not restricted to Risk Control Self-assessment, Risk identification and assessments as part of Change Risk Management Approvals.

Risk Measurement

Risk measurement is carried out on a quantitative and/or qualitative basis to estimate the likelihood and impact of the different types of risks. Methods used to measure risks include, but are not limited to:

- Exposure analysis.
- Stress and scenario testing.
- Expert judgements.
- Forward looking assessments.

Risk monitoring

Risks are monitored against risk appetite statements, lines and limits.

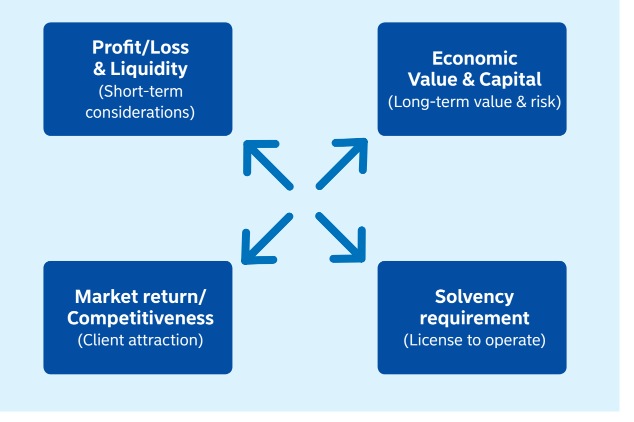
Risk Management

Risks are managed at all levels of the organisation both through strategic decision making and through daily management of the business. When managing the risks the identified risks are either accepted at the current risk level; avoided by eliminating the cause of the risk or managed by taking measures that either impact the likelihood or the impact of the event should the risk occur (e.g. reinsurance, hedging).

Risk reporting

Risk and capital reporting is carried out regularly to support the business decisions and to monitor/control that the business is in line with the risk appetite as well as existing lines and limits. The frequency of the different types of reports varies from weekly to annual reports. The audience depends on the report content and include reports for the risk organisation, the executive management in NLP, the NLH AB Board, NB AB and the supervisory authorities.

Figure B3.2 ALM square



Framework for risk and capital decision-making

The Asset Liability Management (ALM) square, in figure B3.2, is key to the implementation of NLP's risk management strategy in the day-to-day business. The ALM square sets out the various considerations that should be balanced when making business decisions at NLP in a short-term as well as long-term perspective, including competitiveness, legal requirements, profitability and capital requirements (including economic value and regulatory/solvency requirements).

Risk Management Function

The Global Risk Management Function is a key function under Solvency II and is a collective term for the Group Risk Management Function and the Local Risk Management Functions. Consistency and coherency in the risk management framework and methodology are ensured through the CRO Forum. The CRO Forum Charter sets out its purpose and scope.

The Risk Management Function provides risk input into business decision-making through decision-making bodies. At the NLP Group level, this occurs through the Group CRO providing independent risk advice to the Board and being a member of LEMG. In addition, the Group CRO is involved in the core decision-making meetings (global/local). At the local entity level, the Local CRO provides independent risk advice to the local Board.

Risk and capital management

The capital management process, as illustrated in figure B3.3, is intended to ensure that NLP has sufficient capital to cover all risks taken over the business planning period, including during periods of stress. The level of capital needs to be adequate from an internal and regulatory perspective.

The capital planning is based on key components of NLP's business plan/Rolling Financial Forecast (RFF). An active capital planning process ensures that NLP is prepared to make necessary capital arrangements regardless of the state of the economy, the introduction of new capital adequacy regulations and to accommodate strategic and business objectives. The process covers exposure to macroeconomic, business and emerging risks.

NLP's own solvency capital needs are assessed based on:

- NLP's risk profile compared to the underlying assumptions of the Solvency II standard formula
- Areas within the business which are not taken into account with the solvency capital requirement of NLP based on the Solvency II standard formula calculation

NLP's capital policy determines target capitalisation levels in NLP. The current capital position and capital policy are described in Section E "Capital management".

The outcome of the capital management process is included in the Risk & Capital Report, which is submitted to the supervisor as the Own Risk and Solvency Assessment (ORSA) report.

Frequency and timing of the ORSA report

The ORSA report is, at minimum, prepared on an annual basis and submitted to the Board for challenge and approval. The types of circumstances which could trigger the need for a non-regular ORSA report are set out in the NLP Own Risk and Solvency Assessment (ORSA) Policy.

Once approved, the ORSA report is submitted to the supervisor concerned within two weeks after Board approval. The outcome of the ORSA assessment is distributed to key stakeholders and the assessment is documented in an ORSA record.

Roles and responsibilities in the ORSA process

The Board plays an active part in the risk and capital management of NLP, including identifying risks, steering how the assessment is to be performed, challenging the results and ensuring that the results and conclusions are documented and communicated within the business. The Board's activities relating to the risk and capital processes, as well as the NLP Risk Management System and Control Framework, are further documented in the Board's annual wheel.

The business areas are involved in the assessment of appropriate scenarios to be tested, by identifying potential threats to the business and strategic scenarios.

Material intra-group outsourcing arrangements

Material intra-group outsourcing arrangements are described in section B7 "Outsourcing".

B4 Internal control system

NLP's internal control framework is governed by the Policy for Internal Control in the Nordea Group. The policy defines the basic principles for internal control comprising the internal control framework, the control environment and control processes. The components of the internal control framework are:

- control environment;
- risk assessment;
- control activities;
- information and communication; and
- monitoring (including reporting of findings and deficiencies).

This includes principles for the control environment in which the business operates including a clear and transparent organisational structure, appropriate segregation of duties and application of the four-eyes principle.

As part of an effective system of governance, NLP adheres to a "three lines of defence" model which forms the basis for a clear division of roles and responsibilities in the organisation. This is a key principle for the risk management system and internal control framework at NLP.

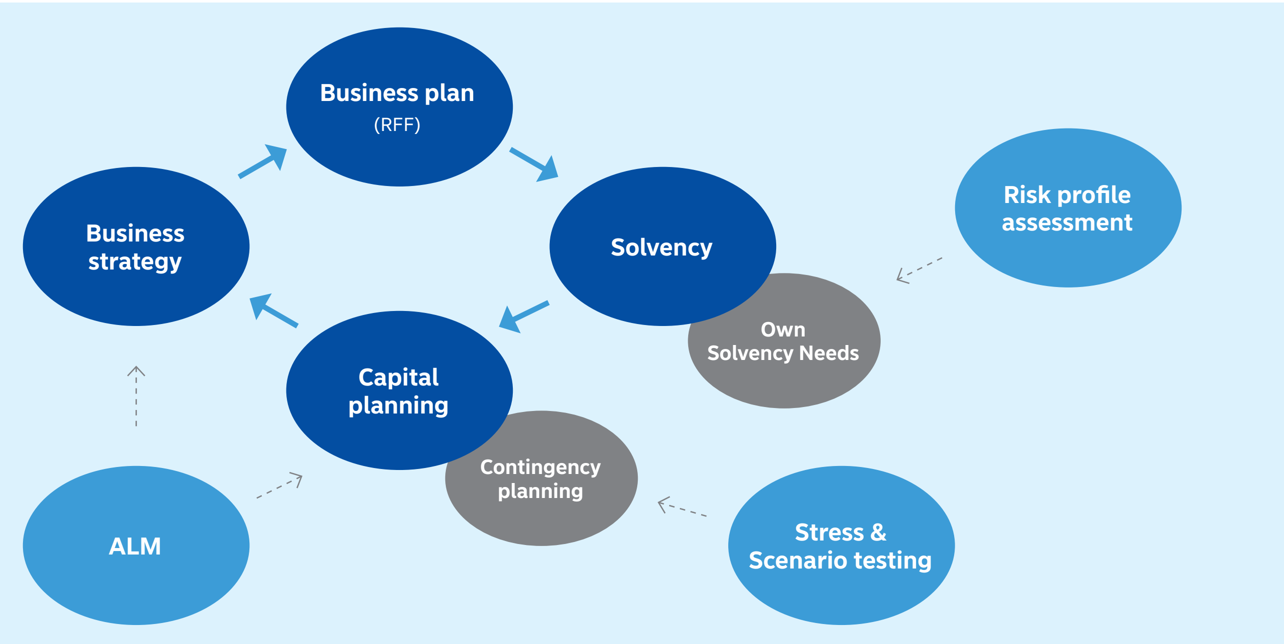
The first line of defence at NLP is represented by the business. The second line of defence is at NLP Group level represented by the following Life Group functions: Risk Management Function, Compliance Function and the Actuarial Function. The third line of defence is represented by Group Internal Audit (GIA).

Compliance Function

The Compliance Function at NLP (Group Compliance) is defined as an independent key function subject to Solvency II requirements but is at the same time organised as an integrated part of the Compliance Function in Nordea Group.

The Compliance Function in Nordea Group is organised into divisions covering all compliance risk types, with compliance divisions allocated to each Business Area. The purpose of the Compliance function is to add value to NLP and its stakeholders by providing an independent risk-based view on

Figure B3.3 Capital management process



compliance with laws, regulations, business principles, rules of conduct, good business practice and related internal rules applicable to NLP, by identifying compliance risks and by contributing to effective and efficient compliance risk management by the responsible risk owners.

The head of Group Compliance has a functional reporting line to the head of Wealth Management Compliance of the Nordea Group and a legal reporting line to the Group CEO and to the Board.

The Local Compliance Officers are employed locally and have a functional reporting line to the Head of Group Compliance and a legal reporting line to the local CEO and to the local Board.

In Poland, Latvia and Estonia the Compliance and Operational Risk functions are combined into one function and have dual reporting lines, i.e. a reporting line to the relevant local CEO and a reporting line to the Head of Group Compliance.

The Compliance Function has necessary authority, expertise, resources and access to all relevant information in order to be effective.

The responsibilities of the NLP Compliance Function are described in the NLP Compliance Policy and include identifying, assessing, monitoring, controlling and reporting on compliance risk in NLP. The compliance policy is approved annually by the Board.

The Compliance Function performs its duties through a number of core control processes:

- Identify and communicate new or amended rules and regulations linked to compliance risks
- Assess the impact of regulatory changes and evaluate intended responses
- Ensure policies, guidelines and instructions are current and that deviations are responded to appropriately
- Identify and assess current and potential future compliance risks
- Identify compliance training requirements and maintain arrangements for implementation
- Provide advice on how to manage current and potential future compliance risks
- Monitor compliance with relevant regulations and internal rules
- Provide appropriate management information
- Develop and deliver a risk-based annual compliance plan with due consideration for required resources
- Monitor the appropriateness of compliance risk appetite and related performance indicators

B5 Internal Audit Function

The Internal Audit Function at NLP is handled by Nordea's GIA. The internal rules for the Internal Audit Function consist of the Charter for Group Internal Audit, the methodology manual "the Nordea way" and supporting Standard Operating Procedures.

