

# Länsförsäkringar Alliance

Annual review

# 2018



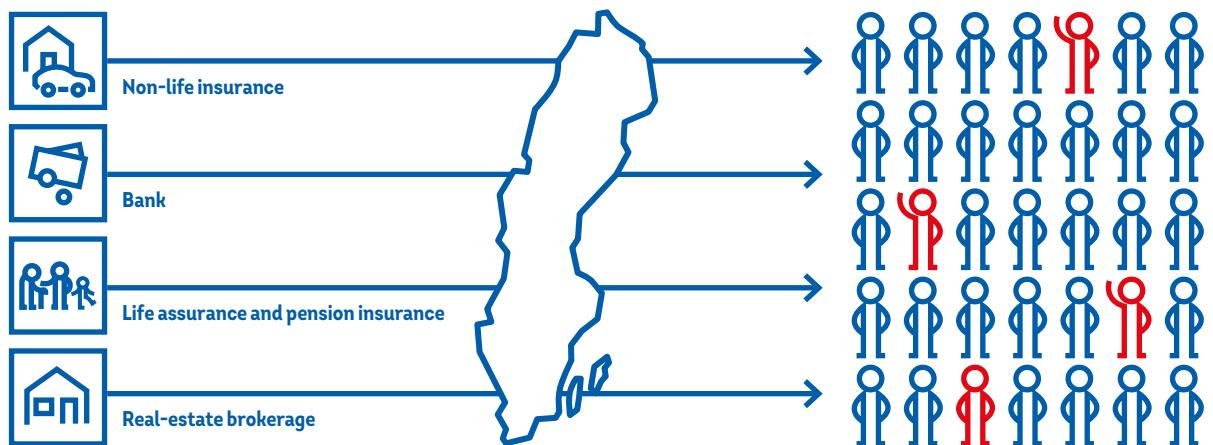
# About us

## Länsförsäkringar Alliance

Länsförsäkringar Alliance comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete offering of banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The starting point is local presence and decision-making. Experience shows that local decision-

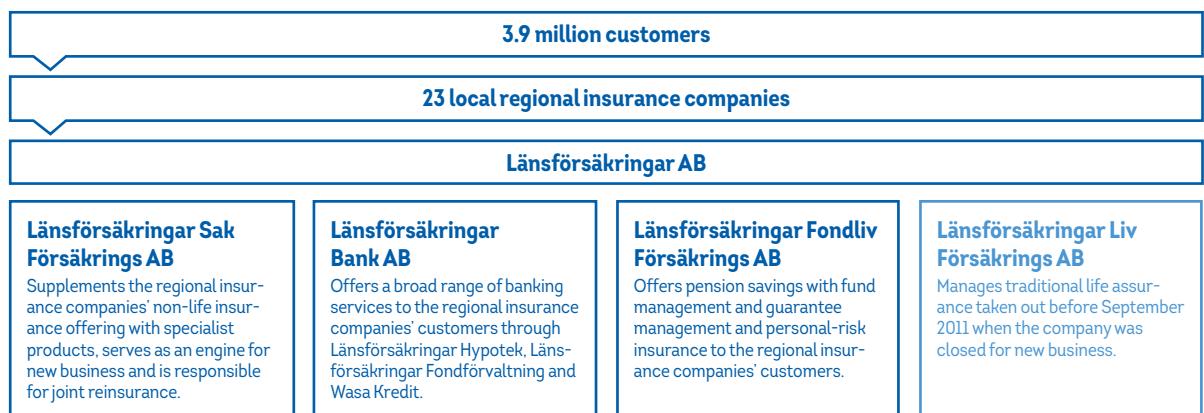
making authority combined with joint strength creates substantial added value for customers. The regional insurance companies are owned by the insurance customers – there are no external shareholders and meeting customer needs and requirements is always the primary task. The Länsförsäkringar Alliance has 3.9 million customers and 6,700 employees.

### Offering



The Länsförsäkringar Alliance is not a Group in the legal sense of the term. Most of the non-life insurance business in the Länsförsäkringar Alliance is underwritten in the regional insurance companies. The business conducted by Länsförsäkringar AB's non-life insurance group primarily comprises health, pet and crop insurance. The Länsförsäkringar AB Group also manages the Länsförsäkringar Alliance's

reinsurance cover and assumed international reinsurance. Earnings from the Länsförsäkringar Alliance's non-life insurance operations consist of the total earnings of the 23 regional insurance companies and the non-life insurance operations of the Länsförsäkringar AB Group. Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.



### Rating

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar AB	S&P Global Ratings	A-/Stable	-
Länsförsäkringar AB	Moody's	A3/Stable	-
Länsförsäkringar Bank	S&P Global Ratings	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A1/Stable	P-1
Länsförsäkringar Hypotek <sup>1)</sup>	S&P Global Ratings	AAA/Stable	-
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	-
Länsförsäkringar Sak	S&P Global Ratings	A/Stable	-
Länsförsäkringar Sak	Moody's	A2/Stable	-

<sup>1)</sup>Pertains to the company's covered bonds.

# The 2018 fiscal year

## Five-year summary

Länsförsäkringar Alliance	2018	2017	2016	2015	2014
Total capital, SEK M	75,432	72,442	63,390	55,562	48,188
<b>Länsförsäkringar Alliance's non-life insurance</b>					
Solvency capital, SEK M	68,472	66,149	57,956	51,628	46,493
Solvency margin, %	252	253	236	222	209
Return on equity, %	3	11	8	8	11
Premiums earned after ceded reinsurance, SEK M	26,751	25,504	24,073	22,705	21,550
Technical result, SEK M	1,778	2,529	1,813	2,700	2,266
Operating profit, SEK M	2,243	7,078	4,626	4,365	5,209
Combined ratio, %	96	92	95	91	93
<b>Länsförsäkringar AB, Group<sup>1)</sup></b>					
Operating profit, SEK M	2,351	2,825	2,286	2,155	1,469
Total assets, SEK M	506,835	473,773	421,816	384,595	355,933
Return on equity, %	9	11	10	11	7
Own funds for the group (FRL) <sup>2)</sup> , SEK M	43,870	44,172	40,602	36,905 <sup>4)</sup>	-
Capital requirement for the group (FRL) <sup>2)</sup> , SEK M	33,874	33,441	30,121	28,233 <sup>4)</sup>	-
Own funds for the financial conglomerate <sup>3)</sup> , SEK M	43,870	44,172	40,352	-	-
Capital requirement for the financial conglomerate <sup>3)</sup> , SEK M	33,874	33,441	30,121	-	-
<b>Länsförsäkringar Sak, Group</b>					
Premiums earned after ceded reinsurance, SEK M	5,891	5,623	5,342	5,074	4,099
Technical result, SEK M	402	977	435	821	611
Operating profit, SEK M	460	1,028	644	908	791
Solvency ratio, % (Länsförsäkringar Sak Försäkrings AB)	228	221	260	235 <sup>4)</sup>	-
<b>Länsförsäkringar Bank, Group</b>					
Deposits from the public, SEK M	108,142	99,404	91,207	83,925	76,790
Loans to the public, SEK M	289,426	261,444	226,705	201,964	179,424
Operating profit, SEK M	1,510	1,599	1,467	1,175	935
Return on equity, %	8.3	10.0	10.1	8.9	8.3
Common Equity Tier 1 capital ratio, %	14.2 <sup>5)</sup>	24.3	24.8	23.7	16.2
<b>Länsförsäkringar Fondliv AB</b>					
Premium income, SEK M	9,010	9,133	8,637	8,645	8,543
Net profit for the year, SEK M	681	604	516	519	368
Managed assets, SEK M	125,805	128,140	114,450	102,807	93,610
Solvency ratio, %	135	152	150	141 <sup>4)</sup>	-
<b>Länsförsäkringar Liv</b>					
Premium income, SEK M	1,684	1,533	1,720	1,919	2,639
Net profit for the year, SEK M	609	3,121	2,359	5,143	1,966
Solvency ratio, %	200	207	195	182 <sup>4)</sup>	-

<sup>1)</sup>Excluding Länsförsäkringar Liv Försäkrings AB, which is operated in accordance with mutual principles.

<sup>2)</sup>According to Swedish Insurance Business Act (FRL), the Solvency II directive in Swedish law.

<sup>3)</sup>The financial conglomerate comprises Länsförsäkringar AB, all insurance companies in the Group, Länsförsäkringar Bank AB with subsidiaries and Länsförsäkringar Liv Försäkrings AB.

<sup>4)</sup>Opening balance on 1 January 2016 according to Solvency II.

<sup>5)</sup>As of 31 December 2018, the application of the risk weight floor for Swedish mortgages changed, which will reduce the capital ratios from this period.

## Result for the regional insurance companies

SEK M	Technical result <sup>1)</sup>		Operating profit/loss <sup>1)</sup>	
	2018	2017	2018	2017
LF Norrbotten	54	57	64	124
Länsförsäkringar Västerbotten	103	87	86	335
Länsförsäkringar Jämtland	47	27	127	215
Länsförsäkringar Västernorrland	-55	-1	24	100
Länsförsäkringar Gävleborg	-34	30	15	166
Dalarnas Försäkringsbolag	126	110	350	772
Länsförsäkringar Värmland	61	36	78	158
Länsförsäkringar Uppsala	22	26	169	316
Länsförsäkringar Bergslagen	63	35	319	705
Länsförsäkringar Stockholm	102	120	253	480
Länsförsäkringar Södermanland	1	50	235	349
Länsförsäkringar Göteborg och Bohuslän	146	77	438	895
Länsförsäkringar Skaraborg	111	119	177	315
Länsförsäkringar Östgöta	114	157	450	820
Länsförsäkringar Ålvborg	190	228	442	930
Länsförsäkringar Gotland	37	54	82	137
Länsförsäkringar Jönköping	-2	58	151	405
Länsförsäkringar Halland	85	99	135	380
Länsförsäkringar Kronoberg	43	49	108	217
Länsförsäkringar Kalmar län	30	60	139	338
Länsförsäkringar Blekinge	15	25	75	154
Länsförsäkringar Göinge-Kristianstad	30	53	183	278
Länsförsäkringar Skåne	118	211	299	1,167

<sup>1)</sup>Before bonuses and discounts.

## Results 2018 for Länsförsäkringar Alliance

- Operating profit for the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 2.2 billion (7.1), after bonuses and discounts to customers of SEK 0.8 billion (1.8).
- Investment income fell to SEK 1.8 billion (7.0).
- Premiums earned after ceded reinsurance increased 5% to SEK 26.8 billion (25.5).
- The technical result for the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 1.8 billion (2.5).

**Länsförsäkringar Alliance's combined ratio**

**96%**

**Bonuses and discounts to customers**

**SEK 825 M**

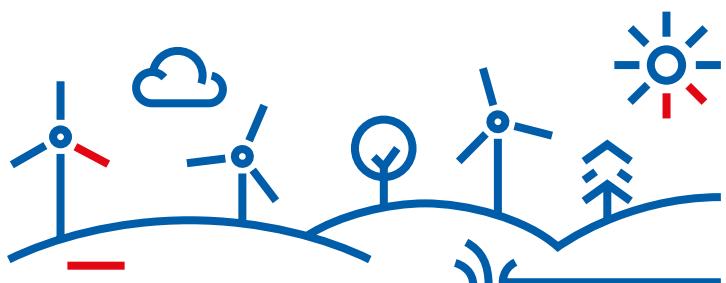
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“ Länsförsäkringar continued to dominate the Swedish non-life insurance market in 2018 with a market share of slightly more than 30%. The solid growth continued in all business areas. A clear focus on sustainability, innovation and strengthened IT are now creating the conditions to enable the entire Länsförsäkringar Alliance to find new ways of addressing future needs and expectations.

**Fredrik Bergström**

*President and CEO of Länsförsäkringar AB  
The Länsförsäkringar Alliance's jointly owned company*



The Länsförsäkringar Alliance's annual review of 2018 contains information about Länsförsäkringar's operations in non-life insurance, banking, life assurance and pension insurance and real-estate brokerage. The sustainability section contains information about Länsförsäkringar's work on sustainability in its customer offering and operations and in terms of its environmental and social commitment. The combined earnings of the Länsförsäkringar Alliance's non-life insurance operations are presented on pages 48-49. This will be followed by key figures from each of the 23 regional insurance companies.

# The year in brief

## Sweden's most satisfied banking, insurance and real-estate brokerage services customers

Länsförsäkringar has topped the Swedish Quality Index for many years, which measures satisfaction among customers in the areas of banking, insurance and real-estate brokerage services. Länsförsäkringar was number one in six categories in the 2018 survey: Retail insurance, Retail banking, Retail pension, Corporate insurance, Mortgages and Real-estate brokerage.

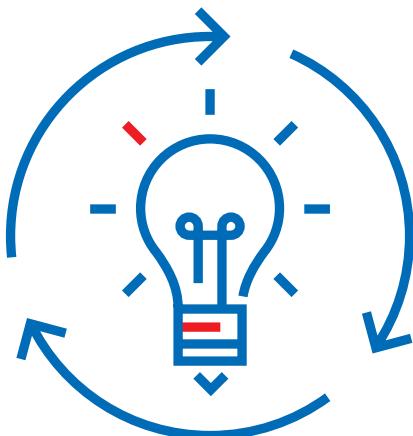


## Partnership with Toyota

From 1 January 2019, Länsförsäkringar has taken over responsibility for Toyota Försäkring, Lexus Försäkring and associated vehicle-damage guarantees in the Swedish market. The motor insurance market is changing rapidly and needs for new insurance solutions are emerging. With Toyota as a partner, Länsförsäkringar will be even better equipped to understand these new needs and thus continue to offer relevant insurance solutions.

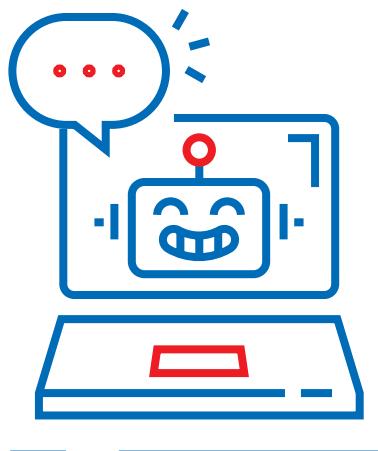
## Focus on innovation

Innovation is a key area for capitalising on new opportunities and thus finding new ways to meet changed customer expectations. A total of 13 regional insurance companies were involved in innovation pilot schemes, for example, in health and claims prevention. Länsförsäkringar's Head of Innovation was a speaker on the topic of mental illness at a meeting of the Nordic Council of Ministers attended by 500 leaders from around the world.



## Robotisation creates customer value

In 2018, Länsförsäkringar AB robotised more than 25 processes for more efficient value creation in several different business areas. Robotisation in the Länsförsäkringar Alliance will continue to further strengthen competitiveness and create added value for customers.



## Sweden's most sustainable insurance company

In 2018, Länsförsäkringar was named Sweden's most sustainable insurance company by Sustainable Brand Index according to both retail and corporate customers. Länsförsäkringar also came first in the Swedish Sustainability Ranking in the Banking and Finance category.



# Customer-owned, local and sustainable – more relevant than ever

**Comment** The Länsförsäkringar Alliance summarises yet another year of solid growth. Based on earnings for the year, the regional insurance companies will pay back SEK 0.8 billion in bonuses and discounts to their owners – the customers. A clear focus on sustainability, innovation and strengthened IT are now creating the conditions to enable the entire Länsförsäkringar Alliance to find new ways of addressing future needs and expectations.

I became the President and CEO of Länsförsäkringar AB in September 2018 after serving as President of Länsförsäkringar Stockholm for six years. It is an immense and exciting task to have the opportunity, from a slightly new angle, to continue to be involved in developing Länsförsäkringar's position in banking, non-life insurance and pensions together with the entire Länsförsäkringar Alliance.

As in all businesses, different perspectives are needed to make the sum of the parts the best that they can be. The customer perspective is of course always paramount for us since we are customer-owned. The business and product perspective naturally needs to be included and sustainability must pervade everything we do. Balancing the local and close model with the economies of scale derived from shared development and IT is one of the factors behind our success.

## Balance between local and shared

Cooperation between the regional insurance companies takes place through Länsförsäkringar AB, which supports them realising the customer promise and delivering the offering expected by customers. More than two centuries of experience shows that Länsförsäkringar's local and customer-owned business model combined with joint resources creates real added value for customers.

Länsförsäkringar's business model also creates a solid basis for long-term social responsibility. Stability and a long-term approach have never been more relevant than they are now. We can help reduce sustainability risks and also contribute to the positive development of society and create business value by incorporating sustainability throughout the operations.

In 2018, Länsförsäkringar was named Sweden's most sustainable insurance company by Sustainable Brand Index according to both retail and corporate customers. Länsförsäkringar also came first in the Swedish Sustainability Ranking in the Banking and Finance category.

## Sustainability is part of our business

Länsförsäkringar AB worked together with the 23 regional insurance companies in 2018 to identify the UN Sustainable Development Goals (SDGs) where we can make the best contribution for sustainable development. We will continue to work on the SDGs in 2019. UN sustainability initiatives such as the Global Compact, the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI) provide key guidance in our day-to-day work on sustainability.

2018 was a year of political turmoil, greater volatility in the financial markets in the fourth quarter and Sweden also experienced several instances of extreme weather. The hot summer caused serious drought and forest fires and the country experienced severe torrential rain and winter storms. Climate risk is the area of sustainability that presents the greatest challenge for Länsförsäkringar since climate change affects all of our business areas and results in major socio-economic consequences. Länsförsäkringar strives to limit and reduce the risk of climate impact through its activities in responsible investments, claims prevention, research grants and long-term social commitment.

## Yet another year of solid growth

The Länsförsäkringar Alliance's total operating profit amounted to SEK 3.4 billion.

Länsförsäkringar continued to dominate the Swedish non-life insurance market in 2018, and its market share was slightly more than 30%. Operating profit for non-life insurance operations amounted to SEK 2.2 billion, after bonuses and discounts of SEK 0.8 billion from the regional insurance companies to customers. The solid growth continued in 2018 and premiums earned increased 5%. Agria commenced operations in France, meaning that Agria is now represented in five countries outside Sweden. However, investment income declined to SEK 1.8 billion. Stock markets fell sharply in the fourth quarter of 2018 compared with exceptionally strong return in 2017. The combined ratio was 96%, with slightly higher claims costs in 2018, mainly due to weather-related claims. Accordingly, the claims ratio increased 2 percentage points to 76%.

Operating profit for the unit-linked insurance operations increased to SEK 0.7 billion, with managed assets of SEK 126 billion.

The banking operations continued a journey of healthy growth in 2018; lending improved 11% with continued high credit quality. Operating profit amounted to SEK 1.5 billion. Earnings were impacted by non-recurring items related to the final stage of the replacement of the bank's IT platform. The new platform will create new opportunities to further develop the bank's competitive digital solutions requested by customers.

## Important step in brand insurance

From 1 January 2019, Länsförsäkringar has taken over responsibility for Toyota Försäkring, Lexus Försäkring and associated vehicle-damage guarantees in the Swedish market. Technological advances are

“ A focus on sustainability, innovation and strengthened IT are creating the conditions to enable the entire Länsförsäkringar Alliance to find new ways of addressing future needs and expectations.



rapid and the motor insurance market will require new insurance solutions moving forward. With Toyota as a partner, Länsförsäkringar will be even better equipped to understand these new requirements and thus continue to offer relevant insurance solutions.

#### **Focus on innovation**

Länsförsäkringar once again topped several categories of the Swedish Quality Index in its 2018 customer satisfaction survey. We have the most satisfied retail and corporate customers in non-life insurance, the most satisfied retail and mortgage customers in banking, the most satisfied retail customers in pension insurance and the most satisfied customers in real-estate brokerage.

To maintain these levels of customer satisfaction, we now need to continue with the effective cooperation within the Länsförsäkringar Alliance. Our development activities must be innovative, with efficient product development in order to deliver new services requested by customers. We now have a clear focus on innovation to create the conditions to enable the entire Länsförsäkringar Alliance to find new ways of meeting future needs and expectations.

Many exciting projects are in the pipeline and several pilots are in full swing. One of many examples is Goda Grannar ("Good Neighbours"), a social platform where neighbours can borrow items and trade services with each other, thus increasing their interaction, allowing them to get to know each other better and in doing so, enhancing security in the local area. Another example is in the area of health, where we tested the Lev Friskt ("Live Healthily") app with very good results. The starting point of everything we do can be summarised as follows: instead of selling insurance we aim to help people live a secure and claim-free life.

#### **Strengthened IT**

Länsförsäkringar AB has a well-defined overarching task: to continuously pursue development activities that provide the regional insurance companies with the best possible conditions to be successful in their local markets. This ultimately means that all customer meetings, in whichever form they take, are to fulfil expectations that are

constantly increasing, developing and changing. Essentially all of this development is now based on IT.

If I am to single out a couple of the key areas for the Länsförsäkringar Alliance's continued success, then one of them would undoubtedly be our enhanced IT capabilities. What most people first think of is probably our digital services. We are at the forefront of many areas today, but digital developments are continuing. It also involves, for example, the development of new banking and insurance IT systems as well as enhancing the efficiency of processes, sometimes by robotising, where this ultimately benefits the customer. Because this is the purpose of all development – to create the very best customer meetings.

Another area where we continuously need to advance our positions is how we support the sustainable development of society. With our size in both insurance and savings comes a far-reaching responsibility. Naturally, the optimal outcome is when we can help prevent claims. Claims-prevention activities are a priority for both customers and the local community. But accidents do occur and the way in which we make sure a damaged car is repaired or a fire-damaged house is restored makes a difference – as does investing our customers' money responsibly.

It is gratifying that we can sum up a good year in which we once again received confirmation of the strength of our business model. Customer-owned, local and sustainable are more relevant than ever.

Stockholm, March 2019  
On behalf of the 23 regional insurance companies

A handwritten signature in blue ink, appearing to read "Fredrik Bergström".

Fredrik Bergström  
President and CEO of Länsförsäkringar AB

# Success lies in the balance between local and shared

**About Länsförsäkringar** The 23 customer-owned regional insurance companies cooperate and combine the ability of a small company to understand customers with the advantages of economies of scale generated by an alliance. Everything is based on the experience that local decision-making authority combined with joint resources create added value for customers.

Länsförsäkringar's position in the Swedish insurance and banking market is the result of the development of a company group that for more than two centuries has not had any other principal than its own customers. Closeness, simplicity and local customer ownership have built up the success of the non-life insurance operations over two centuries and have subsequently been transferred to the financial and real-estate brokerage services.

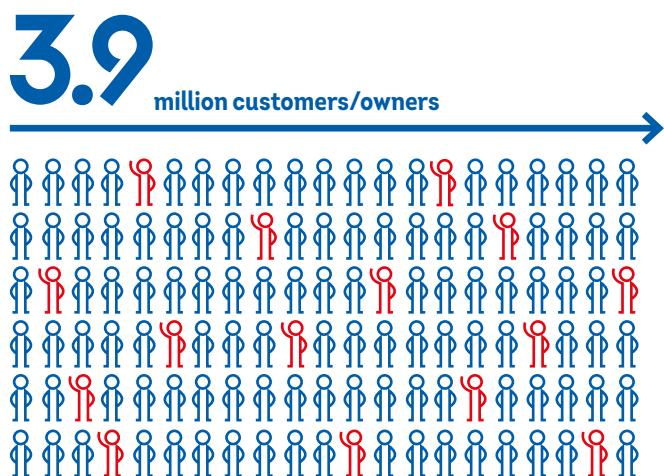
A complete range of banking and insurance services is offered through 23 independent and customer-owned regional insurance companies. The leading position in the non-life insurance market continued during the year. Länsförsäkringar holds more than 30% of the non-life insurance market in Sweden. The life-assurance operations have a distinct focus on being the best pension partner for corporate customers and private individuals. Banking operations are growing considerably, particularly among existing insurance

customers. Real-estate brokerage has gone from zero to now become the third largest brokerage in Sweden in only a few years – a good example of the strength of the brand.

## Strong brand and satisfied customers

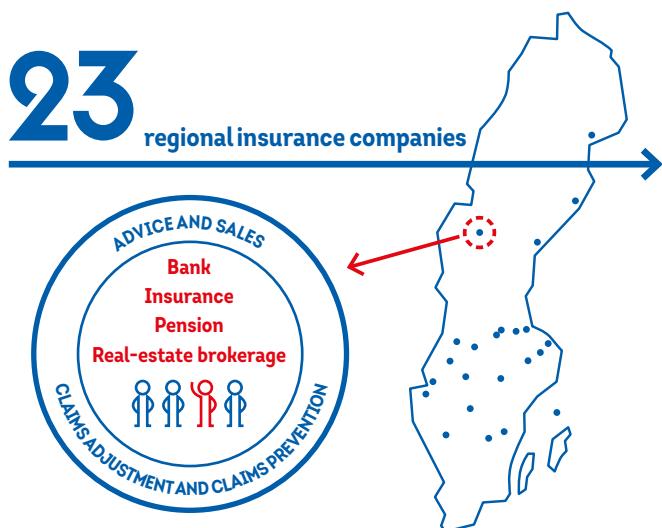
The strengthening of the Länsförsäkringar brand is the result of consistent and long-term work on brand and values. The brand remains extremely strong compared with its competitors in the banking, insurance and pension industry. Kantar Sifo's 2018 reputation survey showed that Länsförsäkringar has the highest reputation in the banking, insurance and pension industry and the eighth highest reputation among all Swedish companies, with Ikea and Volvo topping the list. Länsförsäkringar has topped the Swedish Quality Index for many years, which measures how satisfied customers are with their bank, insurance company and their real-estate broker. The most recent

## Owner Control



Länsförsäkringar AB is a limited liability company and also the Parent Company of a financial Group, which is individually owned in various holdings by the 23 regional insurance companies and 16 local insurance companies, which in turn are owned by a total of 3.9 million insurance customers. The Boards of Directors of the regional insurance companies are formally responsible for owner control. Based on the federal organisation and the purpose of the ownership of Länsförsäkringar AB, these companies have together created joint forms for owner control that comply both with the requirements usually imposed on owner control and with the federal conditions.

Owner control at Länsförsäkringar AB has clear advantages compared with the owner control of many larger financial groups. This is because all of



the regional insurance companies have the same clear purpose for their ownership, are proactive and collectively hold sufficient financial capacity to safeguard long-term ownership.

## Owner control logic

The logic behind owner control centres mainly on the relationship between the Länsförsäkringar AB Board of Directors, Länsförsäkringar AB's General Meeting and the regional insurance companies' owner consortium. Formal owner control takes place through the General Meeting, although the regional insurance companies' owner consortium and their representation on Länsförsäkringar AB's Board are also important components. The duties of the

survey showed that Länsförsäkringar has the highest customer satisfaction in banking, non-life insurance, pensions and real-estate brokerage services in the country.

#### Local customer-owned companies

Each individual regional insurance company is owned by its non-life insurance customers, which means that the company's capital belongs to its customers. With the customers as owner and the only principal, there are no external shareholder interests to be served and instead all surpluses can be returned to customers in the form of bonuses and discounts.

#### Balance between local and shared

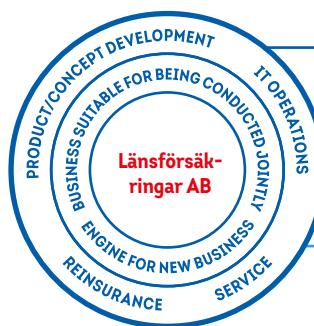
Cooperation between the regional insurance companies takes place through Länsförsäkringar AB and its subsidiaries, whose task is to

create the necessary prerequisites for the regional insurance companies to be successful in their respective markets by conducting business, service and development operations, and to assume responsibility for the Länsförsäkringar Alliance's joint strategies. Together, the Länsförsäkringar Alliance has developed a balance between the small and the large-scale. Cooperation through Länsförsäkringar AB has emerged from a decentralised perspective, not the other way round. The local companies decided to cooperate to achieve economies of scale and to concentrate on the most important issue: meetings with customers. The basis for cooperation in the Länsförsäkringar Alliance is that as much of the operations as possible are conducted by the local companies and essentially all customer contact occurs with them.

