

Aktia Life Insurance Ltd

Solvency and Financial Condition Report 2023

Aktia

Aktia

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Summary

Business and performance

Aktia Life Insurance Ltd (hereinafter “company”, “life insurance company” or “Aktia Life Insurance”) is a solvent Finnish life insurance company with long-standing and solid experience in life insurance in Finland. The insurance portfolio consists of some 85,000 insurances taken out by private and corporate customers, and the company has several co-operation partners in the financial sector. The company has approximately 69 employees. Aktia Life Insurance is a wholly-owned subsidiary of Aktia Bank Plc and part of Aktia Group.

2023 was a good year for the company. Premium income developed positively from the year 2022 and new sales of risk insurances increased for the fifth consecutive year.

The company’s financial statements (FAS) for 2023 show a profit of EUR 10.7 million (2022: loss of EUR 6.7 million). The improvement is mainly due to interest rate hedges made by the company, which weighed down the 2022 result due to rising interest rates. However, the company’s operational profitability was at a good level and its expense ratio was 111.3% (106.8%). The growth in the expense ratio is due to increased insurance sales, as both commission and personnel costs increased. The risk insurance claims ratio was at a good level, at 57% (56%). The company’s return on investments at market value was 5.4% (-10.2%) in 2023.

The company adopted the new IFRS 17 standard. The new standard, which has features similar to those of Solvency II, created a great deal of extra work for the company’s actuaries. The introduction was carried out without any major problems and the company reports the result according to the standard on a monthly basis as a part of the result of Aktia Group. According to the standard, the company’s insurance liability is valued at market values, which is partly hedged by derivatives. These hedges cause result fluctuations in the FAS result.

Business development continued in line with the strategy. The project to terminate the medical expenses insurance portfolio has continued as planned. The outcome of the termination of medical expenses insurances is expected to be marginal in both the short and long term. The risk premium income has developed positively due to good new sales and the company expects a slight improvement in the claims ratio once all medical expenses insurance policies have been terminated. The unit-linked portfolio has grown due to both high premium income and favourable market conditions. However, due to a stronger competitive situation, the company’s earnings are expected to remain at the same level.

The company invested heavily in a project aimed at reforming core systems. In June, an agreement was signed on a new insurance policy administration system with a major interna-

tional vendor, Sapiens. The new system will replace the company’s two existing policy administration systems. The project is expected to span several years and it is the largest project in the company’s history. During the year, customer processes were also refined and various customer service systems were updated and renewed.

System of governance

One change took place in the company’s Executive Committee in the spring of 2023. The company’s system of governance, including the duties, responsibilities and meeting practices of the members of the Executive Committee, was specified during the reporting period.

A fifth member, Pekka Hietala, was elected to the company’s Board of Directors. He started in his position on 1 September 2023.

Risk appetite and risk profile

The risk appetite for Aktia Life Insurance is determined based on the company’s own interest, but in such a way that it also corresponds to the overall risk appetite of Aktia Group, taking into account the risks of other companies within the Group. The starting point is to have an adequate capital buffer to meet solvency requirements in all circumstances. Both Aktia Life Insurance and Aktia Group must meet stricter capital and regulatory requirements in a tightening market situation.

Due to the targets of the Group’s current strategy, certain risk management actions have been enhanced to the extent that the changes in strategy may expose the company to risks that have previously not occurred. The reason for this is that the range of investment options for unit-linked insurance products has been extended to illiquid and more complex investments. Although the immediate risks faced by the company are not expected to increase, the matter must be taken into account in risk management.

For the company’s own portfolio, market risks have not been actively increased. The weight of real estate investments at fair value increased due to the repayment of corporate loans and capital calls related to previous commitments, but in other respects the risk level and neutral allocation of the portfolio remained almost unchanged. The company has actively explored possibilities to exit major individual investments to prevent future emerging of risk concentrations as the interest-linked technical provisions and the corresponding investment portfolio decrease.

With regards to insurance products, the company continues to focus on profitable risk insurance products in addition to unit-linked insurance products. Risk management when offering these products has been improved, for example regarding target group concentrations. During 2023, the company reviewed its risk management processes and assessed their adequacy with a help of an external service provider. The project to develop and improve risk management will continue in 2024.

Valuation for solvency purposes

The company's official financial statements are drawn up in accordance with the Finnish Accounting Standards (FAS). Aktia Group's financial statements are prepared according to the IFRS accounting standards and IFRS-adjusted values are used as input data in the valuation for solvency purposes.

Investments are valued for solvency purposes using the best effort principle at the closest possible market value obtained from active and liquid markets. As this is not possible for some asset classes, private equity investments, real estate funds and directly owned real estate are valued using alternative methods.

Technical provisions are valued for solvency purposes at a market value at which the obligations can be assumed to be transferable to another insurance company. The amount is calculated as the sum of the best estimate and the risk margin. The best estimate reflects the discounted current value of estimated future cash flows from insurance commitments, taking the contractual limits into account as required under the regulations.

The discounting of cash flows is done using the risk-free interest rates published by the European Insurance and Occupational Pensions Authority (EIOPA). For the best estimate for interest-linked insurance, the basic risk free rate is applied, increased with the volatility adjustment published by EIOPA, to reduce the additional volatility in the amount of solvency capital due to the fluctuation of the credit spread. In addition, the transitional measure for technical provisions is also applied to part of the portfolio.

With regard to the cash flow estimates of insurance agreements, the company revised a number of calculation models or their assumptions during 2023. Key changes were related to cost assumptions and models regarding surrenders, deferral of the pension period and mortality. The changes made to the calculation as a whole increased the provisions in accordance with the solvency calculation and raised capital requirements.

Capital management

At the end of 2023, the company's own funds totalled EUR 184.8 (194.6) million and consisted entirely of basic funds. The basic own funds eligible to meet the solvency capital requirement (SCR) at the end of 2023 totalled EUR 180.1 (183.2) million, while the SCR was EUR 93.9 (75.2) million, which means a ratio of 192% (243%). The own funds eligible to meet the minimum capital requirement (MCR) at the end of 2023 totalled EUR 137.8 (149.9) million, and the MCR was EUR 23.5 (21.8) million, which means their ratio was 585% (688%). Of the funds eligible to meet the capital requirements (both SCR and MCR), Tier 1 funds made up EUR 133.1 (145.6) million and Tier 2 funds made up the rest.

The company has the Financial Supervisory Authority's permission to make deductions on the technical provisions during the transition period. At the end of 2023, the application of the transitional measure increased the company's own funds by EUR 31.9 (35.5) million. The impact decreases in a linear fashion each year, and as of the beginning of 2032, it will be zero. If the transitional measure were not applied, the ratio of eligible own funds to the SCR at the turn of the year would have been 149% (181%) and the ratio of eligible own funds to the MCR would have been 417% (496%). The impact of the transitional measure on the company's solvency is described in more detail in section E.

The decrease in own funds during the year is partly due to changes in the market value of assets and technical provisions and partly due to changes in the calculation and the payment of dividends. The reasons for the increase in the SCR are numerous and described in further detail in Sections C and E.

In accordance with the company's strategy, the objective is to pay 60–80% of the IFRS profit as dividends each year, conditional to that the capital requirements are met. The internal target levels for adequate capital coverage for the 2025 strategy period are 150–200% without the transitional measures and 175–200% with the transitional measures.

A. Business and Performance

A.1. Business

Aktia Life Insurance Ltd is a solvent Finnish life insurance company that offers both private and corporate customers flexible savings and investment products and personal cover. The company's licence covers the granting of voluntary life, savings and pension insurances, capital redemption contracts, and certain health insurances. The company has approximately 67,000 private customers and close to 6,500 corporate customers. The company operates in Finland and its registered office is in Turku.

Aktia Life Insurance is a wholly-owned subsidiary of Aktia Bank Plc and part of Aktia Group. Life insurance is one of Aktia Group's three business areas alongside banking and asset management. Aktia Life Insurance has two wholly-owned and two partially-owned subsidiaries, which are real estate investments included in the company's investment portfolios.

Aktia's strategy until 2025 supports Aktia's growth targets and takes the company towards its vision to be "the leading wealth manager bank". The growth strategy is specifically built on close collaboration across Aktia's three business areas. A strong focus on wealth management is key in all of Aktia's business operations. In its own strategy, Aktia Life Insurance focusses on supporting growth by developing flexible and competitive solutions for the needs of demanding wealth management customers and by providing personal cover through multiple distribution channels. The company's strategic priorities also include developing the customer, distributor and employee experience and ensuring operational efficiency through, among other things, automation and system development.

Aktia Life Insurance offers its products via agents. In addition to Aktia Bank, the distributors are Suomen Yrittäjäturva Oy, Pohjantähti Mutual Insurance Company, JEPPIS Invest Ltd, POP Pankit, The Mortgage Society of Finland, and Aaland Mutual Insurance Company.

Table 1

Basic information	
Name	Aktia Life Insurance Ltd
Legal form	Limited liability company
Supervisory authority	Financial Supervisory Authority, Snellmaninkatu 6, P.O. Box 103, FI-00101 Helsinki, tel. +358 9 183 51, kirjaamo@finanssivalvonta.fi .
Supervisory expert	Tiia Hartikainen, tel. +358 9 183 55 22, tiia.hartikainen@finanssivalvonta.fi . As of 28 March 2024: Kirsti Svinhufvud, tel. +358 9 183 5251, kirsti.svinhufvud@finanssivalvonta.fi
External auditor	KPMG Oy Ab, Töölönlahdenkatu 3 A, P.O. Box 1037, FI-00101 Helsinki, tel. +358 20 760 3000, contact@kpmg.fi
Ownership structure	Wholly owned (100%) by Aktia Bank Plc

A.2. Underwriting Performance

The company's financial statements for 2023 (FAS) show a total result of EUR 11.4 (2022: -2.1) million before taxes and appropriations and a total result of EUR 10.7 (-6.7) million euro after taxes and appropriations. In accordance with the accounting principles in force, technical provisions are not measured directly at the current interest rate level, which means that the income statement only shows the negative valuation differences for the interest rate hedges. Premiums written were EUR 148.7 (141.2) million and the risk insurance claims ratio was 57% (56%). The expense ratio was 111.3% (106.8%).

The company's result is distributed across the different insurance types as shown in Table 2:

Table 2

Profit (1 000 euros)	2023	2022
Risk insurance	5 139	3 913
Interest-linked pension insurance	-3 262	-6 003
Interest-linked savings insurance	-90	-2 286
Unit-linked pension insurance	1 223	1 199
Unit-linked savings insurance	2 459	2 779
Other items	5 894	-1 716
Profit before taxes and appropriations	11 364	-2 114
Taxes and appropriations	-705	-4 546
Profit	10 659	-6 660

The result is calculated based on insurance premiums paid, claims paid, changes in technical provisions, recorded return on investments and operating expenses distributed by insurance type according to specific distribution criteria.

The insurance premiums, claims and expenses distributed according to Solvency II business areas can be found in the table in Appendix 2.

A.3. Investment Performance

Aktia Life Insurance's investment assets consist of investments covering unit-linked insurance policies, and investments covering the company's own funds and liabilities from other insurance policies.

The investment assets covering unit-linked insurance are managed to match the underlying investments in unit-linked policies at all times and as well as possible. These investments' changes in value largely offset the value changes of future claims of unit-linked policies. Their impact on the company's P&L and market risks is relatively minor.

The fair value of the investment assets covering own funds and insurances other than unit-linked insurances on 31 December 2023 was EUR 504 million (EUR 515 million), including bank account balances, the net present value of

open derivative positions, and the collateral pledged and received for derivatives.

In accordance with the company's neutral asset allocation, the investment portfolio is strongly focused on fixed income and real estate investments. The basic allocation was unchanged in 2023, but the share of real estate grew by EUR 19.1 million in 2023 to 18.2 per cent of the portfolio. The increase in the real estate weight is due to repayments of real estate company loans and capital calls of EUR 6.7 million during construction.

2023 proved to be a good investment year during which all main asset classes except real estate provided positive returns. The return at market value was EUR 26.5 (-61.7) million, while the money weighted return was +5.36% (-10.19%). The increases in real estate market yields and financing costs caused by the rise in interest rates resulted in write-downs of EUR 4.5 million in the fair values of direct real estate investments. Real estate funds' returns were improved by an exceptional item consisting of a VAT refund and earnout payments of a real estate fund sold in 2022, totalling EUR 0.9 million.