In accordance with the Charter for Group Internal Audit, the purpose of GIA is to support Management in protecting the assets, reputation and sustainability of the organisation. GIA does this by:

- Assessing whether all significant risks are identified and appropriately reported by management and the risk functions to the Board, its committees and Executive Management;
- Assessing whether all significant risks are adequately controlled;
- Challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

The Charter for GIA is adopted by the Board and includes information regarding the purpose, scope, organisation, authority, independence, professional competence, confidentiality, responsibilities, reporting and follow-up activities of GIA. As outlined in the charter, the staff of GIA do not participate in the work of other functions, in the operating activities or in the work on preparing and selecting risk models or other risk management tools. The Charter for GIA, recognises the mandatory International Standards for the Professional Practice of Internal Auditing, and the Code of Ethics, published by the Institute of Internal Auditors.

B6 Actuarial Function

Actuarial Functions are established at Group level and for each local entity. The Actuarial Functions at NLP are governed overall by the Global Actuarial Function Charter. The Actuarial Functions work in close cooperation across the Group, exchange experience and agree on frameworks to ensure an effective Global Actuarial Function. Coordination is facilitated by regular meetings.

Figure B4.1 Lines of Defence in NLP

1st LoD	2nd LoD	3rd LoD
• Responsible for its own risk management and for operating their business in accordance with adopted framework for internal control and risk management and within the set limits for risk exposure. • This covers identifying, assessing, performing quality assurance and reporting of issues related to all material financial and non-financial risks.	• Independent control and risk functions with the purpose and authority to support and challenge 1st LoD in identifying and managing risk and compliance. • Responsible for providing frameworks & processes for internal control, risk management and compliance • The functions should further verify: the effective and efficient operations; prudent conduct of business; reliability of financial and non-financial information reported or disclosed (both internally and externally); and ensure compliance with laws, regulations, supervisory requirements and Nordea's/NLP's internal rules.	• Group Internal Audit (GIA) is an independent unit. GIA assesses the internal control framework, i.e. whether all significant risks are identified, appropriately reported and controlled. GIA supports the Board in protecting the assets, reputation and sustainability of the organisation.

The local Actuarial Functions are responsible for an independent review of

- Calculation of solvency technical provision, i.e. processing best estimate and business logic parameters to ensure continuous compliance with regulations
- The underwriting/insurance strategy and how it relates to reinsurance and solvency technical provisions
- The reinsurance strategy and programme and how they relate to underwriting and solvency technical provisions

The Group Actuarial Function is responsible for developing consistent frameworks across the Group and for supporting and challenging the local Actuarial Functions.

In organisational terms, the Head of the Group Actuarial Function reports to the Group CRO. Independence of the Head of the Group Actuarial Function is ensured by the ability to communicate directly with the Board on his/her own initiative.

Annually at minimum, the Group and local Actuarial Functions produce a written report. The report includes results, clearly identified deficiencies and recommendations as well as follow-up on the previous year's recommendations.

B7 Outsourcing

Outsourcing is governed by the Nordea Sourcing Policy and the Group Outsourcing Guidelines for Nordea Life & Pensions.

The NLP Group Outsourcing Guidelines apply to all outsourcing agreements. All service providers under the NLP outsourcing agreements must comply with all applicable laws, regulatory requirements and guidelines.

The Guidelines set the principles for:

- Criteria for assessing criticality and importance of outsourced relationships
- The contractual content with outsourcing providers
- Reporting to the supervisory authority.
- Monitoring and reporting of the outsourced activities

Within NLP the following critical or important outsourcing arrangements are in place:

- IT function has been outsourced to Nordea Bank AB (domiciled in Sweden).
- Distribution channel has been outsourced to Nordea Bank AB (domiciled in Sweden) and its Nordic branches (domiciled in Finland, Norway and Denmark).
- Portfolio management services and investment accounting have been outsourced to Nordea Investment Management AB (domiciled in Sweden).
- Internal audit has been outsourced to Nordea Bank AB (domiciled in Sweden).

B8 Any other information

The Board reviews annually the governance structure and resources in order to ensure a robust and comprehensive governance structure, and to ensure the effectiveness of the risk management system and control framework.

Internal audits and external audits provide an independent evaluation of the Group's and local entities' system of governance. Recommendations from these audits are considered by the relevant Boards and implemented in proportion to the risks of the business.

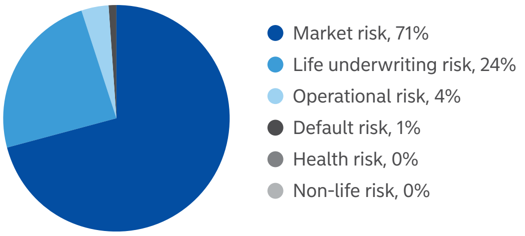
C Risk Profile

C Risk profile

NLP is exposed to a variety of risks through the life and insurance activities. These include underwriting, market, credit, liquidity, operational, business and strategic risks. The two largest risks in terms of contribution to NLP's solvency capital requirement (SCR) are:

- Market risks arising from embedded investment guarantees and duration mismatch between assets and liabilities for participating savings products. Unit-linked savings products also expose NLP to market risk as future profits are dependent on the size of the unit-linked business which would decline following a drop in market values. Market risks represent approximately 71% of the SCR.
- Life underwriting risks, resulting largely from lapse uncertainty and longevity. Life underwriting risks represent approximately 24% of the SCR.

Figure C1 Solvency II SCR split by risk types at 31 December 2016



The SCR by risk types takes into account diversification effects between the risk types. The management of risks is governed by NLP's Risk Management System and Control Framework as described in section B3 "Risk management system including the own risk and solvency assessment".

Stress and scenario testing

As part of NLP's regular risk and capital reporting, NLP performs various stress and scenario tests including:

- Solvency II standard formula stresses
- Overnight stress and scenario tests
- Reverse stress tests
- Business risk scenarios taking into account the key risk themes across the business
- Macro-economic scenarios investigating emerging trends and stress-testing the resilience of NLP to historical and potential future macro crises

Stress and scenario testing are discussed by the executive management and the Board. In developing the stress and scenario tests, NLP collaborates across the NLP Group and with Nordea Bank AB.

C1 Underwriting risk

Underwriting risk is defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, longevity rates, disability rates and surrenders and lapses, with such a change leading to an increase in the value of insurance liabilities or a reduction in available own funds.

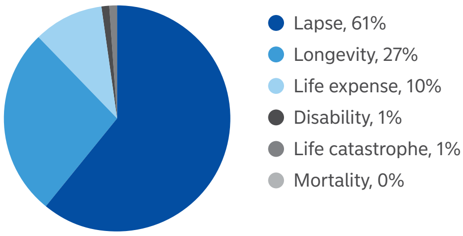
Measurement and analysis of underwriting risk

Underwriting risks are primarily controlled using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress testing, and setting adequate provisions for risks. Experience analyses and benchmarking are performed at least annually for each underwriting risk.

Furthermore, NLP measures underwriting risks via the Solvency II standard formula and by measuring the sensitivity of the Solvency II balance sheet to stressed underwriting scenarios via regular stress and scenario testing. The results prove that NLP is resilient to the stresses performed.

Measuring underwriting risks in accordance with the Solvency II standard formula results in lapse and longevity being the most significant components of NLP's SCR for underwriting risk. Neither NLP's underwriting risk exposures nor the approach to measurement have changed materially over the reporting period.

Figure C1.1 Life underwriting SCR by risk type at 31 December 2016



The SCR by risk types takes into account diversification effects between the risk types.

Lapse risk

Lapse risk includes the risk of lapses, transition to paid-up, renewals and changes to premium levels. Exposure to lapse risk is due to the potential deviation between the actual lapse rates and expected lapse rates.

Lapse risk is linked to policyholder behaviour and is mitigated through ensuring that products meet customers' needs. Lapses are stress tested, monitored and reported on a monthly basis. Monitoring helps NLP to identify and address emerging trends.

Longevity

Longevity risk arises from the annuities in payment and in deferral within NLP's participating savings products. Mortality rates and life expectancies are updated and benchmarked annually. For new savings products, policyholders funds will be converted to annuities based on annuity prices in the market at the time of retirement.

Concentration of underwriting risks

NLP's insurance portfolios comprise individual and group policies all of which are well diversified by industry, geography and demography as well as by product type and risk. Within NLP's insurance portfolios, large companies may pose a geographic risk concentration. Concentration risk is managed and mitigated within the reinsurance programme.

Management of underwriting risk

Management of underwriting risk includes underwriting procedures, reinsurance programme and product approval processes.

Underwriting procedures

Underwriting is performed in compliance with the local entity's underwriting policy for insurance risks. The policies are established to ensure strong underwriting processes and sound advice to customers.

Underwriting procedures ensure fair and ethical treatment of all new customers and the acceptance or rejection of individual risks on an informed basis. Sound underwriting ensures that the right products are offered to the customers to meet their needs. Individual underwriting is used for life and health policies. Depending on the nature of the risk coverage and the level of benefits, underwriting may include a health assessment.

The Actuarial Function highlights risks and makes recommendations regarding underwriting and expresses its opinion on the underwriting policy in the local entities. The Actuarial Function reviews the underwriting policies annually and ad hoc for changes.

Reinsurance

NLP's reinsurance programme covers individual and aggregate mortality and disability risks, including mortality catastrophe cover. It includes individual risk retention limits and aggregate stop loss cover. Reinsured risks include mortality, disability and mortality catastrophe. The aim of the reinsurance programme is to minimise claims volatility, stabilise annual results and protect NLP from underwriting risk concentrations and catastrophes. New business with large individual risk exposures are underwritten with facultative reinsurance.

The reinsurance programme is monitored monthly via the risk result by product line. The Actuarial Function is responsible for reviewing the reinsurance strategy and programme as a minimum once a year.

Product approval

NLP has implemented an overall approach to the management of changes which is further described in section C5 "Operational Risk". As part of this, a product approval process is in place for new products. This includes the assessment of the potential profitability and capital requirements as well as fit within NLP's risk appetite.

Special purpose vehicles

NLP does not use any special purpose vehicles for the management of underwriting risks.

Changes to the underwriting risk profile

There have been no material changes to the underwriting risk profile of NLP or in the way underwriting risks are measured during the reporting period.

C2 Market risk

The market risk arises at NLP mainly due to the mismatch between assets and liabilities and the sensitivity of the values of these assets and liabilities to changes in the level or in the volatility of the market prices or rates.

Measurement and analysis of market risk

Market risk mainly originates from investments in products with withembedded guarantees and investments in market return products where policyholders have been promised a benefit or an absolute return under these portfolios. NLP carries the risk of fulfilling these guarantees to policyholders.

In addition the unit-linked business generates future profits that are included in the Solvency II balance sheet. A potential reduction in the size of the unit-linked business would reduce these future profits and thereby the available own funds in the Solvency II balance sheet.

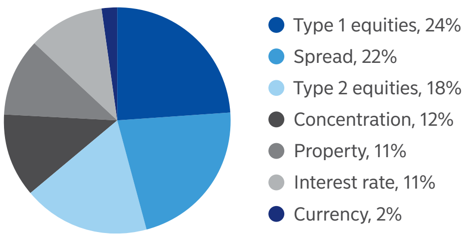
Market risk also arises from the investment of shareholder capital. Shareholder capital is invested separately from policyholder assets and NLP bears the direct market risk.