#### Owner control of Länsförsäkringar AB



#### Länsförsäkringar AB



\* The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

General Meeting are formally governed by law and the Articles of Association. The duties of the consortium are governed in the regional insurance companies' consortium agreement. The Chairman of the consortium is appointed by the regional insurance companies.

Länsförsäkringar AB's Board is elected by the General Meeting, which comprises representatives of all shareholders. The Board is elected based on a process controlled by the owners through a Nomination Committee appointed by the General Meeting. The Nomination Committee's composition, mandate period and so forth are governed in the Articles of Association. The Chairman of the consortium is responsible for the process of renewing the Nomination Committee.

Länsförsäkringar AB's Board pursues the strategies and targets that the owners agree on, thus implementing the owners' assignments. The regional insurance companies' mandate to Länsförsäkringar AB's Board is decided in the consortium and is documented in the Länsförsäkringar Alliance's governance documents. At the same time, Länsförsäkringar AB's Board has a major responsibility for safeguarding the capital invested in Länsförsäkringar AB by the regional insurance companies. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.

# Quick guide to our offering

## Business area

### Non-life insurance

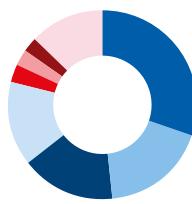


Länsförsäkringar is market leader in non-life insurance in Sweden with a market share of 30%, and a market-leading position in commercial, homeowner, motor and pet insurance lines. Most of the Länsförsäkringar's non-life insurance business is underwritten locally by the regional insurance companies. Länsförsäkringar AB is responsible for the non-life insurance operations, as assigned by the regional insurance companies to be operated jointly to complement the companies' offering with specialist products to meet customer needs, to start new business that can be channelled out to the regional insurance companies, and to manage the Länsförsäkringar Alliance's joint reinsurance cover. Pet-insurance operations are conducted in the subsidiary Agria Djurförsäkring.

→ Read more on pages 24–31.

### Market shares

#### Non-life insurance, premiums paid



Source: Insurance Sweden

- Länsförsäkringar, 30.3%
- If, 18.2%
- Folksam, 16.0%
- Trygg-Hansa, 14.6%
- Moderna, 3.0%
- Dina Federation, 2.8%
- Captive companies, 2.4%
- Other, 12.7%

### Banking



Länsförsäkringar Bank offers banking services to private individuals, agricultural customers and small businesses. Sales and customer service are carried out through the branches of the regional insurance companies and via digital channels and by telephone. Deposits and certain lending operations are conducted in Länsförsäkringar Bank, while most of the lending and funding operations are conducted through the subsidiary Länsförsäkringar Hypotek. The subsidiary Länsförsäkringar Fondförvaltning offers mutual funds. The subsidiary Wasa Kredit offers financing services to corporate customers and private individuals – primarily leasing, renting and hire purchase. Länsförsäkringar Bank is the fifth largest retail bank in Sweden.

→ Read more on pages 32–40.

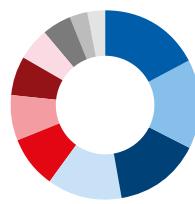
### Life assurance and pension insurance



Länsförsäkringar offers pension savings, primarily occupational pensions. Fund management, guarantee management and personal-risk insurance are offered through Länsförsäkringar Fondliv. Länsförsäkringar Fondliv is a leader in the unit-linked insurance market for individual occupational pensions, commanding a market share of 18%. No new policies are underwritten in Länsförsäkringar Liv, but the company manages traditional life assurance that was taken out before September 2011. Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

→ Read more on pages 41–45.

### Unit-linked insurance, individual occupational pensions, premium income



Source: Insurance Sweden

- Länsförsäkringar, 17.5%
- SEB, 15.1%
- SPP, 14.9%
- Skandia, 12.6%
- SEB, 13.8%
- Nordea, 13.4%
- SBAB, 8.4%
- Danske Bank, 3.8%
- Other, 7.0%

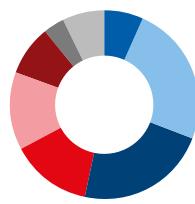
### Earnings 2018

Operating profit amounted to SEK 2,243 M (7,078) with investment income of SEK 1,771 M (6,969). The combined ratio was 96% (92).

Premiums earned after ceded reinsurance: SEK 26,751 M

**+5%**

### Retail mortgages



Source: Statistics Sweden

Operating profit amounted to SEK 1,510 M (1,599) impacted by non-recurring costs of SEK 407 M. Net interest income rose 13% to SEK 4,497 M (3,996).

Business volume: SEK 561 billion

**+8%**

Managed assets for unit-linked insurance and traditional life assurance amounted to SEK 126 billion and SEK 109 billion respectively.

Net profit for Länsförsäkringar Fondliv SEK 681 M

**+13%**

## Real-estate brokerage

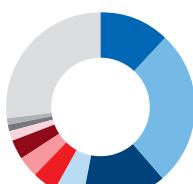


Länsförsäkringar offers real-estate brokerage through Länsförsäkringar

Fastighetsförmedling. The operations are conducted in franchise form, whereby the regional insurance companies act as franchisers for the 165 local branches across Sweden. This means that Länsförsäkringar Fastighetsförmedling differs from other national estate-agent chains by always being locally based. Länsförsäkringar Fastighetsförmedling is the fastest-growing estate-agent chain in Sweden and is today the third largest player with a market share of 12%.

→ Read more on page 46.

### Single-family homes brokered



Source: Värderingsdata

- Länsförsäkringar Fastighetsförmedling, 12.2%
- Fastighetsbyrån, 26.5%
- Svensk Fastighetsförmedling, 14.5%
- Mäklarhuset, 4.9%
- SkandiaMäklarna, 4.3%
- Bjurfors, 3.7%
- HusmanHagberg, 3.3%
- ERA, 1.5%
- Mäklarringen, 1.3%
- Hemverket, 1.1%
- Other brokers and private, 26.7%

A total of 21,790 (21,745) properties were brokered in 2018, of which 11,643 (11,893) tenant-owned apartments and 9,168 (8,769) single-family homes.

### Total sales value

SEK 47 bn



### A Länsförsäkringar customer

## Länsförsäkringar always there for me

Forest owner Lars Bäck, a customer of Länsförsäkringar Bergslagen, was affected by the forest fires of summer 2014 when he lost about 90% of his 300 hectares of forest.



I sometimes have flashbacks. Last summer sent cold shivers down my spine. We did our best to protect our land in summer 2014 – we watered the land but the moisture just evaporated in the heat. We had to leave our home after four days. It went so quickly that the emergency services did not even have time to evacuate us. My mind was only on the forest. Everything else was just material possessions. Länsförsäkringar was always there – it provided security and was a good claims adjuster. We received compensation and the forest will grow back, but it will never be the same as before. I spread out the planting to diversify my risks. We are doing our best to move on and look ahead to the future", says Lars.

# Drivers and trends

**Our business environment** Drivers and trends in our business environment affect future customer requirements and thereby Länsförsäkringar's operations, business model and development needs. This presents many challenges but Länsförsäkringar has favourable conditions to optimally meet evolving needs, primarily based on its broad customer base, local knowledge, a long-term approach and highly skilled employees.

## The customers' needs in focus

More and more customers are seeking security from a supplier that they have confidence in, making the brand a key cornerstone of the customer experience. To deliver products and services that meet customer expectations, the supplier must understand customer needs and behaviour, and base development activities and customer contact on customer insight. Länsförsäkringar has favourable conditions to best meet customer needs, primarily founded on a broad customer base, local knowledge and a unique business model that supports both local and digital customer meetings. Länsförsäkringar's starting point is always the customer and all communication is based on customer data and thus on knowledge. Länsförsäkringar's award-winning bank app adds immense customer value.

The sharing economy that is emerging involves using resources sustainably and economically. There is also a desire to remove "the middle man" and technology is enabling new consumption models. Sharing a taxi, home, car or ideas and borrowing what you can are becoming increasingly common to maximise comfort and flexibility at minimal cost. These new emerging needs present new business opportunities for banking and insurance. Länsförsäkringar must be innovative and collaborate within the Länsförsäkringar Alliance – the customer experience must always be local and close, whereas development can be carried out jointly.



## Priority sustainability topics for the regional insurance companies

**Examples of the regional insurance companies' priority sustainability topics:**

**“** Active claims prevention, particularly in mental and physical health, which are growing problems in society.

Länsförsäkringar Gotland

**“** Local residents were invited to participate in our marketing to increase diversity and inclusion.

Länsförsäkringar Östgöta



## Technology

Rapid technological progress brings with it new banking and insurance solutions and new business opportunities. Traditional competition is being continuously challenged by new and innovative companies.

For the insurance industry, technological development creates opportunities for greater relevance, improved risk assessment, individualised products, claims-prevention services and predictive analysis for preventing claims.

Länsförsäkringar's development activities must be innovative, with rapid product development and testing capacity, in order to deliver new services demanded by its customers. In 2018, Länsförsäkringar carried out several pilot projects in health, claims prevention, security and crime prevention.

Länsförsäkringar's continued development of robotics and automation enhances efficiency. New technology also makes it possible to process customer data together with social data to learn more about customers and the market, with Länsförsäkringar's broad customer base and product offering providing a major advantage.

## Climate

Climate change – the result of higher carbon emissions – causes global warming. A warmer climate, which leads to extreme weather conditions such as hurricanes, torrential rain and drought, will have major socio-economic consequences; the forest fires and drought in Sweden in the summer of 2018 are evidence of this.

Climate risk is the area of sustainability that presents the greatest challenge for Länsförsäkringar. For the insurance industry, global warming can lead to significant claims costs. That is why environmental claims-prevention activities are extremely important for Länsförsäkringar. Länsförsäkringar AB participates in a UN initiative with other insurance companies to prepare tools for climate risk analysis.

Climate change also affects banks, for example, in respect of property values, thus also affecting lending from the banks. A climate risk scenario analysis of Länsförsäkringar Bank's mortgage portfolio estimating expected credit losses in various scenarios was carried out in 2018. A similar scenario analysis of parts of the investments was performed in the life-assurance portfolio.

## Regulations

Regulatory development will continue to have a significant impact on banks and insurance companies over the next few years. Examples of new major regulations introduced in 2018 include MiFID II, the General Data Protection Regulation (GDPR), PSD II and the Insurance Distribution Directive (IDD). IORP II and the Fifth Anti-Money Laundering Directive will be incorporated into Swedish law in 2019 and 2020, respectively. Work is in progress at the EU level to produce legislation for a sustainable financial market. Länsförsäkringar welcomes this development since it seeks to harmonise standards and sustainability assessment criteria.

Harmonising legislation within the EU also adds to complexity. Extensive rules are often implemented in the form of both directives and EU regulations. In addition, guidelines are published by European supervisory authorities while the Swedish Financial Supervisory Authority issues regulations and general guidelines.

Länsförsäkringar is well-positioned to meet the changes under the regulations. It is of the utmost importance that consumers are protected.

**“** We reinvest in equal projects that encourage well-being and realising one's potential.

**Länsförsäkringar Uppsala**

**“** As a large company in Jämtland, we contribute to a secure, equal, healthy and sustainable society.

**Länsförsäkringar Jämtland**

**“** We work actively to reduce our impact on the climate through know-how, reduction and then compensation.

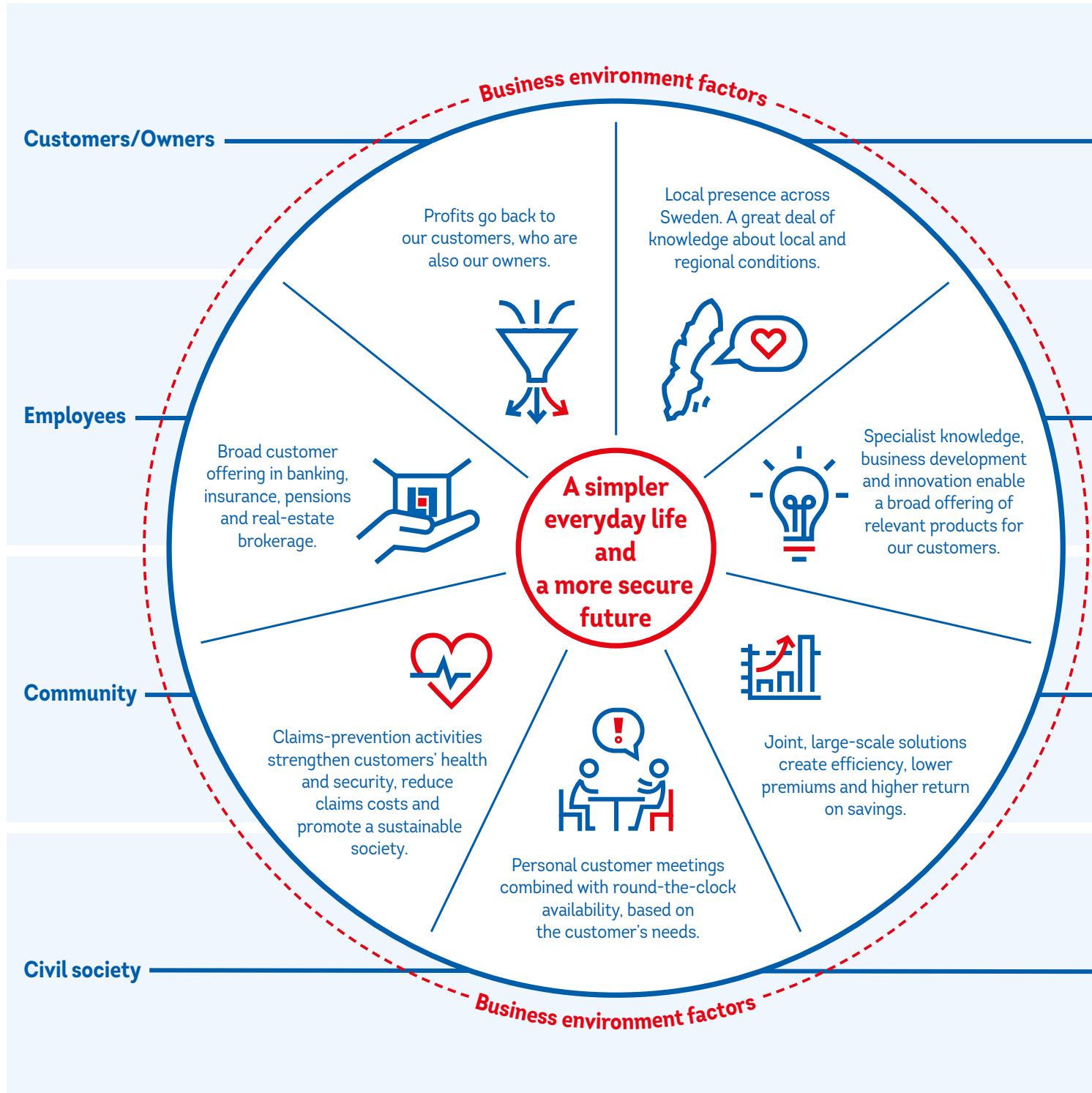
**LF Norrbotten**

# How we create value

**How we create value** With a clear focus on our customers, who are also owners of the 23 regional insurance companies, Länsförsäkringar creates a simpler everyday life and a more secure future.

For our stakeholders →

...we create value →



## ...socially, environmentally →



### Customers/Owners

- Close personal relations with local insurance companies.
- High service level and competence.
- Comprehensive offerings create security.
- Competitive prices and strong total return.
- Claims-prevention activities reduce incidents.



### Employees

- Attractive workplace.
- Healthy work environment.
- Strong opportunities for skills development.
- Strong career opportunities.



### Community

- Core business that creates social benefit and strengthens the customer's long-term financial security.
- Claims-prevention activities – a gain for the environment.
- Preventive efforts reduce illness and costs to society and employers.
- Support research into social challenges, mental illness and animal health.



### Civil society

- Increased diversity, inclusion and security in society.
- Extensive exchange of information and knowledge that promotes society and the environment.

## ...and financially

### Bonuses and discounts for customers

SEK **825 M**

### Claims payments to customers

SEK **23.6 bn**

### Salaries and pensions for employees

SEK **5.7 bn**

### Payments to suppliers

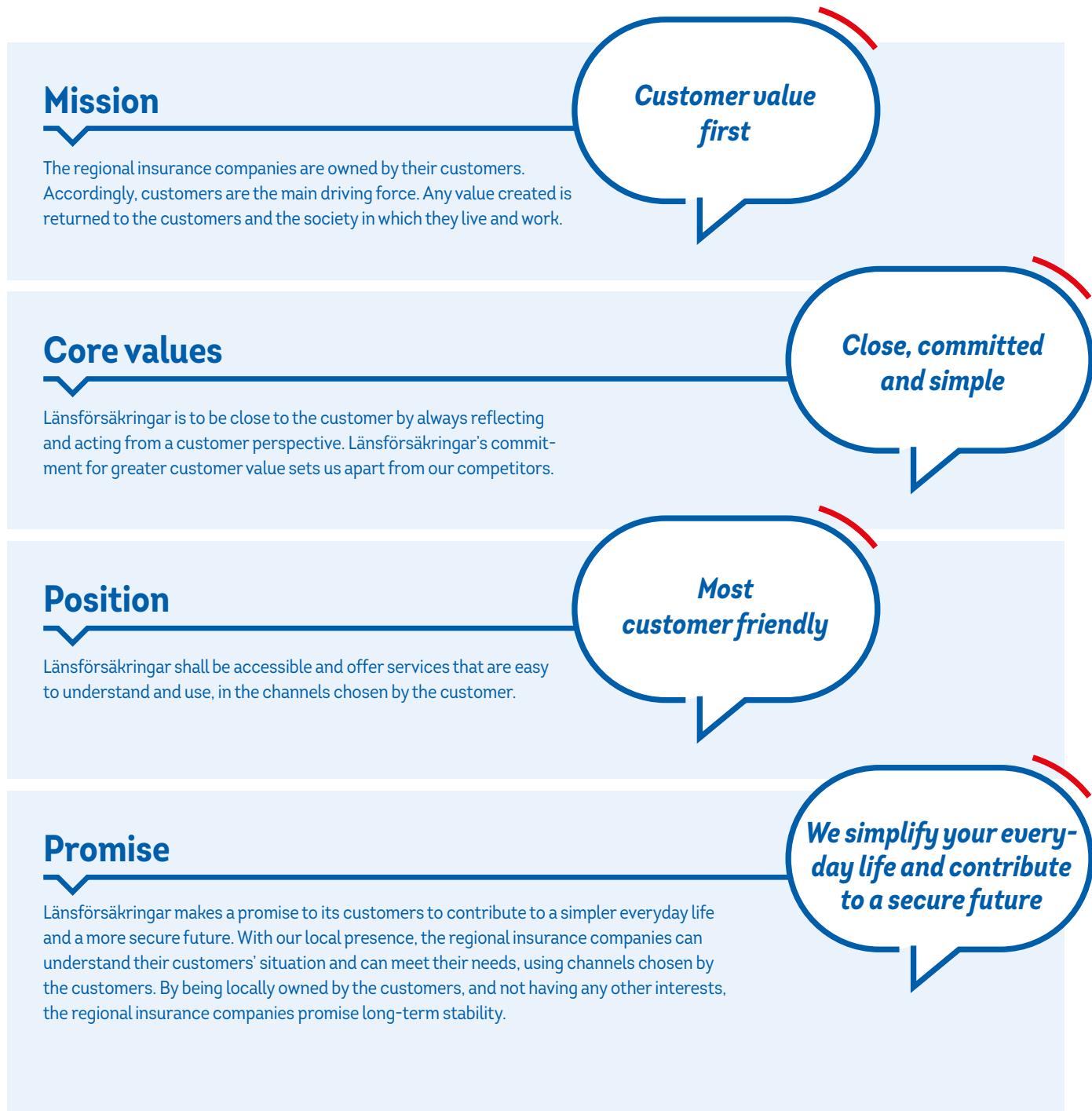
SEK **5.2 bn**

### Contributions to research

SEK **52 M**

# A simpler everyday life and a more secure future

**The brand** Länsförsäkringar is one of the strongest brands in Sweden. Based on a brand promise, which is to simplify everyday life and contribute to a secure future, the 23 regional insurance companies use a shared brand platform to live up to this promise.



## Strength of the brand

**“** Unique and long-term customer relationships are created since each regional insurance company is owned locally by its customers.

### Outcome 2018

- The strength of the brand is based on the regional insurance companies' local and close relationships with their customers, and their ability to adapt the operations to local conditions. According to the Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied banking, insurance and real-estate brokerage services customers.
- According to Kantar Sifo's reputation survey, Länsförsäkringar has the highest reputation in the banking, insurance and pension industry.



## Bonuses to customers

**“** Profits go back to our customers, who are also our owners.

Long-term profitable growth in the customer-owned regional insurance companies is important for meeting future challenges, assuming social responsibility and supporting sustainable development.

### Outcome 2018

- Länsförsäkringar's solid growth continued for all business lines in 2018.
- The regional insurance companies paid a total of SEK 825 M in bonuses and discounts to their owners – the customers.
- The regional insurance companies, the Länsförsäkringar AB Group and each subsidiary remained well-capitalised in 2018.

### Bonuses and discounts to customers

**SEK 825 M**

## Sustainability in the operations

**“** Sustainability involves generating greater value for customers and contributing to the sustainable development of society.

Länsförsäkringar can reduce its sustainability risks and also contribute to the positive development of society and create business value by incorporating sustainability throughout the operations.

### Outcome 2018

- In 2018, the regional insurance companies together with Länsförsäkringar AB mapped their operations against the UN SDGs.
- Länsförsäkringar Fondförvaltning launched a Nordic Ecolabelled Sweden fund and a fossil-smart fund.
- Länsförsäkringar's Research Fund contributed to research financing into such subjects as mental illness and unprotected road-users. The Research Fund awarded a total of SEK 40 M. Agria's research fund turned 80 years and donated more than SEK 9.5 M to research into animal health in 2018.



Read more about Länsförsäkringar's sustainability work on pages 14-23.



# Secure business for customers and a sustainable society

**Sustainability** Länsförsäkringar's mission dates back more than 200 years. The basis of this mission is respect for customers' security. Länsförsäkringar firmly believes that a responsible banking, insurance, pension and real-estate brokerage offering enhances value for customers and contributes to the sustainable development of society.

## Local and long-term responsibility

The starting point of Länsförsäkringar's sustainability efforts is local and long-term responsibility in the community, since the regional insurance companies are local and customer-owned. Claims-prevention activities are a priority for both customers and the local community. Länsförsäkringar has various partnerships and conducts research that contributes to a sustainable society. Maintaining a strong, local commitment not only benefits Länsförsäkringar's own customers but also society as a whole.

The local regional insurance companies' social commitment is extensive. Long-term work in society takes place in the areas of claims-prevention activities, claims adjustment, social commitment and research. Preventing claims involving people, animals, property, forests and land and offering optimal sustainable damage repairs is inherent in environmental and social responsibility. Local social initiatives and activities are carried out, for example, in the form of partnerships with sports associations, civil society organisations, schools, the emergency ser-

vices and municipalities, etc. These initiatives are often take a long-term approach in the local community to encourage constructive leisure time for young people, social inclusion and a safe local environment.

### Länsförsäkringar's Research Fund

Länsförsäkringar is driven by the concept of creating security for customers and society at large. Länsförsäkringar has been financing research into social, financial and physical security since the 1970s. The Research Fund issues calls for proposals and sci-

tists at Swedish universities, colleges and independent research institutions can apply for grants. These subsidies are awarded to projects at a qualified scientific level that are relevant to Länsförsäkringar's operations.

By making the research results available in the public domain, Länsförsäkringar contributes to knowledge-based development of security in society.

### Research focus areas

The focus of research is security for customers and society. Länsförsäkringar AB and the regional insurance companies award annual grants to Länsförsäkringar's Research Fund to identify and study current and future security challenges for society.

The objective of the research is to generate new expertise to prevent and understand claims. Research also contributes to furthering understanding of how the development of society will affect the future. Five focus areas are prioritised: tomorrow's society, road safety, climate change, mutual business models and secure homes.

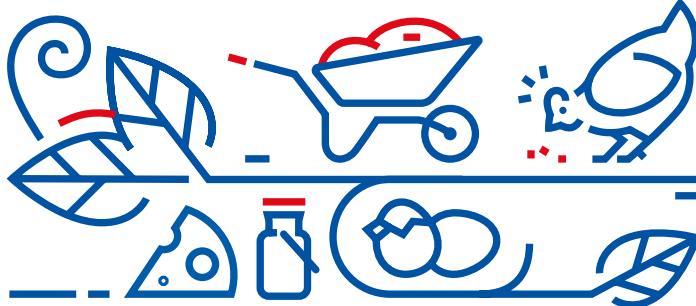
Länsförsäkringar uses research results in its own business development and in discussions with customers and various stakeholders in society. The Research Fund awarded SEK 40 M in 2018.

### Research projects completed in 2018

The following research projects presented their final reports in 2018:

### Ung Växtkraft awards stimulates development in the countryside

Länsförsäkringar and the Federation of Young Swedish Farmers present the Ung Växtkraft award every year to support and encourage young entrepreneurs in the countryside to run a business and keep the countryside alive. Other local prizes are awarded in the Länsförsäkringar Alliance to promote sustainable development and sustainable ideas.



*Consequences of property owners' risk behaviour for the insurance industry*  
 The topic of this research was property owners' views of climate-change risks based on their age, gender, form of housing and geographic location, and their own and others' responsibility in managing such climate risks. The results are relevant to municipalities, county administrative boards and the insurance industry.

*Unprotected road-users*  
 Cities across Sweden are being restructured from car cities to biking cities to reduce carbon emissions, promote health and reduce congestion. The results of the final report will be used in the "Joint Strategy on Safe Use of Bikes and Mopeds on the Road" - a joint initiative that includes the National Society for Road Safety, Police, Swedish Transport Administration, Swedish Transport Agency, Swedish National Road and

Transport Research Institute, Swedish Association of Local Authorities and Regions, Länsförsäkringar and others.

*Climate risks in construction and homes*  
 Many municipalities, mainly in southern and central Sweden, are already subject to climate changes, such as a higher risk of flooding. The research studied the occurrence and consequences of torrential rain in Swedish counties between 2010 and 2017, meaning that an overall picture of how the various parts of Sweden have to date been affected by the climate, such as higher frequency of torrential rain, is now available for the first time. The results are relevant to municipalities, county administrative boards and companies.

*Mutual companies*  
 The research project has now analysed how the government's view of the mutual corpo-

rate form has changed over time and how mutual insurance companies performed in relation to insurance companies in the limited liability form. The results were communicated to civil society organisations for customer and member-owned companies, higher education institutions and the Swedish Financial Supervisory Authority.

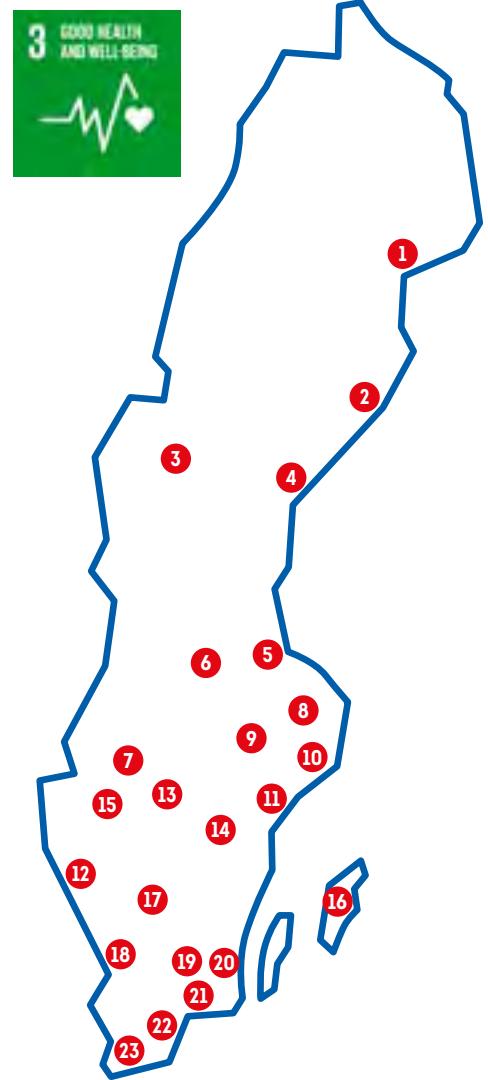
#### New focus area of digitisation

New research projects into digitisation were commenced in 2018, focusing on the interplay between technology, society and the insurance industry in the digital transition. Insurance companies are dependent on their ability to make predictions. They must be able to assess various dimensions of future risk based on previous events collated in statistical data and then used to make predictions in various risk environments.

