

About us

Contents

Introduction

2 Statement by the President

Operations

4 Board of Directors' Report

8 Five-year summary

Financial statements

11 Income statement

11 Statement of comprehensive income

12 Performance analysis

14 Balance sheet

16 Statement of changes in equity

16 Cash-flow statement

18 Notes

46 Auditor's report

Other information

48 Board of Directors and auditor

50 Executive management

50 Definitions

52 Address

Länsförsäkringar Sak

The Non-life Insurance business unit of the Länsförsäkringar AB Group, Länsförsäkringar Sak Försäkrings AB, comprises Länsförsäkringar Sak försäkringsaktiebolag and its subsidiaries Försäkringsaktiebolaget Agria and Länsförsäkringar Grupplivförsäkrings AB. The Non-life Insurance business unit is responsible for the non-life insurance operations, including pet and crop insurance, and health insurance, which are conducted by Länsförsäkringar AB as assigned by the regional insurance companies.

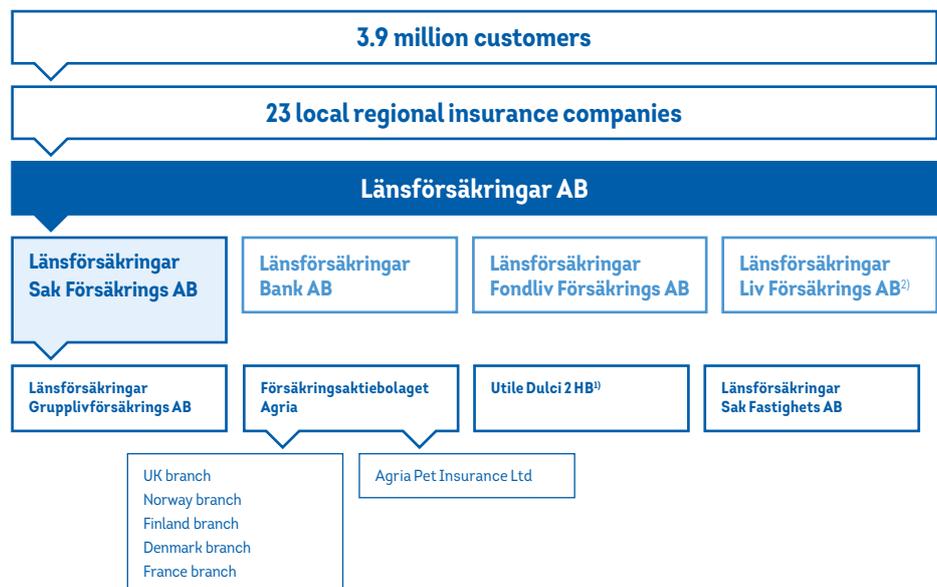
The Non-life Insurance business unit's task involves supplementing the companies' offering with specialist products to meet customer needs and to start new business that can be channelled through the regional insurance

companies. Business is conducted so that the regional insurance companies can offer customers a broad range of insurance for people, animals and property and obtain effective reinsurance coverage. Länsförsäkringar Sak underwrites health care, accident and health insurance in the Health Business Area, and commercial special insurance and international reinsurance, as well as manages the Länsförsäkringar Alliance's overall reinsurance cover. Pet insurance is conducted in the subsidiary Agria Djurförsäkring and group life assurance is underwritten in the subsidiary Länsförsäkringar Gruppliv as an important part of the customer offering in the expanding Health Business Area.

Länsförsäkringar in brief

Local companies with customers who are owners and the only principal

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through their regional insurance company. The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has 3.9 million customers and 6,700 employees.



¹⁾ After the sale in March 2016, Länsförsäkringar Sak owns 54.4% and Länsförsäkringar AB owns 45.6% of Utile Dulci 2 HB, which is a property-owning company.

²⁾ The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

The 2018 fiscal year

Significant events

- Net profit for the year before appropriations and tax amounted to SEK 223 M (1,248).
- The technical result amounted to SEK 120 M (637).
- The combined ratio amounted to 95% (84).
- The change in earnings compared with the preceding year was primarily the result of non-recurring income in the first quarter of 2017 and run-off gains in the preceding year.
- Investment income includes dividends of SEK 75 M (525) from subsidiaries.

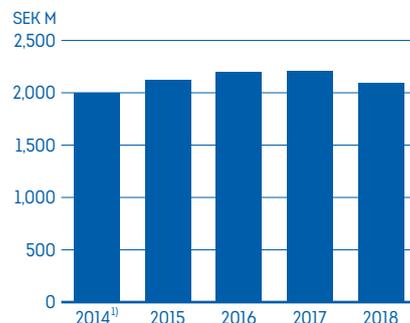
Key figures

| % | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------|------|------|------|------|------|
| Combined ratio | 95 | 84 | 96 | 78 | 86 |
| Return on equity ¹⁾ | 19 | 29 | 25 | 23 | 14 |
| Total investment income | 5.6 | 5.6 | 5.7 | 7.7 | 5.6 |
| Solvency ratio ²⁾ | 228 | 221 | 260 | 235 | |

¹⁾ Profit before appropriations adjusted for dividends from subsidiaries less standard tax at a rate of 22.0% as a percentage of average equity including 78% of untaxed reserves.

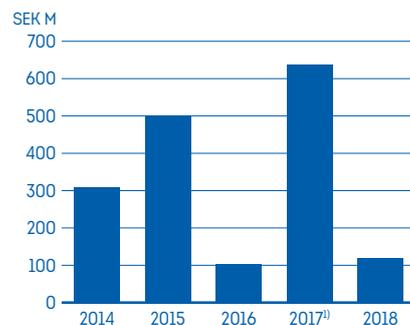
²⁾ Solvency ratio according to Solvency II rules (SII), applicable from 1 January 2016. The ratio is calculated as a ratio of SII-valued own funds in relation to the SII solvency capital requirement, calculated using a partial internal model.

Premium income after ceded reinsurance



¹⁾ Premium income after ceded reinsurance for 2014 adjusted by SEK 500 M corresponding to the effect of the transfer of the motor third-party liability insurance portfolio to the regional insurance companies.

Technical result for insurance operations



¹⁾ Earnings for 2017 included non-recurring income of SEK 260 M and run-off gains of a net SEK 235 M.



We contribute our expertise to slow climate change

Statement by the President Länsförsäkringar's vision is to create security and opportunities. The total offering – banking, insurance, pensions and real-estate brokerage – is difficult to beat. Success lies in the balance between local and shared. Länsförsäkringar Sak plays a pivotal role since we complement and harmonise with the business of the regional insurance companies and develop new business so that customer needs can continue to be met in the future.

There is local and global demand for our risk expertise, which is the foundation of our work on building insurance solutions. The role of the insurance companies is central, and always focuses on security for the customer. Society is changing at a fast rate, with factors including urbanisation, digitisation, social exclusion, increased mental illness, climate issues and an tumultuous business environment impacting our operations. This trend creates new customer requirements that are fuelling demand for new insurance products and services for private individuals, companies and employers. Länsförsäkringar provides security, reduces risks and prevents claims.

Operations

The Non-life Insurance business unit is responsible for the non-life insurance operations, including pet and crop insurance, and health insurance, which are conducted by Länsförsäkringar AB as assigned by the regional insurance companies. Our operations comprises three business areas: Agria, Health, and also Reinsurance and Special Insurance. Our task is to complement the regional insurance companies' offering with specialist products to meet the needs of both business and retail customers, and to start new business that can be channelled through the regional insurance companies. Business is conducted so that the regional insurance companies can offer customers a broad range of insurance for people, animals and property and obtain effective reinsurance coverage.

Länsförsäkringar Sak's platform remains stable. Operating profit for the Länsförsäkringar Sak Försäkringsaktiebolag amounted to SEK 223 M (1,248), including dividends from subsidiaries. Operating profit for Länsförsäkringar Sak and its subsidiaries amounted to SEK 460 M (1,028). The year-on-year change in earnings was primarily due to positive remuneration in 2017 for the part of the accident and health insurance business that was transferred from Länsförsäkringar Sak to the regional insurance companies and significant run-off gains on prior years' claims reserves in the preceding year.

Agria Djurförsäkring AB is the market-leader in pet insurance in Sweden, Norway and Denmark. Agria also operates in the UK and Finland and established operations in France during the year, meaning that Agria is now represented in five countries outside Sweden! The Health Business Area has the vision of creating a healthier Sweden and is one of the country's leading players in health and health care insurance. Reinsurance and Special Insurance manage the Länsförsäkringar Alliance's internal and external reinsurance.

Climate change and involvement in UN projects

The effects of climate change became clear for many during the year.

The summer months saw torrential rain, heat waves, drought and forest fires. Many forest owners and agricultural customers suffered greatly as fires raged, crops dried out and concern grew for their harvests, animals and finances. Customers with agricultural insurance have access to a consultation service through the Health Business Area when they have a claim. In the summer, this consultation service was opened even before claims had occurred since there was such a high need to offer customers counselling when they needed it the most. It meant that between 26 July and 31 December, policyholders were offered a free, around the clock, counselling service manned by professionals specialised in psychology, law and finance.

The risk of flooding, drought and fire is on the rise, which has consequences for our society and our customers. Länsförsäkringar Sak is the only Swedish insurance company that is a signatory of the UN Principles for Sustainable Insurance (PSI). As a result, we now have the opportunity to participate in a pilot project on climate risks initiated by the UN. Together with 17 other leading insurance companies around the world, we will produce methods and models on how future climate scenarios will impact us.

The market's most satisfied customers and strong brands

Customers gave Länsförsäkringar the highest rating in six of the Swedish Quality Index's surveys. The customer satisfaction rating was 74 for non-life insurance, a great result! We can once again state that we have the most satisfied customers in non-life insurance in both the retail and corporate markets. The Länsförsäkringar brand was named Sweden's strongest brand in insurance at the 2018 Swedish Brand Award. In addition, the Agria brand is by far the strongest in pet insurance. The strong Agria brand is based on such factors as a deep social commitment for a healthier society with animals. A portion of premiums earned is reserved for veterinary research. The importance of research for the benefit of animals is nothing new for us. Agria's research fund turned 80 in 2018. The fund donated almost SEK 10 M to veterinary research and research into the importance of animals for people and society.