Table 3

Allocation of the investment portfolio by type of investment

1 000 euros	31.12.2023		31.12.2022	
Equity	10 104	2,0 %	12 806	2,5 %
Fixed income	316 699	62,8 %	327 664	63,6 %
Government bonds	88 680	17,6 %	90 850	17,6 %
Financial sector bonds	29 366	5,8 %	31 694	6,2 %
Other corporate bonds	139 653	27,7 %	143 664	27,9 %
Emerging markets	34 118	6,8 %	37 239	7,2 %
High yield bonds	22 797	4,5 %	21 455	4,2 %
Trade Finance	1 696	0,3 %	2 322	0,5 %
Mixed funds	389	0,1 %	440	0,1 %
Alternative investments	27 145	5,4 %	28 667	5,6 %
Private Equity & Venture capital	22 586	4,5 %	21 513	4,2 %
Infrastructure funds	4 559	0,9 %	7 154	1,4 %
Real estate	91 852	18,2 %	72 721	14,1 %
Direct real estate holdings	72 687	14,4 %	48 696	9,5 %
Real estate funds	19 165	3,8 %	24 025	4,7 %
Money market	25 800	5,1 %	55 314	10,7 %
Derivatives	-12 162	-2,4 %	-23 929	-4,6 %
CSA balance	18 132	3,6 %	26 873	5,2 %
Book money and cash	26 836	5,3 %	14 732	2,9 %
Total	504 406	100,0 %	514 848	100,0 %

Table 4

Net income from investment activities 1 000 euros	Net income	Invested capital	Return on	Return on
			invested capital	invested capital
			2023	2022
Fixed-income investments	26 512	383 804	6,91 %	-15,11 %
Loan receivables	3 025	56 159	5,39 %	-19,34 %
Bonds	21 502	238 903	9,00 %	-20,05 %
Other	1 984	88 742	2,24 %	-0,23 %
Equities and shares	2 648	36 414	7,27 %	-4,86 %
Listed equities and shares	1 791	8 350	21,45 %	-20,82 %
Private equity investments	740	25 538	2,90 %	5,34 %
Non-listed equities and shares	117	2 526	4,65 %	4,65 %
Real estate investments	-1 770	74 129	-2,39 %	21,77 %
Direct real estate investments	-2 456	53 110	-4,62 %	2,94 %
Real estate funds	686	21 020	3,26 %	57,49 %
Other investments	-	-	-	-
Hedge fund investments	-	-	-	-
Commodity investments	-	-	-	-
Other	-	-	-	-
Investments total	27 390	494 348	5,54 %	-10,03 %
Income and costs not attributed to a specific investment class	-883	494 348	-0,18 %	-0,16 %
Net income	26 508	494 348	5,36 %	-10,19 %

The company uses Aktia Asset Management Ltd as its asset manager for the investment baskets covering unit-linked insurances, as well as fixed income investments, equity and alternative investments covering interest-linked and own funds. With regard to real estate investments, Taaleri Real Estate Ltd acts as managing partner to Aktia Life Insurance.

The wealth management agreement is valid until further notice and it is long-term in nature. The wealth management commission paid by Aktia Life Insurance does not include performance-based elements. Wealth Management follows Aktia Group's ownership policy and principles for responsible investment (www.aktia.com).

Aktia Life Insurance draws up, autonomously and independently of the wealth manager, its own investment strategy and plan, including the limits set for steering the asset management, allocation limits, neutral allocation and the benchmark indices to be used for performance assessment. The company's investment strategy and plan consider the nature of life insurance liabilities and their short- and long-term needs for the organisation of investment activities. The company uses Aktia Bank's Wealth Management as its asset manager for both the investment baskets covering unit-linked insurances as well as the fixed income investments, equities and shares, and alternative investments covering the interest-linked insurances and the company's own funds.

A.4. Performance of other activities

The company does not engage in any activities other than those described in the sections above.

A.5. Any other information

There is no other material information to report.

B. System of Governance

B.1. General information on the system of governance

B.1.1. Structure of the company's governance, executive and supervisory bodies

Aktia Life Insurance is a wholly-owned subsidiary of Aktia Bank Plc. The company is subject to Aktia Group's regulations and guidelines, processes and procedures. The company's task is to provide Aktia Group with life insurance services that support the Group's strategy and to offer services to selected distributors. Life insurance is one of Aktia Group's three business areas alongside banking and asset management.

Supreme authority in the company is exercised by the General Meeting. The General Meeting addresses matters that, according to the Articles of Association, belong to the Annual General Meeting, and possible other proposals. An extraordinary General Meeting is convened if required.

According to the Articles of Association, the company's Board of Directors comprises no fewer than three (3) and no more than five (5) members. The members of the Board of Directors are elected by the General Meeting. The Board of Directors is tasked with the appropriate organisation of the company's governance and operations. The Board of Directors decides on the most significant strategic orientations, the investment strategy and plan, including the most significant individual investments, adopts the orientations and targets for the company's capital and risk management, makes a proposal on the distribution of profit to the General Meeting and appoints the CEO. The Board of Directors is responsible for ensuring that the company's accounting, wealth management, governance, operations and risk management are organised in an appropriate manner. The Board of Directors' activities are governed by valid legislation and other regulation governing the sector, as well as Aktia Group's regulations and the charter of the company's Board of Directors. The Board of Directors shall manage the company according to sound and prudent business principles, and according to principles that support reliable governance, taking into consideration the interests of the company, its shareholders and policyholders.

The company's Board of Directors during the period 1 January–31 December 2023 was comprised of Juha Hammarén (Chair), Outi Henriksson, Anssi Huhta, Karri Varis and Pekka Hietala (as of 1 September 2023).

The CEO of Aktia Life Insurance has overall responsibility for the company's operational activities and day-to-day management in accordance with the orders and instructions given by the Board of Directors.

The CEO during the period 1 January–31 December 2023 was Riikka Luukko.

The CEO is assisted by the Executive Committee, which, in addition to the CEO, is comprised of the Chief Financial Officer, and the heads of asset and liability management, key businesses and governance. The Executive Committee is chaired by the company's CEO. The Executive Committee is tasked with assisting the CEO in planning the activities and operational management and preparing matters to be addressed by the Board of Directors. The Executive Committee prepares the company's strategic and annual planning, is responsible for the implementation of the strategy and the annual plans and monitors the execution of the plans and financial reporting. The Executive Committee is also responsible for matters and policies related to risk management, statutory management, compliance and requirements concerning the financial sector, and their implementation. One of the key tasks of the Executive Committee is to develop the internal co-operation within Aktia Group and to promote shared development projects.

The Executive Committee convenes twice a month and, as a general rule, holds a meeting where day-to-day matters are addressed once a week.

The Executive Committee does not have powers based on law or the Articles of Association, or autonomous decision-making powers. The decisions on matters addressed by the Executive Committee are made by the Chair of the Executive Committee and the Executive Committee member who is responsible for the matter, after consultation with the Executive Committee.

The company's system of governance, including the duties, responsibilities and meeting practices of the members of the Executive Committee, was specified during the reporting period.

In Aktia Group, the businesses and their support functions own all the risks of their operations and are thus responsible for internal control and risk management. The businesses must report possible deviations in accordance with the given guidelines.

The company's external auditor for the financial year 2023 was KPMG Oy Ab, with Petter Westerback, APA, as the principal auditor.

A fifth member, Pekka Hietala, was elected to the company's Board of Directors during the reporting period. He took his position on 1 September 2023. The composition of the company's Executive Committee changed when the responsibilities for the sales function were combined with the duties of the person responsible for the operational functions.

The company did not have significant transactions with Aktia's shareholders, members of the Board of Directors or other senior management members during the reporting period.

B.1.2. Key functions and critical and important operational functions

The company's key functions are the actuarial function, compliance function, risk management function, and internal audit. Each key function reports regularly to the Board of Directors and the CEO.

The company's critical or important operational functions are insurance management, claims processing, development and pricing of insurance products, investment and management of assets, ensuring the continuous daily system maintenance and support, reinsurance management, accounting and business control, taking care of the storage of data and archiving, and taking care of the own risk and solvency assessment.

A person responsible for each key function and critical and important function has been designated from the company's Executive Committee.

B.1.3. Remuneration

Aktia Group's remuneration policy is reviewed annually and approved by the Group company's Board of Directors. The remuneration policy specifies the principles on which remuneration in Aktia Group is based. In line with Aktia's remuneration principles, remuneration must support Aktia's opportunities to recruit, develop and retain enthusiastic, competent and result-driven employees and foster diverse competence, co-operation and leadership. The remuneration principles support rewarding excellent performance and guide the development of work in line with the Group's strategy, targets and values. The remuneration principles support Aktia Group's risk management in line with its risk appetite, and the principles of equal opportunity and transparency.

The remuneration policy takes into account the regulations and guidelines governing remuneration in insurance companies and the collective bargaining agreement for the insurance sector. Matters related to remuneration are prepared by the Group Board of Directors' Remuneration and Corporate Governance Committee.

Aktia Life Insurance follows the Group-level remuneration policy, according to which the remuneration system consists of the following parts:

- fixed compensation and benefits in kind
- variable compensation (short- and long-term performance-based remuneration scheme)
- supplementary pensions.

A fixed monthly salary is a stable starting point for basic functions and the development of these. The purpose of

variable remuneration is to support the implementation of the strategy in the short and long term and to reward key employees for the company's success and development.

The aim of the share-based incentive scheme is to support Aktia's Group's long-term strategy. The Group's remuneration system is evaluated on a yearly basis and continuously updated to comply with company development.

The Group's Board of Directors decides on any other remuneration systems, such as bonus systems and the voluntary AktiaUna share savings plan.

B.2. Fit and proper requirements

The fit and proper requirements are based on the Act on Insurance Companies and the Financial Supervisory Authority's regulations and guidelines, and the Aktia Group's internal guidelines concerning the requirements set on fitness and propriety. In addition, Aktia Life Insurance has corporate guidelines on the assessment fitness and propriety and a separate procedure for assessing the competence of an individual member of the Board of Directors and the collective competence of the Board of Directors.

The following are subject to the fit and proper assessment:

- members of the company's Board of Directors
- CEO and deputy CEO
- members of the Executive Committee and persons responsible for key functions.

If a key function has been outsourced, the assessment is also carried out for the person employed by the service provider who has been designated as the person in charge of the key function. Fitness is assessed when:

- when a new person is appointed to a task, based on which the person is subject to the assessment procedure
- a person is appointed to a new task that is subject to the assessment procedure
- a person must be reported to the Financial Supervisory Authority.

The fitness and propriety of the company's Board of Directors, CEO, the deputy CEO, the members of the Executive Committee and the persons responsible for key functions are ascertained every two years. Aktia Group's Board of Directors' guidelines on the suitability assessment, orientation and training of management members and other persons in leading positions are applied to the regular fit and proper assessment.

In order to meet the fit and proper requirements, the person must have the professional competence, expertise and experience required by the position and the related responsibilities. If necessary, the assessment also takes into account the expertise and experience related to insurance operations, actuarial science, accounting, sales and marketing,

information technology and leadership. The fit and proper assessment also includes an assessment of the person's integrity and personal financial situation.

When assessing the members of the company's Board of Directors, the fact that the Board of Directors as a whole has sufficient professional competence and experience is considered in addition to individual requirements.

B.3. Risk management system including the own risk and solvency assessment

B.3.1. Description of the general risk management principles

Risk management means methods and ways to identify, measure, monitor, analyse, manage and prevent various types of risks in a systematic manner in line with the confirmed risk appetite. The risk management process aims to identify the risks affecting business operations as comprehensively as possible and to also ensure that the impacts of the risks are assessed and can be managed, limited and monitored.

The starting point for Aktia Group's governance is the so-called industrial entity principle, which means that the different parts of the Group must complement one another and that the objective is the Group's overall competitiveness. The Group and its parts must be managed professionally and according to sound business principles. This requires an efficient and appropriate management model, good leadership and bearing responsibility for internal control and risk management.

The objective of the Aktia Group's risk management system is efficient internal control and risk management and a sound compliance and risk culture. Risk culture means the company's rules, attitudes and conduct related to risk awareness, risk-taking and risk management, and inspections guiding risk-related decisions. Aktia Life Insurance follows Aktia Group's risk management system. The company's insurance business includes, by nature, controlled risk-taking, risk management and risk pricing.

B.3.2. Structure of the risk management system

Aktia Group's Board of Directors has appointed three committees tasked with deciding on specific matters and preparing matters to be addressed by the Board of Directors.

The Risk Committee prepares matters related to risk-taking and risk management and also addresses key risk-related capital and liquidity processes and assessments. The committee prepares decisions concerning the annual plan and the procedures for Risk Control and Compliance to be confirmed by the Group's Board of Directors and handles the Risk Control and Compliance functions' reports.

The Audit Committee ensures the appropriate organisation of financial reporting and internal control and audit. The Com-

mittee prepares the internal audit principles and the Group's internal audit plan. The Committee receives the auditor's and internal audit's reports for information and assesses the dependency of other internal reporting. The Audit Committee assesses the independence of the auditor or audit firm and, more specifically, the provision of additional services.