Market risks are measured via the Solvency II standard formula, exposure measurement on investment assets, Value-at-Risk analysis, market risk economic capital, forward-looking balance sheet projections, and stress and sensitivity analysis. The results prove that NLP is resilient to the stresses performed. Market risks are monitored against the risk appetite and risk limits.

Solvency II standard formula

Measuring market risk in accordance with the Solvency II standard formula results in credit spreads and equities being the most significant components of NLP's market risk. Neither NLP's market risk exposures nor the approach to measurement have changed materially over the reporting period.

Figure C2.1 Market SCR by risk at 31 December 2016



The SCR by risk types takes into account diversification effects between the risk types.

Equity risk

NLP is exposed to falls in equity prices impacting financial guarantees on participating savings products and some guaranteed unit-linked savings products. NLP is also exposed to falls in equity prices through reduced market values of non-guaranteed unit-linked savings products and thereby a reduction of future profits impacting the available own funds for solvency purposes.

Credit spread risk

NLP is exposed to movements in credit spreads via its credit portfolios within the participating savings products and the unit-linked savings products. The widening of credit spreads reduces market values and thus the expectations of future profits.

Table C2.1 Fixed income holdings by rating at 31 December 2016

Fixed income holdings according to credit rating, %	
AAA	46.4
AA	11.6
A	13.7
BBB	13.3
BB	3.6
B	2.4
CCC or below	0.8
Not rated	7.5
Not rated (community or govt gtd)	0.7

Market concentration risk

NLP is exposed to the concentration of market risks by counterparty, region and industry. Under the Solvency II regulation, market concentration by counterparty covers equities, properties and credit risky assets.

Interest rate risk
NLP is exposed to movements in interest rates through the duration mismatch between assets and liabilities within the participating savings products.

Property risk
NLP holds commercial, industrial and residential properties within its participating savings and unit-linked savings products. In the Solvency II calculation the effect of NLP's property exposures is analogous to equities.

Currency risk
NLP invests actively in global assets. Virtually all of the currency exposure is hedged towards the local reporting currencies.

Exposure measurement on investment assets
Investment portfolios backing policyholder liabilities are monitored in terms of exposure to different asset classes and currencies to ensure proper diversification.

Value-at-Risk analysis and market risk economic capital
NLP measures the market risk in the investment of the shareholder equity using Value-at-Risk.

In addition, NLP monitors the market risk economic capital (MREC) on a monthly basis. MREC is a Value-at-Risk based calculation and is used throughout the Nordea Group to measure the amount of capital that is required to cover unforeseen losses on an economic basis within a period of one year and a confidence level of 99.9%. MREC measures the economic risk exposures and the current theoretical market cost of hedging of the long-term guarantees within participating savings products.

Stress and sensitivity analysis
NLP regularly performs stress tests of available own funds, the solvency position and buffers to assess the impact of overnight stress. The stress tests are conducted by applying equity and interest rate shocks as well as combinations thereof. Due to the long term nature of the life and pension business NLP is most sensitive to interest rate movements. The solvency ratio decreases with falling interest rates. The solvency ratio also decreases with increasing interest rates due to the reduced impact of transitional measures on technical provisions (TMTP).

Table C2.2 Stressed solvency ratio at 31 December 2016

Solvency ratio, %	
Base case	159
Equities drop 12%	158
Interest rates down 50bp	158
Interest rates up 50bp	157

As part of the capital management process, NLP projects the development of the business including capital plans and stress-tests it using macroeconomic and business risk scenarios.

Management of market risk
NLP manages market risk in accordance with the ALM square as described in section B3 "Risk management system including the own risk and solvency assessment". It helps inform business decisions at NLP, balancing short-term and long-term perspectives, including competitiveness, legal requirements, profitability, liquidity, customer and capital considerations. Furthermore, market risk is managed in accordance with the liability-driven investment strategy and the Prudent Person Principle and by managing the risk concentrations.

In addition, market risks are monitored regularly against the risk appetite and risk limits.

Liability-driven investment
Market risk in the participating savings products is mitigated through liability-driven investment, where appropriate, aiming at reducing the asset-liability mismatch while at the same time creating an investment return that enables NLP to meet any guarantees offered and customer expectations.

The investment process and the Prudent Person Principle
The Prudent Person Principle is integral to NLP's investment process. NLP utilizes both a bottom-up and a top-down approach to the Prudent Person Principle.

The bottom-up approach is used to address the prudence of each building block, such as a mandate or type of fund. The prudence of each building block is addressed in the investment sourcing process, which consists of four steps: investment due diligence; operational due diligence of asset manager; operational requirements for data and valuation; and legal assessment and agreements.

The top-down approach looks at the portfolio as a whole and ensures that the combination of assets is prudent and is in line with the objective for each portfolio. The top-down approach consists of five steps: specifying asset composition and mix of asset classes; choosing the levels of risks and composition there among; determining the expected risk-return characteristics over the long term; assessing performance in various risk scenarios; and balancing short term performance and long term asset assumptions.

The overall asset sourcing process supports NLP's ability to adhere to the Prudent Person Principle requirements by only investing in assets for which NLP can properly identify measure, monitor, manage and control the resulting risks. The combination of bottom-up and top-down approaches ensure that the investment process is prudent.

NLP's unit-link trading process ensures the assets in the unit-linked portfolios are linked to the technical provisions. The trading of unit-link products within NLP is governed by the investment guidelines and limits and is monitored as part of risk management activities.

Concentration of market risks
Concentration risk is both addressed in each investment mandate and on an aggregated level. NLP manages concentration risk by setting upper limits for the size of individual investments and for aggregate investments by category. Concentration risks are also addressed on an aggregated level and managing these risks is an integrated part of the investment strategy.

NLP reduces concentration risk on an ongoing basis in the revision and adjustment of asset portfolios. Due to the diversification across the portfolios in the local entities NLP has no significant, unmanaged concentration of market risk at Group level.

C3 Credit risk
Counterparty default risk reflects potential losses from unexpected default of NLP's counterparties and debtors over the following 12 months, bringing into account risk-mitigating contracts, reinsurance, securitisations and derivatives as well as receivables from intermediaries, and any other credit exposures which are not covered in the credit spread risk sub-module.

This section addresses counterparty default risk while credit spreads are addressed in the market risk section.

NLP is exposed to counterparty default through its cash and deposits held by counterparties as well as the derivatives used to hedge portfolios.

Furthermore, NLP measures the sensitivity of the Solvency II balance sheet to stressed market scenarios via regular stress and scenario testing. NLP also monitors counterparty derivative exposures on a daily basis. The results prove that NLP is resilient to the stresses performed.

Measurement and analysis of counterparty default risk

NLP's counterparty default risks originate from cash, deposits and derivative holdings in various international banks with high credit ratings and very low probabilities of default. NLP's counterparty default exposure is minor, corresponding to a 1% diversified contribution to the total SCR.

NLP's derivative exposure is collateralised and the collateral is balanced daily based on marked-to-market valuations. In addition, a set of market shocks are used to assess the increased counterparty default risk under stressed scenarios. An increased exposure could arise in the event of an overnight stress with a counterparty unable to post the incremental collateral based on the stressed marked-to-market value of the derivative.

Management of counterparty default risk

Counterparty default risk is managed in accordance with investment guidelines and limits that outline the detailed risk appetite for counterparty default risk. NLP sets counterparty limits for the total amount of deposits and exposure limits to counterparty default for each individual counterparty. The limits are monitored on a weekly basis by risk management and procedures are in place in case of breach or near breach.

To mitigate the exposure to unexpected defaults, NLP ensures diversification by counterparty. Concentrations to individual counterparties are mitigated through the investment limit framework.

NLP has bilateral agreements with derivatives counterparties which define the nature, timing and quality of eligible collateral. NLP manages and monitors collateral for derivatives weekly and ad hoc as necessary.

C4 Liquidity risk

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due.

Liquidity risk arises both from illiquidity of investment assets (market liquidity risk) and from changed cash-flows on liabilities as a result of changed claims and/or lapses (funding liquidity risk). Liquidity risk can also arise from short-term payments affecting the short term liquidity need.

Measurement of liquidity risk

Liquidity risk is primarily measured through liquidity scoring of current investment assets and through forward-looking liquidity projections. The liquidity risk measurement techniques have not changed in a material way during the reporting period. The Board defines the liquidity risk appetite.

Liquidity scoring

All investments backing policyholder liabilities are assigned a target liquidity score to ensure that the liquidity profile of any new investment fits with the liquidity profile of the relevant asset portfolio and the applicable investment strategy. After implementation of the new investment, the liquidity scores are reassessed as part of the monitoring and evaluation process.

The impact on NLP's liquidity risk in stressed conditions is measured as part of the NLP Risk Appetite Framework. Under the risk appetite metric, a forced liquidation of part of the investment portfolio under a lapse or capital stress scenario is applied and the results are compared to investment limits.

Liquidity projections

The local entities carry out annual forward-looking liquidity projections to analyse and assess the future liquidity needs in both the short and long term, under both normal and stressed market conditions. The results prove that NLP is resilient to the stresses performed.

At a Group level, NLP monitors the local liquidity plans, in both normal and stressed market conditions, to ensure liquidity risk is managed effectively across NLP.

Management of liquidity risk

Liquidity risk is mitigated through the lines and limits allocated to the individual asset classes, which ensures appropriate allocation of investment capital in liquid asset classes.

Within NLP, local entities have in place liquidity contingency plans specifying how to manage changes in expected cash in- and out-flows or how to act in a stressed liquidity situation. These contingency plans consider the need for a liquidity buffer and specify the size and composition of such a buffer. Alternative financing sources and related costs are considered. NLP reviews the local liquidity contingency plans to assess any Group level actions that may be required.

Expected profit included in future premiums

NLP's expected profit included in future premiums (EPIFP) is EUR 411m. Note that by definition EPIFP does not include company tax, hence the actual contribution to the reconciliation reserve from EPIFP will be less than the EUR 411m.

NLP's liquidity projections prove that changes to the nature or level of future premiums are not materially impacting NLP's liquidity position.

C5 Operational risk

Operational risk means the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, or from people, systems or external events. Regarding capital requirements; operational risk also covers legal risk and compliance risk.

Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties. Managing operational risks is the day-to-day responsibility of the business and is a proactive discipline, which emphasises training and risk awareness from all employees across NLP.

Measurement of operational risk

Operational risk is measured through the operational risk appetite, incident reporting and stress and scenario testing. The operational risk measurement techniques have not changed in a material way during the reporting period.

Operational risk appetite

Operational risk appetite is defined through risk appetite statements issued by the Board. Operational risk appetite statements are defined in terms of follow-up on mitigating plans for key operational risks identified in the Risk and Control Self-Assessment (RCSA) process, top risks as well as measurement of IT disturbance.

Incident reporting

Incidents and security weaknesses are immediately handled in order to minimise damage. Upon detection of an incident, handling the incident has top priority. Unit managers are responsible for the proper handling, documentation and reporting of incidents. Incident reporting is a Nordea Group-wide process which is performed in the operational and compliance risk system. Aggregated incident information is included in regular risk reports to the Executive Management and the Board.