Dedicated employees and new insurance offerings

The high ambition is to be a responsible and attractive employer. The workplace has dedicated and skilled employees who assume responsibility for the operations and their own development. Employee expertise and involvement are essential for achieving excellent results. It is important to have employees who have high job satisfaction and are given the conditions needed to succeed in

” Sustainability throughout the operations is a key target. All insurance claims that can be avoided are a gain for the individual, company and society.



their various duties, and who share our fundamental values of how we are to conduct ourselves in all situations.

The market and competition remained fierce in most areas, but our offerings fare well in this competition. The motor insurance market of tomorrow is affected by rapid technological advances. We need to work closer with the automotive industry to continue to give our customers secure, modern insurance solutions. Accordingly, it is particularly gratifying that an agreement for car brand insurance and vehicle-damage guarantee was signed with Toyota and Lexus beginning on 1 January 2019. This partnership is the first of its kind in the Länsförsäkringar Alliance.

New insurance needs are also arising as a result of a more digitised world, where the risk of companies and organisations becoming victims of IT and cyber attacks, for example, is increasing. For this reason, the Reinsurance and Special Insurance Business Area created a data protection insurance adapted to the needs of small and medium-sized businesses.

The vision of the Health Business Area is to create a healthier Sweden by contributing to a sustainable lifestyle, sustainable working life and a sustainable society. Society, companies and individuals stand to gain great economic and social benefits by taking preventive measures to protect their health and taking early action in the event of injury or risk of long-term sick leave. Health-promoting initiatives is a key focus area for the Health Business Area. Measures to prevent ill-health under the framework of health care insurance were highlighted during the year in various digital activities. All preventive services are now also offered as part of our home loan cover. New offers in health care insurance will be introduced from January 2019 to meet both general needs for a diversified health care insurance offering and specific needs due to the new fringe-benefit tax. With this, Länsförsäkringar will also be eligible under Söderberg & Partners' health care insurance plan.

For the first time in our history, we insure more cats than dogs in Agria. Agria launched 86 new, unique cat insurance policies in April, following the launch of unique dog policies last year. Different breeds of cat suffer from different types of injuries and illnesses that affect their veterinary care and medical needs. The Agria Cat Breed Profile, a globally unique material of analyses of cat diseases and claims using diagnoses, forms the basis of these customised insurance policies.

Regulations

Several extensive regulations that seek to increase security for our customers came into effect this year, which has presented challenging changes but also opportunities. The General Data Protection Regulation (GDPR) introduced in May was a step in the right direction and gave EU citizens more control of their personal data. Another EU regulation, the Insurance Distribution Directive (IDD), addresses all distribution of insurance and applies to all distribution channels. The introduction process was intense and affected our business and operations. Sustainability is rising to the top of the agenda for governments, companies and individuals. It is clear that policymakers are now working to tackle global climate and sustainability challenges. The European Commission has presented an action plan and there is no doubt that the rules of the game are changing.

Moving forward

Länsförsäkringar Sak can also meet customer requirements in the future. Providing the best customer value is a key factor for success since customers have to decide to retain us as their insurer every year. Effective digitised processes enhance the customer experience and provide competitive distribution and administration. A robot has been introduced to automate parts of administration in assumed reinsurance, which is an example of inspirational efficiency enhancements. Sustainability throughout the operations is a key target. All insurance claims that can be avoided are a gain for the individual, company and society.

The widespread commitment, with a close and productive collaboration with the regional insurance companies, customers and partners, plays a key role in what we achieved during the year and also for what lies ahead. Our starting point for 2019 is solid. Together we create security and opportunities.

Stockholm, March 2019

Ann Sommer
President of Länsförsäkringar Sak

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corporate Registration Number 502010-9681, hereby submit the Annual Report for the 2018 fiscal year. The registered office of the company is in Stockholm.

In accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act, consolidated financial statements were not prepared since the company and its subsidiaries are included in the consolidated financial statements for Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020. Figures in parentheses pertain to the preceding year.

Ownership

Länsförsäkringar Sak Försäkringsaktiebolag (publ) (referred to below as Länsförsäkringar Sak) is wholly owned by Länsförsäkringar AB (publ), which in turn is owned by 23 regional insurance companies and 16 local insurance companies.

Organisation

Länsförsäkringar Sak is the Parent Company of Försäkringsaktiebolaget Agria, Länsförsäkringar Grupplivförsäkringsaktiebolag, Länsförsäkringar Sak Fastighets AB, and has a controlling influence in the property-owning partnership Utile Dulci 2 HB.

Focus of operations

Länsförsäkringar Sak conducts non-life insurance operations. The majority of non-life insurance in the Länsförsäkringar Alliance is underwritten in the local regional insurance companies with local concessions. Länsförsäkringar Sak's task is to conduct business activities in the development areas in non-life insurance and to supplement the regional insurance companies' offering by conducting business activities where there is a need for specialist expertise or where economies of scale can be gained from underwriting business in Länsförsäkringar Sak. In 2018, business was underwritten in the lines of health, health care, accident, property, cargo, liability and credit insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (motor third-party liability insurance and motor insurance) and annuities operations. The company also handles the Länsförsäkringar Alliance's internal and

external reinsurance and underwrites assumed international reinsurance. Länsförsäkringar Sak's subsidiary Försäkringsaktiebolaget Agria is a specialist company in pet and crop insurance. The subsidiary Länsförsäkringar Grupplivförsäkringsaktiebolag underwrites group life assurance and occupational group life assurance. The operations in Länsförsäkringar Sak with subsidiaries are conducted jointly in Länsförsäkringar AB's Non-life Insurance business unit.

Market

The market for personal-risk insurance was affected by growing concern that social insurance in Sweden will be insufficient and greater household debt. A rising number of people are buying private insurance to increase their financial security in the event of illness, accident, unemployment, pensions and death. Company owners also want to ensure that neither they nor their employees go on long periods of sick leave and health care insurance can thus provide greater security and keep a business's employees healthier.

Two different political decisions were announced during the year that can be expected to impact the health care insurance market. Employers' statutory responsibility for rehabilitation was tightened on 1 July. This means that it will be even more important for smaller companies that do not have HR expertise to obtain external support to meet this responsibility, for example, through health care insurance that contains preventive health activities and rehabilitation. At the same time, fringe-benefit tax was introduced on health care insurance paid by employers.

The market for accident and health insurance is continuing to grow and Länsförsäkringar's market share was at about 20%.

In cargo insurance, competition for slightly larger corporate customers remains stiff and the premium volume in the Swedish market shrank slightly. In liability insurance,

the trend of an increasing number of players showing interest in the small and medium-sized businesses segment is continuing, thus intensifying competition.

The total reinsurance capacity in the international reinsurance market remained large, resulting in pressed price levels. Low interest rates for several years have attracted new players looking for alternative returns for the industry. Premium levels remain low despite a high number of claims in 2017 globally. There were also many large claims in 2018 relating to, for example, the forest fires in California and the powerful Typhoon Jebi in Japan, that impacted the profitability of the reinsurance market.

Significant events during the year

Fredrik Bergström took office as the new President and CEO of Länsförsäkringar AB on 10 September 2018. In connection with this, Fredrik Bergström was appointed the new Chairman of Länsförsäkringar Sak.

Health

Sales of the Bo Kvar product, which comprises an important part of Länsförsäkringar Bank's offering, performed strongly in recent years and the portfolio premium has grown steadily. This policy provides financial protection in the event of death, illness or unemployment and is an important component in providing financial security to customers. All Bo Kvar insurance customers were given access to preventive health services during the year, which had previously only been available for health care insurance customers.

The portfolio premium in health care insurance declined slightly during the year, mainly as a result of lower new sales in connection with the government's decision to levy fringe-benefit tax on health care insurance. New offers in health care insurance will be introduced from January 2019 to meet both general needs for a diversified health care insurance offering and specific needs due to the new fringe-benefit tax.

Work on data-driven marketing continued during the year. It should be easy to find the right insurance cover that matches customer needs and to make use of the policy and receive service via digital channels.

Reinsurance and Special Insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers through Business Area Reinsurance and Special Insurance, which manages the Group's internal and external reinsurance, underwrites assumed international reinsurance and offers specialised liability, cargo, motor, property and credit insurance solutions.

A number of new agreements signed at the end of the year resulted in premium growth for cargo insurance in terms of both premium volume and number of policies.

Several contracts in liability insurance were subject to procurement. By offering a high level of service and with its skilled employees in underwriting and claims processes, the business area has succeeded in retaining its portfolio premium at an unchanged level. The legal situation for professional indemnity insurance for life-assurance brokers remains uncertain. Länsförsäkringar Sak ceased underwriting new liability insurance for life-assurance brokers in 2014 and has taken the case to court to clarify the legal situation. Two major cases of legal proceedings are awaiting a decision by the Supreme Court and it is hoped that a ruling will be made in the first half of 2019.

Sales of seller liability insurance, which provides cover for the ten years of liability for hidden faults that sellers of private residences have under the Swedish Land Code, are increasing in line with the growth of Länsförsäkringar Fastighetsförmedling.

The business area conducts a small portfolio in motor third-party liability and motor insurance as a supplement to the regional insurance companies' motor business. Agreements on vehicle-damage guarantees and car brand insurance were signed with Toyota and Lexus in the summer and came into effect on 1 January 2019. A solution was prepared together with the customer, which fully leverages the Länsförsäkringar Alliance's strength in terms of its closeness to policyholders and dealers.

Länsförsäkringar Sak developed and

launched data protection insurance during the year. This policy is offered as a product in the rapidly growing area of cyber insurance. Besides incident management, it provides basic cover for several claim incidents that the Länsförsäkringar Alliance's customers could experience. This offer targeted to small and medium-sized businesses has been brokered by some of the regional insurance companies since September 2018. All regional insurance companies will offer the product from April 2019.