The Remuneration and Corporate Governance Committee prepares and presents the Board of Directors with the decision proposals that concern the Group's remuneration policy and report. The Committee also prepares and addresses matters concerning the development of the Group's governance systems.

Aktia Life Insurance has outsourced the compliance function, the risk management function and the internal audit to the Group. Although the subsidiaries' risks are regulated and managed to a significant extent by the Group, the Board of Directors of Aktia Life Insurance is responsible for the company's management and the appropriate organisation of risk management.

The company's risk management is guided by the following key guidelines and processes:

- The company's Own Risk and Solvency Assessment (ORSA)
 - Guides the company's risk and capital management and supports the company's operational guidance and strategic planning.
- Risk management principles
 - Covers all principles applied to the company's risk management. In addition to the general risk management principles and risk indicators, these include investment policy and underwriting policy defining the risks to be insured and reinsurance principles. Risk management principles also include descriptions of how individual risks are defined, understood and applied and how risk is calculated using different indicators. In addition, the principles describe the methods used to mitigate risks and which functions of the company are responsible for risk management.
- Documentation concerning the governance system
 - The company's description of the system of governance, the Board of Directors' charter, the company's contingency and continuity plans.
- Directive for critical and compliance-critical functions
 - Outlines e.g. the responsibilities and obligations of critical functions.
- Investment strategy and annual investment plan
 - Guidance on taking market risks, including, among other things, the investment asset basic allocation with limits, the principles regarding the use of derivatives, and a plan for managing reinvestment, refinancing and concentration risks.

The company's Board of Directors discusses matters related to asset and liability management on a monthly basis, such as the situation of the investment portfolio and the development of solvency and liquidity. The Executive Committee also monitors the management of insurance risks, such as underwriting policies and guidelines and takes care of the company's continuity and contingency planning. The company's principal actuary is responsible for ensuring that the principles for pricing insurances and for the calculation of technical provisions are appropriate.

The company has a Risk Management Committee that prepares and discusses matters and measures related to the company's risk management.

B.3.3. Risk management function

The Aktia Group has a Risk management function (Risk Control) that is independent of business operations and controls and assesses the Group's and its subsidiaries' risk management and reports on risks to management and the Board of Directors. The function monitors that the risks of all operations are measured, analysed and monitored appropriately and prepares an assessment of the Group's overall risk position in relation to the strategies and risk appetite adopted by the Board of Directors. The subsidiaries' risk control takes into account the special characteristics of their business and the special regulations pertaining to it. The Risk management function is guided by the principles annually adopted by the Board of Directors and the function's annual plan.

The Group's shared, documented risk management function guidelines, which specify the risk management strategy, are separately approved by the Board of Directors of Aktia Life Insurance. The limits of risk tolerance are determined together with the Group's limit policy. The Risk management function monitors the market risks associated with the interest-linked insurances and the compliance of investment activities with the investment strategy and defined limits. In addition, the Risk management function supervises the solvency and operational risks of the company.

The Risk management function reports on a quarterly basis and, if necessary, more often directly to the Board of Directors of Aktia Life Insurance. The Risk management function annually presents the Board of Directors with an account of its activities.

B.3.4. Compliance function

Aktia Group has a Compliance function that is independent of business operations. The Compliance function is responsible for advisory, supervisory and reporting tasks related to the function's own risk areas: governance, data protection, financial crime and saving & insurance. During the year, the Compliance function has appointed a Compliance officer (AML Compliance Officer), monitoring compliance with regulations related to the prevention of money laundering and financing of terrorism.

The Compliance function supports business and monitors that legislation and official regulations are followed in its area of responsibility. In addition, the Compliance function provides advice and support to executive management and staff in knowing and following the applicable rules, and in identifying, addressing and reporting on risks related to non-compliance.

The Compliance function is guided by the regulation for the Compliance function and annual plans annually adopted by the Group's Board of Director.

The Compliance function reports on a quarterly basis and, if necessary, more frequently to the Executive Committee and the Board of Directors of Aktia Life Insurance. The Compliance function annually presents the Board of Directors with an account of its activities.

B.3.5. Own Risk and Solvency Assessment (ORSA)

The company's Own Risk and Solvency Assessment (ORSA) is one of the company's key tools for operational guidance and strategic planning and is an integral part of capital management. ORSA produces information for the Board of Directors and executive management on the company's solvency position and capital adequacy in various scenarios.

The company has guidelines for defining the annual process according to which the company's ORSA is carried out. As the company is subject to the Group's overall planning in terms of, for example, risk appetite, strategy and capital planning, it is appropriate that the planning of these takes place simultaneously with the other Group companies as far as possible. Therefore, the company's ORSA process is scheduled to take place concomitantly with the Group's Internal Capital Adequacy Assessment Process (ICAAP), such that the preparation of, for example, the strategy and risk parameters and drawing up of analyses and reports in each take place at the same time of the year (see Figure 5). The aim is for the annual ORSA report and its approval to be completed during December.

The annual clock of the ORSA process begins with updating the Group's and life insurance company's strategy in spring after the first quarter, once the Group's Risk Committee has taken a position on the risk reporting for the first quarter. Thereafter, the preparing units begin their work on changing and updating the risk models according to need. The limits and scenarios are available to the Group's Board of Directors after the end of the third quarter. Thereafter, the ICAAP and ORSA are addressed separately in the Group's Risk Committee and in each Board of Directors and approved by the Boards of Directors.

In recent years, efforts have been made to make ORSA a risk management tool that supports management in the day-to-day management of the company. ORSA is a process that contains more than the annual ORSA report, even if the process culminates in it. Starting from 2023, the report will

Figure 5



highlight the most important risks in each risk area, and any measures related to them will be assessed in the following year. Risk-related observations can be made in day-to-day business, during the Board of Directors' ORSA reviews, as highlighted in the meetings of the Risk Management Committee, or from the results of quantitative analyses.

In addition, the Board of Directors participates, together with the risk management function, the actuarial function, asset and liability management and executive management, in preparing the annual updating of the ORSA parameters, risk appetite and limits. From 2023, all guiding documents related to ORSA will be part of the company's risk management principles adopted by the Board of Directors. The Board of Directors also approves the internal ORSA risk report and the ORSA supervisory report. In connection with the ORSA report, an action plan is drawn up for possible breaches of risk limits that are anticipated to occur in the forward-looking assessment.

The risk management function and the actuarial function are the units with principal responsibility for producing the risk figures, calculations and analyses required for the ORSA report. During 2023, the sub-responsibilities have been clarified as the risk framework and the risk management principles have been renewed.

The risk parameters and the assumptions, which are based on the investment policy and strategy, are made for the calculations together with asset and liability management, where the life insurance company's head of asset and liability management is responsible for the decisions. If required, the risk management function must prepare a proposal on possible adjustments to the risk parameters and document these changes and possible changes to the ORSA policy

and the ICAAP policy. If required, the actuarial function must prepare a proposal on possible adjustments to the actuarial parameters and document these changes. The risk management function and the actuarial function provide assistance, if necessary, by issuing expert statements in meetings of the Board of Directors in questions concerning the ORSA.

The company's Executive Committee has a director in charge of asset and liability management, whose area of responsibilities includes, among other things, the investment and management of assets, the investment strategy and plan, and asset, concentration and liquidity risks. The tasks related to asset and liability management are carried out in close collaboration with the Group's asset and liability management.

The ORSA assessment is carried out in accordance with the standard procedure defined in the company's risk management principles. This description includes the comprehensive ORSA report, which is prepared each year, and the internal ORSA key figures calculated in connection with regulatory reporting (Solvency II), which are produced quarterly. The frequency can be changed, if required, for example, if significant changes occur in the operating environment or the risk profile such that an additional reporting date is needed. In practice, monitoring can take place daily, although the cash flow forecast for technical provisions is usually updated on a quarterly basis only.

In addition to the ORSA report and key figures, the ORSA process essentially includes events organised by the risk management function and the actuarial function together with the life insurance company's executive management and Board of Directors (3–4 per year), where relevant risk themes and their addressing within ORSA are discussed.

The company’s product development takes into account that the capital requirements for new products do not compromise the company’s capital adequacy.

B.3.6. Solvency targets

The need for solvency arises from risks associated with insurance and investment activities that the company is not able or willing to hedge and which entail possible losses that the company must cover with its own capital.

The solvency capital requirement (SCR) is the minimum amount of capital the company must have to be able to conduct its business without triggering supervisory action. The requirement is set to correspond to a 99.5% confidence level that the company will retain its solvency and is able to meet its future commitments with a one-year forecast horizon. In terms of risk interpretation, this confidence level equals the credit rating Baa/BBB assigned by the most well-known credit rating agencies to debt, even though the Solvency II standard formula used by the company for the solvency capital requirement does not correspond to the methods used by credit rating agencies.

In addition to the SCR, Aktia Group’s Board of Directors has adopted for the company strategic solvency targets that exceed the regulatory requirement in all circumstances and which concern both the official solvency position reported by the company, i.e. the ratio of the solvency capital to the SCR, and the solvency position without the solvency transitional measures used by the company.

The current solvency target set by the Board of Directors for the strategy period ending in 2025 is 175–200% or 150–200% for the solvency position without transitional measures.

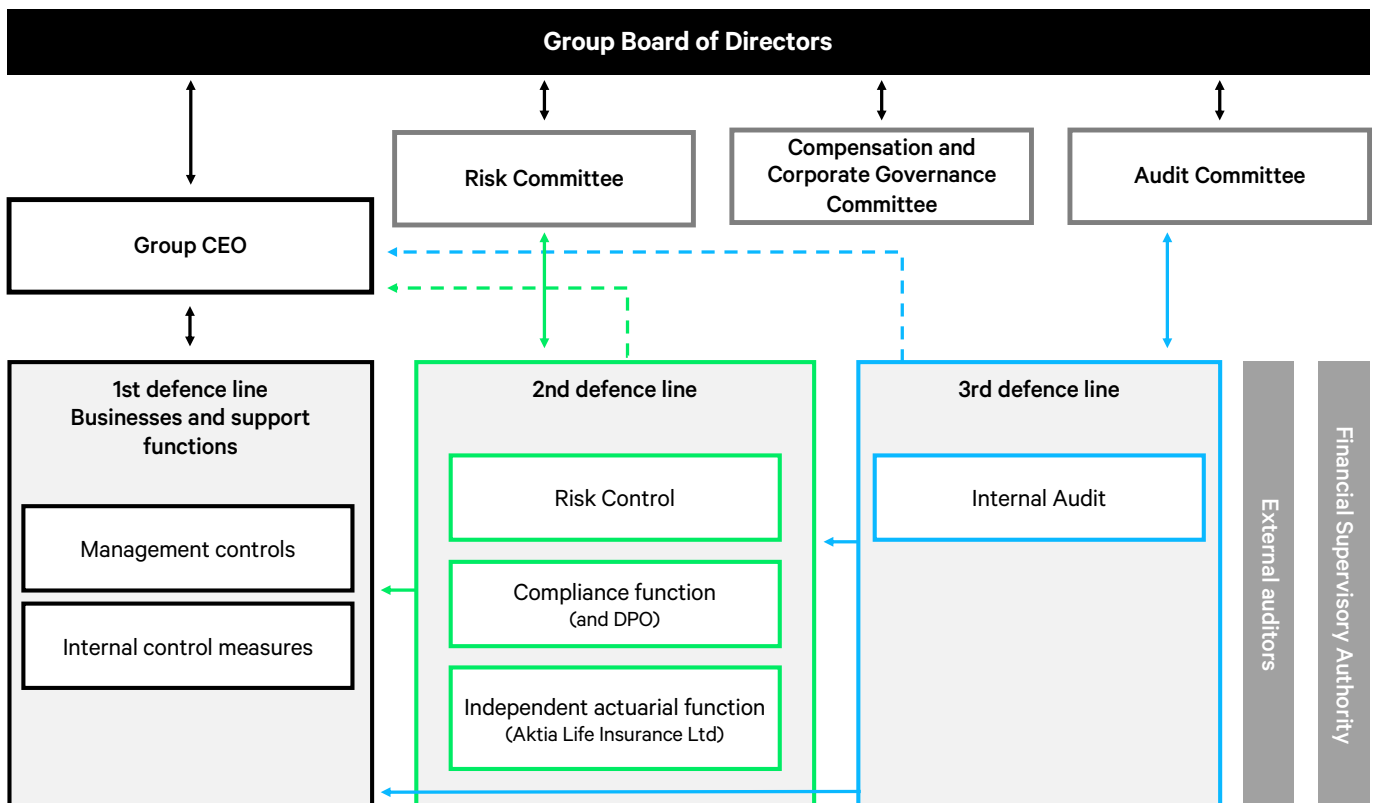
The company aims to maintain its strategic solvency targets, among other measures,

- through capital management, i.e. by issuing share capital and capital loans included in solvency capital
- by investing its own investment assets as profitably and securely as possible and such that the market risks arising from technical provisions are adequately covered
- by limiting its insurance risks through underwriting and reinsurance
- by limiting its profit distribution.

