

# Nordea



## **Annual Report 2019**

Nordea Insurance Finland Ltd



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Nordea Insurance Finland Ltd is part of the Nordea Group. We build strong and close relationship through our engagement with customers and society. Whenever people strive to their goals and realise their dreams, we are there to provide relevant financial solutions. We are the largest bank in the Nordic region and among the ten largest financial

groups in Europe in terms of total market capitalisation with around 11 million customers, 31,500 employees and 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges.

# Annual Report 2019

## The second year of Nordea Insurance Finland Ltd

Nordea Insurance Finland Ltd is a non-life insurance company, which provides non-life insurance covers (class 1, 2 and 16) for the customers of Nordea Bank. The covers are offered as a part of the Nordea MyLife insurance brand and Nordea Bank acts as the sales channel. Nordea Insurance Finland Ltd has outsourced nearly all the main operating functions to the parent company Nordea Life Assurance Finland Ltd.

During its second year of operation the company has focused on growing its insurance sales. A significant growth was accomplished with a portfolio transfer in October 1st, when the company received the existing non-life insurance portfolio (classes 1 and 2) from its parent company.

The insurance portfolio transfer was completed as a part of a transfer of business, in which the whole non-life insurance business was transferred to Nordea Insurance Finland Ltd. In addition to the insurance portfolio and related assets, two employees were transferred to the company. The transfer was executed as a capital contribution where the company gave 3,000 new shares thorough an emission to Nordea Life Assurance Ltd as a payment for the portfolio and the assets linked to it. After the transfer the customer base increased with almost 85,000 new customers. The customer benefits and the terms and conditions of the insurance covers stayed unchanged.

The outsourced functions were monitored according to the monitoring process during the year.

### Premium income

The premium income for Nordea Insurance Finland Ltd was MEUR 5.4 (EUR 607.60).

### Investments in 2019

The investment activities of the company started after the portfolio transfer 1.10.2019. The strategy of the company is to keep the total risk of its investment portfolio relatively low. The low risk level of the investment portfolio has been achieved by comprehensively diversifying the portfolio into different asset classes and by selecting investments for the portfolio that would react independently of one another in various market situations.

At the end of the year, fixed income investments accounted for 79,1 (-) per cent, equities and equity-type investments for 15,3 (-) per cent and the share of cash 5,6 (-) per cent.

### Claims

Total amount of EUR 775,542.9 claims was paid in 2019.

### Expenses

The total expenses were EUR 843,280.33 (357,539.09). The share of salaries and other personnel costs was EUR 183,551.79 (190,337.99).

### Personnel

The company's personnel consisted of two people during the period 1.1.2019 - 30.9.2019 and starting from 1.10.2019 the personnel consisted of four persons. Women accounted for 75 per cent of the work force and men for 25 per cent.

### Result

The balance on the technical account for 2019 before taxes was EUR 3,521,722.27 (-404,448.43). Investment costs amounted to EUR 220 983,81 (16,885.44).

### Technical provisions

The technical provision of Nordea Insurance Finland Ltd was EUR 9,206,756.84 (30,631.50).

The provision for unearned premiums was EUR 1,076,101.23 (15.74). The provision for claims outstanding was EUR 7,934,688.18 (30,029.54) and the change in equalization provision amounted to EUR 195,967.43 (586.22).

### Solvency

The company's solvency is strong. Eligible own funds exceeds the solvency capital requirement by a ratio of 2.40.

### Risk management

The risk management of the company has been outsourced to the mother company.

The objective of risk management is to identify, measure and manage the risks faced by the company.

At the company level, the most significant risks include the risks associated with the business strategy and business environment, investment activity risks, risks associated with the structure of the technical provisions, underwriting risks and operational risks.

The parent company Nordea Life Assurance Finland Ltd has a separate Risk Management Department, headed by the Chief Risk Officer (CRO). The CRO develops and directs the risk management practices of the company.

The risk management strategy is updated as necessary – annually, at the very least. The strategy contains precisely defined principles according to which the risk management measures, follows up on and reports risks to the top executive management. The company has a contingency plan and a business continuity plan, which are tested annually.

### Group structure and ownership

Nordea Insurance Finland Ltd has 53,000 (50,000) shares all of which have the same number of votes at the Annual General Meeting. The minimum share capital, as stated in the Articles of Association, is EUR 5,000,000.00 and the maximum EUR 20,000,000.00. The share capital can be increased or decreased within these limits without revising the Articles

of Association. The shares do not have a nominal value and the minimum number of shares is 50,000 and the maximum 200,000. The parent company of Nordea Insurance Finland Ltd is Nordea Life Assurance Finland Ltd with a 100 per cent holding. Nordea Life Assurance Finland Ltd, in turn, is wholly-owned by Nordea Life Holding AB. Nordea Life Holding AB is wholly-owned by Nordea Bank Abp.

### **The company's future**

We believe that the company has a good basis to grow its business. During the year 2020 the aim is to grow the number of the company's customers via an active promotion and sales support of MyLife product. The financial solidity and the return of the company establish a solid basis for the growth of the company.

### **Administration and auditors of Nordea Insurance Finland Ltd**

The Board of Directors of the company is composed of the following three members:

Pekka Luukkanen, Chairman of the Board  
Petra Särkkä  
Raimo Voutilainen

The Managing Director of the company is Veli-Pekka Seppälä, M.Sc.