Research field	Project	Start-up:
<b>Tomorrow's society: Digitisation, urbanisation, sharing economy</b>	<ul style="list-style-type: none"> <li>▪ Regional growth against all odds: Driving forces for long-term growth in Nordic regions. Lund University.</li> <li>▪ Regional economic development and transformation in Sweden: Then, now and tomorrow. Lund University.</li> <li>▪ The geography of trust: Trust in local society in a changing Sweden. Ersta Sköndal Bräcke University College.</li> <li>▪ Continuous internal audit using artificial intelligence in insurance companies. University of Gävle.</li> <li>▪ Blockchains for dynamic pricing of innovative insurance products. University of Gothenburg.</li> <li>▪ Transparent algorithms in the insurance industry. RISE SICS.</li> <li>▪ The insurance company in digital ecosystems. University of Gothenburg.</li> </ul>	2017 2018 2017 2018 2018 2018 2018
<b>Road safety</b>	<ul style="list-style-type: none"> <li>▪ Testing 10 winter tires for bicycles. Swedish National Road and Transport Research Institute (VTI) Linköping.</li> </ul>	2018
<b>Climate adaptation</b>	<ul style="list-style-type: none"> <li>▪ Testing the function of 20 sealing layers. RISE in Borås.</li> <li>▪ Lower climate risk in the buildings and homes of the future - lessons from past events and urban planning. Karlstad University.</li> </ul>	2018 2015
<b>Secure homes</b>	<ul style="list-style-type: none"> <li>▪ Nudging my future self: Behavioural economics studies of the financial decisions of young people. Linköping University.</li> <li>▪ Innovative electric systems in buildings – consequences for fire safety. RISE.</li> </ul>	2016 2018

# Activities supporting UN SDG #3

Länsförsäkringar works actively to support sustainable development according to the UN SDGs. Some of activities throughout Sweden that support UN SDG 3 on good health and reducing the number of road-traffic accidents are listed below.



## Länsförsäkringar contributes to the following targets of Goal 3:

- 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.
- 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.
- 3.6 Halve the number of global deaths and injuries from road-traffic accidents.

### 1. Länsförsäkringar Norrbotten

- Distributes reflective vests to county preschools every year.
- Partners with the National Society for Road Safety on hiring child car seats.
- Sponsors Hjältarnas Hus - accommodation for families of critically ill children receiving care far from home.

### 2. Länsförsäkringar Västerbotten

- Distributes reflective vests and reflectors.
- Arranges road safety projects and distributes road safety information.
- Works together with Västerbotten Football Association on the use of Fair Play green cards.
- Sponsors Hjältarnas Hus - accommodation for families of critically ill children receiving care far from home.

### 3. Länsförsäkringar Jämtland

- Participates in Team 12-17 to prevent young people from testing alcohol and drugs at an early age.
- Sponsors Save the Children lectures on child health and well-being.
- Works together with Parasport to create opportunities for children with disabilities to participate in sports.

### 4. Länsförsäkringar Västernorrland

- Claims prevention in the form of risk training for driving school and freight vehicle instructors.
- Distributes reflectors and reflective vests.
- Sponsors sports for children and young people.
- Sponsors Hjältarnas Hus - accommodation for families of critically ill children receiving care far from home.

### 5. Länsförsäkringar Gävleborg

- School information about preventing fires together with emergency services
- Arranges CPR information campaigns.
- Works together with associations that promote exercise for children and young people, inclusion and the value of being a good friend.
- Partners with Brynäs IF ice hockey team and UNICEF on social activities to create internships for young people.

### 6. Dalarnas Försäkringsbolag

- Distributes about 7,000 reflective vests to preschool children
- Supports Glimma Barn och Ungdom, an organisation that helps change family lifestyles focusing on diet, exercise and health.
- Supports the UngDomare project to highlight young referees in football and strengthen them in their role through training and a sense of community.

### 7. Länsförsäkringar Värmland

- Organises customer meetings together with Värmlands Trafikcenter about driving in icy conditions.
- Organises training and partners with Åkeriföreningen to reduce the number of claims involving heavy vehicles.
- Provides information about road accidents involving wild-life, icy conditions and alcohol in the county.

### 8. Länsförsäkringar Uppsala

- Teaches preschool children about road safety with the Trafikkatttour.
- Sponsors floorball training for children and young people with disabilities.
- Sponsors Ronjabollen, which supports girls living under honour-related norms and restrictions.
- Works to prevent bullying, drugs and racism among 12 year olds through Schysst framtid.
- Equal sponsoring initiative and FairPay certification.

### 9. Länsförsäkringar Bergslagen

- Arranged Pedalkraft 2018, a one-year biking challenge for people living and working in Västmanland and Örebro counties.
- Sponsors leisure activities for children and young people through Bergslagslyftet.
- Arranges first aid courses for parents and pensioners.

### 10. Länsförsäkringar Stockholm

- Supports Fryshuset for a safer Stockholm through inclusion.
- Main sponsor of the S:t Eriks Cup's Fair Play green card, an initiative to create a better atmosphere in and around Stockholm's football pitches.
- Distributed more than 20,000 reflective vests in 2018 to protect our preschool children on the road.

### 11. Länsförsäkringar Södermanland

- Holds road safety days for children and young people together with the police and emergency services.
- Distributes reflective vests and reflectors.
- Supports initiatives through Jubileumsfonden to increase safety and integration among children and young people.

### 12. Länsförsäkringar Göteborg och Bohuslän

- Founded the Misslyckad and Skärmhjälpen campaigns that looks at the relationship between young people's well-being and their use of social media and helps families maintain a more balanced everyday digital life.
- Leads the work on the Ride Safe service aimed at halving road-traffic accidents in ten years by preventing the use of mobile phones while driving.
- Finances safety patrollers in schools in socially disadvantaged areas to increase social inclusion for more children and young people.

### 13. Länsförsäkringar Skaraborg

- Participates in Skärmhjälpen, an educational course about how screen time affects mental health, and provides practical day-to-day tips.
- Participates in Misslyckad, an educational programme distributed to schools about self-image and well-being linked to use of social media.
- Runs Camp Blåljus, a competition on safety and security for 14-15 year olds in Skaraborg. Camp Blåljus is a partnership with the emergency services, ambulance and police.

### 14. Länsförsäkringar Östgöta

- Awards the Östgötapriset prize to initiatives that improve security in Östergötland.
- Partners with a football club on attitudes on and off the pitch in the Respect in Football programme.
- Arranges information meetings for young people about the risks of alcohol and drugs, tiredness and use of mobile phones behind the wheel. Young people who participate receive lower car insurance premiums.

### 15. Länsförsäkringar Älvborg

- Trains new parents in the most common types of accidents and illnesses, and includes CPR training.
- Sponsors and engages with sports clubs to promote secure, decent and equal environments.

### 16. Länsförsäkringar Gotland

- Distributes reflective vests to preschools.
- Awards the Gotland's Hero prize.
- Supports summer swimming schools to help improve basic water and swimming skills.

### 17. Länsförsäkringar Jönköping

- Produced three episodes of the Gränsland podcast in which young people from the county talk about what it is like to be young today to help improve mental health.
- Distributes about 10,000 reflective vests to preschool children every year.
- Sponsors summer football schools in the county to give young people meaningful recreation in the holidays.

### 18. Länsförsäkringar Halland

- Distributes 30,000 reflectors to local inhabitants and reflective vests to preschools.
- Works together with university students on mental illness among young people.
- Holds CPR courses for pensioners and families with children.

### 19. Länsförsäkring Kronoberg

### 20. Länsförsäkringar Kalmar län

- Initiated and realised partnership between Växjö Lakers and Locker Room Talk, a project to prevent bad-mouthing on and off the ice hockey rink.
- Sponsors the Ajabaja game distributed to preschools. The game has been developed to prevent bullying and encourage children to talk about their feelings and actions.
- Distributes reflective vests to preschools.
- Spreads information about the dangers of using a mobile phone while driving.

### 21. Länsförsäkringar Blekinge

- Works on health among young people through various partnerships and sponsoring sports and cultural activities.
- Distributes reflectors and reflective vests to preschools and sports clubs.
- Awards the prizes Young Person's Club of the Year, Friend of the Year, Driving Spirit of the Year to highlight the importance of health and friendships in sport.

### 22. Länsförsäkringar Göinge-Kristianstad

- Arranges workshops on sustainability and integration for high-school students through Tusen Tankar.
- Organises a road safety day with the emergency services for 13-14 year olds on the topic of driving sober.

### 23. Länsförsäkringar Skåne

- Claims-prevention activities, such as driving in icy conditions and CPR courses.
- Holds lectures about mental illness.
- Supports HIF, MFF and Drivkraft Malmö in their work on creating active and productive everyday lives for young people.

# Activities supporting UN SDG #12

Länsförsäkringar works actively to support sustainable development according to the UN SDGs. Some of activities throughout Sweden that support Goal 12 on sustainable consumption and production by promoting resource efficiency, re-use and recycling and reducing emissions are listed below.

## Länsförsäkringar contributes to the following targets of Goal 12:

12.2 Achieve the sustainable management and efficient use of natural resources.

12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil.

12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.8 Ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

### 1. LF Norrbotten

- Donates replaced and used property (computers, furniture, etc.) to such organisations as the Red Cross and VildaKidz.
- Works with green home/vacation home insurance.
- Works on giving customers positive climate compensation.

### 2. Länsförsäkringar Västerbotten

- Promotes greater use of used car parts for repairs.
- Conducts regular farm inspections.
- Pays installation subsidies for water leak detectors.

### 3. Länsförsäkringar Jämtland

- Replaces fire safety products used resourcefully.
- Carries out claim-prevention measures to reduce water damage and helps customers install water leak detection systems.
- Awards the prize of "Sustainable Company of the Year" to stimulate and encourage companies to work sustainably.

### 4. Länsförsäkringar Västernorrland

- Provides sustainability tips and advice when meeting customers and suppliers, and in external lectures.
- Prevents water damage in kitchens by installing water alarms in customers' homes.
- Organises information meetings with builders to increase know-how in water damage and fire risk.

### 5. Länsförsäkringar Gävleborg

- Participates in local networks to spread information about sustainability.
- Arranges home visits to customers to prevent claims.
- Promotes greater use of used car parts for repairs.

### 6. Dalarnas Försäkringsbolag

- Building a house with Dalarna University, vocational students, contractors, etc. that is fire, burglar and water-damage proof, focusing on sustainability. The construction period is also a learning process and used for study visits.
- Arranges home visits to customers' houses to discuss water and fire safety and burglar security.

### 7. Länsförsäkringar Värmland

- Sets demands for contractors in motor insurance and construction claims.
- Holds meetings with builders to reduce the risk of water damage in customers' homes.
- Inspects contractors to ensure that they use resources effectively.

### 8. Länsförsäkringar Uppsala

- Sets demands for materials, recycling and reuse for damage repairs
- Inspects homes and farms to detect risks of fire and water damage.

### 9. Länsförsäkringar Bergslagen

- Subsidises detection systems for home insurance customers to prevent water leaks.
- Arranges customer events on how to correctly renovate wet rooms.

### 10. Länsförsäkringar Stockholm

- Tests new claims-prevention solutions such as online water alarms.
- Encourages car workshops to make greater use of used parts in repairs.
- Sets sustainability requirements in procurements.

### 11. Länsförsäkringar Södermanland

- Prevents and limits the scope of claims through claims prevention
- Sets demands for materials, recycling and reuse for damage repairs in both motor and property insurance.
- Collects environmentally harmful waste from farms of agricultural customers.

### 12. Länsförsäkringar Göteborg och Bohuslän

- Offers collection of hazardous waste, scrap, plastic and tires for agricultural customers through recycling insurance.
- Cleans the coastline in partnership with Städa Sverige. 300 people from local sports clubs collected 5.7 tonnes of marine waste from the local coastline in 2018.
- Holds open information meetings and safety visits at customers' homes focusing on fire and water damage and burglary prevention.

### 13. Länsförsäkringar Skaraborg

- Sets sustainability demands in procurement, particularly for construction claims.
- Provides tips and advice to customers to reduce the risk of water and fire damage, and burglary.
- Provides tips and advice to customers to reduce the risk of theft and vandalism.

### 14. Länsförsäkringar Östgöta

- Partners with various organisations to reduce bicycle theft, for example, by security marking.
- Helps customers avoid damages by conducting claims-prevention inspections at customers' homes.
- Educates young people in fire safety together with the emergency services. The young people become fire ambassadors and teach others about fire safety.

### 15. Länsförsäkringar Älvborg

- Partners with University West on circular insurance, management and claims adjustment.
- Arranges information meetings and provides digital information with claims-prevention tips and measures.

### 16. Länsförsäkringar Gotland

- Arranges research seminars to share sustainability know-how.
- Inspects single-family and vacation homes to discover risks.
- Partners with a local company on collecting and recycling scrap, hazardous waste and chemicals.

### 17. Länsförsäkringar Jönköping

- Installed solar panels on the company's own property to reduce external energy needs by about 50%.
- Has a solar-panel offering for customers with financing solution via Wasa Kredit.
- Participates in the county's Climate Council to exert an influence in issues concerning climate adjustments and sustainable development.

### 18. Länsförsäkringar Halland

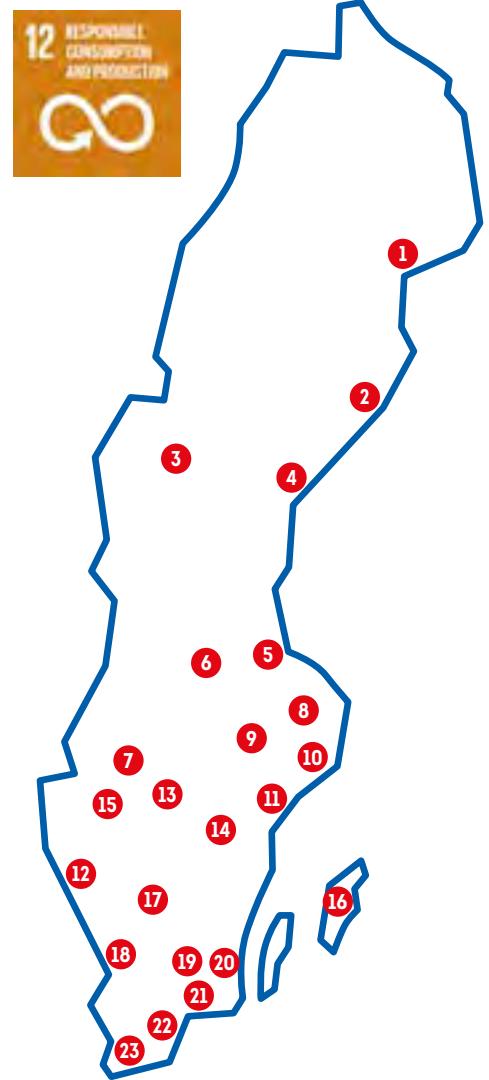
- Partners with Godsinlösen on re-purposing and reusing mobile telephones and computers.
- Offers recycling insurance, including collection of scrap and hazardous waste, for agricultural customers.
- Sponsors the emergency services and provides aerosols to reduce the extent of fires.

### 19. Länsförsäkring Kronoberg

- Arranges Future Day together with regional organisations with lectures on sustainability.
- Participates in local networks to talk about Neighbourhood Watch and various crime-prevention activities, for example, identity theft and Internet fraud.
- Informs customers about the advantages of circular claims processing and engages with claims repairers.
- Offers customers water leak detection systems.

### 20. Länsförsäkringar Kalmar län

- Arranges sustainability activities on Earth Hour and the klimatlokatips.se website to spread information and raise awareness.
- Supports the countryside by collecting and managing scrap and hazardous waste from agricultural activities and farms.
- Holds ISO 14001 environmental management certification.



### 21. Länsförsäkringar Blekinge

- Participates in Klimatsamverkan Blekinge, a platform for coordinating different players in the public and business sector. The aim is to increase engagement in natural catastrophes.
- Participates in the "Säker by" forum and Neighbourhood Watch aimed at preventing crime and creating security.
- Distributes products that prevent claims, such as fire extinguishers, reflectors and reflective vests.
- Established an annual sustainability award to highlight companies or people who act sustainably.

### 22. Länsförsäkringar Göinge-Kristianstad

- Runs the Brändsuperhjälter project together with the municipal housing company that provides training in fire prevention in different languages.
- Presents an environment award to enhance local environmental activities.
- Provides used cars to an upper-secondary school's vehicle programme to increase know-how of repairs and reuse.
- Arranged fire-fighting airplanes together with the emergency services and Länsförsäkringar Skåne in the summer's drought and handed out fire extinguishers to farmers.

### 23. Länsförsäkringar Skåne

- Partners with Godsinlösen to increase the number of home electronics reused, repaired and recycled in claims.
- Offers recycling insurance to agricultural customers where environmentally harmful waste is collected together with Keep Sweden Tidy.
- Provides tips on how to make climate adaptations to a house.

# Responsible insurance offering

Länsförsäkringar offers a wide range of insurance that provides security for various needs. Länsförsäkringar can contribute to a sustainable society through its health-promoting measures, claims-prevention activities and responsible damage repairs.

## Claims prevention is an environmental initiative

Preventing a claim is a win for the environment, society and customers. Claims-prevention activities help reduce impact on the environment through less waste, reduced energy consumption new materials, transportation and other resources – for both the claim incident itself and also for repairs.

Natural catastrophes, water and fire damage claims and motor insurance claims have the greatest impact on the environment and are thus Länsförsäkringar's focus areas for claims-prevention activities.

## Initiatives to prevent natural catastrophes

Global warming is a financial risk that is difficult to predict over time. A warmer climate, resulting in a greater risk of natural catastrophes in the form of extreme weather conditions such as hurricanes, torrential rain and flooding, will entail a risk of higher payments for weather-related insurance claims, with considerable variations over years and parts of the country. In many respects, adjustment problems associated

with managing financial risk and reducing the consequences of climate change present a new situation.

All 23 regional insurance companies have a natural-catastrophe coordinator. Spreading know-how and preventing natural catastrophes are major areas of focus. Activities to prevent natural catastrophes include analysing the external environment and following scientific and technological developments. There are many reasons for higher claims costs caused by natural catastrophes: the rising trend of more extreme weather situations and urban planning with new developments in vulnerable areas.

Dialogue on climate change and development planning is conducted with decision-makers in society. Länsförsäkringar informs its customers how they can protect themselves, their families and their properties from natural catastrophes, such as hurricanes, thunderstorms, heat waves, drought and heavy snowfall, and reduce the risk of starting a forest fire.

## Initiatives to prevent water damage

Water-damage claims are the most common claims type in our homes. More than 100,000 cases of water damage are reported every year in Sweden. Average water damage to a home generates about 300 kg in carbon emissions. Statistics show that water damage is more common in the kitchen than in the bathroom. Kitchens have many water connections that could leak. Water-damage claims can be avoided by choosing the right materials and methods and by installing water alarms and leak detectors. Länsförsäkringar continuously informs its customers and contractors about how they can reduce the risks of water damage. Several regional insurance companies offer financial grants to customers who install water alarms and water leak detectors.

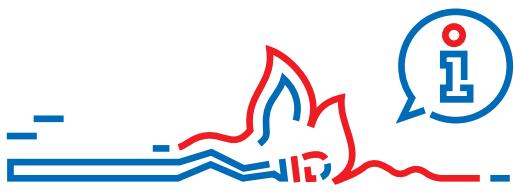
## Initiatives to prevent fire-damage claims

Fire is the single largest claim incident, encompassing everything from total damage in large commercial buildings to fires in the home. The kitchen is where most fires start, almost half of them at the hob. A fire at

## Sweden's largest fire drill

Fire drills are common in the workplace and in schools, but few people perform a fire drill at home. Länsförsäkringar arranged Sweden's largest fire drill in 2018 aimed at existing and future customers and encouraged them to conduct fire drills at home.

Eight of ten people who die in fires die in their own home. Länsförsäkringar encouraged everyone to conduct fire drills at home with a nationwide campaign. Information activities, films, customer meetings and partnerships with the emergency services help spread important information about how to fire proof the home and reduce the risk of fires.



## Fire challenges of local electricity production

The emergency services and regulators face new challenges as interest grows in local electricity production, for example, solar power and wind power, electric cars, new energy saving products and innovative electric systems in buildings. These products are not usually optimised to work together with each other and we do not exactly know at the moment what the fire risks of these systems are. Länsförsäkringar is involved in part-financing a research project called "Innovative Electric Systems in Buildings - Consequences for Fire Safety" which aims to chart the risks of new and complex systems.

a home emits an average of 25 tonnes of carbon dioxide. Fires also result in chemical emissions to air, land and water. Sanitising and restoring a house after a fire requires a vast amount of energy as well as new or recycled materials, and results in huge volumes of waste. Länsförsäkringar continuously informs its customers about how they can reduce the risks of fire damage.

#### ***Initiatives to reduce road-traffic accidents***

Länsförsäkringar is the market leader in motor insurance and strives to reduce the number of accidents on the road. One of the results of these efforts is a joint work method and "Claims on a Map" statistics database. Every accident and incident is reported geographically and the complete incident and accident statistics provide knowledge of where accidents occur and why. These statistics aid efforts to prevent long-term motor insurance claims in collaboration with municipal street departments and municipalities. Customers can plot claims via the online claims notification service.

Länsförsäkringar also carries out preventive information initiatives with regard to four-wheel drive vehicles and children, and bicycle accidents. Länsförsäkringar's Research Fund finances research into road safety.

#### ***Security and crime-prevention initiatives – new focus area***

Fear of crime in society has risen and safety is a central issue in the daily lives of Länsförsäkringar's customers and for society at large. A Länsförsäkringar focus group was appointed in 2018 to coordinate and carry out measures to reduce crime and increase security.

Länsförsäkringar is engaged in several local security initiatives in society, particularly by supporting youth activities aimed at guiding young people and increasing their chances of choosing a positive path in life, giving them tools for breaking out of destructive surroundings and preventing social exclusion.

Länsförsäkringar endeavours to raise awareness and know-how among customers about what they should do to reduce the risk of being a victim of crime, for example, by providing information, education and tools (locks and alarms). Länsförsäkringar also supports Neighbourhood Watch initiatives in many places. Länsförsäkringar's Research Fund finances research in this area.

#### ***Sustainability requirements for claims repairs***

##### ***Sustainability of car repairs***

Länsförsäkringar has produced a certification programme for car workshops. Most regional insurance companies have joined this programme, which ensures that the workshops used for damage repairs meet environmental and quality requirements. Certified workshops work actively on environmental issues and have environmental targets that are monitored and controlled. They use used car parts for repairs as far as possible and try to repair plastic details instead of replacing them, thus reducing the impact on the environment. Bodywork, glass and other repairs must be carried out professionally and active environmental efforts must be pursued. This means, for example, that the workshops' plastic repairs must be

approved by Bilplastforum, that their equipment is approved, that repairs are carried out using the correct technical information and that repairs are documented for traceability.

A challenge is sourcing used spare parts. The percentage of used spare parts in motor claim repairs in 2018 was 12%, and the share of claims with used plastic repairs was 22%.

Länsförsäkringar also applies environmental and quality certification of salvage companies. Certification requirements include environmental targets, the use of vehicles approved for salvage in environmental zones and professional skills for drivers and training. Certified salvage companies are inspected by Autoteknik.

The requirements for updates of approved equipment and checks of correct technical information, documentation and training were tightened in 2018. At year-end 2018, about 1,450 (1,430) workshops were certified. They were inspected by Autoteknik.

Quality inspections of completed repairs are performed by a third party, Dekra, which is a partnership between Swedish Motor Insurers, Länsförsäkringar and five other insurance companies. In 2018, Dekra carried out 1,300 car inspections, of which 178 were cars insured by Länsförsäkringar.

#### ***Sustainability requirements for repairs of properties and homes***

Länsförsäkringar imposes high quality demands on repairs to properties and homes. Länsförsäkringar produces methods and systems for setting requirements for companies that repair damage to buildings. Companies are also engaged in dialogue regarding construction methods, recycling and materials that reduce adverse environmental impacts. Länsförsäkringar was involved in preparing the Swedish National Board of Housing, Building and Planning's construction regulations on fire protection. This has a positive effect on the environment as well as expected lower claims costs.

In 2018, Länsförsäkringar drove a campaign to raise industry awareness of shortcomings and risks when installing solar panels, which resulted in a marked increase in responsibility in the industry.

## **Länsförsäkringar industry leader at sustainability**

Both corporate and private customers named Länsförsäkringar Sweden's most sustainable insurance company in the Sustainable Brand Index – the largest consumer sustainability survey in the Nordics.



## Partnership with recycling companies

Several regional insurance companies have a partnership with companies specialised in the re-use and recycling of damaged goods, for example, home electronics, mobile telephones, bicycles and furniture. Several of the regional insurance companies offer a recycling service in cooperation with the Keep Sweden Tidy Foundation and local entrepreneurs to reduce scrap and hazardous waste in the Swedish countryside.

## Health for a sustainable life

Länsförsäkringar is one of the Sweden's leading players in health and health care insurance. The vision is to create a healthier Sweden by contributing to a sustainable lifestyle, sustainable working life and a sustainable society. Mental illness is the most common cause of sick leave. Preventive and early measures at the workplace are the keys to breaking this trend. Länsförsäkringar actively participates in the public debate on good health and a sustainable working life and provides supplementary employment security solutions to promote health and reduce sick leave.

Health care insurance is based on preventive health services and providing the right type of care at the right time with effective rehabilitation. The aim of these preventive health services is to promote good health and prevent illness by, for example, reducing stress, improving sleep and maintaining a healthier lifestyle. Rehabilitation includes medical and work-oriented

rehabilitation, as well as treatment for addiction and substance abuse.

## Health promotion for animals

Agria Djurförsäkring is the market leader in pet insurance in Sweden and conducts claims-prevention and health-promotion activities for animals. Agria offers advice and information to animal owners via various digital channels. Agria offers free services for digital vet consultations where customers use a videolink to talk with a vet when their animal is ill or has been injured.

Agria's research fund supports research on animal health and well-being and the importance of animals to people and society. Agria has extensive claims statistics that are used by researchers and breed clubs to improve animal health and sustainability.

## Uncertain insurance cases

Länsförsäkringar's aim is to ensure that its policyholders are treated correctly and that the right compensation is paid to the right person. Each regional insurance company has a complaints officer whom customers can contact if they are unhappy with a decision or their claim.

## Insurance fraud

It is vitally important to counteract insurance fraud to protect policyholders and to keep premiums down. Länsförsäkringar follows Insurance Sweden's guidelines on insurance fraud.

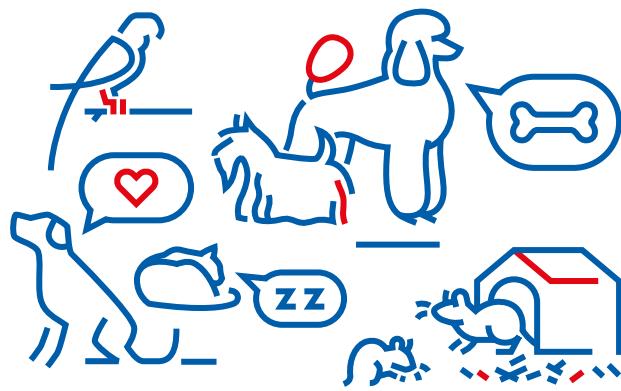
Fraud is an area that is spreading quickly throughout society. The increase in fraud is partly related to digitisation and use of the Internet. Fraudsters can be anonymous and it is easier to use other people's identities for example. According to trade organisation Insurance Sweden, insurance fraud accounts for between 5% and 10% of claims costs, meaning that insurance fraud costs the insurance industry between SEK 3 and 6 billion every year.