Stress testing and scenario analysis
As an extension of the RCSA, a stress test of the material risks is performed. The stress test of operational risks is conducted as a scenario analysis, which tests selected key material risks considered to be highly important to investigate further. The objective is to challenge and extend NLP's present understanding of its operational risk landscape by focusing on risks which could cause extreme financial losses or other significant impacts to NLP. The results prove that NLP is resilient to the stresses performed.

The RCSA also serves as input for scenarios to include in the continuity and contingency plans, which are tested annually to ensure learning and preparedness.

Management of operational risk
The management of operational risk is centred on the RCSA, Group Level Controls and change management processes.

RCSA
The RCSA is an annual self-assessment of operational risk in the business. The RCSA is designed to enhance awareness of risks in the operations, spot weaknesses in controls and support prioritisation of mitigating actions related to these weaknesses.

The RCSA is focused on current risks that the business faces and also includes an analysis for emerging and anticipated operational risks, resulting from expected changes related to strategic initiatives.

Group Level Controls
Group Level Control is an annual process in which the first and second lines of defence assess their compliance with the requirements as specified in Nordea Group Directives.

Managing changes
A change approval process has been established and captures all material changes in a unified and disciplined manner. It is applicable to new or materially altered products, services, markets, processes, IT systems and major changes to the operations and organisation. The quality and risk analysis (QRA) is used to analyse risk and quality aspects related to material changes on a case by case basis, for example new programmes, significant changes to organisations, processes and systems. The QRA is performed in order to limit new risks and to ensure disciplined change management. It aims to document decision-making regarding risk and quality aspects connected to changes, explicit responsibility for decisions and actions taken, and systematic follow-up. Conducting a QRA is mandatory as part of the change approval process and mandatory to use when a change/development is run within a programme or project.

Material risks, concentrations of risks and mitigation
The material risks identified during the 2016 RCSA process at Group level – as well as locally – include, but are not limited to:
- IT security risks
- Reliance on appropriateness of underlying data
- Risks associated with customer communication

The concentration of operational risks is particularly high within the IT dependency and cyber security areas.

There is a quarterly follow-up on each mitigating action, which has been defined during the RCSA process, to ensure proper and timely implementation of the mitigating actions.

Dependencies between risks
The dependencies between risks are analysed through patterns in incidents, RCSA findings and remarks from GIA. The dependencies are taken into account when defining and setting up scenarios for testing.

C6 Other material risks
Other material risks at NLP are business risk, strategic risk and risks related to the legal environment.

Business risk is defined as the risk associated with uncertainty in the business conditions such as market environment, client behaviour and technological progress as well as the financial effects of reputational risk.

Strategic risk is defined as long-term implications associated with the selected business strategy such as product range, customer segments, markets, distribution channels and technological platforms. These may arise due to improper implementation of decisions or lack of responsiveness to industry changes.

Risks related to the legal environment arise as a result of the increasing regulatory pressure. This could potentially impact the reputation, the processes and the costs.

Business and strategic risks are mitigated through actions such as monitoring sales, costs and risk results regularly and analysing the drivers of profit. Risks related to the legal environment are mitigated through continuously monitoring of the regulatory developments and through establishing specific programs to handle the implementation.

C7 Any other information
No other information is relevant to include.

D Valuation for Solvency Purposes

D Valuation for solvency purposes

The NLP Solvency II balance sheet is prepared on an IFRS (International Financial Reporting Standards) basis as endorsed by the European Commission and adjusted to Solvency II measurement requirements. The valuation of assets and liabilities in the NLP Solvency II balance sheet is established on a market consistent valuation approach in accordance with article 75 of the Solvency II Directive (2009/138/EC).

D1 Assets

The measurement principles in the Solvency II Directive are based on IFRS with a focus on fair value measurement in arm's length principles.

A fair value hierarchy classifies the measurement techniques in accordance with the quality of the methodology used.

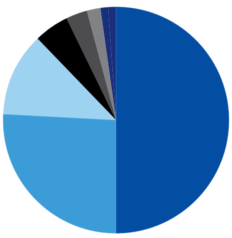
The classification is broken down as follows:

- Market prices:
  - Level 1 Quoted prices in an active market
- Valuation techniques:
  - Level 2 Observable prices in an active market
  - Level 3 Non-observable prices

Intra-group balances and transactions are eliminated in preparing the consolidated Solvency II balance sheet.

Assets broken down by category in the Solvency II balance sheet at 31 December 2016 are presented figure D1.1.

Figure D1.1 Breakdown of Solvency II balance sheet assets at 31 December 2016



The composition of assets at NLP on an IFRS and Solvency II basis is shown in table D1.1.

For each material Solvency II balance sheet item, the IFRS measurement principles as well as the valuation technique and the adjustments from IFRS to Solvency II are described below. In addition to the differences described below, the value of certain IFRS and Solvency II balance sheet categories differs due to a reclassification of balance sheet items in accordance with Complementary Identification Codes applied under Solvency II. These differences are not described further.

The full financial accounting and Solvency II balance sheets at 31 December 2016 are shown in Appendix 3.

Assets held for unit-linked contracts

Assets held for unit-linked contracts include financial instruments and investment properties and cash and cash equivalents and other financial assets, and represent the investment portfolio that backs policyholders' unit-linked insurance contracts and investment contracts. The valuation of these assets follows the same principles as financial instruments and investment properties and cash and cash equivalents as assets held for life contracts as described in next sections.

Financial instruments

Financial instruments include listed and unlisted equities, collective investment undertakings, interest-bearing securities and derivatives.

Financial instruments are classified in different accounting policy categories with different valuation principles. The valuation according to IFRS is re-measured in the Solvency II balance sheet in accordance with the requirement in the Solvency II Directive.

Listed equities, unlisted equities and collective investment undertakings are classified under IFRS as "Financial assets at fair value through profit or loss" and measured at fair value.

Interest-bearing securities are classified under IFRS into two parts depending on the accounting policy for the insurance contracts they back. One part is classified as "Financial assets at fair value through profit or loss" and the other part is classified as "Hold to maturity" assets. These assets are measured at fair value and amortised cost, respectively. "Hold to maturity" assets are measured at amortised cost including transaction costs, gains/losses at maturity and adjustment for credit risk. Interest-bearing securities classified as "Hold to maturity" assets are re-measured to fair value in the Solvency II balance sheet, using the same measurement techniques as financial assets classified as "Fair value through profit and loss".

Table D1.1 Value of assets in accordance with Solvency II and IFRS at 31 December 2016

Assets, EURk	Solvency II	IFRS	% of total SII assets
Assets held for unit-linked contracts	36 101 980	36 066 402	50
Interest-bearing securities (Bonds)	19 054 032	18 864 149	26
Collective investment undertakings	8 764 741	8 387 338	12
Derivatives	3 502 355	3 502 325	5
Investment properties	2 320 943	2 320 943	3
Cash and cash equivalents	1 263 090	1 281 628	2
Equities	559 032	936 422	1
Other assets	950 228	1 325 855	1
Total assets	**72 516 401**	**72 685 061**	**100%**

Derivatives are classified under IFRS as "Financial assets and liabilities at fair value through profit or loss" and measured at fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction under current market conditions in the principal market for the equities, or in the absence of a principal market, in the most advantageous market.

The existence of published quoted prices in an active market is the best evidence of fair value.

An active market is a market in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Market activity is accessed regularly. Trade frequency and volume are monitored frequently. Published quoted prices are predominantly used to establish fair value for the items disclosed under the following balance sheet items:

- Interest-bearing securities (listed)
- Equities (listed)
- Derivatives (listed)

If quoted prices fail to represent actual or regular market transactions or if quoted prices are not available, fair value is established using an appropriate valuation technique. These valuation techniques are designed to use observable market prices or unobservable parameters as input.

Valuation techniques are predominantly used to establish fair value for the financial instruments disclosed under the following balance sheet items:

- Interest-bearing securities (unlisted or quoted prices not available)
- Equities (unlisted or quoted prices not available)
- Derivatives (OTC derivatives)

Investment properties

Investment properties are properties other than properties bought for own use.

Investment properties are measured at fair value. The best estimate is based on quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available, discounted cash flow projection models, based on reliable estimates of future cash flows, are used.

The discounted cash flow model includes assumptions about future rents, vacancy levels, operating costs and maintenance costs, yield requirements and interest rates.

Cash and cash equivalents

The item includes cash and short-term deposits available on demand. These assets are measured at nominal value.

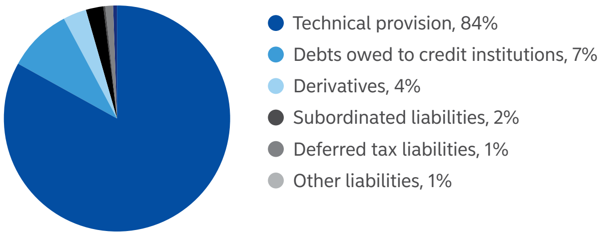
Other assets

Other assets include loans and mortgages as well as receivables measured at nominal value taking account of credit risk and time to maturity. The difference between IFRS and Solvency II concerns goodwill and other intangible assets that according to the measurement principles in Solvency II are measured to zero.

D2 Technical provisions

Liabilities broken down by category in the Solvency II balance sheet at 31 December 2016 are presented in figure D2.1.

Figure D2.1 Breakdown of Solvency II balance sheet liabilities at 31 December 2016



The composition of liabilities at NLP on an IFRS and Solvency II basis is shown in Table D2.1.

The valuation methodology of technical provisions is described in this section, whereas the valuation methodology of other liabilities is described in section D3 "Risk management system including the own risk and solvency assessment".

Valuation methodology for technical provisions

The valuation of technical provisions under Solvency II follows a market value-consistent approach based on a best estimate and additional risk margin. All lines of business are valued using this methodology. A summary of the value of technical provisions at 31 December 2016 is shown in table D2.2 and further details on the value of technical provisions by main line of business at 31 December 2016 are included in Appendix 3.

Table D2.2 Valuation of technical provisions at 31 December 2016

EURk	Solvency II	IFRS
Best estimate liability	57,577,835	–
Risk margin	764,635	–
Total technical provisions	58,342,470	60,438,884

Valuation under IFRS

Under IFRS as applied by the NLP Group, liabilities for policies classified as investment contracts are accounted for at the fair value of the assets linked to those contracts. For insurance contracts, a non-uniform accounting policy is used under IFRS.

Table D2.1 Value of liabilities in accordance with Solvency II and IFRS at 31 December 2016

Liabilities, EURk	Solvency II	IFRS	% of total SII liabilities
Technical provision	58,342,470	60,438,884	84
Debts owed to credit institutions	5,164,635	5,164,635	7
Derivatives	2,662,181	2,662,763	4
Subordinated liabilities	1,330,430	1,330,430	2
Deferred tax liabilities	536,374	115,567	1
Other liabilities	996,357	997,874	1
Total liabilities	69,052,449	70,730,155	100

For NLP-DK, NLP-SE and NLP-FI, the IFRS measurements are prepared by calculating the present value of future benefits to which policyholders are entitled. For NLP-DK, the provision also includes bonus potential on paid-up policies and on future premiums. The calculation includes assumptions about market-consistent discounting rates as well as expenses and life risk. For NLP-NO, the technical provisions related to participating savings products for IFRS are valued on the basis of a prospective method. The discount rate used is equal to the original tariff rates. The value of technical provisions related to unit-linked products is based on the fair value of the assets linked to those products.