The Chief Actuary of the company is Sari Martikainen, M.Sc, actuary approved by the Ministry of Social Affairs and Health.

The audit firm of the company is PWC Oy with APA Juha Wahlroos acting as the principal auditor.

The Annual General Meeting was held on 2 April 2019.

### **Proposal of the Board of Directors for distribution of profit**

The result for the second operating year for Nordea Insurance Finland Ltd was EUR 2,898,267.50.

The Board of Directors proposes the result to be transferred to the retained earnings account

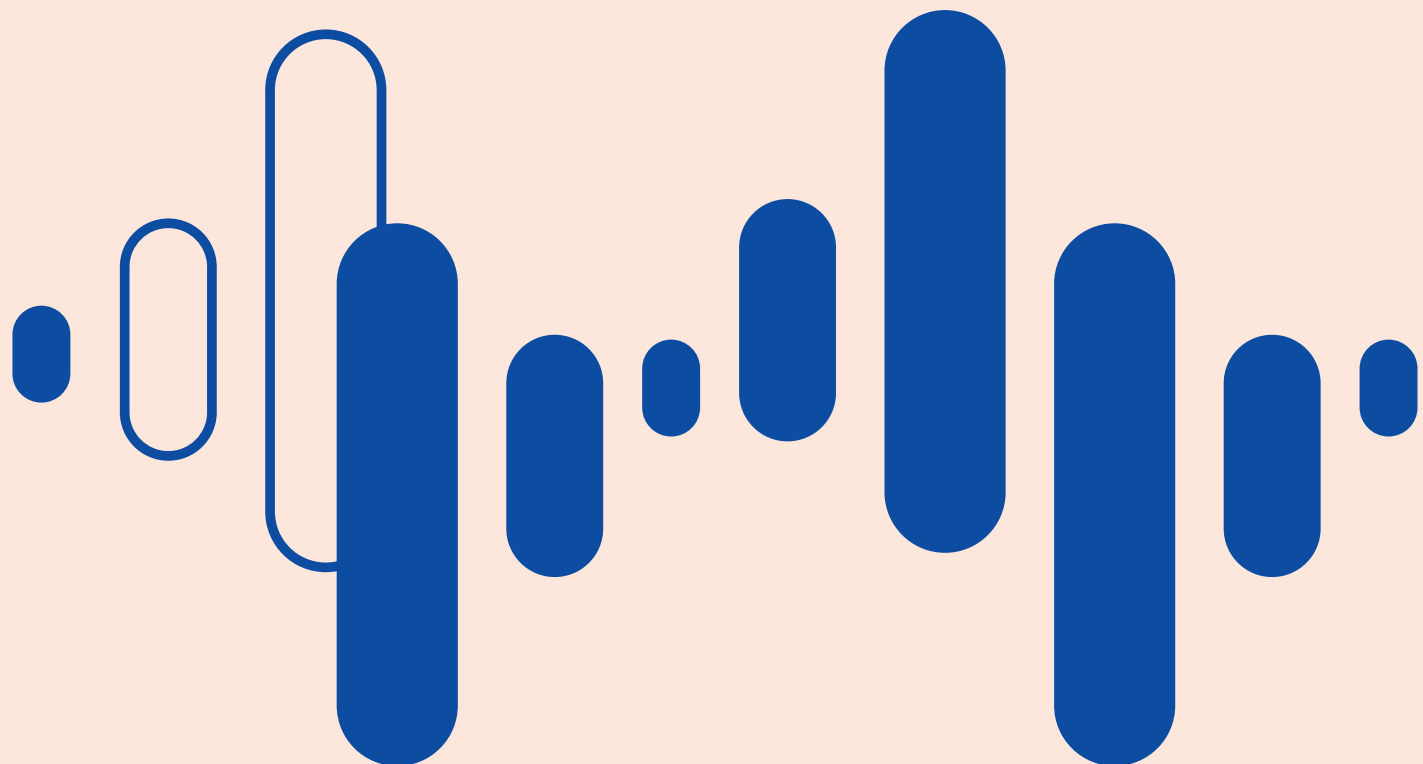
### **Events after the financial year**

No significant events.

# Financial Statements 2019

Nordea Insurance Finland Ltd

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# Profit and loss account

| Technical Account  | 1.1.–31.12.2019 |                  | 28.7.2017–31.12.2018 |                 |
|--|-----------------|------------------|----------------------|-----------------|
| Premiums earned  |                 |                  |                      |                 |
| Premiums written   | 5 437 930       |                  | 608                  |                 |
| Reinsurers' share  | -554            | 5 437 375        | 0                    | 608             |
| Change in the provision for unearned premiums                            | -1 076 085      |                  | -16                  |                 |
| From which portfolio transfer  | 1 265 012       |                  | 0                    |                 |
| Reinsurers' share  | 0               | 188 926          | 0                    | -16             |
| Claims   |                 |                  |                      |                 |
| Claims paid  | -775 543        |                  | 0                    |                 |
| Change in the provision for outstanding claims                           | -7 904 659      |                  | -30 030              |                 |
| From which portfolio transfer  | 7 833 541       |                  | 0                    |                 |
| Reinsurers' share  | 0               | -846 661         | 0                    | -30 030         |
| Net operating expenses   |                 | -843 280         |                      | -357 539        |
| Balance on technical account before the change in equalisation provision |                 | 3 936 360        |                      | -386 977        |
| Change in equalisation provision   |                 | -195 381         |                      | -586            |
| Balance on technical account   |                 | 3 740 979        |                      | -387 563        |
| <b>Non-technical account</b>   |                 |                  |                      |                 |
| Investment income  |                 | 1 727            |                      | 0               |
| Investment expenses  |                 | -120 755         |                      | -16 885         |
| Investment depreciations   |                 | -100 229         |                      | 0               |
| Profit/loss on ordinary activities                                       |                 | 3 521 722        |                      | -404 448        |
| Profit/loss before appropriations and tax                                |                 | 3 521 722        |                      | -404 448        |
| Direct taxes on ordinary operations                                      |                 |                  |                      |                 |
| Taxes for the year   |                 | -623 455         |                      | -2              |
| <b>Result for the year</b>   |                 | <b>2 898 268</b> |                      | <b>-404 450</b> |