Länsförsäkringar has its own investigation organisation that works actively on counteracting suspicions of fraud and preventive measures. It also focuses on crime trends by providing training and targeted activities. Investigators train local claims processors and arrange a joint course once a year with the topic varying depending on crime trends.

The investigation organisation stopped erroneous payments of about SEK 200 M from about 2,800 claims cases.

The results of a project on travel claims fraud at Länsförsäkringar were reported in 2018.

Länsförsäkringar works together with the insurance industry and the authorities via Insurance Sweden to combat fraud and enhance security for customers. This work creates the conditions for influencing society's attitudes towards fraud and helps to provide an overview of the extent of the problem. Länsförsäkringar participated in industry-wide activities on staged road-traffic accidents in 2018.



## Agria's research fund

Agria has financed animal research for 80 years. The aim is for research to provide a solid basis for successful breeding, better animal health and animal keeping, and enhance knowledge about the importance of pets to humans. More than SEK 9.5 M was awarded in 2018.

## Länsförsäkringar's environmental and quality certification of car workshops.

Länsförsäkringar has had an environmental and quality certification programme for eight years. The programme is targeted to body, paint, plastic, glass and mechanical workshops as well as salvage companies. The workshops receive help on analysing and improving their business through annual, systematic reviews. Used spare parts are to be used as far as possible and plastic details on cars are to be repaired professionally where possible.



# Responsible pension and savings offering

Customers' savings are invested in both Länsförsäkringar's own and external funds. The basic view is that well-managed, sustainable companies are a better investment in the long term. Active corporate governance, international conventions, manager selection procedures and partnerships form the basis of responsible investments. Länsförsäkringar strives to transparently disclose its methods and procedures for responsible investments.

Responsible investments involve investing in companies and assets that incorporate sustainability and generate high returns. The basis of the investment strategy is a conviction that the best investments over time are those made in well-managed companies that apply a systematic and integrated approach to sustainability. These will be the companies that best manage and identify solutions to local and global social challenges.

## Supports UN initiative PRI

Länsförsäkringar AB is a signatory of the United Nations-supported Principles for Responsible Investment (PRI). The initiative comprises six principles for integrating sustainability into investment analyses and decisions, corporate governance, engagement and partnerships.

## Active corporate governance

Corporate governance includes company dialogues, active participation in the nomination committees of portfolio companies to influence board compositions and voting at general meetings. A long-term objective is to increase diversity on the boards of the portfolio companies.

## Ethical basis in international conventions

Länsförsäkringar AB invests and manages customers' savings in its own funds and in external funds. Work related to responsible investments is based on international conventions in the areas of environment, human rights, labour laws, corruption and controversial weapons (nuclear weapons, cluster munitions, biological and chemical weapons, and landmines). An external consultant has been engaged to analyse listed company holdings based on these conventions. Based on these analyses, Länsförsäkringar AB seeks to use dialogue to exert an influence on companies that breach international norms. The aim is that the analysed company will stop committing breaches and take measures to pre-

vent similar incidents from being repeated. If the dialogue does not achieve the desired results, the holdings in the company may, as a last resort, be divested.

## Preventive dialogue and partnerships

Companies are engaged in preventive dialogue to ensure that they are managing their sustainability risks. Länsförsäkringar AB is actively involved in several investor initiatives on various sustainability topics and industries.

Engagement is given greater impetus through partnerships with other investors. Partnerships take place in the framework of the PRI for example.

## Requirements on external managers

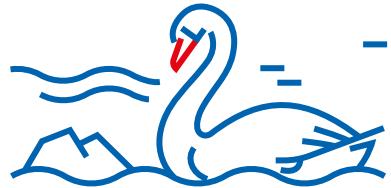
Länsförsäkringar Fondförvaltning's Swedish funds are managed by internal managers. Länsförsäkringar AB's other investments are managed by external managers through funds or discretionary mandates. The investment philosophy is based on using leading managers with a variety of investment areas and management approaches. Sustainability requirements are included in the procurement of new managers. The integration of sustainability topics into management models is monitored every year.

## Climate risks in investments

Länsförsäkringar AB sees financial risks in investing in companies that base their operations on fossil fuels since fossil assets risk becoming "stranded assets." At year-end 2018, 134 mining companies and energy companies that derive more than 20% of their sales from thermal coal were divested from Länsförsäkringar's own funds and direct investments.

Companies are engaged in dialogue about their impact on the climate.

Investments are made in green bonds that focus on environment and climate-related projects, certified forests and green properties.



## Nordic Ecolabelled fund

The Länsförsäkringar Sverige Aktiv equities fund was awarded the "Swan" Nordic Ecolabel in 2018. It means that the fund meets the Nordic Ecolabel's investment requirements, which include not investing in weapons, tobacco, fossil fuels or companies that violate conventions. At least 50% of the companies selected by the fund have the highest sustainability rating. The fund also fulfils the requirements of corporate governance in the form of voting at general meetings and engagement with companies on their sustainability efforts.



## Fossil-smart fund

Länsförsäkringar FossilSmart was launched in 2018, a global equities fund that excludes companies that produce fossil fuels and has a majority of companies with low carbon emissions in each sector.



## Sustainability fund keeps green light

Länsförsäkringar Global Hållbar came top three of the most sustainable global equities funds in Söderberg & Partners' 2018 survey of sustainability of Swedish funds.

# Responsible banking

Länsförsäkringar Bank is an important part of the financial system and by pursuing responsible lending the bank can increase customer value and financial stability. Länsförsäkringar Bank's loans are granted in Sweden and in SEK. The banking offering includes lending, payments and savings.

## Lending at low sustainability risk

The geographic spread of lending to both retail and corporate customers is well-diversified, with low average lending per customer. Länsförsäkringar Bank has very limited lending to the large-corporates sector in which environmental and social risks are typically significantly greater. Accordingly, the business model for lending is deemed to have relatively low sustainability risks.

Strict requirements are imposed on customers' repayment capacity and the quality of collateral. Credit scoring, combined with the local customer and market knowledge of the advisors, provides favourable conditions for a loan portfolio with high credit quality and low sustainability risks.

## Anti-money laundering and terror financing

Länsförsäkringar makes extensive efforts to minimise the risk of the operations being used or exposed to financial crime. Transactions are monitored actively to detect, for example, money laundering and terror financing. Other attempts at fraud, for example card fraud, are also monitored. The Länsförsäkringar Alliance has a shared system for reporting deviations.

**Limited direct environmental impact**  
The direct environmental impact of the operations is relatively limited and primarily comprises business travel, heating and electricity in office premises, and paper print-outs. The main strategies for reducing the climate impact of Länsförsäkringar's own operations are energy efficiency, a move to renewable energy, reducing travel and increasing the use of digital technology

for meetings. There is an effort under way to reduce paper printouts. The percentage of digitally distributed customer documents amounted to 40% (38) in 2018.

## Governance and direction

Core values and expertise are essential in order for Länsförsäkringar to achieve its goal of a higher level of sustainability in its operations. Improvements are continu-

ously made to work methods and procedures to enhance sustainability.

Länsförsäkringar AB also signed the UN Global Compact's ten principles, the UN Principles for Responsible Investment (PRI) and the UN Principles for Sustainable Insurance (PSI). Länsförsäkringar is a member of several trade organisations and participates in numerous sustainability partnerships with other operators.

## Länsförsäkringar Bank has the most satisfied bank customers

For the fifth consecutive year, Länsförsäkringar Bank topped the Swedish Quality Index's (SQI) survey of most satisfied retail customers. Together with independent savings banks, Länsförsäkringar also has the most satisfied corporate customers.



## Tops Swedish Sustainability Ranking in Banking and Finance category

Länsförsäkringar topped Sweden's largest sustainability customer survey, the Swedish Sustainability Ranking, in the Banking and Finance category, as ranked by the Swedish public. The survey is carried out by researchers at Stockholm Business School.



# Employees

Länsförsäkringar is not one company but a federation of 23 independent and customer-owned regional insurance companies throughout Sweden that jointly own Länsförsäkringar AB. Employees are Länsförsäkringar's most important resource. Their specialist and professional expertise is vital to carrying out and developing the operations.

## Good development opportunities

The Länsförsäkringar Alliance has a broad range of professional expertise in banking, insurance and real-estate brokerage services, and specialist roles in a number of different areas. 23 independent regional insurance companies and a jointly owned service and development company, Länsförsäkringar AB, offer a large internal labour market, which provides employees with many opportunities for further development by changing job, either in the local regional insurance company or within the Länsförsäkringar Alliance. Employees can change job by working on a temporary assignment basis, while retaining their main position, or by changing to a completely new role. Employees can credit their entire length of service even when they change company within the Alliance.

Skills-development opportunities are available in the regional insurance companies and through joint training activities at Länsförsäkringar AB, which offers an extensive

portfolio of courses in banking, life assurance and non-life insurance as well as leadership. These courses focus on giving employees the skills needed in a business context to offer customers products and solutions that meet their requirements. A total of 25,590 in-house training courses (12,099) were organised for Länsförsäkringar Alliance employees in 2018. The large increase was mainly due to training in GDPR, money laundering and mortgage licences. Employees also received training through skills transfer, external courses and seminars.

## Local and shared

Attracting, recruiting and retaining employees, termination of employment and benefits are issues that are mainly managed individually by each company in the Länsförsäkringar Alliance. Development and coordination in certain issues take place jointly between the regional insurance companies and Länsförsäkringar AB. A shared

ambition is to advance Länsförsäkringar's positions as an attractive employer.

## Work environment and health

Länsförsäkringar is distinguished by a highly positive work environment and collaboration and cooperation are key words for creating strong solidarity and companionship. An open and tolerant working climate free from all forms of discrimination is the foundation of relationships between colleagues and with customers. Promoting equality and diversity is a natural element of the corporate culture.

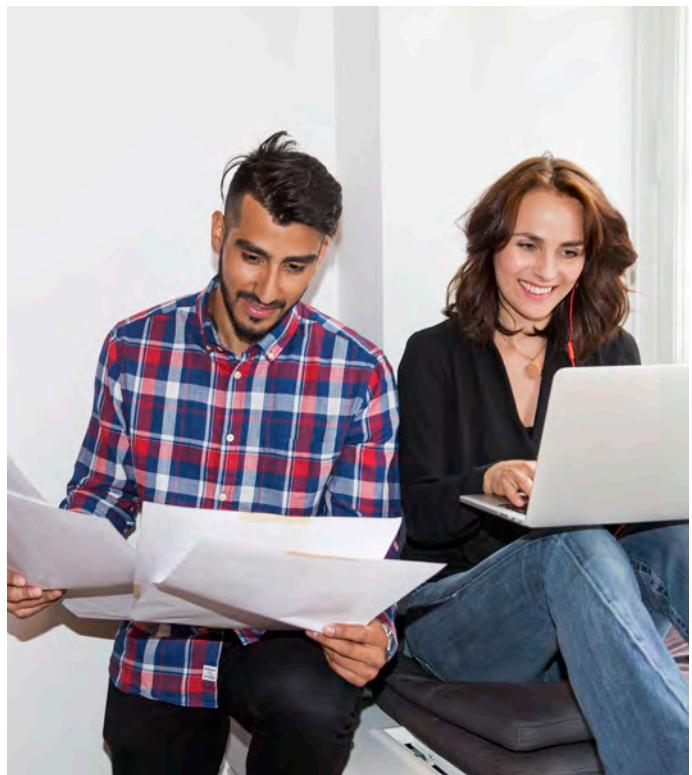
Employees are offered health care insurance that includes medical consultations, personal counselling and preventive health services encompassing a health profile and online health programmes. The insurance also includes work-oriented rehabilitation. Länsförsäkringar's aim is that its employees will enjoy a good work-life balance at all times.

## Länsförsäkringar is an attractive employer among young graduates

Länsförsäkringar was among the 100 best employers in the 2018 Young Professional Attraction Index that surveys the companies where young graduates want to work. The survey was carried out by Academic Work and Kantar Sifo in September 2018 and is based on both quantitative online questionnaires and qualitative interviews.

According to the graduates, Länsförsäkringar's distinguishing characteristics as an employer are:

- Good development opportunities, good personnel policy, good products.
- Stable company with a good reputation.
- Well-known and competent company.
- Perceived to be a secure and friendly company.



# Market leader with the most satisfied customers

**Non-life insurance** 2018 can be summed up by solid volume growth, continued focus on sustainable business and once again the most satisfied customers according to the Swedish Quality Index. Premiums earned increased to SEK 26.8 billion, the combined ratio amounted to 96% and the market-leading position was stable with a market share of slightly more than 30%.

Market share, non-life insurance

**30%**

Premiums earned: SEK 26,751 M

**+5%**

Combined ratio

**96%**

Most of Länsförsäkringar's non-life insurance business is underwritten by the regional insurance companies. Some non-life insurance business lines, including pet and health insurance, is underwritten by the jointly owned Länsförsäkringar AB's subsidiary. Of the Länsförsäkringar Alliance's total premiums earned in non-life insurance of SEK 26.8 billion, SEK 20.9 billion was underwritten in the 23 regional insurance companies and the remainder in the Länsförsäkringar AB Group.

## The non-life insurance market

Premium income for the non-life insurance market in Sweden is growing steadily and paid-in premiums reached SEK 84 billion in 2018. Premium income has risen SEK 27 billion over the past 10 years, up 47%. This increase is high but unevenly distributed between insurance lines. Premium income for accident and health insurance doubled over these ten years, while for motor third-

party liability insurance fell by about 8%. The number of insured households and single-family homes increased slightly year-on-year, whereas the number of insured vacation homes remained relatively unchanged. The number of passenger-car insurance policies fell slightly yet insurance companies' market shares were relatively stable.

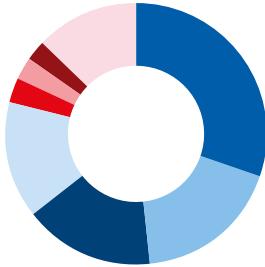
Distribution via digital channels is continuing to accelerate. Digital and technical advances are creating conditions for new services, easily-available information and tailored service. Manual and work-intense processes are continuing to be simplified, made more efficient and automated, for example, through robotisation and more intelligent decision-making support. With a more refined supply of information and advanced analysis, Länsförsäkringar can target offerings that are tailored to customer needs and more precisely price risks.

The passenger-car market is in a state of major change. The market for new cars has

## Market shares

### Non-life insurance

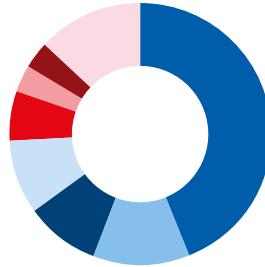
Percentage of premiums paid  
Source: Insurance Sweden



Länsförsäkringar's position as a leader in the non-life insurance market was stable with a share of 30.3% on 31 December 2018.

### Commercial lines

Percentage of premiums paid  
Source: Insurance Sweden



Länsförsäkringar holds a strong position in commercial lines with a market share of 43.9% on 31 December 2018.

grown strongly in recent years and is now levelling off at a high level. At the same time, developments towards more active safety and autonomous vehicles will lead to lower claims frequency, claims costs and premium volume in the long term. Much is expected to happen to insurance needs and legislation, probably involving a shift from personal liability to producer liability. In line with car manufacturers gradually assuming responsibility for driving risks as cars become increasingly autonomous, volumes are expected to shift from private motor insurance to commercial insurance and product liability insurance. Interest in mobility services is on the rise and attitudes towards private car ownership are changing. The trend is moving towards buying a transport service rather than the mode of transport, resulting in a decline in the need for private car insurance and a shift to commercial motor insurance. Private leasing as an alternative to traditional car ownership is also a strong trend and generates demand for a packaged customer offering that combines insurance and financing.

New technology is driving trends in smart homes and properties in the form of modernised claims-prevention services linked to water and fire damage as well as burglary that can enhance the customers' perceived sense of security. Combined, such new technology means that the claims frequency and claims costs will decline in the long term. Digital platforms, smart and connected homes and connected individuals mean that great potential exists to personalise services and prevent claims. Digitisation also creates new opportunities to change the value chain

for Länsförsäkringar's customers by making insurance more relevant to people's daily lives.

Personal-risk insurance has seen strong growth in recent years. People are living longer and the number of pensioners is increasing in relation to the rest of the population, meaning that fewer people who are able to work must finance care for the elderly.

Interest in sustainable health and preventive health services is increasing in all age groups. Rapid health care, when needed, is in more demand than before. Stable growth in personal-risk insurance is expected over the next few years.

Natural-disaster claims are increasing in frequency and cost globally, but at national level these types of claims vary widely in number and cost, over the year, between years and geographically throughout Sweden. For example, Sweden experienced drought and extensive forest fires in 2018. The variation of natural catastrophes leads to greater uncertainty even though claims costs are expected to increase over time. Climate risk is the area of sustainability that presents the greatest challenge for Länsförsäkringar since climate change affects all business areas and results in major socio-economic consequences.

### Market position

Länsförsäkringar maintained its position as market leader in a growing non-life insurance market, commanding a share of 30.3% (30.8), measured in premium income. Länsförsäkringar is a market leader in the commercial, homeowner, motor and pet insurance lines.

Länsförsäkringar's market share of homeowner insurance strengthened to 40.2% (39.9), measured in the number of insurance policies. The market share for household insurance of 26.1%, measured in the number of insurance policies, was unchanged compared with competitors.

In commercial lines, the market share fell slightly to 43.9% (44.6), measured in premium income, although the number of policies increased.

Market shares in the motor insurance business remained stable with a marginal decline, in passenger car to 34.0% (35.0), measured in the number of policies.

### Brokered business

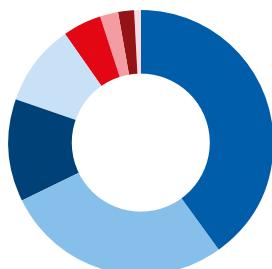
Länsförsäkringar Mäklarservice is Länsförsäkringar's link to customers who choose to be represented by insurance brokers. The Länsförsäkringar Alliance's brokered non-life insurance premiums rose 6% to SEK 2,176 M (2,044). The brokered non-life insurance business accounted for 30% of the Alliance's total non-life insurance portfolio for commercial insurance. The strategy of clearly prioritising larger brokerage companies to increase the effect on medium-sized companies has proven to be successful. In addition to sales efforts, Länsförsäkringar continued to develop automated services and initiated the optimisation of processes based on robotisation, all in order to aid insurance brokers' daily contact with Länsförsäkringar.

The Länsförsäkringar Alliance's brokered group and health businesses amounted to SEK 255 M (257). The business's performance was stable, in line with Länsförsäkringar's strategy.

### Homeowner insurance

Percentage of no. of policies

Source: Insurance Sweden



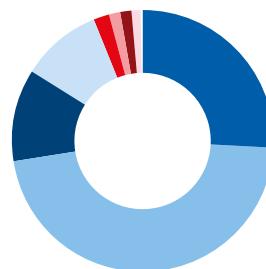
● Länsförsäkringar, 40.2%  
 ● Folksam, 27.6%  
 ● If, 12.6%  
 ● Trygg-Hansa, 9.9%  
 ● Dina Federation, 4.9%  
 ● Moderna, 2.1%  
 ● Gjensidige, 2.1%  
 ● Other, 0.6%

Länsförsäkringar's position as a leader in the homeowner insurance market strengthened to a share of 40.2% on 31 December 2018.

### Household insurance

Percentage of no. of policies

Source: Insurance Sweden



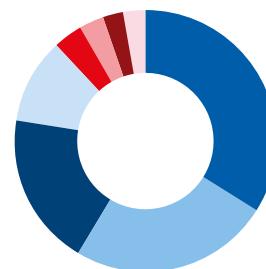
● Länsförsäkringar, 26.1%  
 ● Folksam, 46.6%  
 ● If, 11.4%  
 ● Trygg-Hansa, 9.9%  
 ● Dina Federation, 1.4%  
 ● Gjensidige, 1.4%  
 ● Other, 1.2%

The market share of household insurance was 26.1% on 31 December 2018.

### Passenger-car insurance

Percentage of no. of policies

Source: Insurance Sweden



● Länsförsäkringar, 34.0%  
 ● Folksam, 18.8%  
 ● If, 24.8%  
 ● Trygg-Hansa, 10.7%  
 ● Dina Federation, 3.5%  
 ● Moderna, 3.1%  
 ● Gjensidige, 2.5%  
 ● Other, 2.6%

Länsförsäkringar's market share of passenger-car insurance amounted to 34.0% on 31 December 2018.



## Motor

Länsförsäkringar offers vehicle insurance in the retail, corporate and agriculture segments. In 2018, Länsförsäkringar's premium income for motor third-party liability and motor insurance rose 2%, compared with market growth of slightly more than 4%. Länsförsäkringar's total market share thus fell to 30.0% (30.8), measured in premium income.

### Market position

Länsförsäkringar's premium income for motor insurance increased almost 4%, in a market that grew 7%. The market share thus declined to 26.5% (27.3), measured in premium income. Länsförsäkringar's premium income in motor third-party liability insurance fell 1%, which was in line with the total premium income for the market that declined by just under 1%. The market share fell slightly to 39.4% (39.5), measured in premium income. This trend was expected due to the focus on increased risk-based pricing. Länsförsäkringar maintained its position as a leader in passenger-car insurance, insuring one-third of cars in Sweden.

### Development

From 1 January 2019, Länsförsäkringar has taken over responsibility for Toyota Försäkring, Lexus Försäkring and associated vehicle-damage guarantees. About ten new products have been created under this partnership, and several new joint channels and sales tools have been developed for sales of brand insurance through dealers.

## Home

Länsförsäkringar offers home insurance for single-family homes, apartments and vacation homes. Länsförsäkringar remains a market leader in home insurance, with a market share of 30.7% (30.9) in 2018, measured in premium income.

### Market position

The total home-insurance market grew 5.7% in 2018, measured in premium income. Länsförsäkringar's premium income in home insurance rose 5.1%. However, Länsförsäkringar's market share increased slightly, measured in the number of insurance policies. Länsförsäkringar remained a market leader in homeowner insurance, with a market share of 40.2% (39.9), measured in the number of insurance policies. Länsförsäkringar is also a stable market leader in vacation home insurance, holding a market share of 40.9% (40.9), measured in the number of insurance policies. In the separate household insurance segment, Länsförsäkringar has a market share of 26.1% (26.0), measured in the number of insurance policies.

### Development

Competition in home insurance varies across Sweden but is generally unchanged at the same time as market shares remain stable. The continued trend in home insurance is attractively packaged offerings with broader coverage, and what was previously supplementary insurance is now included in the basic package. Länsförsäkringar strives to offer good digital solutions.

## Yacht

Länsförsäkringar offers yacht insurance. The market share in 2018 amounted to 32.4% (32.5), measured in the number of insurance policies.

### Market position

Länsförsäkringar retained its leading market position in 2018. The closest competitor Moderna Försäkringar (Atlantica) has a market share of 18.8%, measured in the number of insurance policies.

### Development

The hot summer of 2018, which began as early as May, created a long boat season that resulted in a higher number of claims. The number of claims increased by almost 15%, from 2,700 in 2017 to 3,100 in 2018.



### Motor

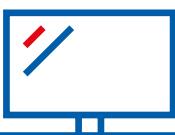
	2018	2017
Premiums earned, gross, SEK M	9,069	8,757
Passenger cars, no. of policies	1,724,000	1,718,000
Market share, no. of passenger cars, %	34.0	35.0
Other vehicles, no. of policies	1,453,000	1,422,000
Market share, no. of other vehicles, %	48.5	48.0

### Home

	2018	2017
Premiums earned, gross, SEK M	5,322	5,016
Household, no. of policies	859,000	841,000
Market share, no. of households, %	26.1	26.0
Homeowner + home content, no. of policies	705,000	696,000
Market share, no. of homeowner + home content, %	40.2	39.9
Vacation homes, no. of policies	237,000	236,000
Market share, no. of vacation homes, %	40.9	40.9

### Yacht

	2018	2017
Premiums earned, gross, SEK M	165	164
Yachts, no. of policies	90,000	90,000
Market share, no. of policies, %	32.4	32.5



## Commercial

Länsförsäkringar offers commercial insurance for all industries, from large to small companies. Länsförsäkringar maintained its position as market leader in the commercial market, with a share of 43.9% (44.6), measured in premium income.

### Market position

Premium income for the total market for commercial lines, including agricultural customers, grew SEK 845 M or 6.3% in 2018. Länsförsäkringar's premium income in commercial lines, including agricultural customers, rose 4.8%. The reduced market share was due to Protector now being included in statistics from Insurance Sweden.

### Development

At the end of 2017, Länsförsäkringar launched a new commercial insurance policy "start your own company insurance," customised to new small businesses. The insurance is a set package and offers broad insurance cover. The policy was successful in the market in 2018. At the end of 2018, Länsförsäkringar also launched data protection insurance that covers small and medium-sized businesses in the event of a data breach.

Many companies are continuing to offer commercial insurance, which leads to general price pressure, while portfolio procurements from larger insurance brokers are more and more common. For small companies, the trend is shifting towards industry-specific insurance and digital distribution.

Through the International Network of Insurance (INI), Länsförsäkringar is one of the few companies in the Swedish market that can offer customised and local insurance solutions in more than 100 countries at competitive prices.

### Commercial

	2018	2017
Premiums earned, gross, SEK M	4,676	4,398
No. of policies	242,000	234,000
Market share, premium income commercial lines, %	43.9	44.6

## Agriculture

Länsförsäkringar offers insurance for residential and part-time farming and production agriculture.

### Market position

Premiums earned in the agriculture business increased 3.3% or SEK 62 M in 2018. Länsförsäkringar remains the leader in providing insurance cover for agricultural customers.

### Development

The segmentation among agricultural customers has improved opportunities to give customers tailored insurance cover and to risk adjust premiums in the various insurance solutions. Jointly handling of the main operations in "green businesses" has led to standardisation and efficiency enhancements. The option of supplementing customer cover in the agricultural area with commercial solutions on the same insurance policy means that Länsförsäkringar is well-equipped for the continued rapid development in agriculture towards larger and more complex, diversified companies.

## Agria Djurförsäkring

Länsförsäkringar offers pet and crop insurance through Agria. Premiums earned amounted to SEK 3,496 M (3,136).

### Market position

Agria is a market leader in pet insurance in Sweden, Norway and Denmark. Premium volumes increased in all business areas, with the highest growth noted in the foreign branches, due to both premium adjustments and a higher number of animals insured. Following the success of the 423 dog insurance policies launched in 2017, 86 new, unique cat policies were launched in the spring of 2018. The announced Brexit will affect the business conditions for Agria's operations in the UK. There is great uncertainty regarding the type of exit deal, but developments are being closely followed and adjustments are being prepared. Agria established operations in France during the year, meaning that Agria is now represented in five countries outside Sweden.

### Development

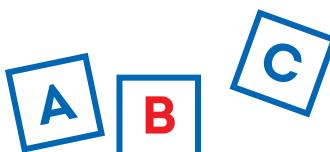
Agria works on claims prevention and health-promoting measures for animals and offers advice and information to animal owners via various digital channels, such as the Agria app, the Pälspodden podcast and the FirstVet service. Initiatives to establish Agria in several digital channels are continuing. Agria launched a new version of the "Ask the Vet" service on the website and on the Agria app in response to the great interest shown by customers in learning about their animals. Agria's website won the "Information and Service" category of the Web Service Awards. Research into animal health is supported through Agria's research fund. Agria's extensive claims statistics are used by researchers and breed clubs to improve animal health and sustainability.