Valuation under Solvency II

The Solvency II valuation is based on a set of stochastic projections of the local balance sheet assets, the retrospective reserve and relevant financial and actuarial buffers for the next 50-75 years. In each projection, the future benefits paid to the policyholders (net of premiums), profits and taxes among other things are calculated and discounted. Stochastic valuation is performed on products with policyholder options and/or guarantees. Products without guarantees are calculated on a deterministic basis.

The best estimate of liabilities and risk margin by line of business for NLP is presented in table D2.3.

Table D2.3 Best estimate liabilities and risk margin by line of business at 31 December 2016

EURk	Best estimate liability	Risk margin
Insurance with profit participation	23,548,234	338,674
Index-linked and unit-linked insurance	34,045,809	367,520
Other life insurance	-203,801	53,091
Health insurance	187,593	5,350

For participating savings products, best estimate discretionary bonuses are included. The negative best estimate liability for other life insurance relates to risk products and shows that the present value of premiums exceed the present value of future benefits expected to be paid out.

The risk margin is the discounted cost of capital for projected non-hedgeable capital requirements. Life and health underwriting risks are assumed as non-hedgeable and market risks as hedgeable.

The risk margin calculation has been simplified by using the appropriate risk carriers, per line of business, to project non-hedgeable capital requirements into the future.

The stochastic modelling of the technical provisions is performed by using risk-neutral scenarios generated using a third party Economic Scenario Generator calibrated to market data in-house.

Assumptions underlying the calculation of technical provisions

The most material assumptions impacting the valuation are interest rates, lapse, mortality, longevity, and expense assumptions in the valuation model. In addition, in order to model the future discretionary benefits assumptions have been made regarding bonus strategy. These also materially impact the valuation.

There have been no material changes to the assumptions underlying the calculation of the technical provisions over the reporting period.

Valuation uncertainty

By nature, the calculation of the best estimate liabilities and risk margin involves an estimation of a future uncertain event. The precision of the calculation will depend on the quality of the underlying inputs and the extent to which the calculation model reflects reality. For example interest rates, expenses, lapses and management actions cannot be projected over a long time horizon without uncertainty. There are also uncertainties arising from the number of simulations and the chosen model logic, although these factors are assessed to have less impact.

A general source of uncertainty is appropriateness of data/ data quality, either due to lack of available data to deduce a reliable estimate for future development or that historical data may not be descriptive of the future. The company uses both internal and external data sources, as well as expert judgement to set appropriate assumptions.

The level of uncertainty for technical provisions has been assessed by performing sensitivity calculations on the solvency position. These sensitivity scenarios include the major SCR risk components. On a regular basis the sensitivity is measured using change in the level of interest rates, shocks on equity positions and mass lapse shocks.

Transitional measures

Long-term guarantee measurements are used in the valuation. Volatility adjustment (VA) is used at NLP-DK, NLP-FI and NLP-NO. For NLP-SE double regulation is applied[7]. These also impact the Group position.

NLP-NO uses TMTP, which also affects Group's solvency position.

Excluding the effect of TMTP in NLP-NO the technical provisions and SCR increased by 0.1% and 0.4% respectively. Excluding the effect of VA further increased technical provision by 0.8% and SCR by 2.5%.

The reduction in eligible own funds is mainly driven by an increase in technical provisions upon removal of the effect of the VA. When excluding the effect of TMTP and VA, eligible own funds still remain in excess of the SCR.

Table D2.4 Impact from long-term guarantee and transitional measures at 31 December 2016

EURk	With volatility adjustment, with transitional measures on technical provisions	With volatility adjustment, without transitional measures on technical provisions	Without volatility adjustment, without transitional measures on technical provisions
Technical Provisions	58,342,470	58,386,983	58,835,042
Available own funds	4,211,091	4,162,855	3,829,719
SCR	2,644,655	2,655,023	2,722,264
Eligible Own Funds to meet SCR	4,211,091	4,162,855	3,829,719

7) NLP-SE's occupational pension business is not fully incorporated within the Solvency II regime. The total solvency capital requirement is the sum of the SCR stemming from the non-occupational business and the Solvency I capital requirement of the occupational business.

Recoverables from reinsurance contracts and special purpose vehicles

There are a number of reinsurance arrangements that follow the principles and guidelines laid down in local underwriting policies. Reinsurance recoverables are calculated consistently with the best estimate liability.

NLP does not use any special purpose vehicles.

D3 Other liabilities

Other liabilities are valued on an IFRS basis as endorsed by the European Commission and adjusted to Solvency II measurement requirements. The descriptions in this section include the IFRS measurement principles, the valuation technique and the adjustments from IFRS to Solvency II of material other liability balance sheet items.

Debt to credit institutions

Debt to credit institutions contains loans from credit institutions covering a minor part of the investment in group companies at NLP and repo debt concerning collateral covering interest-bearing securities on the balance sheet, but lent to external parties in a repo transaction. Debt to credit institutions also includes mortgage debt regarding investment properties.

Debt to credit institutions is categorised as Loans and Receivables, which is measured at amortised cost, similar to nominal value. Repo debt is short-term debt measured at nominal value and mortgage debt is measured at market value.

Derivatives

Derivatives with negative market values are recognised as a liability and valued at fair value in accordance with the same principles as described for derivatives with positive market values in section D1 "Assets" under “Financial instruments”.

Subordinate debt

Subordinate debt consists of loans from third parties that are subordinate to other debtors but fulfilled before shareholders. The interest rate on the loans is adjusted periodically by the debtors as part of the loan agreements and in accordance with the market interest rate.

Deferred tax liabilities

Deferred tax liabilities arise from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, including adjustments of assets and liabilities between IFRS and Solvency II. Deferred tax is calculated using local tax rates, measured at nominal value.

Other liabilities

Other liabilities include financial liabilities other than debt owed to credit institutions, provisions regarding defined benefit pension plans, current tax liabilities and other liabilities. Financial liabilities other than debt owed to credit institutions are measured at nominal value.

Defined benefit pension plans are funded schemes covered by assets in pension funds. Defined benefit obligations are determined using the projected unit credit method; the net amount is recognised in the balance sheet. The projected unit method is a fair value methodology that includes the projected salary level, inflation and the interest rate in the calculation of the obligations.

Current tax liabilities are calculated by each individual unit according to the local tax regulations and tax rates. Taxes are measured at nominal value.

D4 Alternative valuation methods

This section is not applicable to this report, as content is only required in the regular supervisory report (RSR) as per regulatory requirements.

D5 Any other information

No other information is relevant to include.

E Capital Management

E Capital management

E1 Own funds

Overall capital management process

The capital management process is described and illustrated in section B3 "Risk management system including the own risk and solvency assessment". Capital management is governed by the NLP Capital Policy specifying target solvency position, target range, limits and pre-warning levels. The policy also specifies the actions that need to be enacted in case of any breaches of the internal or regulatory limits.

The solvency limit in the policy reflects NLP's decision to manage the business by defining a required buffer on top of the 100% solvency ratio to provide a 'cushion' to be able to deal with the volatility in the Solvency II balance sheet. This is done to ensure that actions are enacted immediately when the limit is breached, and that some volatility in the figures can be absorbed without breaching the 100% level.

NLP defines a solvency capital target range in which NLP wishes to operate. The target range has been set applying expert judgement using results from performed stress and scenarios tests and benchmarking against other market participants.

The decision on capital across the Group is managed through the NLP Group Balance Sheet Committee as well as local ALCO, Investment Committees and the Board. The monitoring and reporting of solvency ratios and capital limits are the responsibility of the Group CRO. Tiering of capital items is the responsibility of the Group CFO.

Tiering of own funds

NLP's available own funds decreased by EUR 249m in 2016 following a reduction in the reconciliation reserve and Tier 2 subordinated debt partly offset by a new Tier 1 subordinated debt.

The available own funds breakdown into tiers of capital at 31 December 2016 is shown in table E 1.1.

Table E1.1 Own funds[8]

Tier, EURk	Own Fund item	31 Dec 2016	1 Jan 2016
Tier 1	Ordinary share capital	12	12
	Reconciliation reserve	2,880,649	2,958,414
	Subordinated debt	125,430	–
Tier 2	Subordinated debt	1,205,000	1,501,279
Total	**Available own funds**	**4,211,091**	**4,459,705**

The Tier 1 capital constitutes 71% of the total amount of available own funds. The components of NLP's available own funds are ordinary share capital, reconciliation reserve, Tier 1 and Tier 2 subordinated debt. The dividend payment from NLH AB to Nordea Bank AB during 2016 led to a decrease in the reconciliation reserve. The change in Tier 1 subordinated debt is due to a new issued subordinated loan issued by NLP-DK as part of the sale of 25% of the share capital in NLP-DK to Foreningen NLP. The reduction in Tier 2 subordinated debt was due to a reduction in the subordinated loan from Nordea Bank AB during 2016.

All own fund items are available and free of restrictions and the Tier 1 and Tier 2 subordinated debt is undated. NLP holds no ancillary own fund items and no own fund items are subject to transitional arrangements. The reconciliation reserve is broken down in table E1.2.

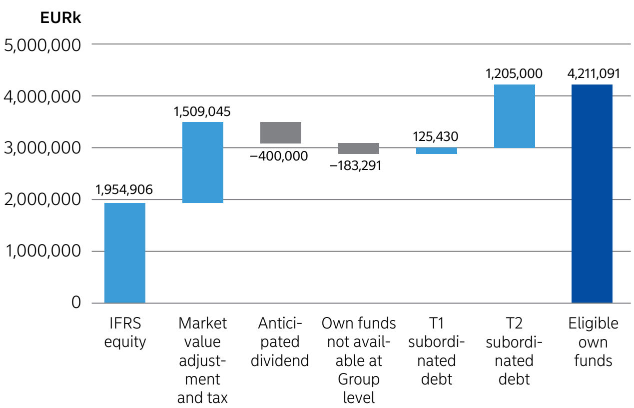
Table E1.2 Reconciliation reserve at 31 December 2016

EURk	31 Dec 2016
Excess of assets over liabilities	
IFRS equity	1,954,906
Market value adjustment and tax	1,509,045
Anticipated dividend	−400,000
Own funds not available at Group level	−183,291
Ordinary share capital	−12
Reconciliation reserve	**2,880,649**

The market value adjustment and tax are mainly market value adjustments of technical provisions and hold-to-maturity bonds, as well as deferred taxes. Own funds not available at Group level cover an adjustment for own funds at NLP-FI and NLP-SE not fungible in the Group's own funds.

These adjustments together with the subordinated debt make up the differences between the IFRS equity and the eligible own funds as presented in figure E1.1.

Figure E1.1 Bridge from IFRS equity to eligible own funds



At NLP-SE, a material part of the occupational pension business shall remain regulated according to the Institutions for Occupational Retirement Provision rules in force at 31 December 2015. This double regulation means the non-occupational pension solvency capital position shall be calculated under Solvency II rules and occupational pension under Solvency I rules. This different treatment also applies to the solvency positions of NLP-SE as well as to the NLP Group, and is reflected in the calculation of the solvency position.