# Balance Sheet

| <b>ASSETS</b>                              |            | <b>31.12.2019</b>  |            | <b>31.12.2018</b> |                   |
|--|------------|--------------------|------------|-------------------|-------------------|
| <b>Investments</b>                         |            |                    |            |                   |                   |
| Other investments                          |            |                    |            |                   |                   |
| Shares and participations                  | 1 196 000  |                    | 0          |                   |                   |
| Debt securities                            | 6 437 743  | 7 633 743          | 0          |                   | 0                 |
| <b>Receivables</b>                         |            |                    |            |                   |                   |
| Arising from direct insurance operations   |            |                    |            |                   |                   |
| Policyholders                              | 786 476    |                    | 123        |                   |                   |
| Intermediaries                             | 1 992 822  | 2 779 298          | 338        |                   | 461               |
| <b>Other assets</b>                        |            |                    |            |                   |                   |
| Cash in hand and at bank                   |            | 7 271 692          |            |                   | 4 672 109         |
| <b>Other receivables</b>                   |            |                    |            |                   |                   |
| Other receivables                          |            | 563                |            |                   | 9 865             |
| <b>Prepayments and accrued income</b>      |            |                    |            |                   |                   |
|  |            | 0                  |            |                   | 2 235             |
|  |            | <b>17 685 296</b>  |            |                   | <b>4 684 670</b>  |
| <b>LIABILITIES</b>                         |            |                    |            |                   |                   |
| <b>Equity capital</b>                      |            |                    |            |                   |                   |
| Shareholders' equity                       | -5 000 000 |                    | -5 000 000 |                   |                   |
| Reserve for invested unrestricted equity   | -300 000   |                    | 0          |                   |                   |
| Retained earnings                          | 404 450    |                    | 0          |                   |                   |
| Profit for the year                        | -2 898 268 | -7 793 817         | 404 450    |                   | -4 595 550        |
| <b>Technical account</b>                   |            |                    |            |                   |                   |
| Provisions for unearned premiums           | -1 076 101 |                    | -16        |                   |                   |
| Outstanding claims                         | -7 934 688 | -9 010 789         | -30 030    |                   | -30 045           |
| Equalisation provision, non-life insurance |            | -195 967           |            |                   | -586              |
| Technical provisions                       |            | -9 206 757         |            |                   | -30 632           |
| <b>Creditors</b>                           |            |                    |            |                   |                   |
| Other creditors                            |            | -6 919             |            |                   | -2 582            |
| <b>Deferred income</b>                     |            |                    |            |                   |                   |
|  |            | -677 803           |            |                   | -55 907           |
|  |            | <b>-17 685 296</b> |            |                   | <b>-4 684 670</b> |



# Cash Flow Statement

| CASH FLOW STATEMENT  | 1.1.–31.12.2019  | 28.7.2017–31.12.2018 |
|--|------------------|----------------------|
| <b>Cash flow from operations</b>   |                  |                      |
| Insurance premiums gained  | 2 581 557        | 146                  |
| Reinsurers' share  | -554             | 0                    |
| Claims paid  | -702 776         | 0                    |
| Reinsurers' share  | 0                | 0                    |
| Interest income paid   | 0                | 0                    |
| Dividend   | 0                | 0                    |
| Other investment income received and other operational income              | 0                | 0                    |
| Personel expense related payments  | -146 007         | -174 254             |
| Payments on other operative expenses                                       | -878 467         | -154 243             |
| Cash flow from business operations before financial items and taxes        | 1 640 228        | -327 889             |
| Interest paid and payments on other financing expenses                     | 0                | -2                   |
| Direct taxes paid  | 0                | 0                    |
| <b>Cash flow from operations</b>   | <b>1 640 228</b> | <b>-327 891</b>      |
| <b>Cash flow from investments</b>  |                  |                      |
| Net investments  | -8 051 700       | 0                    |
| Capital gains from investments (excl. cash assets)                         | 311 200          | 0                    |
| Intangible and tangible assets   | 0                | 0                    |
| Transfer of business   | 8 399 855        | 0                    |
| Other asset investments and income from sales                              | 0                | 0                    |
| <b>Cash flow from investments</b>  | <b>659 355</b>   | <b>0</b>             |
| <b>Cash flow from financial activities</b>                                 |                  |                      |
| Issue of shares for cash   | 300 000          | 5 000 000            |
| Acquisition of own shares  | 0                | 0                    |
| Disposal of own shares   | 0                | 0                    |
| Loans drawn down   | 0                | 0                    |
| Repaid loans   | 0                | 0                    |
| Dividends paid/Interest on guaranteed equity and other profit distribution | 0                | 0                    |
| <b>Cash flow from financial activities</b>                                 | <b>300 000</b>   | <b>5 000 000</b>     |
| <b>Change in funds</b>   | <b>2 599 583</b> | <b>4 672 109</b>     |
| <b>Funds at the start of the year</b>                                      | <b>4 672 109</b> | <b>0</b>             |
| <b>Funds at the end of the year</b>  | <b>7 271 692</b> | <b>4 672 109</b>     |