### Agriculture

	2018	2017
Premiums earned, gross, SEK M	1,916	1,854
Agricultural insurance, no. of policies	190,000	190,000
Tractor insurance, no. of policies	283,000	283,000

### Agria Djurförsäkring

	2018	2017
Premiums earned, gross, SEK M	3,496	3,136



## Health

Länsförsäkringar offers life-assurance, health care, accident and health insurance. Premiums earned for 2018 amounted to SEK 1,851 M (1,863).

### Market position

Länsförsäkringar's market share was stable at about 20%. The market for personal-risk insurance was affected by growing concern that social insurance in Sweden will be insufficient, and greater household debt. Personal-risk insurance provides an important supplement for increasing financial security in the event of illness, accident, unemployment and death. Länsförsäkringar remains a market leader in health care insurance and has the most comprehensive products featuring preventive health services, the right care at the right time and effective rehabilitation.

### Development

In May 2018, the Swedish government decided to introduce fringe-benefit tax on health care insurance paid by employers, which came into effect on 1 July 2018. Throughout the year, Länsförsäkringar worked on developing its health care insurance to reduce the effects for customers caused by the fringe-benefit tax, and on broadening the customer offering. In November a prevent & rehab insurance was launched that contains the parts of health care insurance that are not taxable, and also a health care insurance that only includes specialist medical care.

Länsförsäkringar also implemented a systematic work method in 2018 for digitally processing the regional insurance companies' customers in relation to health care and Bo Kvar insurance.

## Children's insurance

Länsförsäkringar offers both pregnancy and children's insurance.

### Market position

Länsförsäkringar's premiums earned in children's insurance increased 6% to SEK 570 M. The number of children's insurance policies also increased by 13,000 to a total of 313,000.

### Development

Securing the customer at a young age is vital for building up a long-term relationship in private personal insurance. Children's insurance continued to perform well and the positive increase in the number of policies was due to, for example, marketing initiatives. A digital application form was launched in 2018, which helped boost sales. A continued need exists to offer effective insurance cover for children after they have reached the age limit for children's insurance.

## Reinsurance

Länsförsäkringar AB's subsidiary Länsförsäkringar Sak manages the Länsförsäkringar Alliance's joint reinsurance cover and internal Alliance reinsurance with a number of pool solutions. The internal reinsurance and the reinsurance jointly procured for the Länsförsäkringar Alliance is a major asset for Länsförsäkringar and its customers. The system ensures a stable solution at low cost by distributing risk within the Länsförsäkringar Alliance and procuring external cover for large claims. The Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance, noted high claims costs during the year, mainly due to flooding and forest fires in the summer.

Länsförsäkringar Sak also underwrites a highly diversified portfolio in internationally assumed reinsurance, both risk and catastrophe business, specialising in property business. The long established strategy is to underwrite business from mutual companies with broad geographic risk diversification.



### Health

	2018	2017
Premiums earned, gross, SEK M	1,851	1,863
Market share, health care insurance, premiums paid, %	22.6	23.4
Market share, accident and health insurance, premiums paid, %	19.6	20.0

### Children's insurance

	2018	2017
Premiums earned, gross, SEK M	570	538
No. of insured parties	313,000	300,000



## Claims adjustment

Each individual regional insurance company offers a comprehensive range of non-life insurance products to its retail, commercial and agricultural customers. Claims processing takes place locally, close to customers. The combination of local presence and the ability to tie together these resources with shared expertise results in high-quality customer service for all types of claim incidents. A total of 900 people in the Länsförsäkringar Alliance work in the area of claims adjustment and an international network of partners also provides service outside Sweden.

Claims adjustment entails the delivery of the product purchased by the customer and should be quick, secure, be carried out in a highly skilled manner and provide the correct compensation. Rapid digital developments, combined with fierce competition, continuously set high demands on claims adjustment, which requires that work methods, terms and conditions and service options in digital channels are developed and refined to meet customers' expectations when a claim arises.

### Natural catastrophes

Heavy snow, spring flooding, forest fires, torrential rain resulting in flooding and vermin infestation – after two relatively easy years, natural catastrophes came one after the other in 2018. Total expenses for natural catastrophes amounted to SEK 712 M in 2018, compared with an annual average cost of about SEK 430 M for 2015–2017.

Large amounts of snow, mainly along the coast of Norrland, caused extensive snow

damage. When the snow melted, it then resulted in major spring flooding. Summer 2018 was the hottest on record for large parts of Götaland and Svealand. The long heat wave caused drought and the most extensive forest fires in modern times in Sweden. Mainly parts of south-east Sweden suffered from widespread cases of vermin infestation in the autumn.

### Claims prevention

Claims prevention is a key element of the regional insurance companies' sustainability efforts and avoiding claims is always a benefit for the environment.

Sweden's largest fire drill, in which all 23 regional insurance companies took part, took place in 2018. The summer drought led to a more intense focus on fire risk, in particular in connection with the harvest season. There was also a focus on installing solar panels since the claims-prevention work of the regional insurance companies discovered several shortcomings.

Länsförsäkringar also focuses intently on unprotected road-users. Bicycle helmets for children were tested in 2018. Once again, helmets that protect against rotational motion were the best choice. Studded tyres for bikes were also tested and great differences were seen in the grip offered by the various tyres available. Important research findings were published and gained widespread media attention.

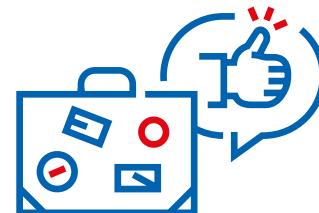
### Major claims

Major claims require special resources. Länsförsäkringar has prepared a contingency plan for managing large claims, and the regional insurance companies also continuously monitor the risks in their local areas. The primary purpose of the contingency plan is to establish a state of preparedness within the individual regional insurance companies, and also to coordinate available resources. Consequently, the regional insurance companies are well-equipped and prepared for any major claim that may occur.

### Claims

	Number	Claims costs, SEK M <sup>1)</sup>
Private motor	418,200	3,299
Commercial motor	110,486	1,654
Home	305,000	2,968
Yacht	3,213	85
Commercial	37,100	2,673
Agriculture	28,800	1,248
Accident and health	54,300	438
<b>Total</b>	<b>957,099</b>	<b>12,365</b>

<sup>1)</sup> Compensation paid for claims that occurred in 2018.



### Service outside Sweden

Customer needs are also met outside Sweden and the claims-adjustment service has been expanded to provide rapid assistance abroad, for both individual claims and more large-scale events. For emergency claims, special resources are required. The Länsförsäkringar Alliance is one of the largest shareholders of SOS International, which assists customers through both travel and vehicle insurance. Help is provided for medical assistance and transportation when customers suddenly fall seriously ill or are involved in an accident while abroad, and for other types of events, such as delayed baggage. For motor insurance claims abroad, help is provided in the form of, for example, breakdown services, referrals to car repair garages and transportation. SOS International processes 19,000 international cases for the regional insurance companies every year.

## Comments on financial results, Non-life insurance

## Earnings and profitability

Earnings from the Länsförsäkringar Alliance's non-life insurance operations consist of the total earnings of the 23 regional insurance companies and the non-life insurance operations of the Länsförsäkringar AB Group.

Operating profit for the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 2,243 M (7,078). The change in profit was mainly due to lower investment income of SEK 1,771 M (6,969). Stock markets fell sharply in the fourth quarter of 2018 compared with exceptionally strong return in 2017. Based on 2018 earnings, the regional insurance companies will pay back a total of SEK 825 M (1,798) in bonuses and discounts to their owners - the customers.

Despite healthy premium growth of 5%, the technical result declined to SEK 1,778 M (2,529), mainly due to increased costs for fire

and natural damage claims. Accordingly, the claims ratio increased to 76% (74). The expense ratio was 19% (18), resulting in a combined ratio of 96% (92). Measured as a five-year average, the combined ratio was 93% and the claims ratio 74%.

Solvency capital increased SEK 2,323 M in 2018, amounting to SEK 68,472 M on 31 December 2018. The solvency margin amounted to 252% (253).

## Business volumes

Premiums earned after ceded reinsurance rose 5% to SEK 26,751 M (25,504). The increase was primarily attributable to premium increases, but also portfolio increases. Premiums earned for private insurance increased by slightly more than 3%, with growth continuing to be driven by household, homeowner and accident insurance.

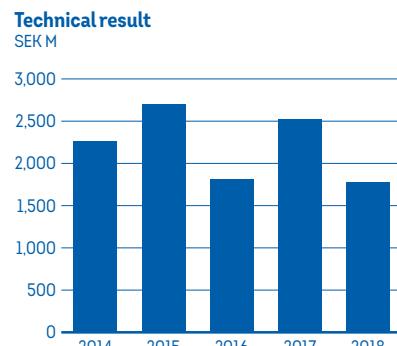
Agria's healthy growth continued, with an increase of 11% due to both premium increases and portfolio growth, particularly in its international operations. Premiums earned for the commercial segment rose by slightly more than 5%, primarily driven by healthy growth in commercial property and commercial insurance. Premiums earned in the motor insurance segment increased almost 4%, driven by both premium increases and portfolio increases. Premiums earned in the agriculture segment rose by slightly more than 3%.

## Claims trend

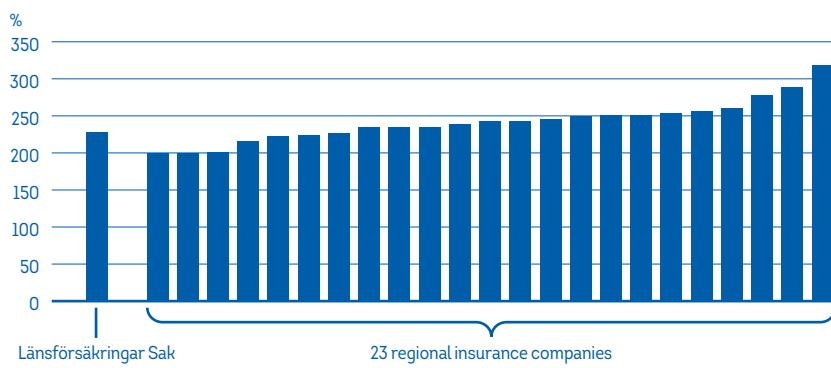
Claims payments after ceded reinsurance amounted to SEK 20,192 M (18,571) and the claims ratio increased to 76% (74). Weather-related claims dominated 2018. Snow and freezing claims, in particular, increased in

## Non-life insurance

	2018	2017	2016	2015	2014
Premiums earned after ceded reinsurance, SEK M	26,751	25,504	24,073	22,705	21,550
Technical result before bonuses, SEK M	1,778	2,529	1,813	2,700	2,266
Operating profit, SEK M	2,243	7,078	4,626	4,365	5,209
Expense ratio, %	19	18	20	19	19
Claims ratio, %	76	74	75	72	74
Combined ratio, %	96	92	95	91	93
Technical result as a percentage of premiums earned after ceded reinsurance	7	10	8	12	11
Solvency capital, SEK M	68,472	66,149	57,956	51,628	46,493
Solvency margin, %	252	253	236	222	209
Return on equity, %	3	11	8	8	11

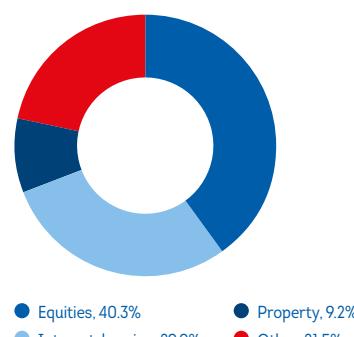


## Solvency II ratio on 31 December 2018



The regional insurance companies and Länsförsäkringar Sak remained very well capitalised in 2018.

## Allocation of investment assets



Total investment assets amounted to SEK 104.8 billion on 31 December 2018

the first half of 2018 as a result of the long winter, as did fire-damage claims. The second half of the year saw a rise mainly in fire, water-damage and storm-related claims. Total expenses for natural catastrophes amounted to SEK 712 M in 2018, compared with an annual average cost of SEK 610 M for the past ten years or an annual average cost of about SEK 430 M for 2015–2017. Motor insurance claims, primarily hull and motor third-party liability, also increased compared with 2017.

The long-term consequences of climate change for Sweden are of immediate interest given the exceptionally hot summer of 2018 that caused severe drought and forest fires. The country experienced severe torrential rain and winter storms. For the insurance industry, global warming can lead to significant claims costs. That is why environ-

mental claims-prevention activities are extremely important for Länsförsäkringar. As part of Länsförsäkringar's extensive claims-prevention activities, customers and the public are informed about what to do to avoid risks connected with torrential rain, storms, drought and fires.

#### Investment income

The Länsförsäkringar Alliance's investment income declined to SEK 1,771 M (6,969), primarily as a result of the unfavourable stock-market sentiment in the fourth quarter of 2018. However, increases in value in property investments, mainly from holdings in Humlegården, made a positive contribution. Investment return was 1.7% of the asset value on 31 December 2018.



# The bank with Sweden's most satisfied customers

**Banking** Länsförsäkringar Bank is a customer-owned bank with a strong local presence. With its close customer relationships through local meetings and also competitive digital services, Länsförsäkringar Bank is the company in the banking market with the most satisfied retail and mortgage customers.

Business volume: SEK 561 billion

**+8%**

Number of primary bank customers:  
507,000

**+9%**

Primary bank customers who are also  
insurance customers

**91%**

## Economic environment and market

The global economy performed relatively well in 2018, with growth of just under 4%. However, global growth slowed in the second half of the year following the economic boom and high growth in GDP of the last few years. The US reported the strongest trend with healthy GDP growth and high confidence among both consumers and companies. The most important driver was the expansive fiscal policy that includes tax reductions.

The Fed lifted its key interest rate by 0.25 percentage points four times during the year and has indicated that two additional hikes can be expected in 2019. The US economy is expected to contract going forward in line with both fiscal and monetary policy becoming less expansive. Growth in China declined slightly in 2018, mainly driven by new regulations that slowed credit growth. Due to the weaker economic outlook, both fiscal and monetary policy changed track in a more expansive direction in a bid to stimulate the economy. The growth rate in the Eurozone clearly decelerated but still ended up at close to 2%. The ECB left its key interest rate unchanged at 0% during the year and indicated that the first hike would not be until the second half of 2019 at the earliest. Nonetheless, the ECB unwound its monetary stimulus programmes by gradually reducing its net purchases of bonds and subsequently ended them at the end of the year.

2018 was a significantly more dramatic year for the financial markets than the real economy appeared to suggest. The trend in the financial markets for the first three quarters of the year was relatively stable, but the last quarter was dominated by uncertainty and considerably higher volatility. The change in sentiment was driven by such factors as concern for growth related to the trade war between the US and China, uncertainty surrounding Brexit and Italy's government finances. Stock markets tum-

bled sharply in the fourth quarter and the Stockholm Stock Exchange ended the full year at almost minus 8%. This trend resulted in lower expectations about future key interest rates, falling long-term government bond rates and greater differences between rates for corporate and government bonds. Rates on covered bonds also declined during the year.

The Swedish economy performed relatively well, with both growth and employment reporting positive trends, and unemployment declined despite a growing labour force. The housing market stabilised during the year following a weaker initial trend and housing prices have risen slightly for the country as a whole. Housing construction remained at relatively high levels and more housing units were completed in 2018 than in 2017, although the number of started housing units declined. In December, the Riksbank raised the repo rate by 0.25 percentage points to -0.25% since inflation and inflation expectations were deemed to have established at about 2%.

## Regulatory development

The development of new financial regulations is expected to continue at a rapid pace and will continue to have a major impact on banks. Several agreements were reached on the "banking package" at the end of 2018. Final approval is expected at the start of 2019 and parts of the banking package are expected to come into effect in 2021. The measures in the banking package are to aid the implementation of risk-reduction global standards at EU level and are also part of completing the Banking Union.

The work on completing the Basel III regulations is in progress. The Basel Committee presented its revisions in December 2017. These revisions entail major changes for banks and include restrictions on the use of internal models, changes to the Standardised Approach and the introduction of

a capital floor. The purpose of the changes is to introduce standardised capital requirements and reduce the risk of unwarranted differences between countries and banks. The European Commission has not yet presented a bill. The new rules are expected to take effect in 2022.

In December 2018, the Swedish National Debt Office established its annual decisions on resolution plans and minimum requirement for own funds and eligible liabilities (MREL) for the institutions that the Debt Office deems to be systemically important, which includes Länsförsäkringar Bank. The Debt Office also decided on individual minimum requirements for Länsförsäkringar Bank's subsidiaries, Länsförsäkringar Hypotek and Wasa Kredit, that will start to apply in 2019.

The application of the risk weight floor for Swedish mortgages was changed at the end of 2018. As a result, the capital requirement that is currently applied in Pillar II will be replaced by a capital requirement in Pillar I. This change means that the capital requirement will increase in Pillar I but is unchanged in nominal terms.

The implementation of the new accounting standard on leases, IFRS 16, was completed during the year. The new standard will impact how leases are recognized in the balance sheet and income statement going forward.

In addition to capital adequacy and accounting related rules, the Bank is also impacted by other operational regulations. Examples include changes to the PSD II Payment Services Directive that will come into effect in autumn 2019.

Länsförsäkringar Bank AB is highly prepared and well capitalised for impending changes, even if it is slightly unclear at this stage what the effects will be.

### Strategy and goals

Länsförsäkringar Bank was founded in 1996 and is now the fifth largest retail bank in Sweden with a business volume of SEK 561 billion. The banking operations are conducted only in Sweden and the market position is continuing to steadily strengthen.

The strategy is to offer banking services to the Länsförsäkringar Alliance's customers and leverage Länsförsäkringar's strong brand and local presence. The banking oper-

ations have a large potential customer base with the Länsförsäkringar Alliance's 3.9 million customers. The main target groups are the 3.2 million retail customers, of whom 2.4 million are home-insurance customers. Other target groups are agricultural customers and small businesses. The aim is, based on sustained low risk, to maintain healthy growth in volumes and profitability, have the most satisfied customers and more customers who have both banking and insurance with Länsförsäkringar.

According to the 2018 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank is the player on the banking market with the most satisfied retail customers, an accolade that Länsförsäkringar Bank has won 13 times in the past 15 years. Länsförsäkringar is also the player with the most satisfied mortgage customers according to the 2018 Swedish Quality Index. The high customer satisfaction is confirmation of our clear customer focus and high quality. With a comprehensive banking and insurance offering from Länsförsäkringar, customers receive a secure total solution.

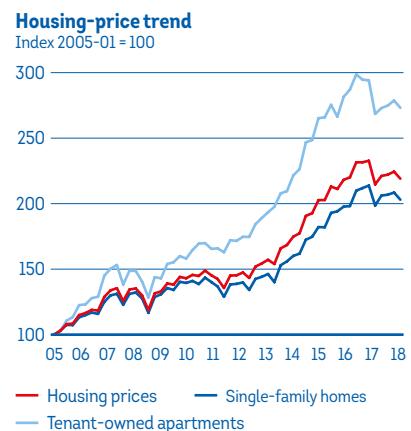
## Market facts



The Swedish economy performed well, but growth slowed during the year.



Inflation (CPI) increased in Sweden during the year and was close to the inflation target, which was largely driven by rising energy prices.



The price trend in the Swedish housing market stabilised and ended the year with slightly positive figures.

# Offering

## Savings

Länsförsäkringar focuses on giving customers secure savings. Customers are offered savings through various types of deposit accounts and also through such products as mutual fund savings, Investment Savings Accounts (ISK) and equities savings. Customer meetings strive to ensure that customers have secure private finances in which savings and mortgage repayments are key elements. By making mortgage repayments, a customers' private finances can become more balanced over time.

## Deposits

Deposits from the public rose 9% to SEK 108 billion and growth has been stable in recent years. The market share for household deposits was 4.9% and the number of deposit accounts increased 8%. The Investment Savings Account (ISK) displayed healthy growth during the year and the number of ISKs at year-end was 299,000, up 49%.

## Fund and securities

Sweden's fund market continued to grow in 2018. Länsförsäkringar Fondförvaltning commands a market share measured in fund assets of 3.6%. The fund offering comprises 38 mutual funds under Länsförsäkringar's own brand with various investment orienta-

tions and a fund platform with external funds. Two new funds were launched during the year, Länsförsäkringar FossilSmart and Länsförsäkringar Fastighet Europa. The work on establishing in-house Swedish equity asset management continued during the year. Further steps were taken in sustainability and Länsförsäkringar Sverige Aktiv was awarded the "Swan" Nordic Ecolabel. Länsförsäkringar FossilSmart does not invest in companies that extract or produce fossil fuels.

Despite the weak stock market performance, the fund volume increased 3% to SEK 164 billion during the year, of which managed funds under own brands amounted to SEK 143 billion. The negative changes in value were offset by a higher net inflow to Länsförsäkringar Fondförvaltning's funds during the year.

Länsförsäkringar's award-winning mobile app allows customers to manage fund savings, change, purchase and sell funds and shares, thus consolidating the bank's strong position in digital services. Customer activity in trading in equities and other securities is growing steadily and the number of deposits rose during the year.

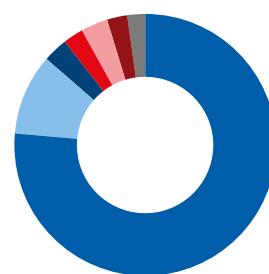
## Loans

The bank's lending is continuing to grow steadily and maintains low risk. Lending increased

11% to SEK 289 billion. The largest product is retail mortgages, which comprises 77% of the loan portfolio. Retail mortgages are mostly granted by Länsförsäkringar Hypotek, which offers mortgages up to 75% of the market value. Any surplus mortgage portions are offered by Länsförsäkringar Bank. Loans to tenant-owners' associations and to multi-family housing are offered besides mortgages. The market share for mortgages amounted to 6.7%.

In 2014, Länsförsäkringar Bank was the first Swedish bank to licence all of its mortgage

## Loans by product



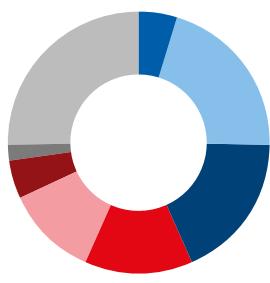
- Mortgages, 76.6%
- Agricultural loans, 9.8%
- Unsecured loans, 3.0%
- Leasing, 2.6%
- Hire purchase, 3.3%
- Multi-family housing, 2.6%
- Other 2.1%

The loan portfolio primarily comprises retail mortgages.

## Market shares

### Retail deposits

Source: Statistics Sweden

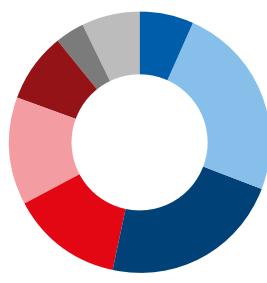


● Länsförsäkringar, 4.9%	● SEB, 11.6%
● Swedbank, 20.4%	● SBAB, 4.7%
● Handelsbanken, 18.3%	● Danske Bank, 19%
● Nordea, 13.1%	● Other, 25.1%

The market position in retail deposits amounted to 4.9%.

### Retail mortgages

Source: Statistics Sweden

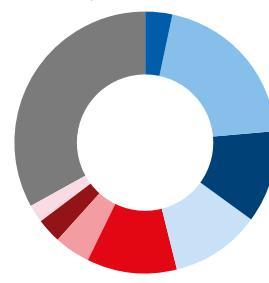


● Länsförsäkringar, 6.7%	● Nordea, 13.4%
● Swedbank, 24.3%	● SBAB, 8.4%
● Handelsbanken, 22.6%	● Danske Bank, 3.8%
● SEB, 13.8%	● Other, 7.0%

The market position in mortgages amounted to 6.7%.

### Funds managed under Länsförsäkringar's own brand

Source: Moneymate



● Länsförsäkringar, 3.6%	● SPP, 4.4%
● Swedbank Robur, 20.2%	● AMF Pension, 3.1%
● SEB, 11.4%	● Skandia, 2.2%
● Nordea, 11.2%	● Other, 33%
● Handelsbanken, 11.1%	

Länsförsäkringar holds a 3.6% market share of Swedish fund volumes.



application processors. Such licensing exams, which are based on the proficiency requirements of the EU Mortgage Credit Directive, create greater security for customers.

Länsförsäkringar is one of the largest providers of agricultural loans in Sweden. The bank's agricultural loans are primarily targeted to family-owned agricultural operations that are insurance customers with Länsförsäkringar. The average agricultural

loan commitment is small and the percentage of first-lien mortgages is 95%.

Wasa Kredit offers leasing, hire purchase and unsecured loans and the growth in lending for the year was favourable. Lending increased 5% to SEK 23 billion.

#### Payments and bank cards

Bank cards are continuously developed to offer customers security and a high level of

service in their payment services. The number of bank cards increased 10% to 722,000 and the number of card-payment transactions rose 14% to 175 million. The Swish payment service performed well during the year. Länsförsäkringar Bank, which is one of the drivers of the Swish partnership, owns 10% of the company that manages and develops the service.

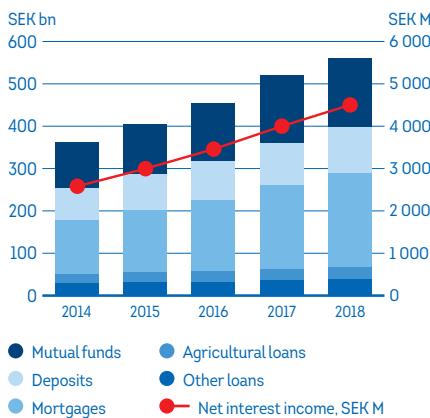
#### Corporate segment

Deposits in the corporate segment continued to grow and deposits from small businesses amounted to SEK 11.6 billion. Loans to small businesses in Länsförsäkringar Bank amounted to SEK 2.1 billion.

#### Offering to young people

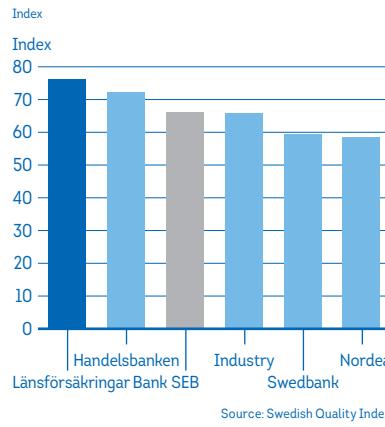
Länsförsäkringar Bank has one of the market's most attractive offers for young people that includes a card and payment service, a young person's account with a bank card, Internet and telephone banking and digital services. These digital services make everyday life easy and Swish is the first choice for sending and receiving money by mobile phone. More digital services can be added from the age of 16, for example, making payments and linking more pay services to the card.

#### Business volumes and net interest income



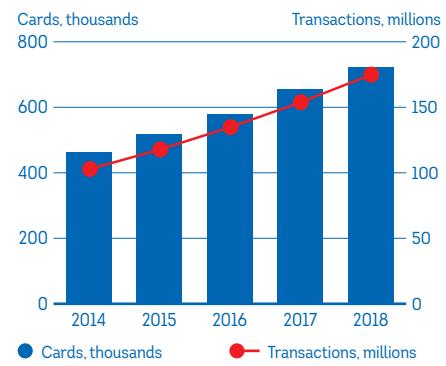
Total business volumes have increased an average of 11% over the past five years. Net interest income has risen an average of 17%.

#### Customer satisfaction, retail customers



Länsförsäkringar Bank is the player in the banking market with the most satisfied retail customers according to the Swedish Quality Index 2018.

#### Bank cards and card-payment transactions



The number of bank cards and card-payment transactions has risen steadily over the past five years.

## Loans and credit quality

### Credit process

Länsförsäkringar Bank's loans are granted in Sweden and in SEK. The geographic spread of lending to both retail and corporate customers is well-diversified, with low average loan commitments per customer. Lending is primarily directed towards retail mortgages for private individuals, small-scale family-owned agricultural operations with a low risk level and finance-company products. Loans are based on standardised credit regulations and most credit decisions are made locally. In the business model between Länsförsäkringar Bank and the regional insurance companies, there is a strong incentive to maintain high credit quality. The high credit quality of the loan portfolio is the result of the low risk appetite, credit regulations combined with credit scoring and local customer and market knowledge. The credit regulations impose strict requirements on customers' repayment capacity and the quality of collateral. In connection with credit scoring, the repayment capacity of borrowers is tested using "left to live on" calculations. These calculations apply a higher interest rate than the actual rate. Both the loan portfolio and value of the collateral are continuously monitored and qual-

ity assured. Distribution and sales of finance-company products and credit decisions on these products mainly take place through Wasa Kredit's own channels.