Länsförsäkringar Sak prices and administers the reinsurance pools that balance the risk of the earnings for the regional insurance companies. The Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance, noted several large claims during the year, mainly due to forest fires and flooding in the summer.

Länsförsäkringar underwrites assumed international reinsurance for both the risk and catastrophe business, specialising in property business. The long established strategy is to underwrite business from mutual companies. Länsförsäkringar Sak's partnership with the International Network of Insurance (INI) continues to be developed. The number of customised and local insurance solutions for the Länsförsäkringar Alliance's Swedish corporate customers with international interests increased during the year.

Expectations regarding future development

Personal-risk insurance is expected to remain affected by high sick leave figures, although the rate of increase has slowed slightly. Mental illness remains the most common cause of sick leave. Preventive and early measures at the workplace are the keys to succeeding in turning around this trend. High household indebtedness has led to many people not having sufficient insurance cover. The need for personal-risk insurance in the form of benefits in the event of illness, accident or unemployment is thus expected to continue to increase.

Länsförsäkringar is well-positioned for growth given the market's need for employment security solutions and the company's satisfied health care insurance customers and large market share in commercial insurance.

The Reinsurance and Special Insurance Business Area will continue to develop new and further develop existing insurance solutions to supplement the regional insurance companies' range of commercial insurance. Data protection insurance is deemed to have great potential and the ambition is to further develop the offering in insurance for cyber risks for small and medium-sized businesses. The aim is to meet new customer needs arising from an increasingly digitised world. Länsförsäkringar Sak also sees many opportunities for growth as a player in assumed reinsurance, targeting carefully selected customer segments and risk categories. The Länsförsäkringar Alliance has a strong position in motor insurance. Entering into the market for vehicle-damage guarantee and car brand insurance creates conditions for further strengthening the position in the motor market.

Capital situation

Länsförsäkringar AB and its insurance subsidiaries have had permission from the Swedish Financial Supervisory Authority since May 2016 to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks, non-life insurance risks in Länsförsäkringar Sak are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula. Länsförsäkringar Sak's capital situation is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to risk-based capital requirements. Länsförsäkringar Sak's solvency ratio, calculated using the partial internal model, on 31 December 2018 increased to 228% (221). Länsförsäkringar Sak's own funds rose SEK 280 M during the year to SEK 3,586 M. Own funds were strengthened by earnings during the year, including dividends and group contributions from subsidiaries. However, own funds were negatively impacted at year-end by Group contributions paid and proposed dividends to the Parent Company totalling SEK 412 M. The capital requirement increased during the year by SEK 78 M to SEK 1,576 M, primarily driven by higher market risk and the rising value of property holdings. A more detailed description of the company's capital situation according to Solvency II is provided in

the Länsförsäkringar AB Group's Solvency and Financial Condition Report. An updated report on the capital situation on 31 December 2018 will be published on Länsförsäkringar's website in June 2019.

Risk and risk management

Länsförsäkringar Sak's operations give rise to various types of risks. Market risks primarily arise due to changes in the level or volatility of interest rates, financial asset prices and exchange rates. Exposure to underwriting risks includes non-life insurance risks such as premium, reserve and catastrophe risk as well as life-assurance and health-insurance risks arising in the health products. A more detailed description of the risks to which the company is exposed and how these risks are managed is presented in note 2 Risk and capital management.

Employees

Employees are the Länsförsäkringar AB Group's most important resource. Their various specialist and professional expertise is vital to carrying out and developing the operations. Being a responsible employer is important for Länsförsäkringar Sak to attract new employees and retain existing employees. Diversity and equality, skills development, learning, health and work environment and activity-based working are deemed the key components of a responsible and an attractive employer.

In 2018, this resulted in, for example, recruitment processes focusing on diversity, a good gender distribution in working groups and no cases of discrimination being reported.

Länsförsäkringar Sak's employees have access to a broad range of mainly internal training opportunities as well as external courses and seminars. The Länsförsäkringar AB Group has applied a long-term approach to health and the organisational, social and physical work environment for many years. The organisational and social work environment is regularly monitored in accordance with the Swedish Work Environment Authority's provisions (AFS 2015:4). Health care insurance is offered to all employees that includes medical consultations, counselling, preventive health services and rehabilitation.

All business units and departments have diversity-related activities in the Länsförsäkringar AB Group's 2019 business plan. Work on equality in working groups is continuing. Activity-based working centring on people, IT and flexibility will start to be implemented.

Sustainability

Sustainability activities are based on the vision of "Together we create security and opportunities." Länsförsäkringar Sak can reduce its sustainability risks and also contribute to the positive development of society and create business value by incorporating sustainability into its business. Our offerings are to provide the opportunity to make a positive contribution to a sustainable future. Länsförsäkringar Sak has actively made a standpoint and follows three UN initiatives, and endeavours to integrate these principles into its insurance operations. The initiatives are: Global Compact (corporate sustainability), Principles for Responsible Investment (PRI) and Principles for Sustainable Insurance (PSI). Sustainability at Länsförsäkringar Sak and its subsidiaries is organised in the form of a Sustainability Team led by the Head of Sustainability and Business Support and comprises an appointed officer for each business area (Health, Agria and Reinsurance and Special Insurance) who is also a member of the management group of each business area. The President and Head of Responsible Investments in Asset Management are also part of the Sustainability Team. Sustainability has been a priority area in the business plan since 2018, coupled with the clear ambition to continue prioritising this area. Claims prevention is an area in which insurance companies can significantly affect sustainability. The focus areas for claims-prevention activities are:

- security and burglary, fire, water, motor third-party liability, and natural catastrophes
- claims-prevention measures for people, animals and businesses
- health-promotion services for people and animals

During the year, Länsförsäkringar Sak was chosen to participate in the UN's new pilot group on climate risks and the application of the recommendations of Bloomberg's

Task Force on Climate-related Financial Disclosures (TCFD).

These recommendations include partially new approaches and methods for measuring the effects of global warming and various climate scenarios related to the Paris Agreement. Together with participants from 17 other insurance companies from across the world, Länsförsäkringar Sak will develop analytical tools and climate scenario analyses and report on how these risks are measured and managed.

The approach to sustainability is described in more detail in the sustainability policy. All employees are expected to actively promote integrating sustainability into the operations and have sound understanding of sustainability topics.

The company does not prepare a statutory sustainability report in accordance with Chapter 6, Section 10 of the Swedish Annual Accounts Act. Länsförsäkringar AB prepares a Sustainability Report for the Group in which Länsförsäkringar Sak is included. The Group's Sustainability Report can be found in Länsförsäkringar AB's 2018 Annual Report on the pages listed in the Index ÅRL Sustainability Report on page 130.

Asset Management

Asset management is handled within Länsförsäkringar AB on assignment from Länsförsäkringar Sak. During the year, risk in the portfolio increased slightly yet remained at a relatively low level. Most of the total market risk was in strategic property holdings, while the market risk in the more actively managed part of the portfolio mainly comprised interest-bearing assets with credit elements and some equities exposure.

Earnings and financial position

Profit before appropriations and tax in 2018 amounted to SEK 223 M (1,248). Profit from insurance operations amounted to SEK 120 M (637) and profit from financial operations to SEK 103 M (611). Appropriations include the dissolution of prior years' tax allocation reserves. Profit before tax amounted to SEK 459 M.

Profit from insurance operations

The combined ratio amounted to 95% (84). The year-on-year change in earnings was primarily due to remuneration of SEK 260 M,

recognised as other income, for the part of the accident and health insurance business that was transferred from Länsförsäkringar Sak to the regional insurance companies in 2017. In addition, earnings in the preceding year included significantly positive run-off gains on claims reserves in prior years following a review of the provision for claims payments. Run-off gains were also positive in 2018, with varying effects in different business lines, but at a lower level than in 2017.

The part of the health insurance business that was not transferred to the regional insurance companies in 2017 reported improved earnings as a result of premium adjustments and a review of conditions. Earnings for the health care business line were also stronger year-on-year. However, accident insurance noted weaker earnings as a result of higher claims costs in the current year and a strengthening of reserves for claims in prior years. Earnings for the liability business improved, mainly due to the inclusion of high run-off losses in earnings in the preceding year. Internationally assumed reinsurance reported high claims costs, for example, from fires in California and the Japanese Typhoon Jebi. Earnings for the Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance, were impacted by higher claims costs than expected, primarily from the forest fires and flooding in the summer, but earnings were nevertheless stronger than in the preceding year as a result of positive run-off gains. The cargo business line continued to deliver stable positive earnings, but with slightly higher claims costs year-on-year.

Premiums earned after ceded reinsurance declined 4% to SEK 2,128 M (2,218). In 2017, a portion of the accident and health insurance business was transferred to the regional insurance companies, which is the reason for the lower premiums earned year-on-year. The assumed international reinsurance, liability, cargo and motor insurance lines increased between 3% and 6%, while premiums earned for the health care and health insurance business were relatively unchanged.

Claims payments after ceded reinsurance increased to SEK 1,575 M (1,454) and the claims ratio was 74% (66). The change was mainly due to lower run-off gains on prior years' business compared with the preceding year. Claims costs excluding run-off gains increased slightly in 2018, mainly impacted by the decline in earnings in accident insurance.

Operating expenses amounted to SEK 453 M (410) and the expense ratio increased to 21 (18). Impairment of intangible assets in 2018 and the fact that the preceding year included positive contributions from the change in the handling of capitalised costs contributed to the change in expense ratio.

Profit from financial operations

The total return amounted to 5.6% (5.6). Properties, which amounted to approximately 41% of the investment assets at the end of the period, yielded a high return during the year, mainly driven by a positive change in value and contributed 6.5 percentage points to the total return. The fixed-income portfolio, which has a short duration, made a total contribution of 0.1 percentage points, with European private lending accounting for the largest positive contribution. The equities portfolio made a negative contribution of -0.5 of a percentage point. Currencies also made a negative contribution of -0.5 of a percentage point. The negative contribution was mainly attributable to costs for protecting the exposure of the portfolio in US holdings.

The total return was unchanged year-on-year. However, the fixed-income and equities portfolio made a lower contribution due to the weaker performance for the year, while properties made a higher contribution due to a higher change in value.