In addition to the SCR, the company considers in its insurance and investment activities also other risk indicators than those derived from regulatory requirements, and it aims to limit in its activities the market risks inherent in the consolidated and segment results.

B.4. Internal control system

The task of Internal Control is to ensure that Aktia Group’s operations comply with regulatory requirements and the operational guidelines adopted by the Board of Directors. Aktia follows the “three defence line” method in internal control and risk management. Internal control is thus implemented at all levels of the organisation. The appropriate organisation of internal control and securing its operation are



included in the tasks of the Aktia Group's Board of Directors.

The first defence line, i.e. the businesses and their support functions own all the risks of their operations and are thus responsible for internal control and risk management. The first defence line defines, implements and controls operational processes, control systems and implements internal control and risk management as part of its day-to-day activities and ensures that operational risks have been identified and that internal control has been adequately organised. The control measures include adequate guidance, approval, verification and reconciliation procedures available to all employees. The first defence line uses a system for reporting and monitoring operational risk events and "near misses".

The risk management function, the Compliance function and Aktia Life Insurance's independent actuarial function form the second defence line. The operations of the second defence line support business, i.e. the risk owners, and prepare Group-level principles, internal rules and processes in their respective areas of responsibility, and monitor compliance with them and external regulations. The functions of the second defence line operate autonomously and independently of business. The Risk Management function and Compliance function report directly to Group companies' Board of Directors. The actuarial function reports to the Board of Directors of Aktia Life Insurance.

Internal Audit forms the third defence line. Internal Audit assesses the Group's internal control and risk management and compliance with internal rules and external regulations. Internal Audit reports directly to the Boards of Directors of the group companies.

The Group's Board of Directors adopts the Group's principles, guidelines, risk strategies and risk appetite and thus adopts the limits for the Group's risk management. The Group's Board of Directors is responsible for ensuring that risks are addressed appropriately, efficiently and responsibly and that Aktia's ways of working guarantee the legality of the Aktia Group's business.

The Group's Board of Directors' regulation concerning the organisation of internal control and risk management includes the management model and culture and defines how the Group's Board of Directors, Group CEO, members of the Group's Executive Committee, heads of the centralised functions, subsidiaries and supervisors with line responsibility must take care of internal control. The regulation also defines how the principle of duality (four-eye principle), regular reviews, reporting and communication are arranged and how internal control is assessed and monitored.

In addition to the aforementioned regulation, the collection of rules and guidelines applicable in the Group and the company must be considered part of internal control. The start-

ing point for the company's internal control and risk management system is that it must be comprehensive enough in view of the company's operations. Internal control is a process that encompasses the control carried out by the life insurance company's management and other personnel and all measures carried out in the company that are intended to ensure, within the adopted risk appetite:

- responsible, appropriate and efficient operations
- adequate identification, measurement and reduction of risks and addressing thereof
- reliable and accurate financial and other information for management, investors and other external stakeholders
- stable governance and calculation procedures
- compliance with internal rules and external regulations, specifically regulations applicable to the financial sector, such as regulations related to the prevention of money laundering and financing of terrorism, as well as regulations pertaining to equality and non-discrimination
- adequate protection of operations, data and the company's own and customers' assets
- adequate and appropriate systems to support operations. These systems, including information systems, can be Aktia's own or systems that are used in situations where Aktia has outsourced some of its activities to a third party.

The company has carried out an independent risk management assessment during 2023. Based on the assessment the company will specify the internal control procedure and activities. Aktia Life Insurance's key supervisory functions did not observe any material shortcomings in the company's internal control in 2023.

B.5. Internal audit function

Aktia Group has an Internal Audit function, which is a unit independent of businesses. Its task is to examine the adequacy and effectiveness of the internal control system and the quality of the performed tasks and to promote necessary changes by addressing observed shortcomings and improvement areas. The Group's Board of Directors annually decides on the internal audit operating principles and the Group's audit plan. Internal Audit reports quarterly on its main observations, monitoring of measures and the implementation of the audit plan directly to the Aktia Group's Board of Directors, Audit Committee and Aktia Life Insurance's Board of Directors.

Internal Audit complies with international guidelines, which include the definition of internal audit, the code of conduct and professional internal audit guidelines. Internal Audit operations are also guided by its own operating principles. In addition, the operations abide by legislation and other regulations governing the sector.

Internal Audit reviews and assesses, among other things, the operations of key functions, information systems, the adequacy of resources, internal routines and processes, customer contacts and methods in an independent and objective manner. In addition, the ORSA is audited separately.

B.6. Actuarial function

Aktia Life Insurance's actuarial function is organised as part of the Actuarial Unit headed by the principal actuary. The actuarial function's task is to implement the statutory tasks set for actuarial operations in the Finnish act on insurance companies, such as:

- ensure the appropriateness of the methods and models used in calculating technical provisions and the assumptions made when calculating technical provisions
- assess the adequacy and quality of the data used in the calculation of technical provisions
- compare the best estimates to experience-based information
- supervise the calculation of technical provisions
- report to the company's Board of Directors on the reliability and appropriateness of the calculation of technical provisions
- issue a statement to the company's Board of Directors on the underwriting policy and the appropriateness of reinsurance arrangements
- participate in the efficient implementation of the risk management system and in the drawing up of the ORSA
- report annually to the Board of Directors on tasks performed, any shortcomings and recommendations to address them.

In addition, the actuarial function regularly analyses the risk result and gives recommendations and statements to support business decisions related to the granting and pricing of insurances.

The actuarial function is independent and reports on matters within its area of responsibilities directly to the company's Board of Directors. The Board of Directors adopts the calculation criteria for technical provisions and insurance premiums and non-minor changes in pricing and the principles for the calculation of technical provisions.

The company has a principal actuary who meets the eligibility criteria stipulated in the Finnish act on insurance companies. The principal actuary is tasked with ensuring the appropriateness of the actuarial methods to be applied in the company and that the amount of and method for defining the company's insurance premiums and technical provisions meet the regulatory requirements. In addition, the principal actuary produces, for the purposes of risk management and

investment operations, a report for the Board of Directors on the requirements set by the nature of the technical provisions and the return requirement and by the maintenance of solvency and liquidity, as well as on the appropriateness of the management of the company's actuarial risks.

B.7. Outsourcing

In outsourcing, Aktia Life Insurance complies with the Aktia Group's outsourcing rules, which are based on the Finnish act on insurance companies and the Financial Supervisory Authority's regulations and guidelines. According to the applicable regulations, the company cannot outsource key functions, if outsourcing would lead to a material weakening of the system of governance, an unreasonable increase in operational risk or a weakening of the service offered to policyholders, insured and beneficiaries. Regardless of outsourcing, the company is responsible for ensuring that the outsourced function meets the requirements set for insurance companies.

The company has outsourced some of the functions that are key and critical or important for governance and the system of governance to Aktia Bank Plc. These include, for example, risk management, compliance, internal audit, certain parts of the IT function, investment operations and investment portfolio management.

The most significant outsourced functions outside the Aktia Group are the insurance-based investment product management system maintained by Evitec Oy and the acquisition of personal risk insurance data centre functions from Tietoevry Corporation.

B.8. Any other information

The company's system of governance is assessed annually. According to the Board of Directors' and the company's management, the system of governance is suitable and sufficiently comprehensive, considering the company's operations and the risks the company is exposed to.

Overall, there is no other material information to report on the company's system of governance.

C. Risk profile

Market risk remains by far the largest risk for the company. In the ORSA for 2023, the market risk contribution was estimated at 64.8% (65.6%) of the total internal ORSA capital requirement, whereas actuarial risks accounted for 29.9% (31.0%), operational risks for 3.1% (2.7%) and other risks for 2.2% (0.7%). Market risks arise from market changes that affect investment portfolios, but also the value of technical provisions. Interest rate risk is particularly significant, as it is often challenging to manage, and it has an impact on both sides of the balance sheet.

Actuarial risks are generally thought to be well defined, and also more stable than market risks. The large variations in actuarial risks that took place in 2023 are largely due to lower interest rates and a more detailed analysis of several known model change needs, and the implementation of the changes in the calculation during the year. The changes therefore do not, at least not as a whole, reflect a real change in the level of risk.

The company has strengthened its risk insurances with regard to the limits on the amounts that can be held at own risk. Anything exceeding this is reinsured. The Board of Directors annually approves the reinsurance arrangements on the principal actuary's proposal.

In 2023, the company renewed its risk management principles to include, in addition to the above-mentioned underwriting policy, risk descriptions of the revised risk framework, risk strategy and principles for the ORSA process.

Operational risks are classified in more detail in the company's risk management principles than, for example, in the Solvency II calculation of operational risks and the ORSA operational risks are estimated in accordance with the descriptions in this document. Since 2022, efforts have been put into improving the life insurance company's internal risk management within the operational activities, for example regarding risk selection and monitoring, and as part of this work the company drew up a new underwriting policy at the end of 2022. The ORSA risk framework and risk management principles were revised in 2023, and in connection with this, the risk allocation was changed, in particular with regard to operational risks, in order to make the practice more consistent with the Group. In addition to the aforementioned underwriting policy, the risk descriptions of the revised risk framework, the risk strategy and principles for the ORSA process have been included in the risk management principles.

The easiest and most effective way to influence the company's risk profile is through the investment portfolio. The life insurance company's investment portfolio on 31 December 2023 primarily consisted of fixed income investments, which accounted for 62.8% (74.4%). Furthermore, 18.2% (14.1%) is invested in direct real estate holdings or real estate funds,

2.0% (2.5%) in listed equities and shares and 5.4% (5.6%) in alternatives (in practice non-listed equities or shares and private equity funds). On the reporting date, cash and cash equivalents made up 5.3% (2.9%), derivatives (swaps) -2.4% (-4.6%) and collateral for derivatives 3.6% (5.2%).

The total portfolio covering interest-linked liabilities was EUR 504.4 (514.9) million. The portfolio covering unit-linked liabilities consists of investment instruments, some of which are chosen by the policyholders and some by the portfolio manager based on a mandate. Their value on the reporting date was EUR 1,133.6 (1,001.6) million. The position of the units held is reviewed daily to ensure that it reflects the changes made to the portfolios.

Investment portfolios can also include securities whose full risk profile is difficult to estimate. One example of such instruments is a fund which invests in other funds, if the company does not have sufficient information on the underlying assets included in the secondary fund. The prudent person principle is followed for these instruments such that the amount is limited using limits and prudent assumptions are used for them in risk calculations. As a whole, the portfolio has few instruments belonging to this category, and in practice, they are investment funds in the private equity and infrastructure segments.

In addition to the Solvency II standardised approach, the Group's internal model is also used to measure market risk sensitivity. The internal method limit is a fixed amount in euros that must at all times exceed its benchmark. The benchmark measures the portfolio's risk sensitivity, and it is calculated as the correlated sum of the interest rate, credit, foreign exchange rate, equity and real estate stress risk impacts. The risk sensitivity parameters are the same for all Group companies whose risk figure is measured on a daily basis. The life insurance company's limit in 2023 was EUR 100 million and will remain the same for 2024.

The company's risk figure on 31 December 2023 was EUR 82.1 (61.7) million, which was below its EUR 100 (100) million at a cover rate of 121.8% (162.1%). The risk figures for individual risks are addressed separately in the subsections of this section. The benchmark is set at 80 per cent of the correlated sum of individual market risks, where the 20 per cent deduction corresponds to the impact of corporation tax.

The Solvency II SCR is addressed separately in section E.2.

C.1. Underwriting risk

Underwriting risk comprises actuarial risk alongside the actual underwriting risk (i.e. risk selection). Actuarial risk means the risk that actual claims and expenses from insurance policies exceed income to a larger extent than was

assumed when calculating the technical provisions. Underwriting risk arises from the company erroneously accepting to grant risk insurance to an individual who should not have been granted the insurance in question or, more generally, to a specific population group, age group, product or geographical area that is too extensive in relation to its insurance policy and strategy.

Actuarial risks are always caused by biometric factors, cost development, customer behaviour and the development of claims frequency. In addition, they can be caused by erroneous pricing, inadequate reinsurance or inadequate technical provisions. New policies can be priced relatively freely, but legislation imposes some restrictions as to how the insurance premiums or other terms and conditions of existing policies can be changed.