# Notes to the financial statements

## 1. ACCOUNTING PRINCIPLES OF THE FINANCIAL STATEMENTS

The financial statements have been drafted in accordance with the current applicable corporate laws as well as the decisions, rules and regulations specified by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

### Book value of investments and book value of assets covering unit-linked technical provisions

Shares and participations in other investments were valued on the balance sheet at the acquisition cost or at the lower probable transfer price. The impact on the result of this valuation is entered as depreciation and return on depreciation.

Fixed income funds that are listed among debt securities are valued on the balance sheet at acquisition cost.

Premium receivables are recognised on the balance sheet at the probable value and other receivables at the nominal value or at a permanently lower probable value.

### Fair value of investments

The fair value of the equity and fixed income fund investments is obtained using the last available Net Asset Value of the fund on the end date of the financial year or, if none is available, the most recent available Net Asset value from the date preceding this date.

The deposits are valued at fair value which equals to nominal value of deposits. The receivables are valued at fair value which equals to nominal value of receivables or the lower probable value.

### Pension cover for employees

In compliance with the Employees' Pension Act, the company has taken out from Varma Mutual Pension Insurance Company statutory pension insurance for its employees. All insurance premiums paid for the said insurance in 2019 are entered in the 2019 results.

### Calculation principles of technical provisions

There is no technical interest rate associated with policies.

The Financial Supervisory Authority approved the basis for calculating the Equalization Provision on December 18th, 2019. In the case of transfer into the Equalisation Provision, the reserve is credited with interest, which is a five-year risk-free interest rate of the euro without a matching adjustment or volatility adjustment.

### Deferred tax liabilities and assets

The company has no material deferred tax liabilities or assets.

### Changes in 2019 that affected the financial statement

Nordea Insurance Finland Ltd and its parent company Nordea Life Assurance Finland Ltd executed a transfer of business between them in 2019. The transfer of business and the insurance portfolio transfer executed as a part of the transfer of business, affected the following figures in the financial statement compared to the figures in the comparison year.

- Provision for unearned premiums – the figure increased due to the transfer of business
- Outstanding claims – the figure increased due to the transfer of business
- Cash in hand and at bank – the figure increased due to the transfer of business
- Receivables arising from policyholders – the figure increased due to the transfer of business
- Other creditors (holiday pay debts) – the figure increased due to the transfer of business
- Reserve for invested unrestricted equity – the figure increased due to the transfer of business

| 1. PREMIUM INCOME                   | 1.1.-31.12.2019 | 28.7.2017-31.12.2018 |
|-------------------------------------|-----------------|----------------------|
| Direct insurance                    |                 |                      |
| Domestic                            | 5 437 930       | 608                  |
| Reinsurance                         | 0               | 0                    |
| Gross premium income before outward | 5 437 930       | 608                  |

No deductions made to the premium income.

## 2. BALANCE ON TECHNICAL ACCOUNT BY GROUP OF INSURANCE CLASS

|                                     |             | Gross premiums<br>written before<br>reinsurers' share | Gross premiums<br>earned before re-<br>insurers' share | Claims incurred<br>before reinsurers'<br>share | Operating ex-<br>penses before<br>reinsurers' comis-<br>sions and profit<br>participation | Reinsurance<br>balance | Balance on tech-<br>nical account be-<br>fore the change<br>in collective item<br>and equalisation<br>provision |
|-------------------------------------|-------------|---|--|--|---|------------------------|---|
| Non-statutory accident and health   | 2019        | 5 340 955   | 5 532 889  | -772 293                                       | -421 640  | -554                   | -11 399 798   |
|                                     | 2018        | 178   | 174  | -7 509   | -178 770  | 0                      | -186 105  |
| Other                               | 2019        | 96 975  | 93 967   | -74 368  | -421 640  | 0                      | -402 042  |
|                                     | 2018        | 429   | 418  | -22 521  | -178 770  | 0                      | -200 872  |
| <b>Direct insurance total</b>       | <b>2019</b> | <b>5 437 930</b>                                      | <b>5 626 856</b>                                       | <b>-846 661</b>                                | <b>-843 280</b>   | <b>-554</b>            | <b>-11 801 839</b>  |
|                                     | <b>2018</b> | <b>608</b>  | <b>592</b>   | <b>-30 030</b>                                 | <b>-357 539</b>   | <b>0</b>               | <b>-386 977</b>   |
| Reinsurance                         | 2019        | 0   | 0  | 0  | 0   | 0                      | 0   |
|                                     | 2018        | 0   | 0  | 0  | 0   | 0                      | 0   |
| Total                               | 2019        | 5 437 930   | 5 626 856  | -846 661                                       | -843 280  | 0                      | -11 801 839   |
|                                     | 2018        | 608   | 592  | -30 030  | -357 539  | 0                      | -386 977  |
| Change in equalisation provision    | 2019        |   |  |  |   |                        | -195 381  |
|                                     | 2018        |   |  |  |   |                        | -586  |
| <b>Balance on technical account</b> | <b>2019</b> |   |  |  |   |                        | <b>-11 997 220</b>  |
|                                     | <b>2018</b> |   |  |  |   |                        | <b>-387 563</b>   |

|                              |                        |                             |
|------------------------------|------------------------|-----------------------------|
| <b>3. OPERATING EXPENSES</b> | <b>1.1.-31.12.2019</b> | <b>28.7.2017–31.12.2018</b> |
|------------------------------|------------------------|-----------------------------|