### Mortgages for private individuals

It is essential for Länsförsäkringar Bank to continue to maintain high credit quality. Mortgage repayments are a key tool in ensuring that households have stable and secure finances. The stricter repayment requirements for customers with debt ratios of more than 450% were implemented in March 2018. These stricter requirements supplement the original repayment requirement from 2016. Länsförsäkringar also encourages customers that do not fall under the repayment requirements to make repayments on their mortgage.

Loans to the public amounted to SEK 289 billion. Retail mortgages for private individuals' housing comprise 77% of the loan portfolio. First-lien mortgages, meaning loans with a loan-to-value ratio (LTV) of up to 75%, account for 96% of retail mortgages. A total of 71% of the collateral for retail mortgages comprises single-family homes. The average loan commitment is low at SEK 1.3 M per borrower. 55% of borrowers have a commit-

ment of less than SEK 2 M. The geographic spread of lending is diverse, thus resulting in low concentration risk. The weighted average loan-to-value ratio for mortgage lending amounted to 61%. Market-value analyses of the collateral in retail mortgages are performed continuously and a market-value update is performed at least once per year for all single-family homes and tenant-owned apartments.

### First-lien mortgages for agricultural operations

A total of 95% of agricultural loans, representing 10% of the loan portfolio, comprises first-lien mortgages. The remaining lending comprises second-lien mortgages and operating credits. Family-owned agricultural operations account for 98% of agricultural loans. The average commitment is low at SEK 2.3 M per borrower. Agricultural lending grew at a lower rate than other loans during the year.

### Leasing, hire purchase and unsecured loans

Wasa Kredit is the Bank Group's finance company that offers leasing and hire purchase financing through both partners in such areas as vehicles, computer/office and



machinery, and directly to corporate customers. Wasa Kredit launched a new digital service during the year whereby corporate customers can offer leasing as a method of payment directly via their e-commerce solutions. Wasa Kredit also offers loans and credit card loans to private individuals. The leasing and hire purchase products jointly represent 6% of the Group's loan portfolio. In addition, unsecured loans make up a further 3% of the loan portfolio.

#### Loans to small businesses

Loans to small businesses in Länsförsäkringar Bank totalled SEK 2.1 billion at year-end, of which SEK 1.0 billion comprised first-lien mortgages for industrial and office properties and SEK 1.1 billion operating credits to small businesses. The business is continuing to be developed while maintaining low risk.

#### Credit losses and credit-impaired loan receivables

The high credit quality of the loan portfolio is a result of lending being based on a low risk tolerance. There is a commitment regarding credit losses for the portion of the business generated by the regional insurance compa-

nies that is regulated in a settlement model. The model entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission.

The Bank Group applies IFRS 9 Financial Instruments from 1 January 2018. This accounting standard replaced IAS 39 and entails a new model for calculating loss allowances, which impacts the income statement and balance sheet. Under IFRS 9, the loss allowance is based on expected losses. Accordingly, the loss allowance is calculated under IFRS 9 on initial recognition, which differs from the former IAS 39 rules where calculations take place in connection with the occurrence of a specific incurred loss event.

Credit losses in the Bank Group remained low and are attributable to Wasa Kredit. Credit losses amounted to SEK 95 M (58), corresponding to a credit loss level of 0.04% (0.02).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 742 M, corresponding to a share of credit-impaired loan receivables of 0.17%. The estimated value of collateral for credit-impaired loan

receivables was SEK 452 M. The total recognised loss allowance for loan receivables under IFRS 9 amounted to SEK 425 M, of which SEK 242 M pertained to credit-impaired loan receivables. The reserve ratio for credit-impaired loan receivables amounted to 32.6%. In addition to the recognised loss allowance for loan receivables, SEK 74 M of the remuneration to the regional insurance companies' credit-risk commitments for generated business is withheld in accordance with the settlement model. Including the withheld remuneration to the regional insurance companies, the loss allowance for loan receivables totalled SEK 499 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 37.0%.



# Funding and liquidity

## Targets

The aim of the funding operations is to ensure that the Group has a sufficiently strong liquidity reserve to manage turbulent periods in capital markets, when funding opportunities are limited or prevailing circumstances render funding impossible. The Group's liquidity risk is controlled on the basis of a survival horizon, meaning how long all known cash flows can be met without access to financing in the capital market.

## Financing sources

The composition of financing is a result of the bank being a retail bank with large mortgage lending operations. Accordingly, the main financing sources are deposits in Länsförsäkringar Bank and funding based on Länsförsäkringar Hypotek's covered bonds. These covered bonds have the highest credit ratings, Aaa from Moody's and AAA/Stable from S&P Global Ratings. Long-term senior funding and short-term funding takes place in Länsförsäkringar Bank. The Group endeavours to maintain a sound balance of covered and senior unsecured funding and all capital market funding is conducted under a number of funding programmes. The single most important source of financing is the Swedish covered bond market, where Länsförsäkringar Hypotek has a number of outstanding liquid benchmark bonds. At year-end, Länsförsäkringar Hypotek had seven outstanding benchmark loans with

maturities until 2025. The Swedish covered bond market is one of Europe's largest and most liquid, which secures good access to long-term financing.

## Diversification

Since all lending is in SEK, the Group has no structural need for financing in foreign currency. However, the bank has chosen to conduct a certain portion of its capital market funding in international markets in an effort to diversify and broaden the investor base. Funding has continuously taken place through issuance of Euro Benchmark Covered Bonds. Länsförsäkringar Bank issued its second senior unsecured Euro Benchmark bond in September 2018, which is another step in increasing funding diversification and strengthening the brand in both the Swedish and European capital markets. This move establishes Länsförsäkringar Bank as a regular issuer also on the market for senior debt in EUR. In addition, diversification takes place through issuances of bonds, primarily in NOK, CHF and GBP. The international markets were primarily used for long maturities.

## Refinancing and liquidity risk management

The Bank Group works pro-actively with its outstanding liabilities by repurchasing bonds with short remaining terms against issuance of long-term liabilities as a means

of managing and minimising the liquidity and refinancing risk. The market risks that arise in the lending and funding operations are managed through derivative instruments.

## Deposits

The share of deposits in the Group's total financing amounted to 32% on 31 December 2018. Deposits increased 9% during the year, strengthened as a result of the bank's healthy customer growth.

## Funding operations

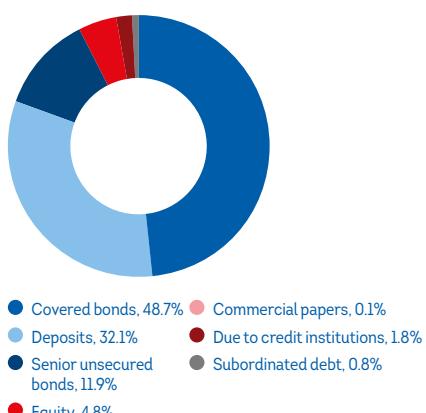
A relatively large portion of the funding took place during the first six months of 2018 when there was high demand in the market.

In March, Länsförsäkringar Hypotek issued a seven-year Euro Benchmark-covered bond for a nominal EUR 500 M, and in September, Länsförsäkringar Bank issued a five-year senior unsecured Euro Benchmark-covered bond for a nominal EUR 500 M. In addition, Länsförsäkringar Hypotek issued a Swedish benchmark bond (LFH518) during the year, which matures in September 2025. The average remaining term for the long-term financing is 2.5 years for senior unsecured bonds and 3.8 years for covered bonds.

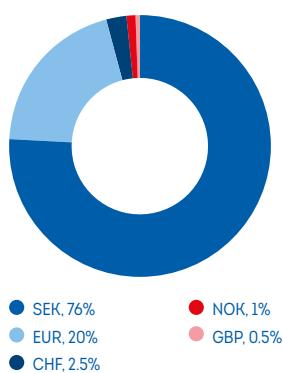
## Liquidity

Effective long-term planning and low risk tolerance are the hallmarks of the bank's liquidity and funding management. A satis-

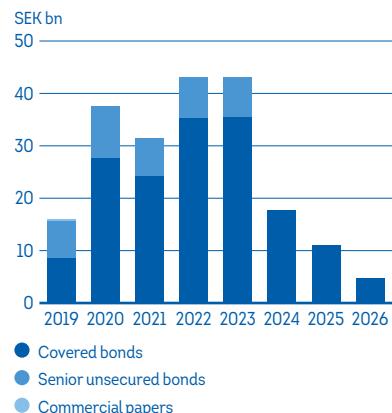
### Financing sources



### Funding by currency



### Maturity profile



factory liquidity reserve is in place to ensure that sufficient liquidity is always available. The management and investment of the liquidity reserve are conservative.

The liquidity reserve amounted to SEK 54 billion at 31 December 2018. The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where applicable, with the ECB. A total of 49% of the liquidity reserve comprises Swedish covered bonds, 20% Swedish government securities, 15% deposits with the Swedish National Debt Office and central bank, 8% other Swedish bonds with an AAA/Aaa credit rating, 5% bonds issued or guaranteed by European governments and multinational development banks and 3% Nordic AAA/Aaa-rated covered bonds. Slightly more than SEK 900 M of the liquidity reserve comprises green bonds. By utilising the liquidity reserve, contractual undertakings can be met for more than two years without

needing to secure new funding in the capital market.

The Liquidity Coverage Ratio (LCR) for the consolidated situation on 31 December 2018 amounted to 305%. The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 115%<sup>11</sup> on 31 December 2018.

#### Rating

Länsförsäkringar Bank's long-term credit rating is A1/Stable from Moody's and A/Stable from S&P Global Ratings. The short-term credit ratings are A-1 from S&P Global Ratings and P-1 from Moody's.

Länsförsäkringar Hypotek's covered bonds maintained the highest credit rating of Aaa from Moody's, and AAA/Stable from S&P Global Ratings. Länsförsäkringar Hypotek is thus one of three issuers in the Swedish market for covered bonds with the highest rating from both S&P Global Ratings and Moody's.

#### MREL

The Swedish National Debt Office decided in June that the liabilities that Länsförsäkringar Bank in the consolidated situation uses to meet the minimum requirement for own funds and eligible liabilities (MREL) are to be subordinated. The volume of subordinated liabilities must be built up by 2022.

In December, the Debt Office established its annual decisions on resolution plans and MREL for the institutions that the Debt Office deems to be systemically important, which includes Länsförsäkringar Bank. The Debt Office also decided on individual minimum requirements for Länsförsäkringar Bank's subsidiaries, Länsförsäkringar Hypotek and Wasa Kredit, that will start to apply in 2019.

<sup>11</sup> The calculation is based on Länsförsäkringar Bank's interpretation of the Basel Committee's most recent Net Stable Funding Ratio proposal.



## Comments on financial results, Länsförsäkringar Bank

### Earnings and profitability

The Länsförsäkringar Bank Group's operating profit amounted to SEK 1,510 M (1,599). Operating profit declined mainly due to costs of SEK 407 M charged to earnings in the second half of the year, most of which was attributable to the final stage of the replacement of the bank's platform for deposits, lending and payments. The underlying earnings trend remained favourable and operating profit, excluding non-recurring items affecting comparability, amounted to SEK 1,917 M, up 20%.

### Income

Net interest income rose 13% to SEK 4,497 M (3,996), mainly attributable to higher volumes. Return on equity amounted to 8.3% (10.0) and was impacted by the abovementioned non-recurring costs. Return on equity excluding these costs was 10.6%.

Net gains from financial items amounted to SEK 14 M (-49) due to changes in fair value. Net commission amounted to SEK -773 M (-750) due to higher remuneration to the regional insurance companies as a result of a healthy volume trend.

### Expenses

Operating expenses increased to SEK 2,178 M (1,601), mainly due to the replacement of the bank's platform for deposits, lending and payments. The new platform will mean a major shift in Länsförsäkringar Bank's ability to develop the digital offering and create opportunities to further advance the bank's position in this area. The underlying cost increase excluding non-recurring costs of SEK 407 M was 11%. Länsförsäkringar Bank will transition to the new platform during the second quarter of 2019.

The cost/income ratio before credit losses amounted to 0.58 (0.49). Excluding non-recurring costs of SEK 407 M, the cost/income ratio before credit losses was 0.47.

### Credit losses

The Bank Group applies IFRS 9 Financial Instruments from 1 January 2018. The main financial impact of the standard is on the calculation of loss allowance. Under IFRS 9, the loss allowance is based on expected losses and is calculated on initial recognition. Credit losses amounted to SEK 95 M (58), net, corresponding to a credit loss level

of 0.04% (0.02). Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 742 M, corresponding to a share of credit-impaired loan receivables of 0.17%. The estimated value of collateral for credit-impaired loan receivables was SEK 452 M. The total recognised loss allowance for loan receivables under IFRS 9 amounted to SEK 425 M, of which SEK 242 M pertained to credit-impaired loan receivables. The reserve ratio for credit-impaired loan receivables amounted to 32.6%. In addition to the recognised loss allowance for loan receivables, SEK 74 M of the remuneration to the regional insurance companies' credit-risk commitments for generated business is withheld in accordance with the settlement model. Including the withheld remuneration to the regional insurance companies, the loss allowance for loan receivables totalled SEK 499 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 37.0%.

### Länsförsäkringar Bank, Group

#### Income statement

SEK M	2018	2017
Net interest income	4,497	3,996
Net commission	-773	-750
Other operating income	59	12
<b>Total operating income</b>	<b>3,783</b>	<b>3,258</b>
Staff costs	-588	-549
Other administration expenses	-1,165	-960
Depreciation/amortisation and impairment of property and equipment and intangible assets	-425	-92
<b>Total operating expenses</b>	<b>-2,178</b>	<b>-1,601</b>
<b>Profit before credit losses</b>	<b>1,605</b>	<b>1,657</b>
Credit losses, net	-95	-58
<b>Operating profit</b>	<b>1,510</b>	<b>1,599</b>
Tax	-328	-362
<b>NET PROFIT FOR THE YEAR</b>	<b>1,182</b>	<b>1,237</b>

#### Balance sheet

SEK M	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>		
Treasury bills and other eligible bills	10,847	10,532
Loans to credit institutions	4,486	265
Loans to the public	289,426	261,444
Bonds and other interest-bearing securities	36,790	35,718
Intangible assets	990	969
Tangible assets	10	10
Other assets	7,309	6,428
<b>TOTAL ASSETS</b>	<b>349,857</b>	<b>315,366</b>
<b>EQUITY AND LIABILITIES</b>		
Due to credit institutions	5,992	3,996
Deposits and funding from the public	108,142	99,404
Debt securities in issue	210,781	188,407
Subordinated liabilities	2,593	2,596
Other liabilities	6,243	6,635
Equity	16,106	14,328
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>349,857</b>	<b>315,366</b>

# Market leader with continued focus on customer satisfaction

**Life assurance and pension insurance** 2018 was the year in which Länsförsäkringar enjoyed having the most satisfied retail customers in pension insurance, a continued market-leading position in unit-linked insurance for individual occupational pensions and green ratings from Söderberg & Partners' surveys on unit-linked insurance and sustainability.

Länsförsäkringar Fondliv,  
managed assets

SEK **126** bn

Länsförsäkringar Liv  
managed assets

SEK **109** bn

Länsförsäkringar offers pension savings, primarily occupational pensions. Fund management, guarantee management and personal-risk insurance are offered through Länsförsäkringar Fondliv. No new policies are underwritten in Länsförsäkringar Liv, but the company manages traditional life assurance that was taken out before September 2011.

Uncertainty in the financial market manifested itself in how pension customers handled their savings. In 2018, customers net purchased fixed-income funds in connection with fund changes in nine out of the twelve months in the year.

Despite intensifying competition, Länsförsäkringar has Sweden's most satisfied retail customers in pension insurance according to the Swedish Quality Index's 2018 customer satisfaction survey. Länsförsäkringar Fondliv works continuously on realising a new fund strategy of simplifications and greater choice for customers to maintain this high level of customer satisfaction. The fund range will be expanded while retaining the same high quality. 19 new funds were launched in 2018, leading to more options for customers to invest in different equities and interest-bearing categories and in funds with a sustainability focus.

Länsförsäkringar works to incorporate active sustainability efforts throughout the entire operations, particularly in the form of offering responsible investments for customers' pension savings. The funds in the recommended range are analysed and assessed based on criteria including management organisation, return and sustainability. The return in Länsförsäkringar's fund range was highly competitive during the year. According to Söderberg & Partners, Länsförsäkringar has the highest sustainability rating. Söderberg & Partners also gave Länsförsäkringar's fund range top ranking for

fund selection in unit-linked insurance and named Länsförsäkringar Fondliv the 2018 Unit-linked Insurance Company of the Year.

The guarantee product open to new pension savings was modernised during the year. The aim is to further enhance competitiveness and to create even better conditions for generating secure and long-term returns on pension customers' savings. Customers receive a modern, secure and transparent savings form.

A new version of the Pension Forecast was launched in the autumn following consultation with customers. This service helps customers calculate how much they need to save every month to achieve their desired pension. Flytthjälpen, a digital service that assists customers in consolidating their pension with Länsförsäkringar, was launched during the year.

## Market

Länsförsäkringar remains the number one in its priority market – the unit-linked insurance market for individual occupational pensions. Länsförsäkringar is the market leader measured in both premium income and in sales, according to fourth-quarter 2018 statistics from Insurance Sweden. Measured in premium income, the market share was 17.5%, meaning that the margin between Länsförsäkringar and the second place company SEB is 2.4 percentage points, an increase compared with the third quarter.

Länsförsäkringar is the fifth largest company in the total unit-linked insurance market with a market share of 9.6%. In the overall occupational pension market, which includes traditional insurance and deposit insurance, Länsförsäkringar is the eighth largest company with a market share of 4.6%.

## Länsförsäkringar Fondliv's unit-linked insurance and guarantee management

### Unit-linked insurance

The financial market performance was positive for most of the year but turned in the fourth quarter, which resulted in a negative return trend in many markets in 2018. This was also reflected in the fund range. Just under 90% of the funds in the total range performed negatively. 70% of the funds decreased by between 0 and 10%, and 18% fell more than 10%. However, the performance of 66% of the funds was stronger than the MSCI Sweden Index.

Funds targeting equities in China, Asia and European small companies were the categories that reported the weakest performance. Slightly more than 10% of the funds trended positively, with Länsförsäkringar Fastighetsfond reporting the strongest trend, increasing just over 13%. Other funds that noted a positive performance during the year were found in the categories of pharmaceuticals and technology, with returns of about 10%.

### Guarantee management

Länsförsäkringar Fondliv offers management of pension insurance carrying a guarantee element regarding paid-in premiums. The guarantee principle is that Länsförsäkringar

guarantees a portion of the customer's paid-in insurance capital with the possibility of additional returns. A number of changes were made to this savings form from 1 February 2019 to modernise it and adapt it to prevailing market conditions. The aim is to further enhance competitiveness and to create even better conditions for generating secure and long-term returns on pension customers' savings.

The assets are divided between interest-bearing investments, equities and alternative investments, with the interest-bearing portion always being at least 40%. On 31 December 2018, 65% of the investments comprised interest-bearing investments and 35% equities.

Managed assets amounted to SEK 3.2 billion (3.1). The investment return was -4.0% (6.0).

## Länsförsäkringar Liv's traditional life assurance

Länsförsäkringar Liv, which is closed for new business, conducts traditional life assurance for its customers divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. Total managed assets amounted to SEK 109 billion (115) on 31 December 2018.

### New Trad

Customers in Old Trad, New World and Insured Pension are offered the opportunity to transition their existing insurance policies to New Trad for which lower guarantees enable greater flexibility in asset management. Managed assets in New Trad amounted to SEK 22 billion (21). Investments as at 31 December 2018 comprised 59% interest-bearing investments, 34% equities, 5% alternative investments and 2% properties. The investment mix and the risk in the investment portfolio were relatively unchanged in 2018.

Investment return amounted to -0.6% (6.4). Interest-bearing investments, properties and alternative investments contributed positively to the return, while equities contributed negatively. The average return has been 4.9% per year since the start in 2013.

The bonus rate on 31 December 2018 was 5% (6). The bonus rate was lowered from 6% to 5% on 1 October 2018. In connection with this, an extra bonus of 5% was allotted. The average bonus rate has been 7.1% per year since the start in 2013. The bonus rate for New Trad was lowered from 5% to 3% on 1 January 2019.

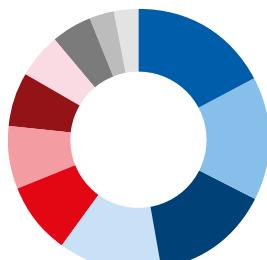
### Old Trad

In Old Trad, Länsförsäkringar Liv manages assets of SEK 77 billion (81) on behalf of its

## Market shares

### Unit-linked insurance, individual occupational pensions

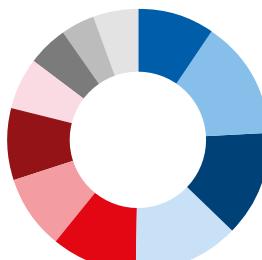
Source: Insurance Sweden



Länsförsäkringar is the market leader in the occupational pension sub-market, excluding collective agreement pensions, measured in premium income.

### Entire unit-linked insurance market

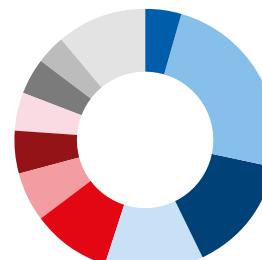
Source: Insurance Sweden



Länsförsäkringar's total market share in unit-linked insurance, measured in premium income, amounted to 9.6% on 31 December 2018.

### Entire occupational pension market

Source: Insurance Sweden



Länsförsäkringar's market share of the entire occupational pension market, measured in premium income, amounted to 4.6% on 31 December 2018.

customers. The primary aim of risk-taking in the Old Trad investment portfolio is to ensure that the guaranteed bonus can also be realised in the event of a negative market trend. At the same time, balanced risk-taking is applied to facilitate a reasonable return on customers' savings.

Investments in Old Trad on 31 December 2018 comprised 88% interest-bearing securities, 6% equities and the remainder was property and alternative investments. The total risk level in Old Trad declined slightly during the year since the percentage of equities fell in favour of interest-bearing investments.

Investment return amounted to 0.9% (2.7).

The bonus rate on 31 December 2018 was 3% (2). The bonus rate was raised from 2% to 3% on 1 September 2018.

#### **New World**

New World is a traditional insurance policy whereby customers benefit from changes in value in the equities market, while at the same time are guaranteed to recoup over time at least the premiums paid, after deductions for expenses and yield tax. Managed assets amounted to SEK 10 billion (12).

The investment mix for the New World management form can vary within defined intervals, with the percentage of equities comprising 60–80% and the remainder comprising interest-bearing investments. The percentage of equities on 31 December 2018 was 66%. The percentage of equities fell 4 percentage points in November.

Investment return amounted to -7.8% (13.3).

#### **Insured Pension**

Savings in Insured Pension comprise two parts, firstly a bond that extends over the entire savings period and secondly an equities derivatives fund that tracks the equities markets. Insured Pension thus offers savers the opportunity to profit from stock-market upswings, while protecting them from slumps. The performance of savings varies for different savers depending on the share of bonds in each policy. Managed assets in Insured Pension amounted to SEK 1.0 billion (1.9).

In 2018, Insured Pension customers were invited to transfer to New Trad. This offer was well received and a total of more than SEK 800 M in customer capital was transferred to New Trad.



## Comments on financial results, Länsförsäkringar Fondliv

### Earnings and profitability

Profit for Länsförsäkringar Fondliv increased to SEK 681 M (604). Net flow of premiums and capital from existing and new customers in 2018 was a positive SEK 2,444 M (3,225). However, due to the negative return resulting from the unfavourable stock-market sentiment at year-end, total managed assets declined to SEK 126 billion (128) on 31 December 2018.

Total premium income amounted to SEK 9,010 M (9,133), of which capital transferred to the company was SEK 1,304 M (1,444).

Premium income after ceded reinsurance for insurance risk increased to SEK 234 M (198). Commission and fee income rose to SEK 1,671 M (1,578) due to growing managed assets in 2018.

Operating expenses rose to SEK 1,106 M (1,028), primarily due to higher distribution costs. Investments were also made in digital development, such as greater functionality in Länsförsäkringar's app and continued robotisation of processes in unit-linked insurance.

### Capital situation

Länsförsäkringar Fondliv's capital situation is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to the risk-based capital requirement. Länsförsäkringar Fondliv's solvency ratio on 31 December 2018 amounted to 135% (152). The solvency ratio fell due to the negative market trend at the end of 2018 and commitments in a renewed long-term service agreement with Länsförsäkringar Liv.

### Länsförsäkringar Fondliv

#### Income statement

SEK M	2018	2017
Premium income after ceded reinsurance	234	198
Fees from financial agreements	755	725
Investment income, net	-4,678	10,343
Claims payments	-109	-98
Change in technical provisions	4,784	-10,253
Operating expenses	-1,106	-1,028
Other technical revenue and expenses	912	858
<b>Technical result for insurance operations</b>	<b>792</b>	<b>745</b>
Non-technical revenue/expenses	-3	-46
<b>Profit before tax</b>	<b>789</b>	<b>699</b>
Tax	-108	-95
<b>NET PROFIT FOR THE YEAR</b>	<b>681</b>	<b>604</b>

#### Balance sheet

SEK M	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>		
Assets	218	213
Other financial investment assets	3,301	3,614
Investment assets for which the policyholder bears the investment risk	122,782	125,344
Reinsurers' portion of technical provisions	47	29
Receivables	738	794
Other assets	989	298
Prepaid expenses and accrued income	1,279	1,190
<b>TOTAL ASSETS</b>	<b>129,355</b>	<b>131,482</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	2,433	2,601
Technical provisions	3,158	2,762
Insurance commitments for which the policyholder bears the risk	123,135	125,583
Provisions	22	4
Deposits from reinsurers	47	29
Liabilities	534	464
Accrued expenses and deferred income	26	39
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>129,355</b>	<b>131,482</b>

## Comments on financial results, Länsförsäkringar Liv

### Earnings and profitability

Profit for Länsförsäkringar Liv amounted to SEK 609 M (3,121). The change in profit compared with 2017 was largely due to lower investment income, primarily as a result of weaker stock markets in the fourth quarter, and the negative interest rate trend in 2018.

Despite weak capital markets at the end of the year, earnings for 2018 were positive, mainly due to the risk result of SEK 503 M, transitions to New Trad and changed assumptions for calculating technical liabilities. Transitions to New Trad made a positive contribution to earnings in 2018 based on lower technical provisions. In addition, increases in value of alternative assets, mainly properties and forest, contributed to profit for the year.

Profit was negatively impacted by a fall of about 20 basis points in long-term market interest rates in 2018 and the discount rate for the liability thus declined during the year. Changes in market interest rates affect

Länsförsäkringar Liv's earnings since future commitments are discounted with the market interest rate. However, the company can largely protect itself from interest-rate changes impacting earnings by matching assets and liabilities against each other.

Apart from falling market interest rates, discounting was negatively impacted by the Ultimate Forward Rate (UFR) being lowered by 0.15% from 4.2% to 4.05%. The UFR affects the discounting of liabilities with terms of more than ten years. In total, falling interest rates, negative interest rates and a lower UFR had a net impact of SEK -0.9 billion on profit for 2018.

Liabilities to policyholders declined SEK 5.0 billion (2.0) during the year, primarily due to negative cash flows as a result of payouts and external transfers exceeding premium payments.

Operating expenses declined to SEK 412 M (417). Investment income was positive for

Old Trad and negative for New Trad and New World, and totalled SEK -0.5 billion (5.5). Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

### Capital situation

Länsförsäkringar Liv's capital situation is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to the risk-based capital requirement. Länsförsäkringar Liv's solvency ratio on 31 December 2018 was 200% (207). The decline in the solvency ratio was primarily the result of own funds falling slightly during the year due to weaker capital markets in the fourth quarter.