Underwriting risks are managed by closely monitoring the different products' profitability and claims ratios. Reinsurance is used to limit the risks related to major individual insured events and to reduce result volatility. The impact of reinsurance on the result and solvency is monitored regularly and the suitability of the reinsurance arrangements is assessed at least once a year.

In the solvency calculation, insurance risks are divided into risks related to a shortened or lengthened life expectancy, disability and illness, customer behaviour, treatment costs and catastrophe risks. The capital requirements for these are obtained by calculating the impact of changes in the assumed development of the aforementioned factors on the company's own funds. This is done separately for each risk module and aggregated into aggregate insurance risk related to life and health insurance obligations using the SCR standard formula.

The aggregate insurance risk from life insurance obligations was EUR 58.5 (45.8) million and from health insurance obligations EUR 1.5 (1.9) million on 31 December 2023. The distribution of life and health insurance obligations' sub-risks is presented in Table 6:

Table 6

Sub risks (1 000 euros)	31.12.2023		31.12.2022	
	Life	Health	Life	Health
Mortality risk	7 449	0	6 342	6
Longevity risk	6 521	1	6 183	1
Disability and morbidity risk	117	1 118	149	1 271
Lapse risk	40 478	542	30 423	393
Expense risk	20 621	265	16 367	561
Catastrophe risk	4 503	309	4 631	432
Diversification	-21 159	-695	-18 329	-771
Underwriting risk	58 531	1 540	45 766	1 894

As regards life insurance obligations, the change compared to the previous period can largely be explained by the decrease in interest rates and changes in the models or

assumptions for the calculation of technical provisions. Minor changes have been made during the year to, for example, the mortality model, cost assumptions and models describing the presumed behaviour of policyholders with regard to surrenders or deferral of the pension period. The adjustment of the surrender model particularly increased the risk of life insurance lapsing, and updates to the deferral of the pension period and cost assumptions increased the expense risk in particular. The main reason for the reduction in the insurance risk of health obligations is the termination of the medical expenses insurance portfolio started in 2023, which will be completed in the first half of 2024.

The different sub-risks are accounted for in the ORSA quantitative model the same way as in the official solvency calculation.

C.2. Market risk

The company's market risks are divided into interest rate risk, credit risk, currency risk, equity risk, property risk and concentration risk.

The company's market risk sensitivity is measured by calculating the Solvency II requirement for market risk using the standard formula and internal models. Out of these, the most important is the aforementioned market risk limit, whose sensitivity figures are also used in the company's own ORSA figure for market risks.

Interest rate risk is the most significant of the company's market risks related to insurance liabilities. On the one hand, it impacts profitability through return requirements and the guaranteed customer interest rate and, on the other hand, on solvency through the market valuation of assets and liabilities. From the perspective of solvency, interest rate risk arises from the difference of the current value of the future cash flows of receivables and payables. From the perspective of liquidity and risk-taking, interest rate risk arises from the difference between the interest rates guaranteed to customers and the risk-free market rate. If the interest rate guaranteed to the customer is higher than the risk-free rate, higher risk-taking is required of investment activities. On the product level, this risk is material especially in savings and pension insurances linked to the guaranteed interest.

Numerically, the company's official capital requirement for interest rate risk has been very low during the period of low interest rates, and practically zero in 2019–2021, because the Solvency II capital requirement calculation method according to the standard formula does not include stress from a fall in negative interest rates. However, after the change in the interest rates, the technical provisions have been hedged since spring 2021. Due to increased hedging and changes in technical provisions, the company's interest rate risk position is now more sensitive to rising interest rate scenarios, after having been more sensitive to scenarios where interest rates fall.

Interest rate risk impacts the company's balance sheet, although regulations in their current form do not take it efficiently into account. The internal calculation method used, where negative interest rates are also assigned a stress coefficient, describes the risk considerably better. In the internal model, the risk has been more realistic also during the period of low interest rates, but the scenario has changed from downward stress into upward stress also in the internal model. The internal interest rate risk component rose during the year from EUR 3.3 million to EUR 23.1 million. In the SCR calculation, the risk was EUR 9.1 (11.6) million.

The aim of the company's interest rate hedging is to bring solvency capital and the interest rate sensitivity of the IFRS result more aligned with each other, and to reduce them both at the same time. The company's Tier 2 capital loan (EUR 56 million) is hedged so that it has a floating rate using a receiver swap. In addition, a total of 25 receiver swaps have been made to hedge the company's technical provisions and individual bonds, with a combined IFRS hedging effect of EUR -223,000 (-137,000) per basis point (swap P/L when interest rates rise). In Solvency II, the effect of derivatives hedges is correspondingly EUR -159,000 (-117,000) per basis point.

Table 7 illustrates the euro interest rate sensitivity of the fair value of the interest-linked technical provisions and the values of the fixed-income investments and the interest rate derivatives covering those.

Table 7

(1 000 euros)	31.12.2023		31.12.2022	
	IFRS	Solvency II	IFRS	Solvency II
Delta (1bp)	-11	-13	67	-8
Technical provisions	285	313	285	286
Fixed income investments	-73	-167	-80	-177
Fixed income derivatives (swaps)	-223	-159	-137	-117
Gamma (1bp)	-0,2	-0,1	-0,2	0,0
Technical provisions	-0,6	-0,5	-0,5	-0,4
Fixed income investments	0,1	0,2	0,1	0,2
Fixed income derivatives (swaps)	0,3	0,2	0,2	0,2
Interest rates +1%	-2 135	-1 651	5 829	-925
Technical provisions	25 640	29 019	25 884	26 575
Fixed income investments	-6 836	-15 850	-7 534	-16 771
Fixed income derivatives (swaps)	-20 939	-14 820	-12 521	-10 729
Interest rates -1%	65	1 027	-7 660	710
Technical provisions	-31 412	-33 593	-31 082	-30 715
Fixed income investments	7 752	17 646	8 557	18 714
Fixed income derivatives (swaps)	23 726	16 975	14 865	12 711

Changes in credit spreads continue to represent a significant risk for the company. In the internal market risk limit, the credit spread risk has risen to EUR 23.0 (15.2) million. According to the SCR calculation, the risk is EUR 18.2 (18.4) million.

Holdings carrying equity risk are mainly related to private equity investment funds and similar alternative investments, which currently are a growing investment class. On 31 December 2023 the portfolio included listed equities and shares worth EUR 10.1 (12.8) million. In portfolios covering unit-linked insurances, the highest proportion of the risk comes from equity or hybrid funds, although the supply of investment products has been increased so that direct shares, ETF and structured products are also included in the portfolios. Even though the risk is largely borne by the policyholder, the large size of the portfolio results in a considerable equity risk for the company. Equity risk on 31 December 2023 in the internal model was EUR 35.2 (31.6) million. In the SCR calculation, the risk was EUR 24.1 (19.0) million on the same time. The main reason for the increase in equity risk is that the capital requirement for equity risk and the symmetric adjustment included in it have increased by 4.5 percentage points in 2023.

The company's property risk arises from investments in indirect real estate instruments, such as real estate funds, as well as from direct real estate holdings. At the turn of the year, real estate investments amounted to EUR 91.9 (72.7) million. The significant increase is partly due to capital calls for Espoon EriCa Green Chemistry Park under construction, but in particular to the fact that the company has paid the loan shares of some mortgaged properties during the year, which increases the net present values of those properties. On the other hand, paying off loans does not affect property risk. However, property risk was already the second largest risk in both the company's internal and SCR calculations after equity risk, amounting to EUR 25.9 (25.6) million.

Currency risk in the interest-linked insurance portfolio stems from fixed income funds that invest in local-currency-denominated bonds. In addition, some of the private equity fund holdings are valued in USD or other European currencies. The unit-linked portfolios have equity and fixed income holdings in roughly a hundred currencies, related to funds that primarily invest in emerging markets. At the turn of the year, currency risk in the internal model was EUR 22.2 (16.5) million. In the SCR calculation, the risk is EUR 17.0 (12.4) million.

Concentration risk occurs when a portfolio has many different investment instruments of the same company or group. The portfolio is well-diversified and does not contain major concentrations, excluding the capital loans issued by Alandia Försäkring Abp with a total nominal value of EUR 60 million. The loans were received as payment in connection with the portfolio transfer of the then Försäkringsaktiebolaget Liv-Alandia in 2020. In the internal model, there is no separate numerical component for concentration risk, but in

practice, the risks are kept within the desired range through limits. In the SCR calculation, concentration risk was EUR 10.0 (10.1) million on 31 December 2023.

Although the other concentrations of individual real estate or private equity investments are not comparable to the aforementioned capital loan of Alandia Försäkring Abp, they must be taken into account in the company's long-term planning in respect of their liquidity. The company's current investment strategy for the strategy period 2022–2032 includes a plan on how individual holdings can be exited in a controlled manner.

The interest rate shocks used in the internal model are based on historical interest rate variations and reflect both high and low interest rate scenarios. The risk components presented in Table 8 are calculated based on the stress scenarios determined as follows:

The interest rate risk's upward stress impact is measured using a scenario of rising interest rates that is applied to a yield curve based on risk-free, Euribor and swap rates. The rise in interest rates corresponds to a 99.5% confidence level (fifth-largest interest rate rise out of a thousand) with a one-year forecast horizon or at least a hundred basis points. The stress impact is reviewed annually during the third quarter and is applied as of the turn of the year.

The interest rate risk's downward stress impact is measured using a stress that is applied to a yield curve based on risk-free, Euribor and swap rates. The fall in interest rates corresponds to a 99.5% confidence level (fifth-largest interest rate fall out of a thousand) with a one-year forecast horizon or at least -50 basis points. The stress impact is reviewed annually during the third quarter and is applied as of the turn of the year.

Spread risk describes the risk of counterparty-specific risk spreads growing. The size of the change is an annually reviewed figure based on the yield curves of credit rated fixed income instruments and the investment type. The risk is defined as the largest rise in credit spreads with a confidence level of 99.5%. In government bond yield curves, the credit rating is also taken into account when modelling the stress factor. In bank and corporate bond curves, the stress coefficients vary between 23 and 1,473 basis points and in government bond yield curves between 23 and 334 basis points. The discounting curve specific to each investment is shifted in a parallel direction by this value to attain the value of the investment under the shock.

Currency risk describes the risk arising from changes in the value of different currencies in relation to the euro. Each currency is tested with an upward and downward shock, and the worse option is selected for each currency, after which the impacts of all currencies are added together. The shock impact as a percentage equals an upward and downward

shock corresponding to a confidence level of 99.5% with a one-year forecast horizon. The upward shock varies between 12.2% and 39.0% and the downward shock between -15.9% and -32.0%.

Equity and property (or real estate) risk describes the risk that the market value of equities and real estate will decrease. For listed equities and shares, the shock is selected to correspond to a confidence level of 99.5% (fifth-largest fall out of a thousand) of a change in value of an index basket consisting of ten global equity indices. The size of the shock in the calculation at the turn of the year was -53%. For non-listed equities and shares and real estate, the shock is selected based on an expert opinion; the shocks are -60% for equities and shares and -25% for real estate.

The sensitivity analysis risk components are based on the stresses used in the Group's market risk limit and the company's ORSA as described above, and they differ from the risks in the official solvency calculation, for example.