**3.1 Operation expenses by function**

|                     |           |         |
|---------------------|-----------|---------|
| Claims paid         | 72 767    | 0       |
| Operating expenses  | 843 280   | 357 539 |
| Investment expenses | 99 684    | 0       |
| Other expenses      | 0         | 0       |
| Total               | 1 015 731 | 357 539 |

**3.2. Profit and loss account 'operating expenses'**

|                                      |         |         |
|--------------------------------------|---------|---------|
| Insurance acquisition expenses       |         |         |
| Direct insurance commissions         | 267 789 | 3 324   |
| Other policy acquisition costs       | 0       | 0       |
| Total                                | 267 789 | 3 324   |
| Insurance policy management expenses | 156 066 | 30 283  |
| Administrative expenses              | 419 425 | 323 932 |
| Total operating expenses             | 843 280 | 357 539 |

**3.3. Personnel****3.3.1 Personnel expenses**

|                                |         |         |
|--------------------------------|---------|---------|
| Salaries and commissions       | 147 478 | 157 161 |
| Pension expenses               | 25 090  | 22 952  |
| Other indirect personnel costs | 10 984  | 10 225  |
| Total                          | 183 552 | 190 338 |

**3.3.2 Management's salaries, commissions and pension commitments**

|   |        |        |
|---|--------|--------|
| <b>Managing director's salary and commissions</b>   | 24 000 | 24 000 |
| There is no pension insurance for managing director |        |        |

|   |       |   |
|---|-------|---|
| <b>The Board of Directors' salary and commissions</b> | 2 500 | 0 |
|---|-------|---|

**3.3.3 Average number of personnel during the financial year**

|           |   |   |
|-----------|---|---|
| Personnel | 2 | 1 |
|-----------|---|---|

**4. NET INVESTMENT INCOME**

1.1.-31.12.2019

28.7.2017-31.12.2018

**Investment income**

|  |              |          |
|--|--------------|----------|
| Income from investments in Group companies |              |          |
| Dividend income                            | 0            | 0        |
| Interest income                            | 0            | 0        |
| Income from real estate investments        |              |          |
| Dividend income                            | 0            | 0        |
| Interest income                            | 0            | 0        |
| Other income                               | 0            | 0        |
| Income from other investments              |              |          |
| Dividend income                            | 0            | 0        |
| Interest income                            | 0            | 0        |
| Other income                               | 1 727        | 0        |
| <b>Total</b>                               | <b>1 727</b> | <b>0</b> |
| Value readjustments                        | 0            | 0        |
| Realised gains on investments              | 0            | 0        |
| <b>Total</b>                               | <b>0</b>     | <b>0</b> |
| <b>Total</b>                               | <b>1 727</b> | <b>0</b> |

**Investment expenses**

|   |                 |                |
|---|-----------------|----------------|
| Expenses arising from real estate investments           | 0               | 0              |
| Expenses arising from other investments                 | -114 227        | -16 885        |
| Interest and other expenses on liabilities              |                 |                |
| To Group companies                                      | 0               | 0              |
| To others   | 0               | 0              |
| <b>Total</b>  | <b>-114 227</b> | <b>-16 885</b> |
| Value adjustments and depreciations                     |                 |                |
| Value adjustments                                       | -100 229        | 0              |
| Depreciation according to plan on buildings             | 0               | 0              |
| Realised losses on investments                          | -6 528          | 0              |
| <b>Total</b>  | <b>-220 984</b> | <b>-16 885</b> |
| <b>Net investment income in profit and loss account</b> | <b>-219 257</b> | <b>-16 885</b> |

## 5. MARKET VALUE AND VALUATION DIFFERENCE OF INVESTMENTS

| Investments 31.12.2019              | Remaining acquisition cost | Book value | Market value |
|-------------------------------------|----------------------------|------------|--------------|
| Real estate investments             | 0                          | 0          | 0            |
| Investments in Group companies      | 0                          | 0          | 0            |
| Investments in associated companies | 0                          | 0          | 0            |
| Other investments                   |                            |            |              |
| Shares and participations           | 1 196 000                  | 1 196 000  | 1 246 127    |
| Debt securities                     | 6 537 972                  | 6 437 743  | 6 437 743    |
| Other investments                   | 7 271 692                  | 7 271 692  | 7 271 692    |
| Deposits with ceding undertakings   | 0                          | 0          | 0            |