Collective consolidation is calculated as the ratio between total capital and insurance capital. Collective consolidation on 31 December 2018 amounted to 105% (117) in New Trad and 124% (123) in Old Trad.

### Länsförsäkringar Liv

#### Income statement

SEK M	2018	2017
Premium income after ceded reinsurance	1,684	1,533
Investment income, net	-527	5,480
Claims payments	-4,939	-5,404
Change in technical provisions	4,992	1,990
Operating expenses	-412	-417
<b>Technical result for insurance operations</b>	<b>798</b>	<b>3,182</b>
Non-technical revenue/expenses	-	-
<b>Profit before tax</b>	<b>798</b>	<b>3,182</b>
Tax allocation reserve	-14	61
Tax	-175	-122
<b>NET PROFIT FOR THE YEAR</b>	<b>609</b>	<b>3,121</b>

#### Balance sheet

SEK M	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>		
Investment assets	110,662	115,377
Reinsurers' portion of technical provisions	397	472
Receivables	1,399	1,217
Other assets	3,979	5,423
Prepaid expenses and accrued income	72	105
<b>TOTAL ASSETS</b>	<b>116,509</b>	<b>122,594</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	23,703	24,150
Untaxed reserves	340	327
Technical provisions	84,850	90,165
Provisions for other risks and expenses	30	76
Deposits from reinsurers	397	472
Liabilities	7,006	7,215
Accrued expenses and deferred income	183	189
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>116,509</b>	<b>122,594</b>

# The real-estate brokerage with the market's most satisfied customers

**Real-estate brokerage** Through Länsförsäkringar Fastighetsförmedling, Länsförsäkringar offers a total solution for reliable mortgage transactions: real-estate brokerage, banking and insurance services all in one company. Real-estate brokerage is also a key customer meeting for sales of mortgages and insurance.

Länsförsäkringar Fastighetsförmedling has 165 branches throughout Sweden. The number of employees increased 11% to 816 in 2018, 579 of whom are estate agents. Länsförsäkringar Fastighetsförmedling is the third largest player in the market and Sweden's fastest growing estate-agent chain, and for the third consecutive year had the most satisfied customers according to the Swedish Quality Index's 2018 customer satisfaction survey for the estate-agent industry.

The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering. The aim is to offer more than just the brokerage and sale of residential properties. The operations are conducted in franchise form, whereby the regional insurance companies act as the franchiser for the local branches. This also means that Länsförsäkringar Fastighetsförmedling differs from other national estate-agent chains by always being locally based.

In 2018, Länsförsäkringar Fastighetsförmedling's sales represented the highest market share in the company's history.

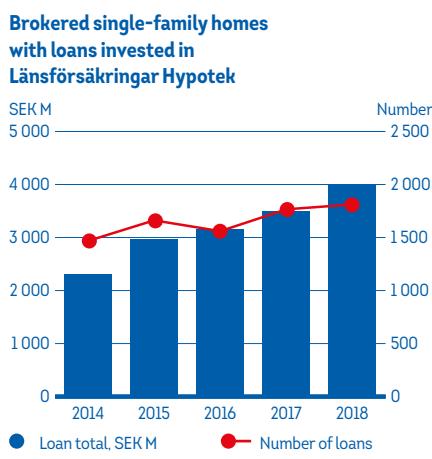


The number of brokered residential properties increased by slightly less than 1% in 2018.

Between January and December, the market share increased from 11.5% to 12.2% for single-family homes and from 9.6% to 10.3% for tenant-owned apartments, which was also the largest increase in the industry\*.

A total of 21,790 properties were brokered in 2018, of which 11,643 (11,893) tenant-owned apartments and 9,168 (8,769) single-family homes. Commission income amounted to SEK 890 M (898). The reason that commission income was relatively unchanged despite the higher market share was the uncertainty in the housing market with fewer properties brokered than in the preceding year. The total sales value for the period amounted to SEK 47.3 billion (48.7). The total market for single-family homes declined during the year, with the number of land registration certificates totalling 71,039 (71,472).

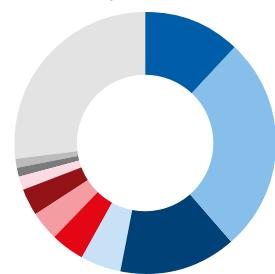
Sales of single-family homes resulted in SEK 4.0 billion (3.5) in first-lien mortgages in Länsförsäkringar's mortgage institution, divided between 1,812 (1,766) transactions. A corresponding volume was generated for tenant-owned apartments.



Sales of single-family homes resulted in SEK 4.0 billion in first-lien mortgages in Länsförsäkringar Hypotek in 2018.

## Market share of brokered single-family homes\*

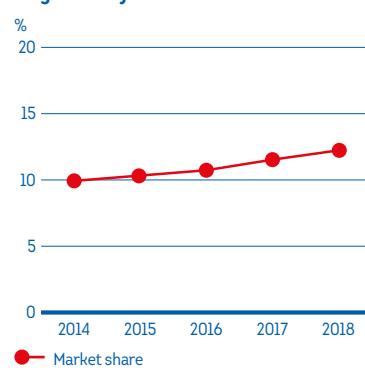
Source: Värderingsdata



Länsförsäkringar Fastighetsförmedling is the third largest brokerage group, measured by brokered single-family homes\*.

\*Statistics for market shares for single-family homes are based on Värderingsdata's list of land registration certificates (rolling 12 months). The corresponding figures for tenant-owned apartments are based on tenant-owned apartments removed from Hemnet (2018 calendar year).

## Länsförsäkringar Fastighetsförmedling's market share of brokered single-family homes\*



Länsförsäkringar Fastighetsförmedling is the fastest-growing estate-agent chain in Sweden.

# Länsförsäkringar Alliance in figures

The combined earnings of the Länsförsäkringar Alliance's non-life insurance operations are presented first on the following pages. This is followed by key figures from each of the 23 regional insurance companies.



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# Länsförsäkringar Alliance 2018

	Norrbotten	Västerbotten	Jämtland	Västernorrland	Gävleborg	Dalarna	Värmland	Uppsala	Bergslagen	Stockholm	Södermanland
<b>NON-LIFE INSURANCE, SEK M</b>											
<b>Result after ceded reinsurance 2018</b>											
Premiums earned	401	859	453	473	502	1,291	623	820	1,296	1,924	612
Investment income transferred from financial operations	33	28	17	18	11	19	9	12	20	16	8
Claims payments	-302	-646	-337	-444	-430	-979	-462	-667	-1,047	-1,445	-511
Operating expenses	-77	-133	-85	-99	-115	-199	-107	-139	-202	-388	-105
Other income/expenses	-1	-5	-2	-2	-2	-6	-2	-4	-4	-5	-2
<b>Technical result from non-life insurance operations before bonuses and discounts</b>	<b>54</b>	<b>103</b>	<b>47</b>	<b>-55</b>	<b>-34</b>	<b>126</b>	<b>61</b>	<b>22</b>	<b>63</b>	<b>102</b>	<b>1</b>
Bonuses and discounts	-16	-73	-	-	-	-231	-35	-	-	-	0
<b>Technical result for non-life insurance operations</b>	<b>38</b>	<b>30</b>	<b>47</b>	<b>-55</b>	<b>-34</b>	<b>-105</b>	<b>26</b>	<b>22</b>	<b>63</b>	<b>102</b>	<b>2</b>
Total investment income	40	7	96	101	53	222	22	105	250	138	239
Investment income transferred to insurance operations	-33	-28	-17	-18	-11	-19	-9	-12	-20	-16	-8
Other income/expenses	3	4	2	-4	7	21	4	54	26	30	2
<b>Operating profit</b>	<b>48</b>	<b>12</b>	<b>127</b>	<b>24</b>	<b>15</b>	<b>119</b>	<b>43</b>	<b>169</b>	<b>319</b>	<b>253</b>	<b>235</b>

## Balance sheet, 31 Dec 2018

### ASSETS

#### Investment assets

Shares in Länsförsäkringar AB	357	956	646	710	840	1,739	568	1,212	1,415	2,294	928
Other shares and participations	606	1,822	1,169	428	519	2,719	789	1,238	2,873	1,025	1,857
Bonds and other interest-bearing securities	321	1,049	646	705	715	2,069	768	1,155	1,245	2,300	918
Other investment assets	198	483	100	22	-	475	258	2	710	320	9
<b>Total investment assets</b>	<b>1,481</b>	<b>4,310</b>	<b>2,562</b>	<b>1,866</b>	<b>2,074</b>	<b>7,001</b>	<b>2,383</b>	<b>3,607</b>	<b>6,243</b>	<b>5,938</b>	<b>3,711</b>
Reinsurers' portion of technical provisions	201	301	279	192	600	415	236	401	331	331	222
Receivables and other assets	169	357	218	212	366	566	249	397	575	884	254
Cash and bank balances	166	147	180	51	54	290	362	158	407	216	81
Prepaid expenses and accrued income	11	47	37	14	29	132	29	49	28	39	21
<b>Total assets</b>	<b>2,028</b>	<b>5,163</b>	<b>3,276</b>	<b>2,334</b>	<b>3,123</b>	<b>8,405</b>	<b>3,258</b>	<b>4,612</b>	<b>7,583</b>	<b>7,408</b>	<b>4,289</b>

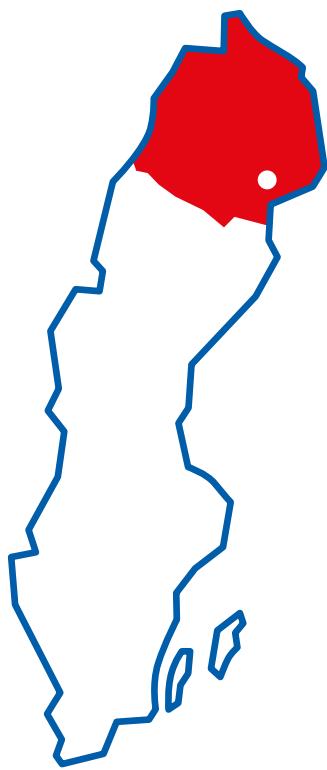
### EQUITY AND LIABILITIES

Equity	805	2,530	1,591	926	1,060	4,304	1,372	1,953	3,798	3,333	2,271
Technical provisions (before ceded reinsurance)	976	1,991	1,326	1,191	1,727	3,245	1,484	2,093	2,828	3,232	1,494
Other provisions and liabilities	187	526	296	198	323	714	319	471	787	586	511
Accrued expenses and deferred income	60	116	63	20	13	141	82	95	171	258	13
<b>Total equity and liabilities</b>	<b>2,028</b>	<b>5,163</b>	<b>3,276</b>	<b>2,334</b>	<b>3,123</b>	<b>8,405</b>	<b>3,258</b>	<b>4,612</b>	<b>7,583</b>	<b>7,408</b>	<b>4,289</b>
<b>Solvency capital / Total capital</b>	<b>943</b>	<b>2,917</b>	<b>1,832</b>	<b>1,040</b>	<b>1,284</b>	<b>4,850</b>	<b>1,627</b>	<b>2,317</b>	<b>4,423</b>	<b>3,781</b>	<b>2,621</b>
<b>Solvency margin</b>	<b>239</b>	<b>331</b>	<b>399</b>	<b>218</b>	<b>254</b>	<b>366</b>	<b>259</b>	<b>281</b>	<b>336</b>	<b>194</b>	<b>424</b>

The Länsförsäkringar Alliance comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. The Länsförsäkringar Alliance is not a Group in the legal sense of the term. Most of the non-life insurance business in the Alliance is underwritten by the regional insurance companies. The business conducted by Länsförsäkringar AB's non-life insurance Group primarily comprises health, pet and crop insurance, and some liability, cargo, motor, property and credit insurance. Länsförsäkringar AB Group also manages the Länsförsäkringar Alliance's joint reinsurance cover and assumed reinsurance. Earnings from the Läns-

försäkringar Alliance's non-life insurance operations consist of the total earnings of the 23 regional insurance companies and the non-life insurance operations of the Länsförsäkringar AB Group. The earnings for the Parent Company Länsförsäkringar AB is also included. The holdings and change in value in the Länsförsäkringar AB share and transactions between the regional insurance companies and the Länsförsäkringar AB Group have been eliminated. The 23 regional insurance companies and the Länsförsäkringar AB Group apply the approved International Financial Reporting Standards (IFRS).

Göteborg och Bohuslän		Skaraborg		Östgöta		Älvborg		Gotland		Jönköping		Halland		Kronoberg		Kalmar		Blekinge		Göinge-Kristianstad		Skåne		Länsförsäkringar AB Group excl. Bank and Fondliv		Länsförsäkringar Alliance Non-life insurance operations		Länsförsäkringar Alliance	
1,531	743	1,463	1,276	229	1,120	746	534	792	354	526	2,297	5,887	26,751	26,751															
159	13	28	45	3	15	39	5	18	5	8	27	23	429	429															
-1,210	-517	-1,092	-909	-148	-935	-547	-389	-629	-275	-417	-1,807	-4,195	-20,192	-20,192															
-330	-125	-279	-216	-46	-197	-150	-105	-148	-67	-84	-390	-1,359	-5,146	-5,146															
-5	-3	-6	-6	-1	-4	-3	-3	-3	-2	-3	-9	19	-64	-64															
<b>146</b>	<b>111</b>	<b>114</b>	<b>190</b>	<b>37</b>	<b>-2</b>	<b>85</b>	<b>43</b>	<b>30</b>	<b>15</b>	<b>30</b>	<b>118</b>	<b>374</b>	<b>1,778</b>	<b>1,778</b>															
-138	-	3	-153	-	1	-68	-40	-60	-15	-	-	-	-825	-825															
<b>8</b>	<b>111</b>	<b>116</b>	<b>37</b>	<b>37</b>	<b>-1</b>	<b>17</b>	<b>3</b>	<b>-30</b>	<b>0</b>	<b>30</b>	<b>118</b>	<b>374</b>	<b>953</b>	<b>953</b>															
427	72	333	274	33	187	72	69	126	67	158	184	980	1,771	587															
-159	-13	-28	-45	-3	-15	-39	-5	-18	-5	-8	-27	-29	-584	-584															
25	8	31	22	14	-20	18	1	1	-2	3	23	-169	103	2,478															
<b>300</b>	<b>177</b>	<b>452</b>	<b>288</b>	<b>82</b>	<b>152</b>	<b>67</b>	<b>68</b>	<b>79</b>	<b>60</b>	<b>183</b>	<b>299</b>	<b>1,156</b>	<b>2,243</b>	<b>3,434</b>															
1,687	772	1,893	1,659	221	1,355	941	584	868	349	906	2,492	-	-	-															
4,050	979	3,071	4,553	467	1,921	1,505	1,005	1,798	806	1,157	4,339	1,590	42,283	43,393															
1,202	837	2,092	1,440	483	1,512	943	699	759	547	695	2,591	4,703	30,393	69,640															
1,150	442	1,350	263	56	608	372	211	437	102	343	815	17,930	32,140	23,680															
<b>8,089</b>	<b>3,030</b>	<b>8,405</b>	<b>7,914</b>	<b>1,227</b>	<b>5,396</b>	<b>3,761</b>	<b>2,498</b>	<b>3,862</b>	<b>1,804</b>	<b>3,101</b>	<b>10,236</b>	<b>24,223</b>	<b>104,816</b>	<b>136,713</b>															
274	282	419	379	154	324	268	173	345	209	224	673	10,507	10,507	10,553															
464	320	626	529	98	487	256	218	318	146	196	931	4,993	13,830	440,946															
86	96	135	121	155	211	167	148	113	42	270	216	597	4,469	9,948															
183	17	36	66	45	29	146	7	34	10	21	180	331	1,539	3,186															
<b>9,095</b>	<b>3,746</b>	<b>9,621</b>	<b>9,009</b>	<b>1,678</b>	<b>6,448</b>	<b>4,598</b>	<b>3,044</b>	<b>4,671</b>	<b>2,211</b>	<b>3,811</b>	<b>12,237</b>	<b>40,651</b>	<b>135,161</b>	<b>601,346</b>															
4,745	1,363	5,065	5,133	888	3,196	2,178	1,404	2,328	988	1,990	5,541	19,908	59,275	66,235															
3,287	1,842	3,329	2,979	615	2,483	1,883	1,294	1,841	993	1,395	5,058	16,306	57,659	60,818															
997	515	1,183	862	166	745	509	328	490	223	410	1,552	2,792	15,175	468,299															
66	25	45	36	10	24	28	17	13	7	16	87	1,645	3,051	5,994															
<b>9,095</b>	<b>3,746</b>	<b>9,621</b>	<b>9,009</b>	<b>1,678</b>	<b>6,448</b>	<b>4,598</b>	<b>3,044</b>	<b>4,671</b>	<b>2,211</b>	<b>3,811</b>	<b>12,237</b>	<b>40,651</b>	<b>135,161</b>	<b>601,346</b>															
<b>5,446</b>	<b>1,701</b>	<b>5,983</b>	<b>5,757</b>	<b>1,002</b>	<b>3,688</b>	<b>2,522</b>	<b>1,613</b>	<b>2,688</b>	<b>1,162</b>	<b>2,271</b>	<b>6,489</b>	<b>20,755</b>	<b>68,472</b>	<b>75,432</b>															
<b>347</b>	<b>224</b>	<b>402</b>	<b>447</b>	<b>431</b>	<b>321</b>	<b>331</b>	<b>295</b>	<b>334</b>	<b>324</b>	<b>424</b>	<b>279</b>	<b>349</b>	<b>252</b>	<b>-</b>															



## LF Norrbotten

**President:** Anders Långström  
**Board Chairman:** Mats Fabricius

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	64	124
Total assets, SEK M	2,028	1,901
Solvency ratio, %	242	241
Number of employees	77	75
Number of branches	3	3
<b>Bank</b>		
Deposits, SEK M	1,051	977
Loans, SEK M	310	298
Retail mortgages, SEK M	3,002	2,780
Fund volumes managed, SEK M	258	242
Number of customers	11,100	10,600
<b>Life assurance</b>		
Premium income, SEK M	71	76
Total insurance capital, SEK M	2,042	2,155
Number of customers	16,700	17,000
<b>Non-life insurance</b>		
Premiums earned, SEK M	401	378
Technical result for insurance operations, SEK M	54	57
Bonuses and discounts to the customers, SEK M	16	14
Combined ratio after ceded reinsurance, %	94	90
Total return on asset management, %	3	6
Number of customers	66,200	65,900

## Länsförsäkringar Västerbotten

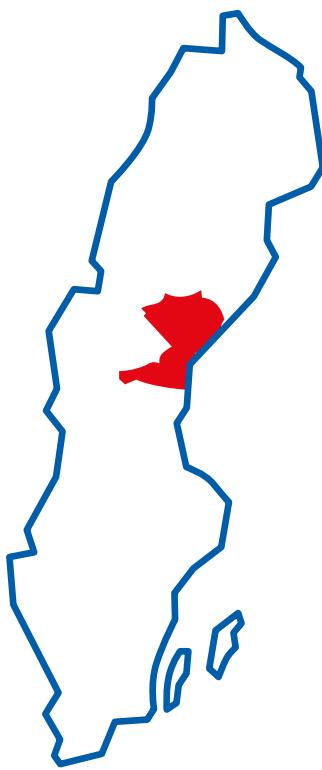
**President:** Göran Karmehag  
**Board Chairman:** Maria Wallin Wållberg

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	86	335
Total assets, SEK M	5,163	5,129
Solvency ratio, %	288	248
Number of employees	182	177
Number of branches	3	3
<b>Bank</b>		
Deposits, SEK M	4,377	4,054
Loans, SEK M	1,458	1,407
Retail mortgages, SEK M	8,245	7,362
Fund volumes managed, SEK M	1,814	1,692
Number of customers	33,400	31,600
<b>Life assurance</b>		
Premium income, SEK M	174	186
Total insurance capital, SEK M	4,326	4,502
Number of customers	30,300	30,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	859	804
Technical result for insurance operations, SEK M	103	87
Bonuses and discounts to the customers, SEK M	73	66
Combined ratio after ceded reinsurance, %	91	100
Total return on asset management, %	0	6
Number of customers	126,200	124,100

## Länsförsäkringar Jämtland

**President:** Tomas Eriksson  
**Board Chairman:** Karin Mattsson

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	127	215
Total assets, SEK M	3,276	3,110
Solvency ratio, %	251	228
Number of employees	109	103
Number of branches	3	3
<b>Bank</b>		
Deposits, SEK M	2,174	2,232
Loans, SEK M	1,197	1,087
Retail mortgages, SEK M	3,837	3,359
Fund volumes managed, SEK M	199	203
Number of customers	16,900	16,300
<b>Life assurance</b>		
Premium income, SEK M	82	95
Total insurance capital, SEK M	2,301	2,406
Number of customers	17,500	17,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	453	436
Technical result for insurance operations, SEK M	47	27
Combined ratio after ceded reinsurance, %	93	96
Total return on asset management, %	4	9
Number of customers	58,700	58,600



## Länsförsäkringar Västernorrland

**President:** Mikael Bergström  
**Board Chairman:** Stig Höglberg

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	24	100
Total assets, SEK M	2,334	2,241
Solvency ratio, %	199	185
Number of employees	124	117
Number of branches	5	5
<b>Bank</b>		
Deposits, SEK M	1,834	1,744
Loans, SEK M	557	540
Retail mortgages, SEK M	3,153	2,896
Fund volumes managed, SEK M	859	787
Number of customers	25,600	25,200
<b>Life assurance</b>		
Premium income, SEK M	103	117
Total insurance capital, SEK M	3,527	3,733
Number of customers	23,300	23,900
<b>Non-life insurance</b>		
Premiums earned, SEK M	473	457
Technical result for insurance operations, SEK M	-55	-1
Combined ratio after ceded reinsurance, %	115	103
Total return on asset management, %	6	8
Number of customers	72,500	73,400

## Länsförsäkringar Gävleborg

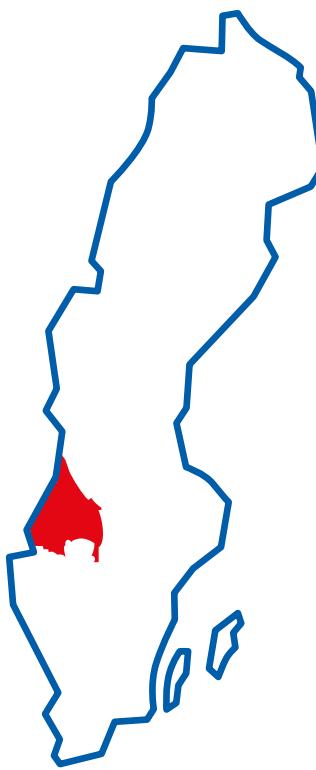
**President:** Per-Ove Bäckström  
**Board Chairman:** Mats Åstrand

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	15	166
Total assets, SEK M	3,123	2,995
Solvency ratio, %	226	200
Number of employees	154	146
Number of branches	6	6
<b>Bank</b>		
Deposits, SEK M	2,843	2,664
Loans, SEK M	706	740
Retail mortgages, SEK M	6,156	5,614
Fund volumes managed, SEK M	827	770
Number of customers	27,100	26,300
<b>Life assurance</b>		
Premium income, SEK M	103	113
Total insurance capital, SEK M	3,557	3,677
Number of customers	27,800	28,200
<b>Non-life insurance</b>		
Premiums earned, SEK M	502	486
Technical result for insurance operations, SEK M	-34	30
Combined ratio after ceded reinsurance, %	109	95
Total return on asset management, %	3	7
Number of customers	84,300	85,700

## Dalarnas Försäkringsbolag

**President:** Anders Gränäs  
**Board Chairman:** Maria Engholm

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	350	772
Total assets, SEK M	8,405	8,332
Solvency ratio, %	238	193
Number of employees	303	289
Number of branches	7	7
<b>Bank</b>		
Deposits, SEK M	5,932	5,282
Loans, SEK M	1,569	1,517
Retail mortgages, SEK M	9,623	8,777
Fund volumes managed, SEK M	2,468	2,122
Number of customers	50,600	47,700
<b>Life assurance</b>		
Premium income, SEK M	309	325
Total insurance capital, SEK M	7,362	7,531
Number of customers	45,000	45,500
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,291	1,229
Technical result for insurance operations, SEK M	126	110
Bonuses and discounts to the customers, SEK M	231	178
Combined ratio after ceded reinsurance, %	91	101
Total return on asset management, %	4	10
Number of customers	155,800	154,600



## Länsförsäkringar Värmland

**President:** Ulrika Obstfelder Petersson  
**Board Chairman:** Eva Julin Dombrowe

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	78	158
Total assets, SEK M	3,258	3,224
Solvency ratio, %	256	265
Number of employees	111	98
Number of branches	4	4
<b>Bank</b>		
Deposits, SEK M	1,783	1,553
Loans, SEK M	779	685
Retail mortgages, SEK M	3,685	3,198
Fund volumes managed, SEK M	458	410
Number of customers	15,600	14,400
<b>Life assurance</b>		
Premium income, SEK M	115	109
Total insurance capital, SEK M	3,039	3,158
Number of customers	22,900	23,300
<b>Non-life insurance</b>		
Premiums earned, SEK M	623	611
Technical result for insurance operations, SEK M	61	36
Bonuses and discounts to the customers, SEK M	35	30
Combined ratio after ceded reinsurance, %	91	94
Total return on asset management, %	1	5
Number of customers	93,600	94,400

## Länsförsäkringar Uppsala

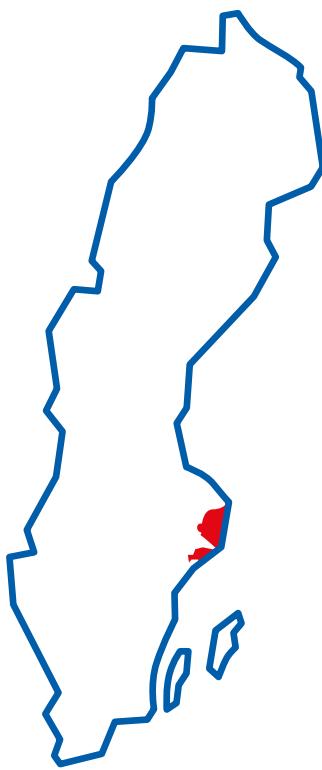
**President:** Ulrica Hedman  
**Board Chairman:** Bengt-Erik Jansson

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	169	316
Total assets, SEK M	4,612	4,298
Solvency ratio, %	224	196
Number of employees	183	185
Number of branches	5	6
<b>Bank</b>		
Deposits, SEK M	4,316	4,127
Loans, SEK M	1,702	1,671
Retail mortgages, SEK M	10,889	9,880
Fund volumes managed, SEK M	1,215	1,163
Number of customers	35,300	33,800
<b>Life assurance</b>		
Premium income, SEK M	244	265
Total insurance capital, SEK M	7,052	7,316
Number of customers	46,200	46,600
<b>Non-life insurance</b>		
Premiums earned, SEK M	820	777
Technical result for insurance operations, SEK M	22	26
Combined ratio after ceded reinsurance, %	98	97
Total return on asset management, %	4	9
Number of customers	118,500	121,100

## Länsförsäkringar Bergslagen

**President:** Mikael Sundquist  
**Board Chairman:** Bengt-Erik Lindgren

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	319	705
Total assets, SEK M	7,583	7,515
Solvency ratio, %	234	203
Number of employees	272	246
Number of branches	7	7
<b>Bank</b>		
Deposits, SEK M	7,370	6,690
Loans, SEK M	3,794	3,617
Retail mortgages, SEK M	15,567	13,931
Fund volumes managed, SEK M	2,200	1,951
Number of customers	60,900	57,100
<b>Life assurance</b>		
Premium income, SEK M	547	543
Total insurance capital, SEK M	9,929	10,068
Number of customers	58,900	58,900
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,296	1,234
Technical result for insurance operations, SEK M	63	35
Bonuses and discounts to the customers, SEK M	-	170
Combined ratio after ceded reinsurance, %	96	98
Total return on asset management, %	4	11
Number of customers	191,800	194,000