Investment income recognised in profit or loss also includes dividends from subsidiaries that are not included in the return figure above. The dividend received in the preceding year was SEK 525 M, while the dividend in 2018 was SEK 75 M. The appreciation of the value of owner-occupied property in the company Utile Dulci is also not included in profit or loss and is instead recognised directly in equity.

Proposed appropriation of the insurance company's profit or loss

According to the balance sheet of Länsförsäkringar Sak Försäkringsaktiebolaget (publ), non-restricted equity of SEK 296,619,387 is at the disposal of the Annual General Meeting.

The following profit is at the disposal of the Annual General Meeting:

| | |
|----------------------------|--------------------|
| Retained earnings | 34,299,932 |
| Group contributions paid | -150,000,000 |
| Tax on Group contributions | 33,000,000 |
| Net profit for the year | 379,319,455 |
| Total | 296,619,387 |

The Board of Directors proposes that profit be appropriated as follows:

| | |
|--------------------------------|--------------------|
| To be distributed to the owner | 295,000,000 |
| To be carried forward | 1,619,387 |
| Total | 296,619,387 |

The dividend, comprising 59% of the insurance company's equity, has been proposed after considering the rules on solvency capital requirement under the Swedish Insurance Business Act.

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 228% (221).

The insurance company's financial position does not result in any other assessment than that the insurance company can be expected to fulfil its obligations in both the short and long term.

The Board of Directors believes that the insurance company's equity as reported in the Annual Report is sufficiently high in relation to the nature, scope and risks of the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

For more information on the insurance company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.

Five-year summary

| SEK M | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------------|---------------------------|---------------------------|----------------------------|--------------|
| EARNINGS | | | | | |
| Premiums earned (after ceded reinsurance) | 2,128 | 2,218 | 2,199 | 2,115 | 1,485 |
| Investment income transferred from financial operations | 21 | 24 | 14 | 36 | 115 |
| Claims payments (after ceded reinsurance) | -1,575 | -1,454 | -1,666 | -1,205 | -861 |
| Operating expenses | -453 | -410 | -443 | -444 | -412 |
| Other income and expenses | -1 | -1 | -1 | - | -19 |
| Technical result for insurance operations | 120 | 637 | 103 | 501 | 308 |
| Remaining investment income | 103 | 611 | 477 | 483 | 41 |
| Other non-technical expenses | - | - | - | -12 | -29 |
| Profit before appropriations and tax | 223 | 1,248 | 580 | 972 | 320 |
| Net profit for the year | 379 | 1,013 | 518 | 817 | 217 |
| Premium income (after ceded reinsurance) | | | | | |
| Non-life insurance | 2,091 | 2,204 | 2,203 | 2,123 | 1,499 |
| FINANCIAL POSITION | | | | | |
| Investment assets measured at fair value | 6,907 | 7,497 | 7,405 ¹⁾ | 7,924 | 7,242 |
| Technical provisions (after ceded reinsurance) | 3,729 | 3,780 | 4,130 | 3,913 | 4,172 |
| Solvency capital | | | | | |
| Equity | 501 | 697 | 751 | 828 | 580 |
| Deferred tax | -3 | 4 | 6 | 8 | 10 |
| Untaxed reserves | 1,139 | 1,375 | 1,271 | 1,255 | 1,205 |
| Surplus values | 1,887 | 1,543 | 1,370 | 1,551 | 1,149 |
| Solvency capital | 3,524 | 3,619 | 3,398 | 3,642 | 2,944 |
| Solvency margin, % | 169 | 164 | 155 | 172 | 196 |
| Own funds (according to FRL wording on 31 Dec 2015) | - | - | - | 3,144 | 2,588 |
| Required solvency margin (according to FRL wording on 31 Dec 2015) | - | - | - | 473 | 512 |
| Own funds, insurance group Länsförsäkringar Sak Group (according to FRL wording on 31 Dec 2015) | - | - | - | 3,371 | 3,020 |
| Required solvency margin, insurance group Länsförsäkringar Sak Group (according to FRL wording on 31 Dec 2015) | - | - | - | 1,050 | 1,050 |
| Own funds, insurance group (according to FRL wording on 31 Dec 2015) ²⁾ | - | - | - | 9,437 | 7,619 |
| Required solvency margin, insurance group (according to FRL wording on 31 Dec 2015) ²⁾ | - | - | - | 6,072 | 6,293 |
| Own funds | 3,586³⁾ | 3,306³⁾ | 3,453³⁾ | 3,330⁴⁾ | - |
| Minimum capital requirement | 709 | 674 | 597 | 637⁴⁾ | - |
| Solvency capital requirement | 1,576 | 1,498 | 1,326 | 1,415⁴⁾ | - |
| Solvency ratio, % | 228 | 221 | 260 | 235⁴⁾ | - |
| Own funds for insurance group⁵⁾ | 43,870 | 44,172 | 40,602 | 36,905⁴⁾ | - |
| Solvency capital requirement for insurance group⁵⁾ | 33,874 | 33,441 | 30,121 | 28,233⁴⁾ | - |
| Solvency ratio, % for insurance group⁵⁾ | 130 | 132 | 135 | 131⁴⁾ | - |
| KEY FIGURES | | | | | |
| Insurance operations | | | | | |
| Claims ratio ⁶⁾ , % | 74 | 66 | 76 | 57 | 58 |
| Expense ratio, % | 21 | 18 | 20 | 21 | 28 |
| Combined ratio, % | 95 | 84 | 96 | 78 | 86 |
| Asset management | | | | | |
| Direct yield, including properties in Group companies | -0.1 | 8.0 | 0.6 ⁷⁾ | 6.1 | 0.5 |
| Total return ratio, including properties in Group companies | 5.6 | 5.6 | 5.7 | 7.7 | 5.6 |

¹⁾ Comparative figures for 2016 (but not 2014–2015) have been restated because accrued interest is recognised together with financial instruments measured at fair value. See note 1 for further information.

²⁾ An insurance group for Länsförsäkringar AB (publ) together with Länsförsäkringar Grupp-livförsäkringsaktiebolag, Försäkringsaktiebolaget Agria, Länsförsäkringar Fondliv and Länsförsäkringar Liv due to the amendment of the Swedish Insurance Business Act (2010:204) effective 1 January 2014.

³⁾ Of which SEK 3,586 M (3,306) is Tier 1 capital.

⁴⁾ Opening balance on 1 January 2016 under Solvency II, partial internal model. There are no comparative figures since the regulations came into effect on 1 January 2016.

⁵⁾ The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. The financial

conglomerate also includes Länsförsäkringar Liv Försäkrings AB, despite Länsförsäkringar Liv not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, except where the insurance-operation rules require deductions from surplus capital in subsidiaries that are not transferable to another company unless the subsidiary in question is an insurance company.

⁶⁾ Fees to Swedish Motor Insurers were previously recognised as claims payments. From 2014, these fees are recognised as Other technical expenses since the expense is not considered to be a transfer of insurance risk. When viewed in relation to the insurance operations, it is deemed more correct to recognise the expense as Other technical expenses. The claims ratio has been adjusted for 2013 but not for older periods since it is difficult to obtain data.

⁷⁾ Comparative figures for 2014–2016 have not been restated since surplus values of properties in Group companies have been included and dividends from insurance companies have been excluded.

Direct yield

Direct yield refers to the total of operating net from properties, interest income, interest expense, other financial expenses, dividends on shares and participations (excluding dividends on participations in insurance subsidiaries) in relation to the average value of the investment assets during the year, including surplus values of properties in Group companies.

Total return ratio

Total return ratio refers to the sum of the direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs, in relation to the average value of these assets during the year. The change in value in assets for liability hedges is included in the figure, but the change in value of the discounted technical provisions is not included in the total return.

Surplus values

Items included in Surplus values, see note 18 Shares and participations in Group companies, with information about the valuation of shares in property companies. Surplus values are calculated as the difference between the Market Value and Carrying Amount of properties in subsidiaries, adjusted by the difference between the Carrying Amount of these shares/participations in subsidiaries and Equity in the subsidiaries.

Financial statements

| | |
|---|----|
| Income statement | 11 |
| Performance analysis | 12 |
| Balance sheet | 14 |
| Statement of changes in equity | 16 |
| Cash-flow statement | 16 |
| Note 1 Accounting policies | 18 |
| Note 2 Risks and risk management | 24 |
| Note 3 Premium income | 31 |
| Note 4 Investment income transferred from financial operations | 31 |
| Note 5 Claims payments | 31 |
| Note 6 Operating expenses | 31 |
| Note 7 Fees and remuneration of auditors | 31 |
| Note 8 Employees, staff costs and remuneration of senior executives | 31 |
| Note 9 Other technical expenses | 33 |
| Note 10 Investment income, revenue | 33 |
| Note 11 Unrealised gains on investment assets | 33 |
| Note 12 Investment income, expenses | 33 |
| Note 13 Unrealised losses on investment assets | 33 |
| Note 14 Investment income, per measurement category | 34 |
| Note 15 Taxes | 34 |
| Note 16 Goodwill | 34 |
| Note 17 Other intangible assets | 35 |
| Note 18 Shares and participations in Group companies | 36 |
| Note 19 Interest-bearing securities issued by Group companies and loans to Group companies | 36 |
| Note 20 Shares and participations in associated companies | 36 |
| Note 21 Shares and participations | 37 |
| Note 22 Bonds and other interest-bearing securities | 37 |
| Note 23 Derivatives | 37 |
| Note 24 Information about offsetting | 37 |
| Note 25 Receivables, direct insurance | 38 |
| Note 26 Other receivables | 38 |
| Note 27 Deferred acquisition costs | 38 |
| Note 28 Other prepaid expenses and accrued income | 38 |
| Note 29 Untaxed reserves | 38 |
| Note 30 Unearned premiums and unexpired risks | 38 |
| Note 31 Claims outstanding | 39 |
| Note 32 Pensions and similar commitments | 39 |
| Note 33 Other provisions | 39 |
| Note 34 Liabilities, direct insurance | 39 |
| Note 35 Other liabilities | 40 |
| Note 36 Other accrued expenses and deferred income | 40 |
| Note 37 Financial assets and liabilities by category | 40 |
| Note 38 Transition to IFRS 9 Financial instruments | 42 |
| Note 39 Anticipated recovery and settlement periods, amounts expected to be recovered | 43 |
| Note 40 Pledged assets and contingent liabilities | 43 |
| Note 41 Disclosures on related parties | 43 |
| Note 42 Supplementary disclosures on income-statement items by insurance class | 44 |
| Note 43 Significant events after the end of the fiscal year | 44 |
| Note 44 Appropriation of profit | 44 |