Other investments include cash in hand and at bank

| Investments 31.12.2018              | Remaining acquisition cost | Book value | Market value |
|-------------------------------------|----------------------------|------------|--------------|
| Real estate investments             | 0                          | 0          | 0            |
| Investments in Group companies      | 0                          | 0          | 0            |
| Investments in associated companies | 0                          | 0          | 0            |
| Other investments                   |                            |            |              |
| Shares and participations           | 0                          | 0          | 0            |
| Debt securities                     | 0                          | 0          | 0            |
| Other investments                   | 4 672 109                  | 4 672 109  | 4 672 109    |
| Deposits with ceding undertakings   | 0                          | 0          | 0            |

Other investments include cash in hand and at bank

## 6. STATEMENT OF CHANGES IN EQUITY CAPITAL

|   | 1.1.-31.12.2019  | 28.7.2017–31.12.2018 |
|---|------------------|----------------------|
| Share capital 31.12.                            | 5 000 000        | 5 000 000            |
| Reserve for invested unrestricted capital 31.12 | 300 000          | 0                    |
| Retained earnings 1.1.                          | 0                | 0                    |
| Retained earnings 31.12.                        | -404 450         | 0                    |
| Profit/loss for the year                        | 2 898 268        | -404 450             |
| Preliminary dividend                            | 0                | 0                    |
| <b>Equity capital in total</b>                  | <b>7 793 817</b> | <b>4 595 550</b>     |

The distributable equity capital in Nordea Insurance Finland Ltd is in total EUR 2 793 817 (0,00)

## 7. EQUALIZATION PROVISION

The equalization provision is 195 967,43 € and its target amount is 8 468 601 € on 31 December 2019.

## 8. INVESTMENTS

| Funds  | Kotimaa    | Kirjanpitoarvo   | Käypä arvo       |
|--|------------|------------------|------------------|
| Nordea Moderate Yield B growth                   | Finland    | 399 776          | 399 776          |
| Nordea Sustainable Equities Global Fund A growth | Finland    | 1 196 000        | 1 246 127        |
| Nordea Corporate Bond I growth                   | Finland    | 1 220 287        | 1 220 287        |
| Nordea AAA Government Bond I growth              | Finland    | 1 165 638        | 1 165 638        |
| Nordea Pro Euro Bond I growth                    | Finland    | 2 026 321        | 2 026 321        |
| Nordea 1 - US Corporate Bond Fund HBIE-EUR       | Luxembourg | 1 625 720        | 1 625 720        |
| <b>Total</b>                                     |            | <b>7 633 743</b> | <b>7 683 870</b> |
| <b>Cash at bank and in hand</b>                  |            |                  |                  |
| Bank accounts                                    | Suomi      | 7 271 692        | 7 271 692        |
| <b>Total</b>                                     |            | <b>7 271 692</b> | <b>7 271 692</b> |

| 9. AUDITORS' FEES | 1.1.-31.12.2019 | 28.7.2017-31.12.2018 |
|-------------------|-----------------|----------------------|
|-------------------|-----------------|----------------------|

The auditors' fees per category were

|  |               |              |
|--|---------------|--------------|
| Audit  |               |              |
| Mandates subject to section 1(2) of the Auditing Act | 33 861        | 5 000        |
| Tax consultation                                     | 0             | 0            |
| Other services                                       | 0             | 0            |
| <b>Total</b>   | <b>33 861</b> | <b>5 000</b> |

| 10. RECEIVABLES |
|-----------------|
|-----------------|

No long-term receivables.

| 11. CREDITORS |
|---------------|
|---------------|

No long-term creditors.

| 12. OFF-BALANCE SHEET COMMITMENTS |
|-----------------------------------|
|-----------------------------------|

Regarding VAT group registration, Nordea Insurance Finland Ltd is, with the other members of the Nordea Bank Finland Plc tax liability group, jointly and severally liable for the value added tax to be rendered in the accounts in accordance with section 188 of the Value Added Tax Act.

| 13. KEY FIGURES FOR GENERAL ECONOMIC DEVELOPMENT | 2019 | 2018 |
|--|------|------|
|--|------|------|

|   |           |          |
|---|-----------|----------|
| Turnover  | 5 407 599 | 592      |
| Premium income before the reinsurers' share + investment income and unrealised gains + other income   |           |          |
| Operating profit or loss  | 3 717 103 | -403 862 |
| Profit or loss before changes in equalisation provision, additional benefits, extraordinary items, appropriations and taxes   |           |          |
| Total profit or loss  | 3 352 592 | -403 862 |
| Operating profit or loss +/- changes in valuation differences, fair value and revaluation reserves  |           |          |
| Return on assets (%) (at market value)  | 33,6      | -8,6     |
| 100 x (Operating profit or loss + interest and other financing expenses + calculated interest +/- revaluation/revaluation reversed in revaluation or fair value reserve +/- changes in valuation differences) / (total assets - technical provisions on unit-linked insurances +/- valuation differences on investments) (average at the beginning and the end of the year) |           |          |
| Premium income  | 5 437 930 | 608      |
| Premium income before the reinsurers' share   |           |          |
| Loss ratio %  | 15,0      | 5 073,8  |
| Claims incurred/premiums earned   |           |          |
| Expense ratio %   | 15,0      | 60 409,4 |
| Operating expenses/premiums earned  |           |          |
| Combined ratio  | 30,0      | 65 483,2 |
| Loss ratio + expense ratio  |           |          |
| Net investment income   | -219 257  | -16 885  |