Table 8

Risk analysis	Investment portfolio		Technical provisions *		Total			
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023		31.12.2022	
	M euros	M euros	M euros	M euros	M euros	%**	M euros	%**
Interest-linked items								
Market value	459,4	473,2	-320,3	-318,6	139,1	89,7 %	154,6	88,6 %
Interest Rate risk up	-83,9	-28,0	57,9	23,9	-26,0	-16,8 %	-4,1	-2,3 %
Interest Rate risk down	83,6	37,8	-72,4	-38,2	11,2	7,2 %	-0,4	-0,2 %
Credit Spread risk	-21,0	-14,5	0,1	0,0	-20,9	-13,5 %	-14,5	-8,3 %
Currency risk	-15,3	-12,4	0,4	0,1	-14,9	-9,6 %	-12,3	-7,0 %
Equity risk	-19,0	-21,5	1,0	0,4	-18,0	-11,6 %	-21,1	-12,1 %
Real estate risk	-25,9	-25,6	0,0	0,0	-25,9	-16,7 %	-25,6	-14,7 %
Unit- and index-linked items								
Market value	1 133,6	1 001,6	-1 117,7	-981,7	15,9	10,3 %	19,9	11,4 %
Interest Rate risk up	-49,0	-13,8	51,9	14,6	2,9	1,9 %	0,8	0,5 %
Interest Rate risk down	49,1	13,9	-54,3	-15,3	-5,2	-3,3 %	-1,4	-0,8 %
Credit Spread risk	-40,5	-18,4	38,4	17,7	-2,1	-1,4 %	-0,7	-0,4 %
Currency risk	-137,7	-108,9	130,4	104,7	-7,3	-4,7 %	-4,2	-2,4 %
Equity risk	-323,7	-271,9	306,4	261,4	-17,2	-11,1 %	-10,5	-6,0 %
Real estate risk	0,0	0,0	0,0	0,0	0,0	0,0 %	0,0	0,0 %
Total								
Market value	1 593,0	1 474,8	-1 438,0	-1 300,3	155,1	100,0 %	174,5	100,0 %
Interest Rate risk up	-133,0	-41,8	109,8	38,5	-23,1	-14,9 %	-3,3	-1,9 %
Interest Rate risk down	132,7	51,7	-126,7	-53,5	6,0	3,9 %	-1,8	-1,0 %
Credit Spread risk	-61,5	-32,8	38,5	17,7	-23,0	-14,8 %	-15,1	-8,7 %
Currency risk	-153,0	-121,3	130,8	104,9	-22,2	-14,3 %	-16,4	-9,4 %
Equity risk	-342,6	-293,4	307,4	261,8	-35,2	-22,7 %	-31,6	-18,1 %
Real estate risk	-25,9	-25,6	0,0	0,0	-25,9	-16,7 %	-25,6	-14,7 %

* The values for the Technical provisions are risk neutral values obtained by discounting simulated cashflows. They therefore differ from the accounting standard TP values.

** The percentage is the share of the total market value of the difference between portfolio and technical provisions (155,1 for 2023)

C.3. Credit risk

In addition to the possible widening of the credit risk margins, which is accounted for in market risks, the company is exposed to a so-called explicit credit risk. Explicit credit risk is related to counterparties whose credit rating is not continuously being priced by the markets. In practice, this means both small players from which the company has receivables and large players on which the company has a claim whose nature is such that the markets are unable to price it. The latter are, in practice, agreements that have been made directly between the company and the counterparty and for which there are therefore no public markets, or agreements for which the company does not have access to the necessary details for pricing.

In absolute numbers, the largest group is made up of potential small-scale debtors, i.e., in practice, policyholders. The risks related to these are, however, small due to the product characteristics and terms and conditions, as an unpaid premium, almost without exception, leads to the termination of the insurance policy in policies where credit risk might otherwise arise.

Therefore, the largest credit risks are related to the following contract types:

- book money (at bank)
- derivatives
- reinsurance agreements.

The credit risk for book money is tied to the credit risk of the bank managing the account. As the majority of the company's bank account funds are, at all times, held in the parent company Aktia Bank Plc's accounts and the credit risk between these two companies is considered to be zero, the credit risk for book money is small and stems in practice from the account balances of other banks used by the company.

In 2021, the company started signing derivative contracts in the form of swaps, and they have been further supplemented since then. These give rise to credit risk in respect to the derivative counterparties. Since 2022, the company has cleared its new derivative contracts in central clearing houses. In addition, the company has agreed with its bilateral derivative counterparties to exchange collateral on a daily basis under so-called CSA collateral arrangement agreements. The continuous exchange of collateral significantly reduces the credit risk associated with potential derivative receivables. Derivatives can also be found in many funds but in these cases the company has no direct obligations towards the counterparties. This also applies to funds offered to customers through unit-linked insurances and which can also include derivatives.

Therefore, the company does not account for credit risk

separately in the internal modelling, instead, the risk of direct and indirect derivatives is considered to be zero thanks to the collateral exchange process. If there is no collateral exchange, the risk is included in the spread risk in the internal models. In the SCR calculation, there is a specific component for credit risk, which at the turn of the year was EUR 0.6 (0.8) million. This risk figure also includes the credit risk of the reinsurance counterparties.

C.4. Liquidity risk

The risk of insufficient liquidity can materialise if the company does not have sufficient assets to meet its obligations during a specific period, for example in a situation where the realisation of investments would not be possible fast enough.

The risk is managed by maintaining a sufficient cash buffer for the payments taking place in the near future. The portfolio currently includes a larger proportion of instruments with no fixed cash flows, but the majority of the portfolio's investments are highly liquid, however, and the instruments can be realised in a short period of time. The company's liquidity risk is thus estimated to remain low. However, the new derivative contracts concluded during the year and their collateral exchange process bring a liquidity need that materialises when interest rates rise. In the company's ORSA, the risks of such a need have also been assessed.

At the turn of the year, the net present value of the company's derivatives remained negative and the company had EUR 18.1 (26.8) million of collateral provided in the possession of central clearing houses and derivative counterparties. The company has had sufficient cash during the year, and in addition, the company has had a large number of realisable investments in very short fixed income investments and funds. For this reason, the situation has not posed any major challenges from a liquidity perspective.

The expected profit included in future insurance premiums calculated in accordance with the Commission Delegated Regulation (EU) 2015/35, Article 260.2, totalled EUR 88.0 million on 31 December 2023.

C.5. Operational risk

At Aktia, operational risk means the risk of loss arising from insufficient or failed internal processes, insufficient or unreliable systems, insufficient or unreliable information, inadequate quantitative models, other shortcomings in internal control and risk management, personnel or external factors. Operational risks also include legal and non-compliance risks but exclude strategic risks. The loss arising from an operational risk event can mean a direct or indirect economic loss for Aktia, but it can also threaten Aktia's reputation.

All of Aktia's operations carry operational risks. Based on the decision of the Aktia Group's Board of Directors, operational risks must, overall, be at a normal level with respect to Aktia's operations.

The Aktia Group's Board of Directors has, as part of the Group's risk management framework, adopted guidelines on the management and reporting on operational risks, including information security and data protection. In accordance with Aktia's management model, the Board of Directors of Aktia Life Insurance has also adopted the regulation in question.

In order to prevent operational risk events, Aktia aims to maintain adequate insurance cover against losses arising from, for example, misconduct, penetration into information systems or other criminal activities. However, Aktia or its management may not take out insurance against administrative fines or penalties, because such conduct is not considered to be in line with good insurance practices.

In accordance with Aktia's risk management policy, the risks related to the company's most important functions, including outsourced functions, must be mapped regularly. The outcome of the risk mapping exercise is a probability and impact assessment, which is used as a basis when taking a position on how risks must be managed. In addition to risk mapping, adequate instructions must be created for the purpose of prevention to reduce operational risks in key and risky areas. The instructions must cover, among other things, legal risks, personnel risks and continuity planning principles.

Risk events with a significant economic impact, including near misses, are recorded and reported, and the shortcomings in the processes, systems, competence or internal control that caused the risk event are systematically addressed. Any consequences for customers are also dealt with quickly and proactively. The Group's Risk Control analyses the data concerning risk events systematically and prepares action plans to reduce risks at the process or Group level. Risk Control is also responsible for regular reporting to both the life insurance company's and the Group's Board of Directors.

The life insurance company's management is responsible for the management of the company's operational risks. Risk management includes the continuous development of the quality of the whole organisation's internal processes and internal control. The management is responsible for aligning the processes and procedures with the targets set by the Group's Executive Committee and the adequacy of instructions. Process descriptions are created as needed.

The classification operational risk in the internal ORSA model has been revised in 2023 and the main classes are now:

- process risk
- legal risk
- technology and IT system risk
- personnel risk
- information security and data protection risk.

These are quantified and aggregated to attain the total operational risk figure. The calculation model has also been changed in this respect, but efforts have been made to keep the new model comparable with the old one.

The total operational risk figure was EUR 5.2 (5.3) million on 31 December 2023. In the official solvency calculation, the operational risk amounted to EUR 3.0 (3.0) million on the same time.

C.6. Other material risks

The outdated technology of the core systems combined with retiring experts is the most significant risk to the company's business continuity. In order to manage and ultimately eliminate the risk, the company has started the implementation phase of the core system reform, during which the company's products and services will also be renewed, after a careful preparation phase and after a competitive tendering and selection of an IT supplier. The implementation of the core system reform as planned and on schedule is therefore very critical to ensure the continuity of the company's operations.

At present, the company has not identified other risks that would be significant for the operations.

C.7. Any other information

There is no other material information on the company's risk profile.

D. Valuation for Solvency Purposes

D.1. Assets

The FAS accounting standard is used in the company's official financial statements. The Group's financial statements are prepared according to IFRS, and for its purposes, adjustments are made to certain items on the part of the life insurance company.

Most assets are the same according to both FAS and IFRS, but not all. The main exception is investment portfolios that are valued at market value for solvency purposes in using the model described below. The main Solvency II balance sheet assets in a nutshell are:

Intangible assets are measured at zero in Solvency II. In FAS, they can have a positive value.

Deferred tax assets are measured in Solvency II the same way that IFRS adjustments are made to the FAS financial statements, by multiplying the difference between the IFRS and FAS values (market values and FAS in the portfolios) by the up-to-date tax rate. For technical provisions, this is done in a similar way by multiplying the difference between the solvency calculation's technical provisions and the FAS value of technical provisions by the up-to-date tax rate. Deferred tax assets arise from items whose FAS value is higher than their market value (when liabilities are presented as negative figures). The FAS does not take deferred tax assets into account. The company only accounts for deferred tax assets in the solvency calculation balance sheet to the extent that there is a corresponding amount of deferred tax liabilities on the liabilities side of the balance sheet.

Investments are measured at market value in Solvency II. These are divided in Solvency II valuation categories according to the descriptions of Table 9:

Table 9

Category	Share	
	31.12.2023	31.12.2022
Interest-linked portfolio		
Quoted price of the same security in an active market	58,0 %	56,8 %
Quoted price of a similar security in an active market	13,8 %	19,5 %
Alternative valuation methods	12,3 %	13,4 %
Real estate valuation	15,8 %	10,3 %
Unit-linked portfolio		
Quoted price of the same security in an active market	98,1 %	98,1 %
Quoted price of a similar security in an active market	0,3 %	-
Alternative valuation methods	1,6 %	1,9 %

The majority of financial instruments are thus measured based on their price quoted on the market. The category "quoted price of a similar security in an active market" includes Alandia Försäkring Abp's Tier 2 loans and investment certificates made directly with the counterparty. Structured bonds have also been considered to fall into the above category because their value can typically be derived directly from liquid market variables. The category "alternative valuation methods" covers private equity investments and real estate fund holdings, whose real estate valuations are based on individual third parties' estimates and private equity investment valuations are based on the fund manager's estimates, because they often constitute the best information available on the investment due to the nature of the investment. Directly owned real estate is presented in its own category "real estate valuation" in the table. Real estate is measured on market terms by external property valuers on an annual basis. This is not an official category, and in Solvency II reporting, for example, directly owned real estate is included in the category "alternative valuation methods".

Insurance receivables and receivables from intermediaries are measured at their FAS value in Solvency II.

Cash and cash equivalents are measured at their FAS value in Solvency II.

Reinsurance receivables for estimated future insured events are measured in Solvency II in accordance with the description in section D.2. In FAS, they are not taken into account.

Other assets are measured in Solvency II generally at their IFRS value.

A summary of the valuation differences between the FAS and Solvency II balance sheets is presented in Table 11.

The Solvency II balance sheet is presented in detail in Appendix 1 to this document.

D.2. Technical provisions

For solvency purposes, technical provisions are measured at market value in accordance with the calculation principles established for this purpose. The principles reflect the rules and the spirit required by legislation, specifically the EU Commission Delegated Regulation (2015/35, Title I, Chapter III). Technical provisions are the sum of the best estimate and the risk margin.

The best estimate is based on projections of future cash flows that are expected to arise when the company meets its obligations towards policyholders or beneficiaries in

accordance with the insurance policies contracted. Contractual boundaries are taken into account in the calculation as required by regulation. The cash flow projections are based on actuarial models and related assumptions that are expected to reflect the factors affecting the amount or the timing of the cash flows. In addition to market data, the most material factors to be considered are the data describing the expected development of mortality, frequency of disability onset, policyholder behaviour, claims ratios for some insurance types, operating expenses for insurance management during the remaining insurance period and the measures carried out by the company in different situations. The models are based partly on earlier statistics and partly on expert assessments of the weight to be given to past outcomes and expected potential trends.

During 2023, the company made several updates to the models affecting the calculation of technical provisions.

The updated mortality model is based on national statistics and considers the deviation of life-insured persons from population mortality in Finland more precisely than before. The disability models are based on the calculation principles the company applies to part of the insurance portfolio in the financial statements and the claims ratio assumptions are based, where applicable, on historical data in which possible trends have a specific weight.