| Income statement | | | |
|--|-------------|-----------------|-----------------|
| Technical recognition of non-life insurance operations, SEK M | Note | 2018 | 2017 |
| Premiums earned (after ceded reinsurance) | | | |
| Premium income | 3 | 3,684.6 | 3,825.5 |
| Premiums for ceded reinsurance | | -1,594.0 | -1,621.1 |
| Change in Provision for unearned premiums and unexpired risks | | 5.0 | -13.7 |
| Reinsurers' portion of Change in provision for unearned premiums and unexpired risks | | 32.8 | 27.8 |
| Total | | 2,128.4 | 2,218.5 |
| Investment income transferred from financial operations | 4 | 20.6 | 24.4 |
| Other technical revenue | | 0.0 | 260.0 |
| Claims payments (after ceded reinsurance) | | | |
| Claims paid | | | |
| Before ceded reinsurance | | -2,446.9 | -2,426.7 |
| Reinsurers' portion | | 813.6 | 825.8 |
| Total | 5 | -1,633.3 | -1,600.9 |
| Change in Provision for claims outstanding | | | |
| Before ceded reinsurance | | 43.7 | 139.8 |
| Reinsurers' portion | | 14.8 | 7.3 |
| Total | | 58.5 | 147.1 |
| Claims payments (after ceded reinsurance) | | | |
| | | -1,574.8 | -1,453.8 |
| Operating expenses | 6, 7, 8 | -453.1 | -410.3 |
| Other technical expenses | 9 | -1.4 | -1.4 |
| TECHNICAL RESULT FOR NON-LIFE INSURANCE OPERATIONS | | 119.7 | 637.4 |
| NON-TECHNICAL RECOGNITION | | | |
| Technical result for non-life insurance operations | | 119.7 | 637.4 |
| Investment income, revenue | 10 | 278.8 | 695.8 |
| Unrealised gains on investment assets | 11 | - | 27.9 |
| Investment income, expenses | 12 | -91.0 | -76.5 |
| Unrealised losses on investment assets | 13 | -57.8 | -7.0 |
| Investment income transferred to non-life insurance operations | | -26.6 | -29.5 |
| Profit before appropriations and tax | | 222.9 | 1,248.1 |
| Appropriations | | | |
| Tax allocation reserve | 29 | 235.8 | -103.3 |
| Profit before tax | | 458.8 | 1,144.8 |
| Tax on net profit for the year | 15 | -79.4 | -132.1 |
| Net profit for the year | | 379.3 | 1,012.7 |

| Statement of comprehensive income | | |
|--|--------------|----------------|
| SEK M | 2018 | 2017 |
| Net profit for the year | 379.3 | 1,012.7 |
| Other comprehensive income | | |
| Items that cannot be transferred to profit and loss | | |
| Change in fair value of equity instruments measured at FVOCI | 1.2 | - |
| Total comprehensive income | 380.5 | 1,012.7 |

Performance analysis 2018

| SEK M | Total | Accident and health | Health care | Commercial | Legal expenses | Liability | Motor third-party liability |
|---|-----------------|---------------------|--------------|--------------|----------------|----------------|-----------------------------|
| Technical result for non-life insurance operations | | | | | | | |
| Premiums earned (after ceded reinsurance) | 2,128.4 | 332.1 | 753.1 | 59.3 | 2.0 | 145.9 | 43.7 |
| Investment income transferred from financial operations | 20.6 | 1.6 | 0.5 | 0.5 | - | 11.2 | 2.0 |
| Claims payments (after ceded reinsurance) | -1,574.8 | -296.0 | -527.2 | -42.3 | -3.0 | -74.3 | -40.1 |
| Operating expenses | -453.1 | -72.0 | -157.0 | -10.8 | -0.6 | -27.0 | -8.8 |
| Other technical revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other technical expenses | -1.4 | - | - | - | - | - | -1.5 |
| Technical result for non-life insurance operations, 2018 | 119.7 | -34.3 | 69.4 | 6.7 | -1.6 | 55.8 | -4.7 |
| Technical result for non-life insurance operations, 2017 | 637.4 | 510.9 | 137.8 | -0.8 | 0.3 | -55.7 | -1.5 |
| Run-off result (before ceded reinsurance) ¹⁾ 2018 | 549.9 | -0.9 | 61.8 | -2.9 | -1.4 | 104.1 | 19.2 |
| Technical provisions before ceded reinsurance | | | | | | | |
| Provision for unearned premiums and unexpired risks | 633.4 | 43.7 | 180.5 | 34.4 | 0.8 | 102.3 | 5.6 |
| Provision for claims outstanding | 13,597.2 | 765.5 | 98.2 | 93.0 | 2.8 | 997.3 | 2,015.9 |
| Total technical provisions, before ceded reinsurance | 14,230.6 | 809.2 | 278.7 | 127.4 | 3.6 | 1,099.6 | 2,021.5 |
| Reinsurers' portion of technical provisions | | | | | | | |
| Provision for unearned premiums and unexpired risks | 124.1 | - | - | 7.0 | 0.1 | 1.6 | - |
| Provision for claims outstanding | 10,337.1 | - | - | 27.3 | - | 3.9 | 1,866.8 |
| Total reinsurers' portion of technical provisions | 10,501.2 | - | - | 34.3 | 0.1 | 5.5 | 1,866.8 |

¹⁾ The provision for claims payments includes risk margins in line with the future IFRS 17. Systematic run-off gains arise if the risk margin linked to prior years' provision for claims payments is not consumed.

Notes to Performance analysis

| SEK M | Total | Accident and health | Health care | Commercial | Legal expenses | Liability | Motor third-party liability |
|--|-----------------|---------------------|---------------|--------------|----------------|--------------|-----------------------------|
| Note A Premiums earned (after ceded reinsurance) | | | | | | | |
| Premium income | 3,684.6 | 338.9 | 754.6 | 87.5 | 2.0 | 167.7 | 40.2 |
| Premiums for ceded reinsurance | -1,594.0 | -2.3 | - | -27.5 | -0.1 | -9.5 | -4.3 |
| Change in Provision for unearned premiums and unexpired risks | 5.0 | -4.5 | -1.5 | -2.0 | 0.1 | -12.2 | 7.8 |
| Reinsurers' portion of change in provision for unearned premiums and unexpired risks | 32.8 | - | - | 1.3 | - | -0.1 | - |
| Premiums earned (after ceded reinsurance) | 2,128.4 | 332.1 | 753.1 | 59.3 | 2.0 | 145.9 | 43.7 |
| Note B Claims payments (after ceded reinsurance) | | | | | | | |
| Claims paid | | | | | | | |
| Before ceded reinsurance | -2,446.9 | -256.7 | -565.3 | -47.3 | -5.5 | -99.6 | -102.8 |
| Reinsurers' portion | 813.6 | - | - | 4.1 | - | 0.1 | 61.3 |
| Change in provision for claims outstanding | | | | | | | |
| Before ceded reinsurance | 43.7 | -39.3 | 38.1 | -13.5 | 2.5 | 70.0 | 145.2 |
| Reinsurers' portion | 14.8 | - | - | 14.4 | - | -44.9 | -143.8 |
| Claims payments (after ceded reinsurance) | -1,574.8 | -296.0 | -527.2 | -42.3 | -3.0 | -74.3 | -40.1 |

| Motor | Transit | Hull | Household and homeowner | Credit and Guarantees | Direct insurance Swedish risks | Direct insurance foreign risks | Total assumed reinsurance |
|--------------|-------------|----------|-------------------------|-----------------------|--------------------------------|--------------------------------|---------------------------|
| 140.2 | 108.1 | - | - | 1.1 | 1585.5 | 4.5 | 538.4 |
| 0.1 | 0.1 | - | - | - | 16.0 | - | 4.6 |
| -119.6 | -56.7 | - | 0.3 | -0.6 | -1,159.5 | -2.6 | -412.7 |
| -17.9 | -30.5 | - | - | -1.1 | -325.7 | -0.8 | -126.6 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 0.1 | - | - | - | - | -1.4 | - | - |
| 2.9 | 21.0 | - | 0.3 | -0.6 | 114.9 | 1.1 | 3.7 |
| -0.4 | 63.3 | 0.1 | -0.3 | -2.1 | 651.6 | 1.9 | -16.1 |
| -0.4 | 12.0 | - | 0.3 | - | 191.8 | -0.2 | 358.3 |
| 102.5 | 35.6 | - | 1.1 | 9.7 | 516.2 | 2.8 | 114.4 |
| 39.9 | 27.4 | - | 1.0 | 3.6 | 4,044.6 | 1.4 | 9,551.2 |
| 142.4 | 63.0 | - | 2.1 | 13.3 | 4,560.8 | 4.2 | 9,665.6 |
| 70.7 | 1.4 | - | - | 7.8 | 88.6 | 1.5 | 34.0 |
| 4.1 | - | - | - | 2.6 | 1,904.7 | 0.1 | 8,472.3 |
| 74.8 | 1.4 | - | - | 10.4 | 1,933.3 | 1.6 | 8,506.3 |

| Motor | Transit | Hull | Household and homeowner | Credit and Guarantees | Direct insurance Swedish risks | Direct insurance foreign risks | Total assumed reinsurance |
|---------------|--------------|----------|-------------------------|-----------------------|--------------------------------|--------------------------------|---------------------------|
| 145.3 | 116.6 | - | - | 7.3 | 1,660.1 | 9 | 2,015.5 |
| -35.4 | -6.5 | - | - | -5.8 | -91.4 | -4.3 | -1,498.3 |
| 14.3 | -2.0 | - | - | -2.6 | -2.6 | -0.6 | 8.2 |
| 16.0 | - | - | - | 2.2 | 19.4 | 0.4 | 13.0 |
| 140.2 | 108.1 | - | - | 1.1 | 1,585.5 | 4.5 | 538.4 |
| -131.1 | -73.0 | - | - | -0.1 | -1,281.3 | -1.5 | -1,164.1 |
| 13.9 | -0.3 | - | - | - | 79.1 | - | 734.5 |
| -5.0 | 16.6 | - | 0.3 | -2.4 | 212.5 | -1.0 | -167.8 |
| 2.6 | - | - | - | 1.9 | -169.8 | -0.1 | 184.7 |
| -119.6 | -56.7 | - | 0.3 | -0.6 | -1,159.5 | -2.6 | -412.7 |