| 14. PROFIT ANALYSIS                                 | 2019             | 2018            |
|---|------------------|-----------------|
| Premium income                                      | 5 626 301        | 592             |
| Claims paid   | -846 661         | -30 030         |
| Net operating expenses                              | -843 280         | -357 539        |
| Other technical underwriting income                 | 0                | 0               |
| <b>Balance on technical account</b>                 | <b>3 936 360</b> | <b>-386 977</b> |
| Investment income and expenses                      | -219 257         | -16 885         |
| Other income  |                  |                 |
| Share of associated undertaking's profit/loss       | 0                | 0               |
| <b>Operating profit/-loss</b>                       | <b>0</b>         | <b>0</b>        |
| <b>Liikevoitto/-tappio</b>                          | <b>3 717 103</b> | <b>-403 862</b> |
| Change in equalisation provision                    | -195 381         | -586            |
| <b>Profit/loss before closing entries and taxes</b> | <b>3 521 722</b> | <b>-404 448</b> |
| Minority interests                                  | 0                | 0               |
| Income tax and other direct taxes                   | -623 455         | -2              |
| <b>Loss for the year</b>                            | <b>2 898 268</b> | <b>-404 450</b> |

#### 15. CALCULATION METHOD FOR TECHNICAL PROVISIONS

The basis for calculating the Equalization Provision has been approved by the Financial Supervisory Authority on 18 December 2019.

For the life insurance policies for individual risk and for group, the covers for 1) permanent disability, 2) critical illness, 3) accidental permanent disability or permanent handicap, 4) accidental death, permanent disability or permanent handicap, and 5) accidental death or permanent disability were transferred from Nordea Life Assurance Finland Ltd to Nordea Insurance Finland Ltd on 1 October 2019. The calculation basis for the technical provisions for Nordea Insurance Finland was complemented with the calculation basis for the transferred technical provisions, and approved by the Board of Directors on 29 October 2019.

#### 16. INFORMATION ABOUT CONSOLIDATED FINANCIAL STATEMENTS

Nordea Bank Abp prepares the consolidated financial statements of the highest entity in which Nordea Insurance Finland Ltd belongs. Nordea Bank Abp is domiciled in Helsinki. A copy of Nordea Bank Plc's consolidated financial statement can be found at [www.nordea.com](http://www.nordea.com)

Nordea Life Holding AB prepares the consolidated financial statements of the lowest entity in which Nordea Insurance Finland Ltd belongs as a subsidiary of Nordea Life Assurance Finland Ltd. Nordea Life Holding AB is fully owned by Nordea Bank Abp. Nordea Life Holding AB:n is domiciled in Stockholm. A copy of Nordea Life Holding's consolidated financial statement can be found from Swedish Companies Registration Office ([www.bolagsverket.se](http://www.bolagsverket.se))



# Riskprofile

The company is exposed to a variety of risks. These include underwriting, market, credit, liquidity, operational, business and strategic risks, of which the four first ones are directly quantified by the standard formula in the Solvency II regime.

## Stress and scenario testing

The Solvency II regime outlines the principles for an effective risk management process. To that process belongs an effective governance around calculating the solvency position as well as an Own Solvency and Risk Assessment (ORSA). The company is producing an own ORSA-report that is submitted to the FI-FSA on an annual basis.

As part of the ORSA process the company performs various stress and scenario tests of which the most important ones relate to business risks.

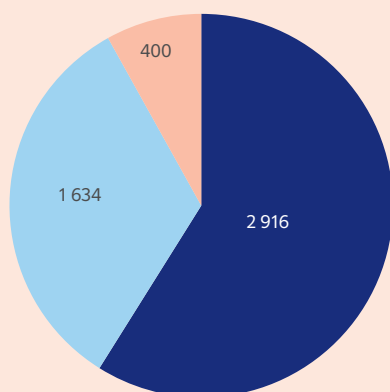
Stress and scenario testing are discussed by the executive management and the Board.

## Product structure

The company has one product Nordea MyLife Personal Insurance, which includes covers against unemployment and temporary disability, critical illness, permanent disability, accidental death or accidental permanent disability, and death. The death cover is granted by the parent company Nordea Life Assurance Finland Ltd. In addition, the company has covers against accidental death, accidental chronic ailment or accidental permanent disability, and accidental chronic ailment or accidental permanent disability, which are no longer for new sales.

The most significant part of the insurance portfolio are accidental covers. There are 1 165 unemployment and temporary disability covers with an average monthly paid risk sum of 448 euros.

### Insured risk sums 31 December 2019 (EUR millions)



■ Accident ■ Critical illness ■ Permanent disability

## Insurance risk

Insurance risk is the risk of loss due to changes in the levels, trends, or variations of unemployment, temporary disability and lapse.

The most important ways to manage insurance risks are proper risk selection, including underwriting procedures, pricing, insurance terms, product approval process, reinsurance, stress tests, and setting the reserves prudently considering the risks. Underwriting is governed by underwriting rules, actuarial methods in setting the tariffs, and statistical analysis of reported losses. The underwriting policy also define what risks can be insured and how much cover amount is allowed. The objective of the underwriting policy is to ensure the profitability of the insurance business. In limiting risk, the policy terms are essential - the terms and conditions of the insurance contract define the coverage of the policy and the limits of compensation.

### Underwriting procedures

The Underwriting Policy, which the company's Board of Directors annually approves, describes the company's insurance policy. The policies are established to ensure strong underwriting processes and sound advice to customers.