Eligible own funds

The SCR at 31 December 2016 was EUR 2,645m. The total eligible own funds held to cover the SCR was EUR 4,211m which is equal to the available own funds.

8) Own funds at 31 December 2016 are compared to own funds at 1 January 2016 when Solvency II entered into force.

E2 Solvency capital requirement and minimum capital requirement

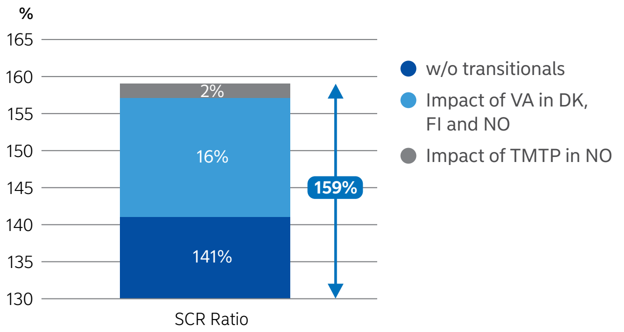
Solvency position

NLP uses the Solvency II standard formula and the accounting consolidation method (method 1). In the calculation of the Group SCR the following is taken into account: VA applied at NLP-DK, NLP-FI and NLP-NO, TMTP at NLP-NO, double regulation at NLP-SE and transitional measures for equity risk applied in all the Nordic subsidiaries. The subsidiary NLP-DK applies a partial internal model for mortality, approved by the Danish financial supervisory authority, which is not included in the Group solvency position.

For the equity holdings acquired prior to Solvency II coming into force, an equity transitional portfolio is managed in accordance with EIOPA guidelines and NLP's internal policies. This reduces the magnitude of the equity shock for the equity transitional portfolio reducing equity risk capital but not affecting technical provisions.

For NLP, the solvency position at 31 December 2016 was 159%. The solvency position at 1 January 2016, when Solvency II came into force, was 172%. The decrease during 2016 is mainly driven by the inclusion of an anticipated dividend payment from NLH AB to Nordea Bank AB in 2017.

Figure E2.1 Impact of transitional measures on the solvency position at 31 December 2016



Excluding the effect of TMTP in NLP-NO reduces the solvency position by 2%-points while excluding the effect of the VA reduces it further by 16%-points. When excluding both the effects of TMTP and VA, the solvency position is 141%.

The SCR of each risk module shown in table E2.1 takes into account diversification effects between the underlying risk types within the module. The calculation of the total SCR takes into account diversification effects between the different risk modules and therefore does not represent the sum of the SCR calculated for each risk module separately.

Table E2.1 Split for SCR at 31 December 2016

Risk type, EURk	SCR
Market risk	2,764,542
Life risk	1,212,075
Operational risk	121,121
Default risk	75,725
Health risk	42,057
Non-life risk	–
SCR IORP	62,617
SCR[9]	**2,644,655**

Group consolidation of the solvency capital requirement

In consolidating the Solvency II capital, NLP uses the accounting consolidation-based method (method 1) as described in Article 230 of the Solvency II Directive (2009/138/EC).

In line with relevant regulation, NLP does not calculate a Group minimum capital requirement (MCR). However, as required, the Group SCR exceeds the sum of local MCRs.

Simplifications of the Solvency II standard formula

In the calculation of the Solvency II standard formula SCR, NLP uses only one simplification. The simplification used relates to the calculation of the risk-adjusted market value of collateral for unrated bonds within the credit spreads sub-module, per Article 112 of the Commission delegated regulation (EU) 2015/35.

E3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

NLP does not apply the duration-based equity risk sub-module in the calculation of the SCR.

E4 Differences between the standard formula and any internal model used

NLP applies a partial internal model in NLP-DK for mortality risk that has been approved by the Danish FSA. The partial internal model has not been taken into account in the solvency positon of the Group.

E5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

NLP's eligible own funds have exceeded the SCR throughout 2016.

E6 Any other information

No other information is relevant to include.

9) Diversification effect and other adjustments are included in the calculation of SCR.

Appendix

Appendix 1

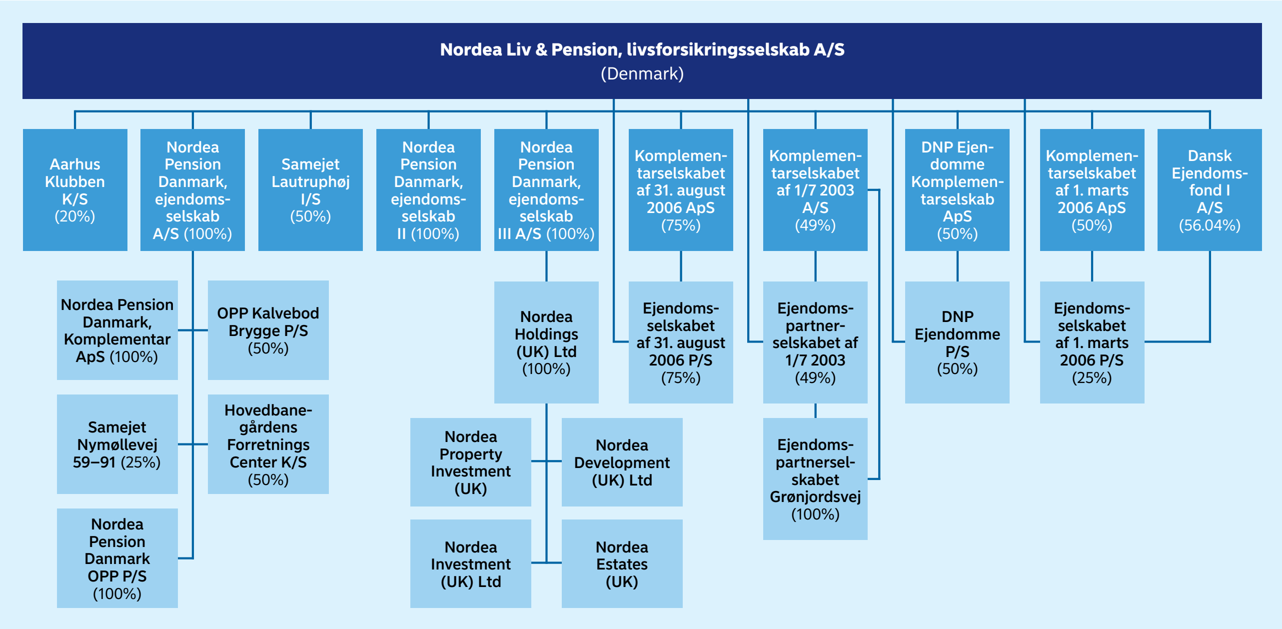
Abbreviations

ALM	Asset Liability Management
ALCO	Asset and Liability Committee
AuM	Assets Under Management
BEL	Best Estimate Liabilities
EIOPA	European Insurance and Occupational Pension Authority
EPIFP	Expected profit included in future premiums
FSA	Financial Services Authority
GIA	Group Internal Audit
GWP	Gross written premiums
IFRS	International Financial Reporting Standards
LEMG	Life Executive Management Group
MCR	Minimum Capital Requirement
MREC	Market Risk Economic Capital
NICO	Nordic Investment Committee
NLP	Nordea Life and Pensions
NLH AB	Nordea Life Holding AB
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter
RAF	Risk Appetite Framework
RFF	Rolling Financial Forecast
RCSA	Risk & Control Self-Assessment
QRA	Quality and Risk Analysis
SCR	Solvency Capital Requirement
TMTP	Transitional Measures on Technical Provisions
VA	Volatility Adjustment

Appendix 2

Legal structure of Nordea Life & Pensions

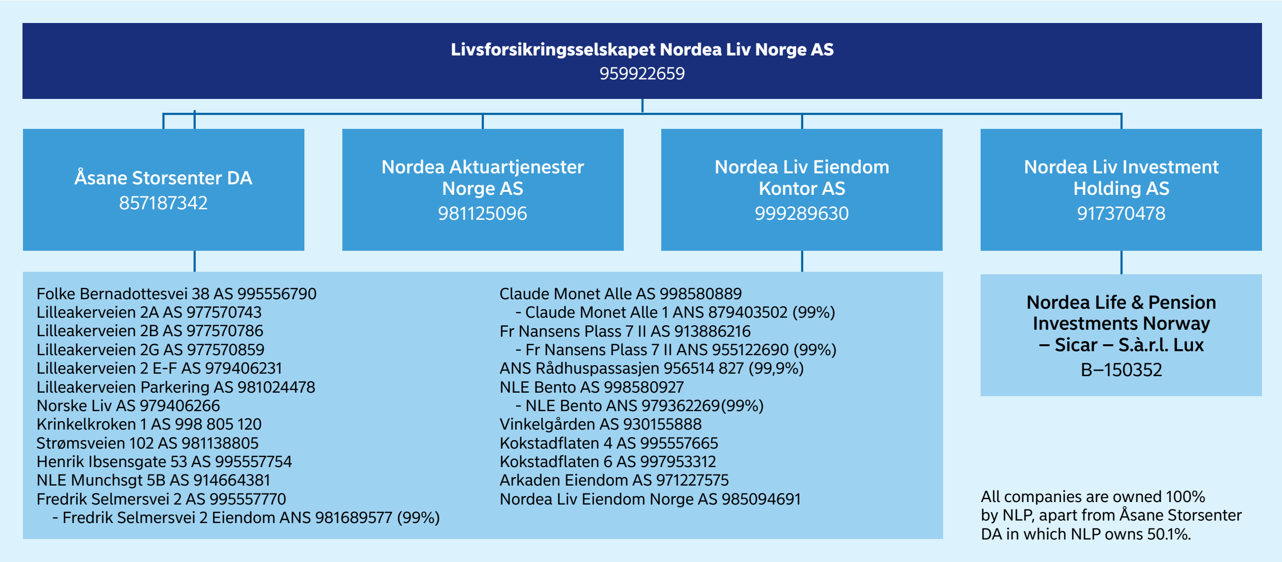
NLP Denmark



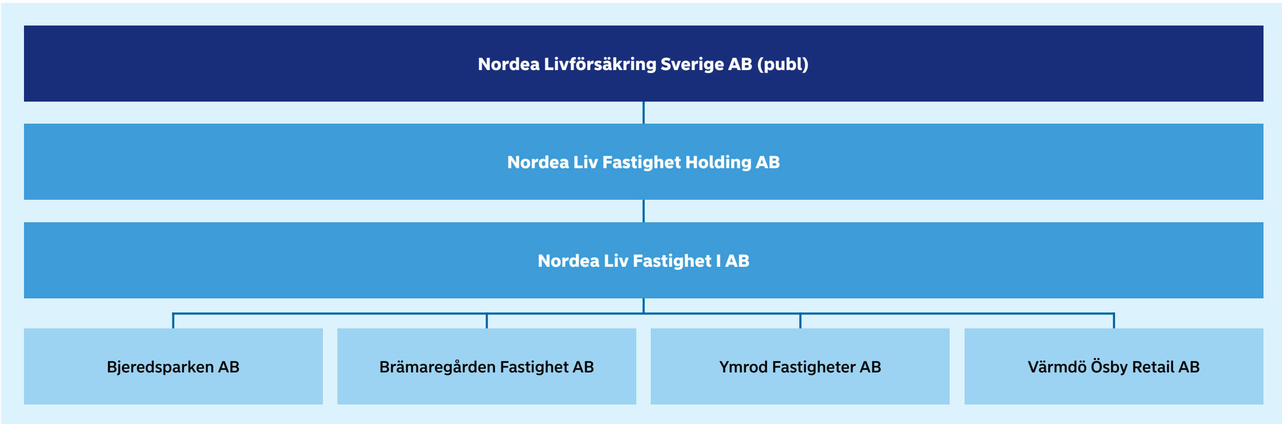
NLP Finland

Legal structure of Nordea Life & Pensions, cont.