Balance sheet

| SEK M | Note | 31 Dec 2018 | 31 Dec 2017 |
|--|-----------|-----------------|-----------------|
| ASSETS | | | |
| Intangible assets | | | |
| Goodwill | 16 | 0.0 | 0.0 |
| Other intangible assets | 17 | 4.3 | 16.5 |
| Total | | 4.3 | 16.5 |
| Investment assets | | | |
| Investments in Group companies and associated companies | | | |
| Shares and participations in Group companies | 18 | 1,944.5 | 1,949.3 |
| Interest-bearing securities issued by Group companies and loans to Group companies | 19 | 97.9 | 149.5 |
| Shares and participations in associated companies | 20 | 16.7 | 16.7 |
| Other financial investment assets | | | |
| Shares and participations | 21 | 475.4 | 537.1 |
| Bonds and other interest-bearing securities | 22 | 2,390.4 | 3,214.7 |
| Derivatives | 23, 24 | 9.5 | 35.2 |
| Other financial investment assets | | 0.0 | 0.0 |
| Deposits with companies that have ceded reinsurance | | 85.0 | 51.6 |
| Total | | 5,019.4 | 5,954.1 |
| Reinsurers' portion of Technical provisions | | | |
| Unearned premiums and unexpired risks | 30 | 124.1 | 91.3 |
| Claims outstanding | 31 | 10,377.1 | 10,348.9 |
| Total | | 10,501.2 | 10,440.2 |
| Receivables | | | |
| Receivables, direct insurance | 25 | 324.6 | 359.7 |
| Receivables, reinsurance | | 575.6 | 280.6 |
| Other receivables | 26 | 975.5 | 594.9 |
| Total | | 1,875.7 | 1,235.2 |
| Other assets | | | |
| Tangible assets | | 3.0 | 3.7 |
| Cash and bank balances | | 110.1 | 136.7 |
| Deferred tax | 15 | 5.0 | 1.6 |
| Total | | 118.1 | 142.0 |
| Prepaid expenses and accrued income | | | |
| Deferred acquisition costs | 27 | 45.2 | 49.0 |
| Other prepaid expenses and accrued income | 28 | 7.6 | 13.2 |
| Total | | 52.8 | 62.2 |
| TOTAL ASSETS | 39 | 17,571.5 | 17,850.2 |

| Balance sheet, cont. | | | |
|--|--------|--------------------|--------------------|
| SEK M | Note | 31 Dec 2018 | 31 Dec 2017 |
| EQUITY, PROVISIONS AND LIABILITIES | | | |
| Equity | | | |
| Share capital (2,000,000 shares) | | 200.0 | 200.0 |
| Statutory reserve | | 4.0 | 4.0 |
| Fair value reserve | | 35.1 | - |
| Retained earnings | | -117.8 | -519.6 |
| Net profit for the year | | 379.3 | 1,012.7 |
| Total | | 500.6 | 697.1 |
| Untaxed reserves | | | |
| Contingency reserve | | 1,138.8 | 1,138.8 |
| Tax allocation reserve | | 0.0 | 235.8 |
| Total | 29 | 1,138.8 | 1,374.6 |
| Technical provisions (before ceded reinsurance) | | | |
| Unearned premiums and unexpired risks | 30 | 633.4 | 617.4 |
| Claims outstanding | 31 | 13,597.2 | 13,602.6 |
| Total | | 14,230.6 | 14,220.0 |
| Other provisions | | | |
| Pensions and similar commitments | 32 | 21.0 | 19.4 |
| Deferred tax liabilities | 15 | 2.5 | 5.1 |
| Current tax liabilities | | 46.3 | 30.8 |
| Other provisions | 33 | 11.8 | 11.3 |
| Total | | 81.6 | 66.6 |
| Deposits from reinsurers | | | |
| | | 12.0 | 16.1 |
| Liabilities | | | |
| Liabilities, direct insurance | 34 | 587.3 | 599.0 |
| Liabilities, reinsurance | | 619.3 | 286.0 |
| Derivatives | 23, 24 | 5.1 | 11.8 |
| Other liabilities | 35 | 251.8 | 425.6 |
| Total | | 1,463.5 | 1,322.4 |
| Accrued expenses and deferred income | | | |
| Reinsurers' portion of deferred acquisition costs | 27 | 3.0 | 4.9 |
| Other accrued expenses and deferred income | 36 | 141.4 | 148.5 |
| TOTAL EQUITY, PROVISIONS AND LIABILITIES | 39 | 17,571.5 | 17,850.2 |

Statement of changes in equity

| SEK M | Restricted equity | | Non-restricted equity | | | Total equity |
|---|-------------------|-------------------|-----------------------|-------------------|-------------------------|--------------|
| | Share capital | Statutory reserve | Fair value reserve | Retained earnings | Net profit for the year | |
| Opening equity, 1 January 2017 | 200.0 | 4.0 | | 28.8 | 517.8 | 750.6 |
| Appropriation of profit | | | | 517.8 | -517.8 | - |
| Dividends to Parent Company | | | | -840.0 | | -840.0 |
| Group contributions paid | | | | -290.0 | | -290.0 |
| Tax on Group contributions | | | | 63.8 | | 63.8 |
| Net profit for the year/Comprehensive income | | | | | 1,012.7 | 1,012.7 |
| Closing equity, 31 December 2017 | 200.0 | 4.0 | | -519.6 | 1,012.7 | 697.1 |
| Effect of change in accounting policy ¹⁾ | | | 33.9 | -33.9 | | |
| Opening equity, 1 January 2018 | 200.0 | 4.0 | 33.9 | -553.5 | 1,012.7 | 697.1 |
| Appropriation of profit | | | | 1,012.7 | -1,012.7 | - |
| Dividends to Parent Company | | | | -460.0 | | -460.0 |
| Group contributions paid | | | | -150.0 | | -150.0 |
| Tax on Group contributions | | | | 33.0 | | 33.0 |
| Net profit for the year | | | | | 379.3 | 379.3 |
| Other comprehensive income for the year | | | 1.2 | | | 1.2 |
| Closing equity, 31 December 2018 | 200.0 | 4.0 | 35.1 | -117.8 | 379.3 | 500.6 |

¹⁾ Effect of the change in accounting policy from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 Financial Instruments.

Cash-flow statement

| SEK M | 2018 | 2017 |
|--|---------------|-----------------|
| Operating activities | | |
| Profit before tax | 458.8 | 1,144.8 |
| Adjustment for non-cash items | -223.1 | -269.9 |
| Tax paid | -72.6 | -19.0 |
| Cash flow from operating activities before changes in working capital | 163.1 | 855.9 |
| Cash flow from changes in working capital | | |
| Investments in investment assets, net | 820.5 | 239.5 |
| Increase (-)/Decrease (+) in operating receivables | -287.7 | 97.2 |
| Increase (+)/Decrease (-) in operating liabilities | 303.0 | -161.7 |
| Cash flow from operating activities | 998.9 | 1,030.9 |
| Investing activities | | |
| Distribution, partnership | -59.8 | -54.4 |
| Divestment/decrease in financial assets | 51.5 | -94.1 |
| Cash flow from investing activities | -8.3 | -148.5 |
| Financing activities | | |
| Dividends to Parent Company | -460.0 | -840.0 |
| Group contributions paid | -290.0 | -160.0 |
| Cash flow from financing activities | -750.0 | -1,000.0 |
| Net cash flow for the year | 240.6 | -117.6 |
| Cash and cash equivalents, 1 January | 700.9 | 818.6 |
| Cash and cash equivalents, 31 December | 941.5 | 700.9 |

Supplementary information to cash-flow statement

| SEK M | 2018 | 2017 |
|--|---------------|---------------|
| Interest paid and received, dividends received and Group contributions received | | |
| Dividends and Group contributions received | 159.8 | 527.5 |
| Interest received | 24.2 | 39.4 |
| Interest paid | -28.0 | -23.9 |
| Adjustment for non-cash items | | |
| Depreciation/amortisation and impairment of assets | 12.9 | 1.1 |
| Unrealised changes in currency | 38.0 | -14.3 |
| Unrealised changes in value of investment assets | 57.8 | -20.9 |
| Capital gains/losses from partnerships | 64.6 | -26.0 |
| Technical provisions after ceded reinsurance | -88.5 | -280.7 |
| Change in deferred acquisition costs | 3.8 | -32.3 |
| Pension provisions | 1.6 | -2.1 |
| Provision for tax allocation reserve | -235.8 | 103.3 |
| Group contributions received | -80.0 | - |
| Other provisions | 2.5 | 2.0 |
| | -223.1 | -269.9 |
| Cash and cash equivalents | | |
| Cash and bank balances | 110.1 | 136.7 |
| Receivables from Group companies | | |
| Länsförsäkringar Bank | 762.5 | 490.6 |
| Länsförsäkringar AB, Group bank account | 68.9 | 73.6 |
| | 831.4 | 700.9 |

Notes to the financial statements

All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

Company information

The Annual Report for Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corp. Reg. No. 502010-9681 pertains to the fiscal year 1 January–31 December 2018. Länsförsäkringar Sak Försäkringsaktiebolag is an insurance company registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11–13, SE-106 50 Stockholm, Sweden.