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

### Reinsurance

The company's reinsurance programme is approved by the Board of Directors. The program covers individual and aggregate risks, including catastrophe cover. It includes individual risk retention limits and aggregate stop loss covers. The company does not have reinsurance for unemployment or temporary disability cover, because the individual risk sums are not very significant. The aim of the reinsurance programme is to minimise claims volatility, stabilise annual results, protect own capital and protect the company from underwriting risk concentrations and catastrophes.

The Actuarial Function offers an opinion yearly on the appropriateness of the company's reinsurance arrangement to the Board of Directors.

### Product approval

The product approval process ensures that a new product will not create undue risk. It also assesses the profitability of the product and its suitability for risk taking.

## Market risk

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

### Measurement and analysis of market risk

All present assets of the company are placed as cash on Nordea accounts and hence they are exposed to counterparty risk that however is not a part of Market risk concept in the Solvency II setting.

In the future the company will invest a small part of the assets in equity funds. When this investment activity has started the market risk will be monitored in the same way as in the Life company, hence measured via the Solvency II standard formula, exposure measurement on investment assets, forward-looking balance sheet projections, and stress and sensitivity analysis. Furthermore, the market risks are monitored against the risk appetite and risk limits.

### Stress and sensitivity analysis

The company regularly performs stress tests of the balance sheets and buffers to assess the impact of overnight stress.

As part of the capital management process, the company projects the development of the business including capital plans, and stress test it by using macroeconomic and business risk scenarios.

## Operational risk

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

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

### Measurement of operational risk

Operational risk is measured through the operational risk appetite, incident reporting and stress and scenario testing.

### Incident reporting

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

### Stress testing and scenario analysis

As an extension of the Risk and Control Self-Assessment (RCSA) process a stress test of the material risks is performed. The stress test of operational risks is conducted as a scenario analysis, which tests selected key material risks considered to be highly important to investigate further. The objective is to challenge and extend the company's present understanding of its operational risk landscape by focusing on risks which could cause large financial losses or other significant impacts to the company

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

### Management of operational risk

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

### RCSA

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

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

### Group Level Controls

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

### Managing material changes

The Change Risk Management and Approval process (The CRMA process) consists of an initial materiality assessment and a subsequent risk assessment. The CRMA process is executed by using the quality and risk assessment (QRA) methodology and tools as provided by Nordea Group Operational Risk (GOR). For material Changes, the CRMA process is more extensive and includes the involvement of a number of mandatory stakeholders. Approval process captures all material changes in a unified and disciplined manner. It is applicable to new or materially altered products, services, markets, processes, IT systems and major changes to the operations and organisation. The QRA is used to analyse risk and quality aspects related to material changes on a case by case basis, for example new programs, significant changes to organisations, processes and systems. The QRA is performed in order to limit new risks and to ensure disciplined change management. It aims to document decision-making regarding risk and quality aspects connected to changes, explicit responsibility for decisions and actions taken, and systematic follow-up. Conducting a QRA is mandatory as part of the change approval process and mandatory to use when a change or development is run within a programme or project.

# Signatures of Report of the Board of Directors' and Annual Accounts

Helsinki, 25 February 2020



**Pekka Luukkanen**  
Chairman of the Board of Directors



**Raimo Voutilainen**  
Member of the Board of Directors



**Petra Särkkä**  
Member of the Board of Directors



**Veli-Pekka Seppälä**  
Managing Director

An auditor's report on the audit has been issued today.

Helsinki, 9 March 2020

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants



**Martin Grandell**  
Authorised Public Accountant

# Auditor's Report

To the Annual General Meeting of Nordea Insurance Finland Ltd.

## Report on the Audit of the Financial Statements

### Opinion

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

### What we have audited

We have audited the financial statements of Nordea Insurance Finland Ltd (business identity code 2868440-8) for the year ended 31 December, 2019. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

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

### Independence

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7 to the Financial Statements.

### Most significant assessed risks of material misstatement

Below we have described our assessment of the most significant risks of material misstatement, including risks of material misstatement due to fraud, and presented a summary of our response to those risks.

### Significant risks of material misstatement referred to in EU regulation No 537/2014, point (c) of Article 10 (2) relating to the company's financial statements

#### Actuarial assumptions

Refer to the notes 1 Accounting principles of the financial statements, 15 Change in calculation method for technical provisions, Risk profile to the financial statements

Technical provisions involves subjective judgments over uncertain future outcomes. The value is based on models where significant judgment is applied in setting economic assumptions, actuarial assumptions as well as customer behavior. Changes in these assumptions can materially impact the valuation of technical provisions.

### How our audit addressed the risk

Our audit included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out by a PwC actuary.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it

exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

## Other Reporting Requirements

### Appointment

We were first appointed as auditors by the establishment meeting of the company on 28 July 2017. Our appointment represents a total period of uninterrupted engagement of 2 years.

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

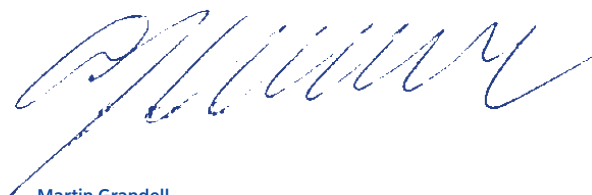
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 9 March 2020

**PricewaterhouseCoopers Oy**  
Tilintarkastusyhteisö



**Martin Grandell**  
Authorised Public Accountant