NLP Norway



NLP Sweden



Appendix 3

Balance Sheet as at 31 December 2016

Assets

EURt	Solvency II	Financial accounting
Goodwill	0	295,849
Deferred acquisition costs	0	19,346
Intangible assets	0	54,063
Deferred tax assets	0	0
Pension benefit surplus	0	0
Property, plant & equipment held for own use	9,289	9,289
Investments (other than assets held for index-linked and unit-linked contracts)	34,366,979	34,179,216
Property (other than for own use)	2,320,943	2,320,943
Holdings in related undertakings, including participations	140,419	142,582
Equities	559,032	936,422
Equities - listed	447,568	447,559
Equities - unlisted	111,464	488,864
Bonds	19,054,032	18,864,149
Government bonds	4,922,575	4,900,427
Corporate bonds	14,120,446	13,963,722
Structured notes	9,391	0
Collateralised securities	1,621	0
Collective investments undertakings	8,764,741	8,387,338
Derivatives	3,502,355	3,502,325
Deposits other than cash equivalents	25,458	25,458
Other investments	0	0
Assets held for index-linked and unit-linked contracts	36,101,980	36,066,402
Loans and mortgages	29,854	29,854
Loans on policies	0	0
Loans and mortgages to individuals	0	0
Other loans and mortgages	29 854	29,854
Reinsurance recoverables from:	13,467	13,467
Non-life and health similar to non-life	5,611	5,611
Non-life excluding health	0	0
Health similar to non-life	5,611	5,611
Life and health similar to life, excluding health and index-linked and unit-linked	7,856	7,856
Health similar to life	2,432	2,432
Life excluding health and index-linked and unit-linked	5,424	5,424
Life index-linked and unit-linked	0	0
Deposits to cedants	0	0
Insurance and intermediaries receivables	117,422	117,422
Reinsurance receivables	553	588
Receivables (trade, not insurance)	469,022	475,347
Own shares (held directly)	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	1,263,090	1,281,628
Any other assets, not elsewhere shown	144,743	142,589
Total assets	**72,516,401**	**72,685,061**

Balance Sheet as at 31 December 2016, cont.

Liabilities

EURt	Solvency II	Financial accounting
Technical provisions – non-life	22,225	27,823
Technical provisions – non-life (excluding health)	0	0
Technical provisions calculated as a whole	0	0
Best estimate	0	0
Risk margin	0	0
Technical provisions - health (similar to non-life)	22,225	27,823
Technical provisions calculated as a whole	0	27,823
Best estimate	21,860	0
Risk margin	365	0
Technical provisions - life (excluding index-linked and unit-linked)	23,906,916	24,040,382
Technical provisions - health (similar to life)	170,718	233,551
Technical provisions calculated as a whole	0	233,551
Best estimate	165,732	0
Risk margin	4,985	0
Technical provisions – life (excluding health and index-linked and unit-linked)	23,736,198	23,806,831
Technical provisions calculated as a whole	0	23,806,831
Best estimate	23,344,433	0
Risk margin	391,765	0
Technical provisions – index-linked and unit-linked	34,413,329	35,908,220
Technical provisions calculated as a whole	0	35,908,220
Best estimate	34,045,809	0
Risk margin	367,520	0
Other technical provisions	0	462,460
Contingent liabilities	0	0
Provisions other than technical provisions	0	0
Pension benefit obligations	13,868	13,868
Deposits from reinsurers	1,484	1,484
Deferred tax liabilities	536,374	115,567
Derivatives	2,662,181	2,662,763
Debts owed to credit institutions	5,164,635	5,164,635
Financial liabilities other than debts owed to credit institutions	518,970	518,970
Insurance & intermediaries payables	20,810	20,810
Reinsurance payables	2,664	4,398
Payables (trade, not insurance)	49,788	49 788
Subordinated liabilities	1,330,430	1,330,430
Subordinated liabilities not in basic own funds	0	0
Subordinated liabilities in basic own funds	1,330,430	1,330,430
Any other liabilities, not elsewhere shown	408,773	408,556
Total liabilities	**69,052,449**	**70,730,155**
Excess of assets over liabilities	**3,463,951**	**1,954,906**

Appendix 4

Quantitative Reporting Template

The following quantitative reporting templates are required to be disclosed with the Solvency and Financial Conditions Report.

All amounts are in EURk.

QRT ref	QRT title
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses
S.05.02.01	Premiums, claims and expenses by country
S.22.01.22	Impact of the long term guarantee and transitional measures
S.23.01.22	Own funds
S.25.01.22	Solvency Capital Requirement, calculated using the standard formula
S.25.02.22	Solvency Capital Requirement, calculated using the standard formula and a partial internal model – not applicable to NLP
S.25.03.22	Solvency Capital Requirement, calculated using a full internal model – not applicable to NLP
S.32.01.22	Undertakings in the scope of the group

Balance sheet

S.02.01.02
Assets

		Solvency II value
		C0010
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	9,289
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	34,366,979
Property (other than for own use)	R0080	2,320,943
Holdings in related undertakings, including participations	R0090	140,419
Equities	R0100	559,032
Equities – listed	R0110	447,568
Equities – unlisted	R0120	111,464
Bonds	R0130	19,054,032
Government Bonds	R0140	4,922,575
Corporate Bonds	R0150	14,120,446
Structured notes	R0160	9,391
Collateralised securities	R0170	1,621
Collective Investments Undertakings	R0180	8,764,741
Derivatives	R0190	3,502,355
Deposits other than cash equivalents	R0200	25,458
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	36,101,980
Loans and mortgages	R0230	29,854
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	29,854
Reinsurance recoverables from:	R0270	13,467
Non-life and health similar to non-life	R0280	5,611
Non-life excluding health	R0290	-
Health similar to non-life	R0300	5,611
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	7,856
Health similar to life	R0320	2,432
Life excluding health and index-linked and unit-linked	R0330	5,424
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	117,422
Reinsurance receivables	R0370	553
Receivables (trade, not insurance)	R0380	469,022
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	1,263,090
Any other assets, not elsewhere shown	R0420	144,743
Total assets	R0500	72,516,401

Balance sheet, cont.

S.02.01.02
Liabilities

		Solvency II value
		C0010
Technical provisions – non-life	R0510	22,225
Technical provisions – non-life (excluding health)	R0520	-
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	-
Risk margin	R0550	-
Technical provisions – health (similar to non-life)	R0560	22,225
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	21,860
Risk margin	R0590	365
Technical provisions – life (excluding index-linked and unit-linked)	R0600	23,906,916
Technical provisions – health (similar to life)	R0610	170,718
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	165,732
Risk margin	R0640	4,985
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	23,736,198
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	23,344,433
Risk margin	R0680	391,765
Technical provisions – index-linked and unit-linked	R0690	34,413,329
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	34,045,809
Risk margin	R0720	367,520
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	13,868
Deposits from reinsurers	R0770	1,484
Deferred tax liabilities	R0780	536,374
Derivatives	R0790	2,662,181
Debts owed to credit institutions	R0800	5,164,635
Financial liabilities other than debts owed to credit institutions	R0810	518,970
Insurance & intermediaries payables	R0820	20,810
Reinsurance payables	R0830	2,664
Payables (trade, not insurance)	R0840	49,788
Subordinated liabilities	R0850	1,330,430
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	1,330,430
Any other liabilities, not elsewhere shown	R0880	408,773
Total liabilities	**R0900**	**69,052,449**
Excess of assets over liabilities	**R1000**	**3,463,951**

S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	–	14,134	–	–	–	–	–	–	–	–	–	–					14,134
Gross - Proportional reinsurance accepted	R0120	–	–	–	–	–	–	–	–	–	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0130													–	–	–	–	–
Reinsurers' share	R0140	–	3,334	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,334
Net	R0200	–	10,801	–	–	–	–	–	–	–	–	–	–	–	–	–	–	10,801
Premiums earned																		
Gross - Direct Business	R0210	–	14,134	–	–	–	–	–	–	–	–	–	–					14,134
Gross - Proportional reinsurance accepted	R0220	–	–	–	–	–	–	–	–	–	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0230													–	–	–	–	–
Reinsurers' share	R0240	–	3,334	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,334
Net	R0300	–	10,801	–	–	–	–	–	–	–	–	–	–	–	–	–	–	10,801
Claims incurred																		
Gross - Direct Business	R0310	–	3,548	–	–	–	–	–	–	–	–	–	–					3,548
Gross - Proportional reinsurance accepted	R0320	–	–	–	–	–	–	–	–	–	–	–	–	–				–
Gross - Non-proportional reinsurance accepted	R0330													–	–	–	–	–
Reinsurers' share	R0340	–	820	–	–	–	–	–	–	–	–	–	–	–	–	–	–	820
Net	R0400	–	2,728	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,728
Changes in other technical provisions																		
Gross - Direct Business	R0410	–	–	–	–	–	–	–	–	–	–	–	–					–
Gross - Proportional reinsurance accepted	R0420	–	–	–	–	–	–	–	–	–	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0430													–	–	–	–	–
Reinsurers' share	R0440	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Net	R0500	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Expenses incurred	R0550	–	3,809	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,809
Other expenses	R1200																	–
Total expenses	R1300																	3,809

S.05.01.02.02
Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	81,303	582,977	5,563,597	223,052	–	–	–	–	6,450,929
Reinsurers' share	R1420	3,834	13,171	–	2,864	–	–	–	–	19,870
Net	R1500	77,469	569,806	5,563,598	220,187	–	–	–	–	6,431,059
Premiums earned										
Gross	R1510	81,133	540,791	5,500,420	223,052	–	–	–	–	6,345,176
Reinsurers' share	R1520	3,834	13,171	–	2,864	–	–	–	–	19,870
Net	R1600	77,299	527,620	5,500,420	219,967	–	–	–	–	6,325,306
Claims incurred										
Gross	R1610	39,612	1,437,711	2,659,064	134,093	–	–	–	–	4,270,479
Reinsurers' share	R1620	5,499	4,866		188	–	–	–	–	10,552
Net	R1700	34,113	1,432,845	2,659,064	133,905	–	–	–	–	4,259,927
Changes in other technical provisions										
Gross	R1710	–	32,460	16,143	4,358	–	–	–	–	52,961
Reinsurers' share	R1720	–	–	–	1,989	–	–	–	–	1,989
Net	R1800	–	32,460	16,143	2,369	–	–	–	–	50,971
Expenses incurred	R1900	19,315	131,194	93,545	21,059	–	–	–	–	265,113
Other expenses	R2500									819
Total expenses	R2600									265,932