The company is a wholly owned subsidiary of Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, with its registered office in Stockholm. The Parent Company in the largest Group in which Länsförsäkringar Sak Försäkringsaktiebolag is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ). Länsförsäkringar Sak Försäkringsaktiebolag does not prepare its own consolidated financial statements in accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act.

Compliance with standards and legislation

Länsförsäkringar Sak's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12) and its amendments, and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Länsförsäkringar Sak applies legally restricted IFRS. This means that all IFRS and interpretations approved by the EU are applied as far as possible within the framework of Swedish legislation and taking into consideration the connection between accounting and taxation. The Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRS.

The Annual Report was approved for publication by the Board of Directors and President on 7 March 2019. Final adoption of the Annual Report will take place at the 2019 Annual General Meeting.

Conditions relating to the preparation of the company's financial statements

The company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts are rounded to the nearest million with one decimal point (SEK M), unless otherwise stated. Assets and liabilities are recognised at cost, except for most of the company's financial assets and liabilities that are measured at fair value. The accounting policies stated below have been applied to all periods presented in the financial statements, unless otherwise stated.

Judgements and estimates in the financial statements

The preparation of accounts in accordance with legally restricted IFRS requires that corporate management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the financial statements. These judgements and estimates are based on previous knowledge and experiences and the information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates, but estimates are regularly evaluated to reduce deviations. Changes in the abovementioned estimates are recognised in the period in which the change is made if the change only affected that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Significant judgements applied to the company's accounting policies

An area in which corporate management makes significant judgements is the classification of insurance contracts. Under IFRS 4, contracts that transfer significant insurance risk are classified as insurance contracts. Länsförsäkringar Sak has assessed all insurance contracts, and the majority of these are classified as contracts with significant insurance risk. The level of insurance risk was assessed by considering whether one or more scenarios of commercial significance exist in which Länsförsäkringar Sak would be obligated to pay a

significant amount of compensation. Other contracts total minor amounts and have thus, for materiality reasons, been classified as insurance contracts under IFRS 4. For further information, see the section on Insurance contracts below.

The company bases the classification of financial assets and liabilities on the purpose of the holding. The categories of financial assets and liabilities are described below under the section Financial assets and liabilities, which also describes the company's classification.

Significant sources of estimation uncertainty

Provisions for claims outstanding and the depreciation period for deferred acquisition costs are two areas that involve a certain level of uncertainty. When calculating technical provisions, an actuarial estimate of anticipated additional costs for claims incurred and expenses for claims that may be incurred during the remaining term of the insurance policy is made. The valuation of the company's provisions is described in the section below concerning the recognition of technical provisions and in note 2 Risks and risk management. The assumption for the depreciation period for deferred acquisition costs is based on statistics relating to the terms of the insurance contracts.

The valuation techniques described below in the accounting policies for investment assets are used in the measurement of financial assets for which no observable market data is available. Measurement is based on the most recent information, which normally involves quarterly measurement, one quarter in arrears. Special follow-ups are performed during periods of major turbulence in the financial market.

Pension provisions are calculated on an actuarial basis according to insurance guidelines and assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement. Accounting policies for defined-benefit pension plans are described below under the section Remuneration of employees and in note 32 Pensions and similar commitments.

Amended accounting policies applied from 1 January 2018

From 1 January 2018, the Länsförsäkringar AB Group applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 and contains new requirements for the classification and measurement of financial instruments, an expected loss impairment model and simplified conditions for hedge accounting. The new rules on hedge accounting did not have any effect on Länsförsäkringar Sak since hedge accounting is not applied.

Effect of transition to IFRS 9

Länsförsäkringar Sak has made use of the exemption to not restate comparative information for prior periods. Note 38 states that IFRS 9 did not entail any differences for the measurement of balance-sheet items compared with previous carrying amounts under IAS 39. Changes in value of equity instruments that previously impacted retained earnings and that are measured at fair value through other comprehensive income under IFRS 9 were transferred to the fair value reserve and are presented as transition effects of IFRS 9 in the statement of changes in equity as per 1 January 2018.

A description of the policies for recognising financial instruments is provided in the section *Financial assets and liabilities* under *Description of significant accounting policies*. For a description of comparative figures calculated in accordance with IAS 39, refer to the 2017 Annual Report.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers has come into effect and replaced all previously issued standards and interpretations on income. The standard contains a single model for recognising revenue from contracts with customers that is not encompassed by other standards. The implementation of IFRS 15 did not entail any adjustment to retained earnings for the company or any change to the recognition of income and expenses.

New accounting regulations that have not yet been applied

A number of new or amended standards and interpretations described below will not take effect until forthcoming fiscal years, and have not been applied in advance when preparing these financial statements. The expected effects that the application of these new or amended standards may have on the company's financial statements are described below. Other than those, no other new or revised IFRS and interpretations not yet in force are deemed to have any material effect on the financial statements.

IFRS 16 Leases

IFRS 16 Leases was issued on 13 January 2016 and is to replace IAS 17 Leases. The new standard comes into effect on 1 January 2019 and early adoption is permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied. IFRS 16 has been adopted by the EU.

For lessees, the new standard means that essentially all lease agreements are to be recognised in the statement of financial position. Leases are not to be classified as operating or finance for the lessee. The standard provides certain recognition exemptions for lessees for assets of low value and for leases with a term of 12 months or less. The standard contains more extensive disclosure requirements.

Länsförsäkringar Sak intends to use the option in RFR 2 to not apply IFRS 16 to legal entities due to the relationship between accounting and taxation, which is why the new lease standard is not deemed to have any impact on the statement of financial position.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was published on 18 May 2017 and will replace the existing standard IFRS 4 Insurance Contracts. The new standard has not yet been approved by the EU but is expected to come into effect for fiscal years beginning on or after 1 January 2022. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The new standard will also impose expanded disclosure requirements to increase comparability between different companies.

Länsförsäkringar is running a project in the Länsförsäkringar AB Group to analyse the effects of the new standard.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments clarifies how IAS 12 Income Taxes is to be applied if there are uncertainties about how tax legislation is to be applied to a certain transaction or under certain circumstances. An example is whether a deduction claimed in a tax return will be accepted by the body or bodies (tax authority) that has the right to decide in such matters.

IFRIC 23 has been approved by the EU and is to be applied to fiscal years beginning on or after 1 January 2019. Early adoption is permitted. The company has not yet fully evaluated the effect of the interpretation on the consolidated financial statements.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and in shares and participations in Group companies with the donor.

Group contributions are recognised in accordance with the main rule of RFR 2. Group contributions received from subsidiaries are recognised according to the same principles as for recognising dividends. Group contributions paid to a subsidiary are recognised as an increase in shares and participations in Group companies. Group contributions paid or received from the Parent Company aimed at reducing the Group's total tax are recognised in equity after deductions for current tax effects since in accounting terms the Group contributions are equated with dividends and shareholders' contributions.

Related parties

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Försäkrings AB Group's companies, all subsidiaries and associated companies, Länsförsäkringar Mäklarservice AB and the 23 regional insurance companies. Related key persons are Länsförsäkringar Sak's Board members, senior executives and their close family members and companies owned by them. See note 41 Disclosures on related parties for further information.

Translation of foreign currencies

Transactions in foreign currency are translated to SEK at the exchange rate on the transaction date. Assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Non-monetary assets and liabilities are recognised at the rate in effect on the date of the transaction.

Unrealised exchange-rate differences are recognised in profit or loss as exchange-rate gains/losses net under investment income, income or investment income, expenses.

The currency futures utilised to financially hedge currency exposure in the balance sheet are measured at fair value and effects on earnings are recognised under both interest income and exchange-rate gains/losses.

Insurance contracts

Insurance contracts are contracts in which Länsförsäkringar Sak undertakes a significant insurance risk for the policyholder by committing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts based on the level of insurance risk. Insurance products that do not involve a significant level of insurance risk are to be classified as non-insurance contracts. An analysis of these was performed within Länsförsäkringar Sak and resulted in most insurance contracts being classified with significant insurance risk. Some insurance contracts of minor value were identified for which the risk is not transferred to another party. Since these are of marginal value, all contracts have been classified according to the concept of materiality as insurance contracts.

Premium income

Premium income is recognised as the total gross premium for direct insurance and assumed reinsurance that has fallen due for payment or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums for contracts with renewal before the end of the fiscal year but that are not confirmed by the policyholder and premiums for recently signed insurance contracts for which the insurance period begins before the end of the fiscal year are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premiums for insurance periods commencing after the end of the fiscal year are also recognised as premium income, if according to contract they fall due for payment during the fiscal year. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

Premiums earned

Premiums earned are recognised as the portion of premium income attributable to the accounting period. The portion of premium income from insurance contracts pertaining to periods after the balance-sheet date is recognised as Technical provisions in the statement of financial position. Provision for unearned premiums is usually calculated by strictly allocating premium income based on the term of the underlying insurance contract. Reinsurers' portion of premium income is also allocated and the portion attributable to the period after the balance-sheet date is recognised as a receivable, Reinsurers' portion of technical provisions.

Claims payments

Claims payments correspond to claims paid during the accounting period and changes in provisions for claims outstanding. In addition to claims paid, claims payments include expenses for claims adjustment. Claims recoveries are recognised as a reduction of claims costs.

Operating expenses

All operating expenses are classified in profit or loss according to the following functions: acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, asset management expenses and, in certain

cases, other technical expenses. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for asset management are recognised under Investment income, expenses.

Investment income

Investment income transferred from financial operations

The insurance operations have been assigned an interest rate based on the total of half of the premiums earned after ceded reinsurance and the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The interest rate is risk-free interest, which for 2018 was set at 0.1% for short-term contracts and 1.25% for long-term contracts. The portion of transferred investment income that corresponds to the indexation of annuities has been transferred to claims payments and is included in the change in provision for claims outstanding item. Subsequently, the net investment income that is transferred from the financial operations/to the insurance operations is an increased capital cost corresponding to the effect of the indexed annuities.