When calculating the best estimate, the behaviour of policyholders is considered, i.e. the extent to which the options of insurance agreements are used primarily in terms of surrenders, additional premiums and deferral of the pension period. Assumptions about policyholders' behaviour are based on past experience. In 2023, the company specified how policyholders' behaviour shall be taken into account with regard to surrenders and deferral of pension periods.

The measures taken by the company's management are primarily related to assumptions of the amount of any client bonuses in order to meet the principle of fairness in the future in line with the targets.

Operating expenses are based on the historical cost level of different insurance portfolios and an estimate of future cost developments, including inflation assumptions. During 2023, the company revised the calculation cost assumptions, in particular as regards the estimated costs related to the renewal of insurance management systems.

During the year, the assumptions concerning inflation and the claims ratios of some insurance portfolios in the coming years were also revised, but these changes did not have a significant impact on the technical provisions as a whole.

The forecasts are inevitably subject to uncertainty. Since a large part of the obligations have a long time horizon, the actual outcome may differ from the models' forecasts espe-

cially when it comes to cash flows that are expected to be generated far in the future. The company's actuaries regularly assess how well the models and assessments reflect the reality. The level of uncertainty is assessed, for example, by sensitivity analyses, where the impact of different assumptions on the value of technical provisions are calculated. The models or the assumptions related to them are updated as necessary and the aim is to produce estimates describing the future as accurately as possible.

The risk margin is an item added to the best estimate such that the technical provisions equal the sum that another insurance company taking on the company's obligations is expected to claim as compensation for the transfer. The size of the risk margin is based on the cost of the solvency capital required in future. The estimates for future years for the sub-risks to be considered in this calculation of the risk margin are aggregated into the solvency requirement for the year in question and discounted to current value using a risk-free interest rate.

Reinsurance receivables are measured separately, taking into account a deduction due to the potential default of counterparties. They are shown in assets in the solvency balance sheet, with consideration of reinsurance premiums.

The cash flows are discounted to their current value using the interest rates published by EIOPA. The best estimate for interest-linked insurance is calculated using a volatility-adjusted yield curve. On the reporting date, applying the volatility adjustment reduced the technical provisions by EUR 6.1 (5.3) million. The table in Appendix 4 shows how resetting the volatility adjustment would affect the company's financial position in other respects.

The Financial Supervisory Authority has granted the company permission to apply the transitional measure for technical provisions in the solvency calculation until the end of 2031. The deduction is applied to a significant part of the interest-linked savings, pension and group pension insurances, and at the end of 2023, the deduction reduced the technical provisions by a total of EUR 39.9 (44.4) million. The impact of the deduction decreases yearly at the beginning of each year by more than EUR 4.4 million. The table in Appendix 4 shows how the financial position of the company at the time of reporting would have been affected if the transitional rule did not apply.

The value of technical provisions by insurance class at the end of 2023 is shown in Table 10.

In terms of interest-linked savings, pension and group pension insurance, the most significant difference in valuations for financial statements comes from the fact that discounting for solvency purposes is carried out using the yield curve published by EIOPA. In the financial statements, the value is

Table 10

31.12.2023 (1 000 euros)	Solvency value				FAS value
	Best estimate	Risk margin	Technical provisions	Reinsurance recoverables	Technical provisions
Health insurance	7 992	105	8 097	176	8 157
Insurance with profit participation	356 267	10 345	366 612	-26	331 115
Unit-linked insurance	1 108 633	9 028	1 117 661	0	1 133 069
Other life insurance	-73 777	19 369	-54 408	-4 059	11 349
Total	1 399 114	38 847	1 437 962	-3 908	1 483 690

based on retrospectively calculated accumulated savings or, alternatively, the guaranteed interest is used for discounting, and the value is supplemented with interest rate and other required provisions. These insurances belong to the category “Insurance with profit participation” and, due to the fall in interest rates, the technical provisions for that category in solvency calculation were clearly higher than the technical provisions in the financial statements on the reporting date, whereas at the turn of last year, the value in solvency calculation was still considerably lower than the value in the financial statements. The technical provisions in solvency calculation were also increased by changes in cost assumptions, mortality models and models for deferral of the pension period.

The category “Other life insurance” includes, among other things, a significant part of the term life insurances. The good profitability seen in these insurances is expected to continue, which is reflected in the fact that their valuation for solvency purposes is clearly below the adequate provisions made to the financial statements. In the financial statements, the value of these is largely based on the portion of premiums attributable to the period after the reporting date added with provisions for known and unknown insured events.

The value of unit-linked insurance is lower in solvency calculation than in the financial statements, mainly due to the profit that the expense result is expected to generate in future. In the financial statements, their value is based on the accumulated insurance savings.

Health insurance provisions have decreased significantly since the company started the termination of the medical expenses insurance portfolio in 2023. The termination of the portfolio will be completed in spring 2024, which will further reduce health insurance provisions. In the financial statements, health insurances are largely valued using similar principles as those described above for the category “Other life insurance”.

The risk margin has grown clearly during 2023. This is mainly due to lower interest rates and higher insurance risks. The rise in insurance risks is due not only to the fall in interest rates but also to changes in the models and assumptions of provisions and the development of the insurance portfolio.

D.3. Other liabilities

This section discusses liabilities other than technical provisions, which are discussed separately in section D.2.

Deferred tax liabilities are measured in Solvency II the same way as deferred tax assets, but such that they arise from items whose FAS value is lower than their market value (when liabilities are presented as negative figures). The FAS does not take deferred tax liabilities into account.

Subordinated liabilities included in basic own funds include the company’s Tier 2 loan. In Solvency II and the IFRS, the item is measured at market value, from which the effect of the credit spread is eliminated. In the FAS balance sheet, the item is measured at the nominal value of the loan.

Other liabilities are measured in Solvency II generally at their IFRS value.

A summary of the valuation differences between the FAS and Solvency II balance sheets is presented in Table 11.

The Solvency II balance sheet is presented in detail in Appendix 1 to this document.

Table 11

Valuation (1 000 euros)	31.12.2023	
	Solvency II	FAS
Intangible assets	0	2 517
Investments (with derivatives)	1 593 027	1 582 285
Technical provisions (net)	-1 441 870	-1 483 690
Other assets (without deferred tax assets)	52 413	51 735
Other liabilities (without deferred tax liabilities)	-59 582	-63 268
Deferred taxes	-10 882	0
Excess of assets over liabilities	133 106	89 580

D.4. Alternative valuation methods

The company uses alternative valuation methods for the valuation of private equity investments, real estate funds, infrastructure funds and directly owned real estate.

Private equity funds are typically investments where the investor commits to participating in a fund that invests in several small start-ups or a larger start-up. Since the companies are new and often small, and rarely listed, the equities almost entirely lack an active market. There is usually no other source of information for the companies' financial position than the companies' own reporting and balance books.

As the main stakeholder of the investee companies the private equity fund is generally the only entity able to present the necessary information to investors. That is why private equity funds use an approach in which the market value is considered to be made up of the value that the fund reports for the underlying investments in its quarterly reporting. Although the value cannot be deemed to reflect an active market and is not particularly transparent, it is considered to be the best estimate of the value of the units. The assumptions applied to funds building new infrastructure and real

estate funds are largely the same as those applied to private equity funds. However, when it comes to real estate funds, the fund company has the possibility to employ an external expert to value the underlying real estate.

Third party valuations from companies with real estate market expertise to determine market value may also be used for own direct real estate holdings. In order to reduce the valuation uncertainty associated with the challenging market situation, the life insurance company has used a price estimate of two independent valuers for all its direct real estate investments, with the exception of two real estate holdings, and has valued these real estate investments on an average basis. The valuation of one real estate investment is based on one price estimate and one real estate during construction is valued at its acquisition cost.

D.5. Any other information

There is no other material information to report on valuation for solvency purposes.

E. Capital Management

E.1. Own funds

The Group's internal target is to allocate capital between the parent company and the subsidiaries such that all the companies achieve a capitalisation ratio that is adequate, yet as efficient as possible. The company's own funds were EUR 184.8 (194.6) million on 31 December 2023 and consisted entirely of basic funds. During 2023, company paid EUR 6.3 million in dividend to Aktia Bank.

The Tier 1 own funds available to meet both the solvency capital requirement (SCR) and the minimum capital requirement (MCR) were made up of the share capital of EUR 23.2 (23.2) million and the reconciliation reserve of EUR 109.9 (122.3) million. In the FAS balance sheet, the reconciliation reserve corresponds to other reserves and retained earnings, the valuation differences between the items in the FAS and solvency balance sheets and net deferred taxes.

Table 12

Own funds (1 000 euros)	31.12.2023	31.12.2022
Basic own funds in FAS	89 580	85 246
Share capital and share premium account	23 225	23 225
Other funds and retained earnings	66 355	62 021
Valuation differences	54 408	75 400
Intangible assets	-2 517	-1 546
Investments	10 742	-295
Technical provisions (net)	41 820	70 271
Other assets	678	308
Other liabilities	3 686	6 662
Deferred taxes	-10 882	-15 080
Total basic own funds tier 1	133 106	145 566
Subordinated liabilities	51 743	48 993
Total basic own funds tier 2	51 743	48 993

Tier 2 own funds consist of the above-mentioned capital loan issued in 2021. Of this, EUR 47.0 (37.6) million was eligible own funds to meet the SCR and EUR 4.7 (4.4) million was eligible own funds to meet the MCR. The increase in Tier 2 own funds during the year is due to the fall in interest rates and the increase in eligible Tier 2 own funds to meet the SCR and MCR is due to an increase in the capital requirements in question.

Table 13

Eligible own funds (1 000 euros)	31.12.2023	31.12.2022
Total eligible own funds to meet SCR	180 073	183 181
basic own funds tier 1	133 106	145 566
basic own funds tier 2	46 966	37 614
Total eligible own funds to meet MCR	137 814	149 924
basic own funds tier 1	133 106	145 566
basic own funds tier 2	4 708	4 357

The decrease in Tier 1 own funds during the year is partly attributable to the change in the market value of assets and technical provisions, and partly to the changes in the calculation as well as dividend payment. The decrease in valuation differences has somewhat reduced the net position of the deferred tax liabilities. The company only accounts for deferred tax assets in the solvency calculation balance sheet to the extent that there is a corresponding amount of deferred tax liabilities on the liabilities side of the balance sheet, which means that no net deferred tax assets are taken into account in own funds. The deferred tax assets and liabilities on the reporting date are presented in Appendix 1.

Without the transitional measure for technical provisions, own funds would have been EUR 152.9 (159.1) million on 31 December 2023, of which EUR 101.2 (110.1) million is made up of Tier 1 own funds. Tier 2 own funds totalled EUR 51.7 (49.0) million, of which EUR 51.0 (42.1) million were eligible own funds to meet the SCR and EUR 5.1 (4.6) million were eligible own funds to meet the MCR.

In line with the company's strategy, the aim is to pay a dividend of 60–80% of the IFRS result every year, provided that the conditions for the payment, such as meeting the capital requirement, are met also after the dividend payment.

The decrease in the technical provisions according to the transitional measure plan reduces the Tier 1 own funds by around EUR 3.5 million as of the beginning of 2024.

The company does not apply the transitional measure to the non-standard classification of capital.

The company's own funds are described further in Appendix 5.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

The company applies the standard formula to calculate the SCR. The SCR was EUR 93.9 (75.2) million on 31 December 2023 and its distribution into different risk modules is shown in Table 14.

Table 14

Solvency Capital Requirement per risk module (1 000 euros)	31.12.2023	31.12.2022
Market risk	69 092	62 754
Counterparty default risk	649	769
Life underwriting risk	58 531	45 766
Health underwriting risk	1 540	1 894
Diversification	-28 005	-23 902
Basic Solvency Capital Requirement	101 807	87 281
Operational risk	3 008	3 028
Adjustment for loss-absorbing capacity - technical provisions	0	0
Adjustment for loss-absorbing capacity - deferred taxes	-10 882	-15 080
Solvency Capital Requirement	93 933	75 229

The MCR was EUR 23.5 (21.8) million on 31 December 2023 and the input data used for this calculation are shown in the table in Appendix 7.

Without the transitional measures, the SCR would have been EUR 101.9 (84.2) million on 31 December 2023, and the MCR would have been EUR 25.5 (23.1) million on the same date.

The main sub-risks of the basic solvency capital requirement increased during the year. In terms of market risks, the changes are partly due to an increased portfolio of unit-linked insurance, but also to changes in interest rates and equity markets in general, as well as to capital calls for previously agreed real estate and equity fund investments. The most obvious change is reflected in the equity and currency risk component. The main reasons for the rise in life insurance risks are the fall in interest rates and changes in the models and assumptions of provisions. The decrease in health insurance risk is due in particular to the ongoing termination of the medical expense insurance portfolio. These changes are explained further in sections C.1., C.2. and C.3.