## Länsförsäkringar Stockholm

**President:** Charlotte Barnekow  
**Board Chairman:** Christer Villard

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	253	480
Total assets, SEK M	7,408	7,099
Solvency ratio, %	243	215
Number of employees	360	344
Number of branches	4	4
<b>Bank</b>		
Deposits, SEK M	7,894	7,577
Loans, SEK M	1,644	1,628
Retail mortgages, SEK M	31,517	29,032
Fund volumes managed, SEK M	2,232	2,211
Number of customers	93,000	92,200
<b>Life assurance</b>		
Premium income, SEK M	2,402	2,407
Total insurance capital, SEK M	56,114	58,013
Number of customers	223,200	224,300
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,924	1,860
Technical result for insurance operations, SEK M	102	120
Combined ratio after ceded reinsurance, %	96	95
Total return on asset management, %	3	6
Number of customers	350,700	353,400

## Länsförsäkringar Södermanland

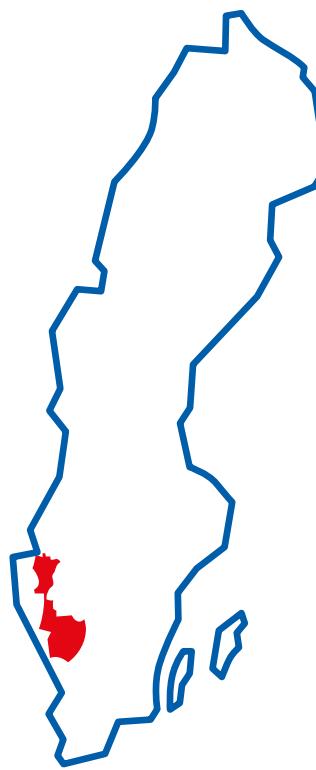
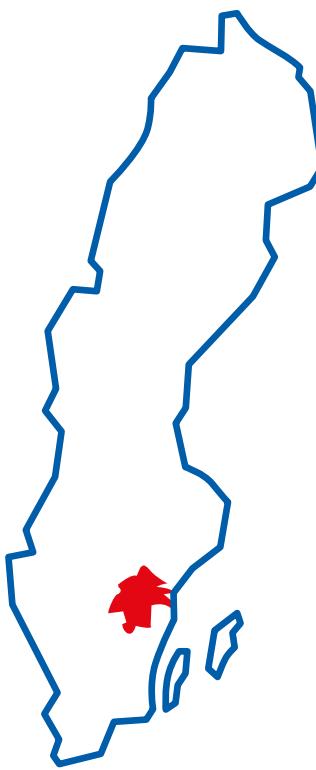
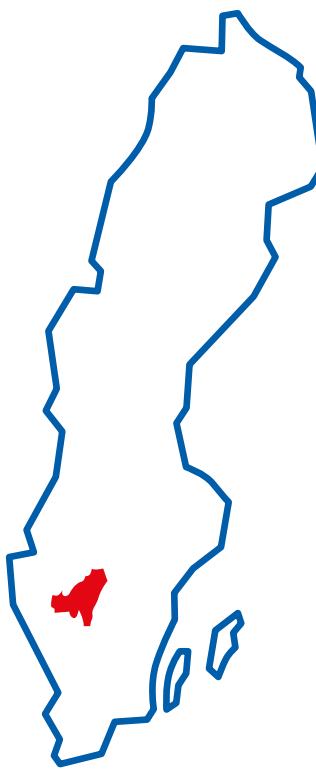
**President:** Anna-Greta Lundh  
**Board Chairman:** Caesar Åfors

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	235	349
Total assets, SEK M	4,289	4,200
Solvency ratio, %	223	192
Number of employees	137	129
Number of branches	4	4
<b>Bank</b>		
Deposits, SEK M	2,813	2,595
Loans, SEK M	957	974
Retail mortgages, SEK M	6,279	5,950
Fund volumes managed, SEK M	781	712
Number of customers	23,900	23,300
<b>Life assurance</b>		
Premium income, SEK M	163	169
Total insurance capital, SEK M	4,180	4,289
Number of customers	28,700	28,900
<b>Non-life insurance</b>		
Premiums earned, SEK M	612	597
Technical result for insurance operations, SEK M	1	50
Bonuses and discounts to the customers, SEK M	-	103
Combined ratio after ceded reinsurance, %	101	93
Total return on asset management, %	6	9
Number of customers	91,900	93,300

## Länsförsäkringar Göteborg och Bohuslän

**President:** Ricard Robbstål  
**Board Chairman:** Hans Ljungkvist

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	438	895
Total assets, SEK M	9,095	8,850
Solvency ratio, %	200	181
Number of employees	406	373
Number of branches	11	11
<b>Bank</b>		
Deposits, SEK M	6,611	6,130
Loans, SEK M	1,392	1,409
Retail mortgages, SEK M	20,513	18,027
Fund volumes managed, SEK M	2,146	1,890
Number of customers	61,700	58,400
<b>Life assurance</b>		
Premium income, SEK M	1,073	1,058
Total insurance capital, SEK M	20,596	20,937
Number of customers	93,200	92,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,531	1,414
Technical result for insurance operations, SEK M	146	77
Bonuses and discounts to the customers, SEK M	138	193
Combined ratio after ceded reinsurance, %	101	98
Total return on asset management, %	6	13
Number of customers	238,300	233,800



## Länsförsäkringar Skaraborg

**President:** Jonas Rosman  
**Board Chairman:** Eric Grimlund

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	177	315
Total assets, SEK M	3,746	3,536
Solvency ratio, %	201	174
Number of employees	173	164
Number of branches	8	8
<b>Bank</b>		
Deposits, SEK M	4,850	4,222
Loans, SEK M	2,294	2,222
Retail mortgages, SEK M	7,015	6,155
Fund volumes managed, SEK M	1,614	1,111
Number of customers	43,100	40,800
<b>Life assurance</b>		
Premium income, SEK M	170	167
Total insurance capital, SEK M	4,639	4,732
Number of customers	31,400	31,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	743	706
Technical result for insurance operations, SEK M	111	119
Bonuses and discounts to the customers, SEK M	-	40
Combined ratio after ceded reinsurance, %	86	84
Total return on asset management, %	3	8
Number of customers	107,600	106,700

## Länsförsäkringar Östgöta

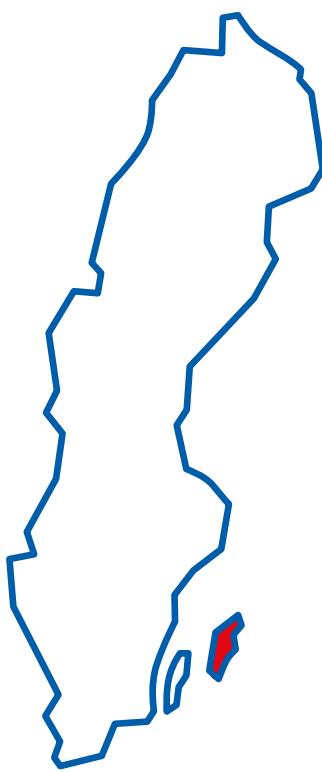
**President:** Stefan Nyrinder  
**Board Chairman:** Peter Lindgren

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	450	820
Total assets, SEK M	9,621	9,379
Solvency ratio, %	278	234
Number of employees	347	341
Number of branches	7	7
<b>Bank</b>		
Deposits, SEK M	8,609	7,970
Loans, SEK M	3,250	3,478
Retail mortgages, SEK M	16,628	14,844
Fund volumes managed, SEK M	2,671	2,821
Number of customers	66,700	64,300
<b>Life assurance</b>		
Premium income, SEK M	878	908
Total insurance capital, SEK M	14,104	14,260
Number of customers	66,200	66,600
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,463	1,386
Technical result for insurance operations, SEK M	114	157
Bonuses and discounts to the customers, SEK M	-	238
Combined ratio after ceded reinsurance, %	94	90
Total return on asset management, %	4	9
Number of customers	199,100	198,300

## Länsförsäkringar Älvborg

**President:** Ola Evensson  
**Board Chairman:** Lars Hallqvist

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	442	930
Total assets, SEK M	9,009	8,632
Solvency ratio, %	234	208
Number of employees	316	288
Number of branches	9	9
<b>Bank</b>		
Deposits, SEK M	5,411	4,945
Loans, SEK M	1,713	1,749
Retail mortgages, SEK M	12,943	11,703
Fund volumes managed, SEK M	2,060	1,861
Number of customers	71,400	70,600
<b>Life assurance</b>		
Premium income, SEK M	288	301
Total insurance capital, SEK M	7,883	8,145
Number of customers	55,900	56,600
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,276	1,217
Technical result for insurance operations, SEK M	190	228
Bonuses and discounts to the customers, SEK M	153	70
Combined ratio after ceded reinsurance, %	88	88
Total return on asset management, %	4	12
Number of customers	173,800	173,000



## Länsförsäkringar Gotland

**President:** Henrik Stangel  
**Board Chairman:** Eva Wetterdal

## Länsförsäkringar Jönköping

**President:** Henrietta Hansson  
**Board Chairman:** Göran Lindell

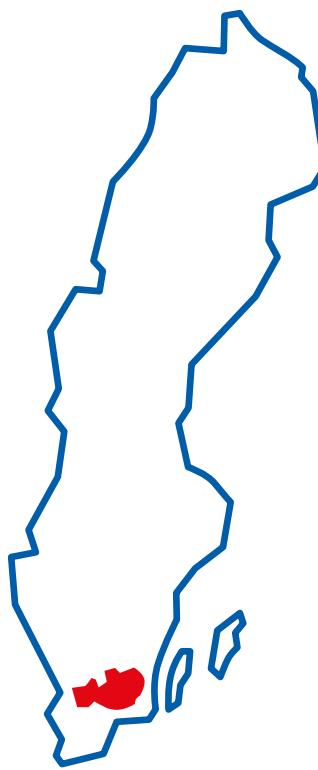
## Länsförsäkringar Halland

**President:** Christian Bille  
**Board Chairman:** Karin Starrin

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	82	137
Total assets, SEK M	1,678	1,621
Solvency ratio, %	318	267
Number of employees	72	71
Number of branches	2	2
<b>Bank</b>		
Deposits, SEK M	2,263	2,099
Loans, SEK M	1,743	1,693
Retail mortgages, SEK M	3,609	3,379
Fund volumes managed, SEK M	591	540
Number of customers	16,100	15,600
<b>Life assurance</b>		
Premium income, SEK M	65	67
Total insurance capital, SEK M	1,378	1,400
Number of customers	10,800	11,000
<b>Non-life insurance</b>		
Premiums earned, SEK M	229	215
Technical result for insurance operations, SEK M	37	54
Bonuses and discounts to the customers, SEK M	-	70
Combined ratio after ceded reinsurance, %	85	76
Total return on asset management, %	3	7
Number of customers	31,600	31,200

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	151	405
Total assets, SEK M	6,448	6,510
Solvency ratio, %	215	211
Number of employees	224	217
Number of branches	5	5
<b>Bank</b>		
Deposits, SEK M	5,815	5,177
Loans, SEK M	2,624	2,345
Retail mortgages, SEK M	8,840	7,503
Fund volumes managed, SEK M	1,882	1,728
Number of customers	40,700	37,800
<b>Life assurance</b>		
Premium income, SEK M	279	288
Total insurance capital, SEK M	7,591	7,770
Number of customers	41,100	41,300
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,120	1,058
Technical result for insurance operations, SEK M	-2	58
Bonuses and discounts to the customers, SEK M	-	50
Combined ratio after ceded reinsurance, %	101	95
Total return on asset management, %	4	8
Number of customers	137,800	135,800

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	135	380
Total assets, SEK M	4,598	4,353
Solvency ratio, %	251	234
Number of employees	160	153
Number of branches	6	6
<b>Bank</b>		
Deposits, SEK M	4,465	4,188
Loans, SEK M	3,148	3,063
Retail mortgages, SEK M	9,326	8,574
Fund volumes managed, SEK M	2,051	1,947
Number of customers	39,900	38,900
<b>Life assurance</b>		
Premium income, SEK M	203	210
Total insurance capital, SEK M	5,650	5,785
Number of customers	41,500	41,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	746	708
Technical result for insurance operations, SEK M	85	99
Bonuses and discounts to the customers, SEK M	68	133
Combined ratio after ceded reinsurance, %	93	90
Total return on asset management, %	3	9
Number of customers	102,600	100,900



## Länsförsäkring Kronoberg

**President:** Beatrice Kämpe Nikolausson  
**Board Chairman:** Per-Åke Holgersson

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	108	217
Total assets, SEK M	3,044	2,872
Solvency ratio, %	245	206
Number of employees	109	95
Number of branches	3	3
<b>Bank</b>		
Deposits, SEK M	2,613	2,511
Loans, SEK M	1,391	1,325
Retail mortgages, SEK M	3,835	3,461
Fund volumes managed, SEK M	854	820
Number of customers	26,600	26,400
<b>Life assurance</b>		
Premium income, SEK M	185	184
Total insurance capital, SEK M	3,956	4,034
Number of customers	21,500	21,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	534	503
Technical result for insurance operations, SEK M	43	49
Bonuses and discounts to the customers, SEK M	40	60
Combined ratio after ceded reinsurance, %	92	90
Total return on asset management, %	3	8
Number of customers	77,100	75,800

## Länsförsäkringar Kalmar län

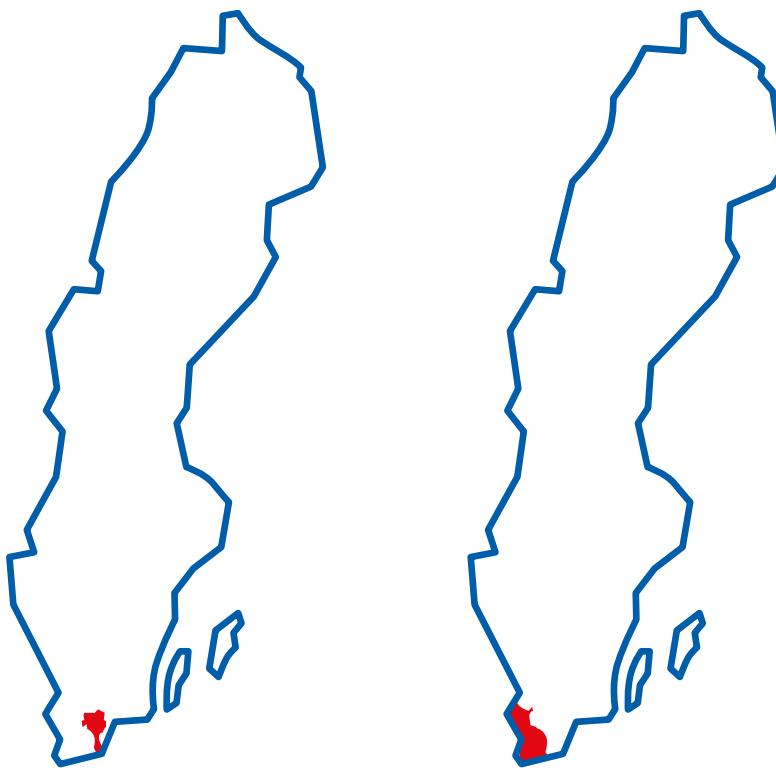
**President:** Anna Blom  
**Board Chairman:** Jan-Olof Thorstensson

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	139	338
Total assets, SEK M	4,671	4,472
Solvency ratio, %	234	210
Number of employees	184	162
Number of branches	7	7
<b>Bank</b>		
Deposits, SEK M	3,371	3,178
Loans, SEK M	1,513	1,351
Retail mortgages, SEK M	5,547	4,822
Fund volumes managed, SEK M	1,216	1,118
Number of customers	25,900	24,300
<b>Life assurance</b>		
Premium income, SEK M	127	134
Total insurance capital, SEK M	4,110	4,258
Number of customers	27,000	27,400
<b>Non-life insurance</b>		
Premiums earned, SEK M	792	765
Technical result for insurance operations, SEK M	30	60
Bonuses and discounts to the customers, SEK M	60	59
Combined ratio after ceded reinsurance, %	98	97
Total return on asset management, %	4	9
Number of customers	112,600	112,600

## Länsförsäkringar Blekinge

**President:** Jens Listerö  
**Board Chairman:** Bengt Mattsson

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	75	154
Total assets, SEK M	2,211	2,172
Solvency ratio, %	260	219
Number of employees	75	69
Number of branches	5	4
<b>Bank</b>		
Deposits, SEK M	1,969	1,765
Loans, SEK M	1,178	1,054
Retail mortgages, SEK M	3,939	3,264
Fund volumes managed, SEK M	695	637
Number of customers	16,500	15,300
<b>Life assurance</b>		
Premium income, SEK M	133	140
Total insurance capital, SEK M	2,766	2,839
Number of customers	17,200	17,400
<b>Non-life insurance</b>		
Premiums earned, SEK M	354	333
Technical result for insurance operations, SEK M	15	25
Bonuses and discounts to the customers, SEK M	15	40
Combined ratio after ceded reinsurance, %	97	93
Total return on asset management, %	3	10
Number of customers	57,700	57,600



## Länsförsäkringar Göinge-Kristianstad

**President:** Niklas Larsson  
**Board Chairman:** Göran Trobro

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	183	278
Total assets, SEK M	3,811	3,632
Solvency ratio, %	253	225
Number of employees	110	104
Number of branches	3	3
<b>Bank</b>		
Deposits, SEK M	2,722	2,461
Loans, SEK M	1,971	1,922
Retail mortgages, SEK M	3,682	3,309
Fund volumes managed, SEK M	933	814
Number of customers	20,200	19,300
<b>Life assurance</b>		
Premium income, SEK M	127	138
Total insurance capital, SEK M	3,516	3,627
Number of customers	23,400	23,800
<b>Non-life insurance</b>		
Premiums earned, SEK M	526	500
Technical result for insurance operations, SEK M	30	53
Bonuses and discounts to the customers, SEK M	-	92
Combined ratio after ceded reinsurance, %	95	90
Total return on asset management, %	5	8
Number of customers	80,300	79,500

## Länsförsäkringar Skåne

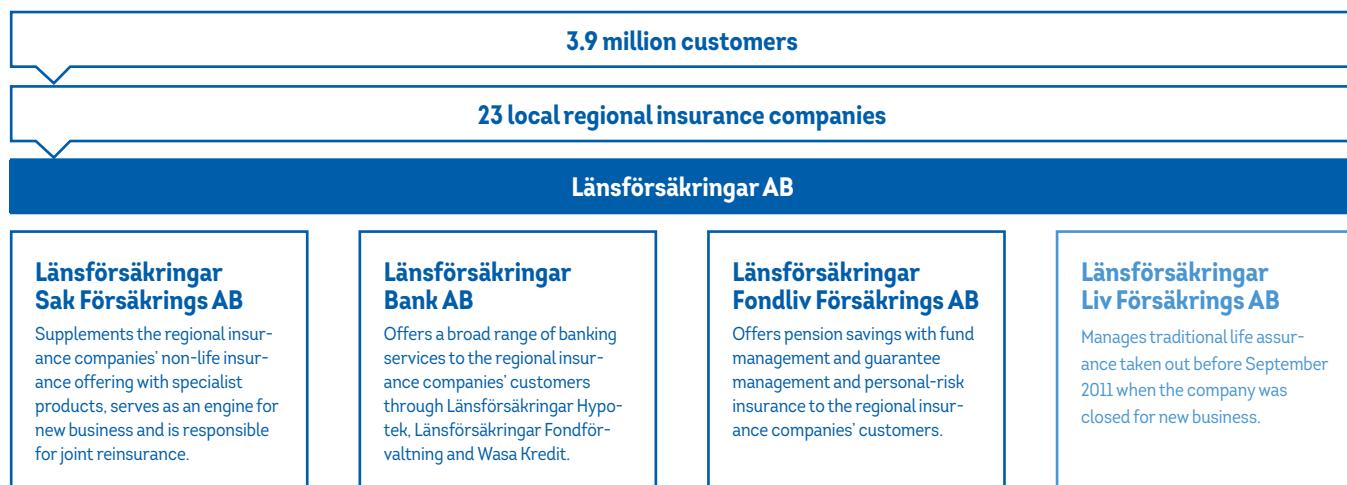
**President:** Susanne Bäsk  
**Board Chairman:** Otto Ramel

Key figures	2018	2017
Operating profit before bonuses and discounts, SEK M	299	1,167
Total assets, SEK M	12,237	11,986
Solvency ratio, %	249	197
Number of employees	561	509
Number of branches	8	8
<b>Bank</b>		
Deposits, SEK M	9,168	7,999
Loans, SEK M	4,725	4,590
Retail mortgages, SEK M	23,276	19,856
Fund volumes managed, SEK M	2,939	2,676
Number of customers	88,400	81,900
<b>Life assurance</b>		
Premium income, SEK M	1,011	983
Total insurance capital, SEK M	20,902	21,426
Number of customers	118,500	118,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	2,297	2,206
Technical result for insurance operations, SEK M	118	211
Bonuses and discounts to the customers, SEK M	-	200
Combined ratio after ceded reinsurance, %	96	91
Total return on asset management, %	2	11
Number of customers	367,900	369,200

# Organisation and facts Länsförsäkringar AB

Länsförsäkringar AB is wholly owned by the regional insurance companies, together with 16 local insurance companies. Through its distinct role in the Länsförsäkringar Alliance's value chain, Länsförsäkringar AB contributes to increasing competitiveness and reducing costs for joint development. In turn, this creates possibilities for the regional insurance companies to be successful in their respective

markets. In addition to the Parent Company, Länsförsäkringar AB, the Group consists of Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv is not consolidated in Länsförsäkringar AB since the company is operated according to mutual principles.



Company	Number of shares			
	A	B	C	Share of equity, %
Länsförsäkringar Skåne	141,849	882,046	-	9.8
Länsförsäkringar Stockholm	129,212	802,382	-	8.9
Länsförsäkringar Östgöta	114,155	663,463	-	7.5
Dalarnas Försäkringsbolag	104,708	609,639	-	6.9
Länsförsäkringar Göteborg och Bohuslän	87,010	605,143	821	6.6
Länsförsäkringar Älvborg	100,176	581,374	-	6.5
Länsförsäkringar Bergslagen	86,351	495,089	-	5.6
Länsförsäkringar Jönköping	82,812	474,021	-	5.3
Länsförsäkringar Uppsala	73,298	424,791	-	4.8
Länsförsäkringar Västerbotten	57,195	330,919	-	3.7
Länsförsäkringar Halland	56,785	329,857	-	3.7
Länsförsäkringar Södermanland	58,117	323,139	-	3.7
Länsförsäkringar Göinge-Kristianstad	49,982	322,347	-	3.6
Länsförsäkringar Kalmar län	56,717	295,878	-	3.4
Länsförsäkringar Gävleborg	60,058	281,083	-	3.3
Länsförsäkringar Skaraborg	64,058	253,172	-	3.0
Länsförsäkringar Västernorrland	50,186	257,122	-	2.9
Länsförsäkringar Jämtland	35,795	226,453	-	2.5
Länsförsäkringar Kronoberg	36,701	203,130	-	2.3
Länsförsäkringar Värmland	31,160	202,208	-	2.2
LF Norrbotten	16,960	127,878	-	1.4
Länsförsäkringar Blekinge	23,088	120,500	-	1.4
Länsförsäkringar Gotland	16,305	74,315	-	0.9
16 local insurance companies	-	-	5,134	0
<b>Total number of shares</b>	<b>1,532,678</b>	<b>8,885,949</b>	<b>5,955</b>	<b>100</b>

Share trend, Länsförsäkringar AB					
SEK	2018	2017	2016	2015	2014
Equity per share on 31 December	2,462	2,269	2,046	1,858	1,675

# Definitions

## Operating expenses in the insurance operations

Includes costs of marketing, sales and administration in insurance operations.

## Expense ratio, non-life insurance

Operating expenses as a percentage of premiums earned after ceded reinsurance.

## After ceded reinsurance

The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company. Sometimes the term "for own account" is used.

## Claims payments

The cost during the period for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result.

## Technical provisions

Provision for unearned premiums and unexpired risks, life-assurance reserves and provision for claims outstanding and comparable commitments in accordance with signed insurance contracts. For life assurance, this shall correspond to the insurance company's guaranteed insurance commitments.

## Investment income, non-life insurance

The net of the following income and expense: interest income, interest expense, dividends on shares and participations, earnings from company-owned property, change in the fair value of shares, interest-bearing securities and derivatives, earnings from the sale of investment assets, currency exchange gains and losses, and operating expenses in asset management.

## Investment income transferred from financial operations

Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the cost of capital – is transferred from investment income to the insurance operations.

## Solvency ratio

Own funds in relation to the solvency capital requirement, according to the Solvency II Directive in Swedish law.

## Cost/income ratio, bank

Total expenses in relation to total income. The cost/income ratio is calculated before and after credit losses

deferred tax assets, goodwill and other intangible assets, investments in financial companies and the difference between expected losses and reserves established for probable credit losses.

## Collective consolidation, life assurance

The ratio between the market value of total net assets and the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for the insurance policies that carry bonus rights.

## Tier 1 ratio, bank

Tier 1 capital at year-end in relation to the closing risk-weighted amount.

## Solvency margin, non-life insurance

Solvency capital as a percentage of premium income after ceded reinsurance.

## Return on equity

Operating profit less standard tax at a rate of 22.0% in relation to average equity adjusted for capital contributions and Additional Tier 1 Capital loans.

## Solvency capital

The sum of equity, untaxed reserves, deferred tax liabilities, subordinated debt as well as surplus values on assets.

## Net interest income, bank

Interest income from loans to the public, credit institutions and income from interest-bearing securities less expenses for deposits and funding from the public, credit institutions and expenses for interest-bearing securities.

## Credit losses net, bank

Confirmed credit losses and reserves for credit losses less recoveries of receivables and net expense for the year for credit losses for guarantees and other contingent liabilities.

## Technical result for non-life insurance operations

Premiums earned less claims payments, claims adjustment costs and operating expenses in the insurance operations plus profit/loss from ceded reinsurance and investment income transferred from financial operations.

## Credit losses in relation to loans, bank

Net credit losses in relation to the carrying amount of loans to the public and to credit institutions.

## Investment margin, bank

Net interest income in relation to average total assets.

## Claims ratio, non-life insurance

The ratio between claims payments, including claims adjustment costs and premiums earned after ceded reinsurance.

## Investment assets

Investment assets are current or long-term assets that take the form of an investment. This includes real estate and securities for insurance companies.

## Total return ratio

The sum of direct yield, realised gains and losses, and unrealised changes in the value of assets in relation to the average fair value of managed assets.

## Premium income

Premiums paid in during the period or recognised as receivables at the end of the period since they have fallen due for payment. Premium income is a common measure of the volume of insurance operations.

## Combined ratio, non-life insurance

The sum of operating expenses, claims payments and claims adjustment costs in relation to premiums earned after ceded reinsurance.

## Premiums earned

The proportion of premium income attributable to the period.

## Reinsurance

If an insurance company cannot, or does not wish to, assume the entire liability to policyholders, it reinsures part of its underwritten policies with other companies. In this connection, the reinsurance is said to be "ceded" by the first company and "assumed" by the second company.

# Addresses

## LF Norrbotten

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## Länsförsäkringar Värmland

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## JOINT COMPANIES

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E-mail: info@wasakredit.se

## Agria Djurförsäkring

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E-mail: info@agria.se

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# Financial calendar 2019

Interim report January-March 2019, Länsförsäkringar Bank	26 April
Interim report January-March 2019, Länsförsäkringar Hypotek	26 April
Interim report January-June 2019, Länsförsäkringar Bank	18 July
Interim report January-June 2019, Länsförsäkringar Hypotek	18 July
Interim report January-June 2019, Länsförsäkringar Alliance	29 August
Interim report January-September 2019, Länsförsäkringar Bank	24 October
Interim report January-September 2019, Länsförsäkringar Hypotek	24 October



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