

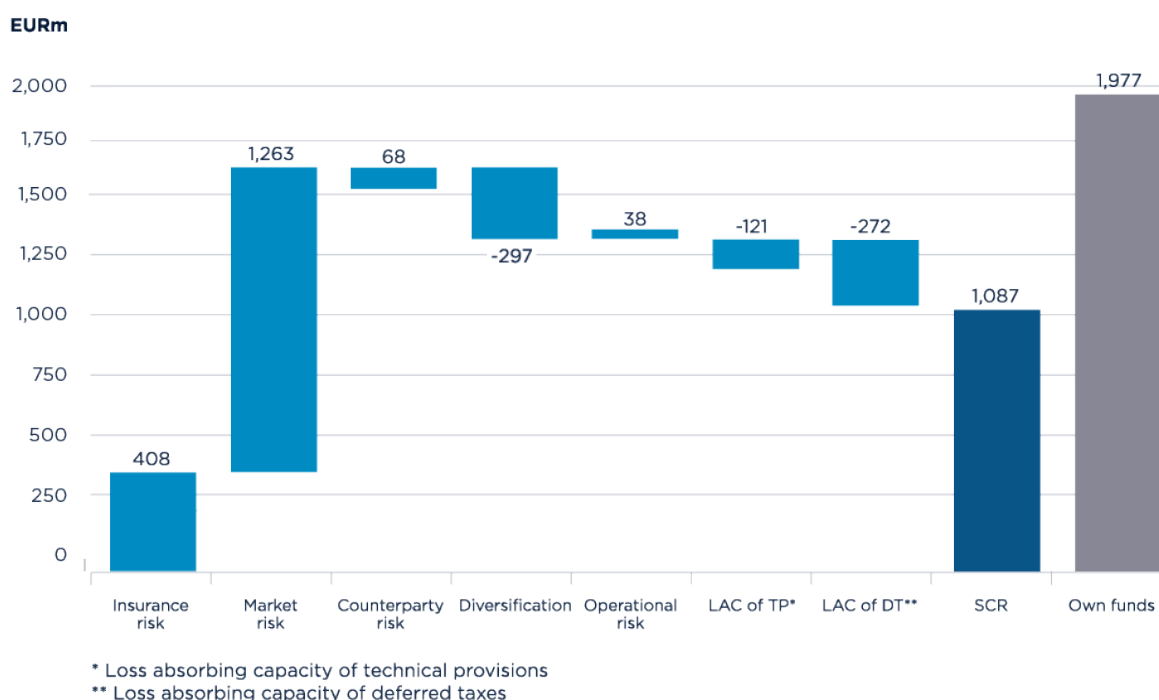
Capitalization

Mandatum Life applies the Solvency II standard formula with transitional measures on equity to the calculation of SCR. Solvency II Own Funds (OF) is also affected by transitional measures, because Mandatum Life applies transitional measures on its technical provisions in regards to its original pension policies with 3.5 per cent and 4.5 per cent guarantees. Also, a volatility adjustment is applied when technical provisions are calculated. The size of SII liabilities with transitional measures of EUR 10,876 million is less than the respective figure without transitional measures (EUR 11,403 million). Hence the transitional measures increase the amount of OF. Mandatum Life does not apply any undertaking-specific parameters in the underwriting risk modules or apply simplified calculations for any of the risk modules of the standard formula.

The OF of Mandatum Life was EUR 1,977 million while the SCR was EUR 1,087 million. The solvency ratio (OF/SCR) was 182 per cent and the buffer was EUR 890 million. OF without transitional measures on Technical Provisions would be EUR 1,555 million, and the SCR without transitional measures on equity risk would be EUR 1,220 million. Danske Bank-related portfolio transfer is expected to improve solvency position by reducing SCR around EUR 100 million and increasing OF by tens of millions.

In the figure Mandatum Life's Solvency, 31 December 2017 SCR is divided into risk contributions. The diversification benefit between risks is also presented in the figure.

Mandatum Life's Solvency
31 December 2017



The solvency position without the transitional measures is expected to develop favorably during the transitional period. The amount of with profit liabilities is decreasing (see figure Forecast of With Profit Liabilities, 31 December 2017–31 December 2031 within [chapter Underwriting Risks and Performance](#)) and liabilities with the highest guarantees are expected to fall relatively most, from EUR 2,635 million to

around EUR 900 million during the transitional period. Hence, the most capital consuming with profit liabilities will decrease during the period and their duration will shorten as well. This creates a decreasing trend to the SCR and simultaneously a positive trend to own funds without transitional measures. Internally Mandatum Life is forecasting solvency ratios with and without the transitional

measures; both forecasts affect the company's business decisions.

Mandatum Life's structure of OF as presented in the table Mandatum Life's Own Funds, 31 December 2017 consist of only Tier 1 items of which EUR 100 million (i.e. 5.1 per cent of OF) was subordinated debt at the end of 2017. This subordinated debt is classified as a restricted Tier 1 item due

to Grandfathering principles. Transitional measures on technical provisions contribute EUR 422 million to OF at the end of 2017. Due to sale of Danske Bank-related portfolio the quality of own funds will improve further as part of the expected, but uncertain, future profit component of OF will turn to a Shareholder equity.

Mandatum Life's Own Funds 31 December 2017

Mandatum		EURm
Tier 1	Total	1,977
	Ordinary Share Capital	181
	Reconciliation Reserve	1,696
	Subordinated Liabilities	100
Tier 2	Total	0
	Subordinated Liabilities	0
	Untaxed reserves	0
Tier 3	Total	0
	Deferred tax assets	0
Eligible own funds		1,977

In summary, the solvency and the capital structure of Mandatum Life with transitional measures are adequate. During the transitional period on technical provisions the

liabilities with high guarantees will decrease remarkably which will also support future capital level needs.