S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		NLP-NO					
Premiums written		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Gross - Direct Business	R0110	–	14,134	–	–	–	–	14,134
Gross - Proportional reinsurance accepted	R0120	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0130	–	–	–	–	–	–	–
Reinsurers' share	R0140	–	3,334	–	–	–	–	3,334
Net	R0200	–	10,801	–	–	–	–	10,801
Premiums earned								
Gross - Direct Business	R0210	–	14,134	–	–	–	–	14,134
Gross - Proportional reinsurance accepted	R0220	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0230	–	–	–	–	–	–	–
Reinsurers' share	R0240	–	3,334	–	–	–	–	3,334
Net	R0300	–	10,801	–	–	–	–	10,801
Claims incurred								
Gross - Direct Business	R0310	–	3,548	–	–	–	–	3,548
Gross - Proportional reinsurance accepted	R0320	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0330	–	–	–	–	–	–	–
Reinsurers' share	R0340	–	820	–	–	–	–	820
Net	R0400	–	2,728	–	–	–	–	2,728
Changes in other technical provisions								
Gross - Direct Business	R0410	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0420	–	–	–	–	–	–	–
Gross - Non- proportional reinsurance accepted	R0430	–	–	–	–	–	–	–
Reinsurers' share	R0440	–	–	–	–	–	–	–
Net	R0500	–	–	–	–	–	–	–
Expenses incurred	R0550	–	3,809	–	–	–	–	3,809
Other expenses	R1200							–
Total expenses	R1300	–	3,809	–	–	–	–	3,809

		Home Country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		NLP-DK	NLP-NO	NLP-FI			
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	1,685,829	2,106,806	1,270,214	1,388,080	–	–	6,450,929
Reinsurers' share	R1420	1,713	10,694	7,238	225	–	–	19,870
Net	R1500	1,684,115	2,096,112	1,262,976	1,387,855	–	–	6,431,059
Premiums earned								
Gross	R1510	1,685,829	2,001,273	1,270,214	1,387,861	–	–	6,345,396
Reinsurers' share	R1520	1,713	10,694	7,238	225	–	–	19,870
Net	R1600	1,684,115	1,990,579	1,262,976	1,387,861	–	–	6,325,526
Claims incurred								
Gross	R1610	955,171	1,694,840	472,206	1,148,263	–	–	4,270,479
Reinsurers' share	R1620	188	3,391	6,973	–	–	–	10,552
Net	R1700	954,983	1,691,449	465,233	1,148,263	–	–	4,259,927
Changes in other technical provisions								
Gross	R1710	3,672	–	3,217	46,071	–	–	49,743
Reinsurers' share	R1720	1,060	–	929	–	–	–	1,060
Net	R1800	2,612	–	2,288	46,071	–	–	48,683
Expenses incurred	R1900	34,115	129,495	67,387	34,116	–	–	262,610
Other expenses	R2500							589
Total expenses	R2600							263,199

S.22.01.22
Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	58,342,488	62,495	–	448,059	–
Basic own funds	R0020	4,211,091	-48,236	–	-333,137	–
Eligible own funds to meet Solvency Capital Requirement	R0050	4,211,091	-48,236	–	-333,137	–
Solvency Capital Requirement	R0090	2,644,655	10,369	–	67,241	–

S.23.01.22
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	12	12		–	
Non-available called but not paid in ordinary share capital at group level	R0020	–	–		–	
Share premium account related to ordinary share capital	R0030	–	–		–	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	–	–		–	
Subordinated mutual member accounts	R0050	–		–	–	–
Non-available subordinated mutual member accounts at group level	R0060	–		–	–	–
Surplus funds	R0070	–	–			
Non-available surplus funds at group level	R0080	–	–			
Preference shares	R0090	–		–	–	–
Non-available preference shares at group level	R0100	–		–	–	–
Share premium account related to preference shares	R0110	–		–	–	–
Non-available share premium account related to preference shares at group level	R0120	–		–	–	–
Reconciliation reserve	R0130	2,880,649	2,880,649			
Subordinated liabilities	R0140	1,330,430		125,430	1,205,000	–
Non-available subordinated liabilities at group level	R0150	–		–	–	–
An amount equal to the value of net deferred tax assets	R0160	–			–	–
The amount equal to the value of net deferred tax assets not available at the group level	R0170	–				–
Other items approved by supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Non available own funds related to other own funds items approved by supervisory authority	R0190	–	–	–	–	–
Minority interests (if not reported as part of a specific own fund item)	R0200	–	–	–	–	–
Non-available minority interests at group level	R0210	–	–	–	–	–
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	–				
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	–	–	–	–	–
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	–	–	–	–	–
Deductions for participations where there is non-availability of information (Article 229)	R0250	–	–	–	–	–
Deduction for participations included by using D&A when a combination of methods is used	R0260	–	–	–	–	–
Total of non-available own fund items	R0270	–	–	–	–	–
Total deductions	R0280	–	–	–	–	–
Total basic own funds after deductions	R0290	4,211,091	2,880,661	125,430	1,205,000	–

S.23.01.22
Own funds, cont.

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	–			–	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	–			–	
Unpaid and uncalled preference shares callable on demand	R0320	–			–	–
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	–			–	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	–			–	–
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	–			–	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	–			–	–
Non available ancillary own funds at group level	R0380	–			–	–
Other ancillary own funds	R0390	–			–	–
Total ancillary own funds	R0400	–			–	–
Own funds of other financial sectors						
Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	R0410	–	–	–	–	
Institutions for occupational retirement provision	R0420	–	–	–	–	–
Non regulated entities carrying out financial activities	R0430	–	–	–	–	
Total own funds of other financial sectors	R0440	–	–	–	–	–
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450	–	–	–	–	–
Own funds aggregated when using the D&A and combination of method net of IGT	R0460	–	–	–	–	–
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	4,211,091	2,880,661	125,430	1,205,000	–
Total available own funds to meet the minimum consolidated group SCR	R0530	4,211,091	2,880,661	125,430	1,205,000	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	4,211,091	2,880,661	125,430	1,205,000	–
Total eligible own funds to meet the minimum consolidated group SCR	R0570	3,214,973	2,880,661	125,430	208,882	
Minimum consolidated Group SCR	R0610	1,044,411				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	3.08				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	4,211,091	2,880,661	125,430	1,205,000	–
Group SCR	R0680	2,644,655				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.59				

Reconciliation reserve

		C0060	Tier 1 - unrestricted
Reconciliation reserve			
Excess of assets over liabilities	R0700	3,463,951	
Own shares (held directly and indirectly)	R0710	–	
Foreseeable dividends, distributions and charges	R0720	400,000	
Other basic own fund items	R0730	12	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	–	
Other non available own funds	R0750	183,291	
Reconciliation reserve	R0760	2,880,649	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	410,619	–
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	–	–
Total Expected profits included in future premiums (EPIFP)	R0790	410,619	–
			–

S.25.01.22
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
Market risk	R0010	2,764,541		Spread risk
Counterparty default risk	R0020	75,725		
Life underwriting risk	R0030	1,213,075	–	–
Health underwriting risk	R0040	42,057	–	–
Non-life underwriting risk	R0050	–	–	–
Diversification	R0060	–773,595		
Intangible asset risk	R0070	–		
Basic Solvency Capital Requirement	R0100	3,321,804		

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	121,121
Loss-absorbing capacity of technical provisions	R0140	-612,690
Loss-absorbing capacity of deferred taxes	R0150	-248,198
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	62,617
Solvency capital requirement excluding capital add-on	R0200	2,644,655
Capital add-ons already set	R0210	–
Solvency capital requirement	R0220	2,644,655
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	–
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	–
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	–
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	–
Diversification effects due to RFF nSCR aggregation for article 304	R0440	–

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
Minimum consolidated group solvency capital requirement	R0470	–		
Information on other entities				
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	–		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	–		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	–		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530	–		
Capital requirement for non-controlled participation requirements	R0540	–		
Capital requirement for residual undertakings	R0550	–		
Overall SCR				
SCR for undertakings included via D and A	R0560	–		
Solvency capital requirement	R0570	2,644,655		

S.32.01.22
Undertakings in the scope of the group

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	**Identification code of the undertaking**	**Type of code of the ID of the undertaking**	**Legal Name of the undertaking**	**Type of undertaking**	**Legal form**	**Category (mutual/non mutual)**	**Supervisory Authority**	**% capital share**	**% used for the establishment of consolidated accounts**	**% voting rights**	**Other criteria**	**Level of influence**	**Proportional share used for group solvency calculation**	**Yes/No**	**Date of decision if art. 214 is applied**	**Method used and under method 1, treatment of the undertaking**
C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0180**	**C0190**	**C0200**	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**
Sweden	5299004I849IRJR5QS72		Nordea Life Holding AB	Insurance holding company as defined in Art. 212§ [f] of Directive 2009/138/EC		Non-mutual	Finansinspektionen	1	1	1		Dominant		Included into scope of group supervision	01/01/2016 00:00:00	Method 1: Full consolidation
Norway	959922659		Livsforsikringsselskabet Nordea Liv Norge AS	Composite undertaking	Aktieselskab	Non-mutual	Finanstilsynet	1	1	1		Dominant		Included into scope of group supervision	01/01/2016 00:00:01	Method 1: Full consolidation
Denmark	529900CTPO9HC9D2CH74		Nordea Liv og Pension, Livsforsikringselskab A/S	Life insurer	Aktieselskab	Non-mutual	Finanstilsynet	1	1	1		Dominant		Included into scope of group supervision	01/01/2016 00:00:02	Method 1: Full consolidation
Finland	529900K08EYX3I3MTH59		Nordea Life Assurance Finland Ltd	Life insurer	Försäkring Aktie Bolag	Non-mutual	Finanssivalonta	1	1	1		Dominant		Included into scope of group supervision	01/01/2016 00:00:03	Method 1: Full consolidation
Sweden	529900MUOVW4H06TQA34		Nordea Livsförsäkring Sverige AB	Undertakings pursuing both life and non-life insurance activity	Försäkring Aktie Bolag	Non-mutual	Finansinspektionen	1	1	1		Dominant		Included into scope of group supervision	01/01/2016 00:00:04	Method 1: Full consolidation
Poland	31094		Nordea Powszechne Towarzystwo Emerytalne S.A.	Non-regulated undertaking carrying out financial activities as defined in Art. 1bis [33] of Level 2		Non-mutual		1	1	1		Dominant		Not included into scope of group supervision (art. 214 a)	01/01/2016 00:00:05	Method 1: Full consolidation
Estonia	11469303		Nordea Pensions Estonia AS	Non-regulated undertaking carrying out financial activities as defined in Art. 1bis [33] of Level 2		Non-mutual		1	1	1		Dominant		Not included into scope of group supervision (art. 214 a)	01/01/2016 00:00:06	Method 1: Full consolidation
LATVIA	40103170952		Nordea Pensions Latvia IPAS	Non-regulated undertaking carrying out financial activities as defined in Art. 1bis [33] of Level 2		Non-mutual		1	1	1		Dominant		Not included into scope of group supervision (art. 214 a)	01/01/2016 00:00:07	Method 1: Full consolidation