The loss-reducing effect of deferred taxes has somewhat decreased due a decrease in valuation differences. The effect has become smaller because the company also does not take into account any net deferred tax assets in the stress scenarios.

The minimum capital requirement rose slightly during 2023. The main reason for the rise was the increase in the best

estimate for technical provisions used as input data, which, in terms of insurance with profit participation, was especially due to the fall in interest rates and, in terms of unit-linked insurance, to an increase in insurance savings.

The company does not use company-specific parameters and does not apply the simplified calculations referred to in Articles 90–112 of the Commission Delegated Regulation.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The company does not use a duration-based equity risk sub-module in calculating the solvency capital requirement.

E.4. Differences between the standard formula and any internal model used

The company does not apply a partial internal model or an internal model in the solvency calculation.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The company's own funds exceeded both the minimum capital requirement and the solvency capital requirement throughout 2023.

E.6. Any other information

There is no other information to report on the company's financing.

Appendices

Appendix 1: Balance sheet 31.12.2023 (1 000 euros) (S.02.01.02)

Appendix 2: Premiums, claims and expenses by line of business 2023 (1 000 euros) (S.05.01.02)

Appendix 3: Life and Health SLT Technical Provisions 31.12.2023 (1 000 euros) (S.12.01.02)

Appendix 4: Impact of Long Term Guarantees Measures and Transitionals 31.12.2023 (1 000 euros) (S.22.01.21)

Appendix 5: Own Funds 31.12.2023 (1 000 euros) (S.23.01.01)

Appendix 6: Solvency Capital Requirement - for undertakings on Standard Formula 31.12.2023 (1 000 euros) (S.25.01.21)

Appendix 7: Minimum Capital Requirement - Both life and non-life insurance activity 31.12.2023 (1 000 euros) (S.28.02.01)

Appendix 1 (1/2)

Balance sheet 31.12.2023 (1 000 euros) (S.02.01.02)

Assets, 1 000 euros		Solvency II value
		C0010
Intangible assets	R0030	-
Deferred tax assets	R0040	14 168
Pension benefit surplus	R0050	-
Property, plant and equipment held for own use	R0060	114
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	477 142
Property (other than for own use)	R0080	72 687
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	2 609
Equities - listed	R0110	-
Equities - unlisted	R0120	2 609
Bonds	R0130	252 151
Government bonds	R0140	88 680
Corporate bonds	R0150	163 471
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective investments undertakings	R0180	144 152
Derivatives	R0190	5 542
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	1 133 591
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	-3 908
Non-life and health similar to non-life	R0280	-
Non-life excluding health	R0290	-
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-3 908
Health similar to life	R0320	176
Life excluding health and index-linked and unit-linked	R0330	-4 085
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	209
Reinsurance receivables	R0370	-
Receivables (trade, not insurance)	R0380	20 245
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	26 836
Any other assets, not elsewhere shown	R0420	5 009
Total assets	R0500	1 673 405

Appendix 1 (2/2)

Balance sheet 31.12.2023 (1 000 euros) (S.02.01.02)

Liabilities, 1 000 euros	Solvency II value	
		C0010
Technical provisions - non-life	R0510	-
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	-
Technical provisions calculated as a whole	R0570	-
Best estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	320 301
Technical provisions - health (similar to life)	R0610	8 097
Technical provisions calculated as a whole	R0620	-
Best estimate	R0630	7 992
Risk margin	R0640	105
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	312 204
Technical provisions calculated as a whole	R0660	-
Best estimate	R0670	282 489
Risk margin	R0680	29 715
Technical provisions - index-linked and unit-linked	R0690	1 117 661
Technical provisions calculated as a whole	R0700	-
Best estimate	R0710	1 108 633
Risk margin	R0720	9 028
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	25 050
Derivatives	R0790	17 705
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	760
Insurance and intermediaries payables	R0820	882
Reinsurance payables	R0830	941
Payables (trade, not insurance)	R0840	427
Subordinated liabilities	R0850	51 743
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	51 743
Any other liabilities, not elsewhere shown	R0880	4 829
Total liabilities	R0900	1 540 298
Excess of assets over liabilities	R1000	133 106

Appendix 2

Premiums, claims and expenses by line of business 2023 (1 000 euros) (S.05.01.02)

1 000 euros		Life insurance obligations					Life reinsurance obligations		Total	
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance and relating to health insurance obligations	Annuities stemming from non-life insurance and relating to insurance obligations other than health insurance	Health reinsurance		Life reinsurance
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	12 933	4 497	119 051	13 422	-	-	-	-	149 903
Reinsurers' share	R1420	288	19	-	898	-	-	-	-	1 205
Net	R1500	12 646	4 478	119 051	12 525	-	-	-	-	148 698
Premiums earned										
Gross	R1510	13 540	4 524	119 051	13 233	-	-	-	-	150 347
Reinsurers' share	R1520	288	19	-	898	-	-	-	-	1 205
Net	R1600	13 252	4 505	119 051	12 335	-	-	-	-	149 143
Claims incurred										
Gross	R1610	10 711	14 299	72 459	27	-	-	-	-	97 495
Reinsurers' share	R1620	-	-	-	253	-	-	-	-	253
Net	R1700	10 711	14 299	72 459	-226	-	-	-	-	97 243
Expenses incurred	R1900	6 315	2 735	7 059	4 065	-	-	-	-	20 174
Balance - other technical expenses/income	R2500									868
Total expenses	R2600									21 042
Total amount of surrenders	R2700	3 106	3 352	46 033	2	-	-	-	-	52 492

Appendix 3 (1/2)
Life and Health SLT Technical Provisions 31.12.2023 (1 000 euros) (S.12.01.02)

1 000 euros	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to obligations other than health insurance obligations	Accepted reinsurance	Total (life other than health insurance, incl. unit-linked)		
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees					
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0010	-	-	-	-	-	-	-	-	-
	R0020	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0030	396 194	1 108 633	-	-	-73 777	-	-	-	1 431 050
	R0080	-26	-	-	-	-4 059	-	-	-	-4 085
Best estimate minus recoverables from reinsurance/SPV and Finite Re - Total	R0090	396 220	1 108 633	-	-	-69 718	-	-	-	1 435 135
Risk Margin	R0100	10 345	9 028	19 369	-	-	-	-	-	38 743
Technical provisions - Total	R0200	366 612	1 117 661	-54 408	-	-	-	-	-	1 429 865

Appendix 3 (2/2)

Life and Health SLT Technical Provisions 31.12.2023 (1 000 euros) (S.12.01.02)

1 000 euros		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health insurance (reinsurance accepted)	Total (health similar to life insurance)
		C0160	Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole		R0010	-		-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		R0020	-		-	-	-
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate		R0030	3 020	4 972	-	-	7 992
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		R0080	176	0	-	-	176
Best estimate minus recoverables from reinsurance/SPV and Finite Re - Total		R0090	2 844	4 972	-	-	7 816
Risk Margin		R0100	105		-	-	105
Technical provisions - Total		R0200	8 097		-	-	8 097

Appendix 4

Impact of Long Term Guarantees Measures and Transitionals 31.12.2023 (1 000 euros) (S.22.01.21)

		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	1 437 962	39 928	-	6 102	-
Basic own funds	R0020	184 849	-31 942	-	-4 948	-
Eligible own funds to meet Solvency Capital Requirement	R0050	180 073	-27 947	-	-4 167	-
Solvency Capital Requirement	R0090	93 933	7 990	-	1 912	-
Eligible own funds to meet Minimum Capital Requirement	R0100	137 814	-31 554	-	-4 853	-
Minimum Capital Requirement	R0110	23 541	1 940	-	478	-

Appendix 5 (1/2)

Own Funds 31.12.2023 (1 000 euros) (S.23.01.01)

1 000 euros		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 as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	21 751	21 751	-	-	-
Share premium account related to ordinary share capital	R0030	1 473	1 473	-	-	-
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual and mutual-type undertakings	R0040	-	-	-	-	-
Subordinated mutual member accounts	R0050	-	-	-	-	-
Surplus funds	R0070	-	-	-	-	-
Preference shares	R0090	-	-	-	-	-
Share premium account related to preference shares	R0110	-	-	-	-	-
Reconciliation reserve	R0130	109 882	109 882	-	-	-
Subordinated liabilities	R0140	51 743	-	-	51 743	-
An amount equal to the value of net deferred tax assets	R0160	-	-	-	-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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 financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	184 849	133 106	-	51 743	-
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	-	-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-	-	-	-	-
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 member calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-	-	-	-	-
Supplementary member calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-	-	-	-	-
Other ancillary own funds	R0390	-	-	-	-	-
Total ancillary own funds	R0400	-	-	-	-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	184 849	133 106	-	51 743	-
Total available own funds to meet the MCR	R0510	184 849	133 106	-	51 743	-
Total eligible own funds to meet the SCR	R0540	180 073	133 106	-	46 966	-
Total eligible own funds to meet the MCR	R0550	137 814	133 106	-	4 708	-
SCR	R0580	93 933	-	-	-	-
MCR	R0600	23 541	-	-	-	-
Ratio of eligible own funds to SCR	R0620	191,7 %	-	-	-	-
Ratio of eligible own funds to MCR	R0640	585,4 %	-	-	-	-

Appendix 5 (2/2)**Own Funds 31.12.2023 (1 000 euros) (S.23.01.01)**

1 000 euros		
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	133 106
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	23 225
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	109 882
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	86 815
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	1 220
Total expected profits included in future premiums (EPIFP)	R0790	88 035

Appendix 6

Solvency Capital Requirement - for undertakings on Standard Formula 31.12.2023 (1 000 euros) (S.25.01.21)

1 000 euros		Gross SCR	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	69 092		-
Counterparty default risk	R0020	649		
Life underwriting risk	R0030	58 531	-	-
Health underwriting risk	R0040	1 540	-	-
Non-life underwriting risk	R0050	-	-	-
Diversification	R0060	-28 005		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	101 807		
Calculation of Solvency Capital Requirement, 1 000 euros		Value		
		C0100		
Operational risk	R0130	3 008		
Loss-absorbing capacity of technical provisions	R0140	-		
Loss-absorbing capacity of deferred taxes	R0150	-10 882		
Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC	R0160	-		
Solvency Capital Requirement excluding capital add-on	R0200	93 933		
Capital add-on already set	R0210	-		
of which, capital add-ons already set - Article 37 (1) Type a	R0211	-		
of which, capital add-ons already set - Article 37 (1) Type b	R0212	-		
of which, capital add-ons already set - Article 37 (1) Type c	R0213	-		
of which, capital add-ons already set - Article 37 (1) Type d	R0214	-		
Solvency Capital Requirement	R0220	93 933		
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 Requirements for ring fenced funds	R0420	-		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-		
Diversification effects due to RFF nSCR aggregation for Article 304	R0440	-		
Approach to tax rate, 1 000 euros		Yes/No		
		C0109		
Approach based on average tax rate	R0590	2 - No		
Calculation of loss-absorbing capacity of deferred taxes, 1 000 euros		LAC DT		
		C0130		
LAC DT	R0640	-10 882		
LAC DT justified by reversion of deferred tax liabilities	R0650	-10 882		
LAC DT justified by reference to probable future taxable economic profit	R0660	-		
LAC DT justified by carry back, current year	R0670	-		
LAC DT justified by carry back, future years	R0680	-		
Maximum LAC DT	R0690	-20 963		

Appendix 7

Minimum Capital Requirement - Both life and non-life insurance activity 31.12.2023 (1 000 euros) (S.28.02.01)

1 000 euros		Non-life activities	Life activities
		MCR(L,NL) Result	MCR(L,L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	983	22 722

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	-		366 638	
Obligations with profit participation - future discretionary benefits	R0220	-		24 073	
Index-linked and unit-linked insurance obligations	R0230	-		1 108 633	
Other life (re)insurance and health (re)insurance obligations	R0240	7 816		-	
Total capital at risk for all life (re)insurance obligations	R0250		1 169 683		3 782 233

Overall MCR calculation		Value
		C0130
Linear MCR	R0300	23 541
SCR	R0310	93 933
MCR cap	R0320	42 270
MCR floor	R0330	23 483
Combined MCR	R0340	23 541
Absolute floor of the MCR	R0350	4 000

Minimum Capital Requirement	R0400	23 541
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Notional non-life and life MCR calculation, 1 000 euros		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	983	22 722
Notional SCR excluding add-on (annual or latest calculation)	R0510	3 895	90 038
Notional MCR cap	R0520	1 753	40 517
Notional MCR floor	R0530	974	22 509
Notional Combined MCR	R0540	983	22 722
Absolute floor of the notional MCR	R0550	2 700	4 000
Notional MCR	R0560	2 700	22 722

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