Investment income, revenue and expenses

Investment income includes interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, cash and bank balances and loans. Dividends received, any impairment of financial assets, asset management expenses including costs for own personnel and premises, etc. that can be attributed to asset management, and other financial expenses including various fees and external expenses for asset management are included in investment income. Investment income also includes realised gains or losses on investment assets. Realised gains or losses are calculated as the difference between the purchase consideration received and the cost of the asset.

In the insurance operations, the provision for claims outstanding is discounted on annuities; the effect of interest-rate revaluations on annuities is recognised in investment income.

Unrealised gains and losses on investment assets

Unrealised gains and losses on investment assets and derivatives are included in the items unrealised gains and unrealised losses on investment assets. Unrealised gains or losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised change in value is reversed as an unrealised gain or loss, except for shares and participations that we have decided to measure at fair value through comprehensive income.

Taxes

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss, except when the underlying transaction is recognised directly against equity, whereby the related tax effect is recognised in equity.

Current tax is tax to be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date, and any adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account for initial recognition of goodwill or for initial recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Any additional income tax arising on dividends is recognised at the time when the dividend is recognised as a liability.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition of operations and the fair value of acquired identifiable assets and liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is distributed to cash-generating units and is tested for impairment annually. The periods of amortisation are determined based on a useful life of five years.

Other intangible assets

Other intangible assets comprise proprietary and acquired IT systems and customer-based assets with determinable useful lives. These assets are recognised at cost less accumulated amortisation and impairment. Amortisation is commenced when the asset becomes available for use.

The company's proprietary intangible assets are recognised only if the asset is identifiable and if the company has control of the asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses. Other development expenses are recognised as an expense when they arise. Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when these expenses increase the future economic benefits of the specific asset to which they pertain.

The amortisation period is determined based on the useful life which is five years, except for the customer register for group accident insurance and group health insurance, which has a useful life of eight years. Amortisation takes place in the income statement according to the straight-line method. Impairment testing takes place annually.

The corresponding amount for capitalised development expenditures is reserved in equity to the Development Expenditures Fund.

Investment assets

Shares and participations in Group and associated companies

Shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements. Associated companies are companies in which ownership comprises a part of a permanent connection and in which the company exercises a significant but not a controlling influence.

Financial assets and liabilities

Financial assets recognised in the balance sheet include interest-bearing securities issued by Group companies, shares and participations, bonds and other interest-bearing securities, derivatives with positive market value, other receivables (loans and receivables) and cash and bank balances. Financial liabilities include derivatives with negative market value and other liabilities.

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or - when the assets are transferred - no longer has any significant risks or benefits from the assets and also when the company loses control of the asset. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the trading date, which is the time when the significant risks and rights are transferred between the parties.

Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting conducted in the balance sheet is provided in note 24 on Information about offsetting.

Classification and measurement

All financial assets and liabilities are measured at fair value through profit or loss on the initial valuation date. Subsequent measurement and recognition

take place depending on the measurement category to which the financial instrument belongs.

Länsförsäkringar Sak's financial assets comprise:

- Debt instruments
- Derivative instruments
- Equity instruments

Financial assets are classified and recognised in one of the three measurement categories in accordance with the provisions of IFRS 9.

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

Debt instruments

Financial assets that are debt instruments comprise in the balance sheet Interest-bearing securities issued by Group companies and loans to Group companies, Shares and participations (refers to mutual fund whereby the fund must repay the fund unit to the holder if the holder wants to redeem its unit), Bonds and other interest-bearing securities, loans and receivables classified as Other receivables, and Cash and bank balances. The business model used to manage a debt instrument and its contractual cash flow characteristics determines the classification of a debt instrument.

A requirement for a financial asset to be measured at amortised cost or fair value through other comprehensive income is that the contractual cash flows solely comprise outstanding payment of the principal and interest on the principal. Debt instruments that do not meet the requirement are measured at fair value through profit or loss regardless of the business model to which the asset is attributable. All debt instruments measured at amortised cost meet these cash flow characteristics.

Amortised cost

Länsförsäkringar Sak manages loans and receivables in a business model whose objective is to realise the assets' cash flows by receiving contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are therefore measured at amortised cost.

Amortised cost refers to the discounted present value of all future payments attributable to the instrument with the discount rate comprising the effective interest rate of the asset on the acquisition date.

Fair value through profit or loss

Länsförsäkringar Sak manages its holdings of interest-bearing securities issued by Group companies, mutual funds classified as shares and participations and bonds and other interest-bearing securities in a business model that entails measurement at fair value through profit or loss since the assets are managed and evaluated based on the fair values of the assets, and since the fair value comprises the basis for the internal monitoring and reporting to senior executives.

The cost of debt instruments measured at fair value through profit or loss comprises the fair value of the assets without additions for transaction costs. This recognition means that the assets are continuously measured at fair value through profit or loss with the accumulated unrealised changes in values recognised in retained earnings. Changes in fair value of these assets are recognised in profit or loss as Unrealised gains and Unrealised losses on investment assets and interest income is recognised in Investment income, revenue. If an asset in this category is sold, the accumulated unrealised changes in value are recognised in profit or loss on the line item Unrealised gains or losses in investment assets, while the realised gain/loss is recognised in profit or loss on the line item Investment income, revenue or expense.

Fair value through other comprehensive income

Länsförsäkringar Sak does not have any debt instruments measured at fair value through other comprehensive income.

Derivative instruments

Derivative instruments measured at fair value through profit or loss. Derivatives with positive market values are recognised as assets in the balance sheet and derivatives with negative market values are recognised as liabilities.

Equity instruments

An equity instrument is every form of agreement that entails a residual right to a company's assets after deductions for all its liabilities. All holdings of equity instruments that comprise holdings of a more strategic nature and that are not held for the purpose of generating investment income are measured at fair value through other comprehensive income.

Gains/losses on the sale of equity instruments measured at fair value through other comprehensive income are recognised as a transfer in equity from the fair value reserve to retained earnings and thus do not impact profit or loss.

Financial liabilities

Financial liabilities in the balance sheet comprise Other liabilities and Accrued expenses and deferred income. Länsförsäkringar Sak measures all financial liabilities that are not derivatives at amortised cost.

Reclassification of financial instruments

Financial assets are not normally reclassified after initial recognition. However, a change in business model would entail reclassification.

Methods for determining fair value

Note 37 on Financial assets and liabilities by category states the financial instruments measured at fair value and the level of the valuation hierarchy from which inputs are used for determining the fair value.

Financial instruments quoted in an active market

The largest portion of the company's financial instruments are measured at fair value using prices quoted in an active market. No additions for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment are made. A financial instrument is considered to be quoted in an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy.

Instruments quoted in an active market and found in Level 1 of the fair value hierarchy are recognised in the balance sheet as Interest-bearing securities issued by Group companies and loans to Group companies, Shares and participations, Bonds and other interest-bearing securities and Derivatives.

Financial instruments not quoted in an active market

If the market for a financial instrument is not active, the fair value is determined by using a valuation technique. The company has OTC derivatives, for example, that are not traded in an active market. The valuation techniques applied are based on market data as far as possible, while company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the balance sheet as Shares and participations and Derivatives. If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the balance sheet as the items Shares and participations and Bonds and other interest-bearing securities.

Expected credit losses

Reserves for expected credit losses ("loss allowance") are recognised for financial assets measured at amortised cost. The initial loss allowance is calculated and recognised on initial recognition and is subsequently continuously adjusted over the lifetime of the financial asset. Balance-sheet items measured at amortised cost comprise loans and receivables as well as cash and bank balances. The reserve for financial assets measured at amortised cost is recognised as a reduction of the recognised gross carrying amount of the asset. Loss allowance is presented in the income statement as investment income, expenses.

Confirmed losses

Confirmed credit losses are those losses whose amount is finally established and where the assessment is that the possibility of receiving additional payments is very small. The receivable is then derecognised from the balance sheet and recognised as a confirmed loss in profit or loss on this date.

Impairment tests for intangible assets and participations in subsidiaries and associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated. The recoverable amount of intangible assets that are not finished for use are calculated annually. If it is not possible to determine the significantly independent cash flows for an individual asset, the assets are to be grouped when testing for impairment at the lowest value where it is possible to identify the significantly independent cash flows, known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment is recognised in profit or loss.

The recoverable amount is the higher of fair value less selling expenses and value in use.

Cash and bank balances

Cash and bank balances comprise cash funds and immediately available balances at banks and similar institutions. Balances in Group account and balances with Länsförsäkringar Bank AB (publ) are recognised as "Other receivables" in the balance sheet.

Deferred acquisition costs

Costs that have a clear connection to underwriting insurance contracts are capitalised as Deferred acquisition costs in the balance sheet and are depreciated over the useful life. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. These costs capitalised are commission expense and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. In the non-life insurance operations, the capitalised cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

Untaxed reserves

Changes in untaxed reserves are recognised in profit or loss under Appropriations.

Untaxed reserves are offset, where appropriate, against loss carryforwards or are subject to taxation when they are dissolved.

The contingency reserve is a collective contingency-related strengthening of technical provisions. Access is limited and requires official permission in certain cases. Reversal can only take place against losses in the insurance operations or for reduced volumes in the insurance operations.

An accounting unit can make a provision to the tax allocation reserve to reduce its taxable earnings during an income year, but must reverse the same tax allocation reserve for taxation during the sixth year following the provision year.

Technical provisions

Technical provisions comprise Unearned premiums and unexpired risks and Claims outstanding and correspond to commitments in accordance with signed insurance contracts. All changes in technical provisions are recognised in profit or loss.

Unearned premiums and unexpired risks

The provision for unearned premiums and unexpired risks is designed to cover the expected claims cost and operating expenses during the remaining time to maturity of insurance contracts already in force. Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. If the provision for unearned premiums is deemed to be insufficient to cover expected remaining claims costs and operating expenses, it is strengthened with a supplement for unexpired risks.

Claims outstanding

The provision for claims outstanding should cover anticipated future payments for all claims incurred, including claims that have not yet been reported to the company, known as IBNR provisions. The provision also includes anticipated future payments including all expenses for claims adjustment. Accepted actuarial methods are generally used as a basis for estimating provision requirements. Individual assessments are made in the case of major separate claims and claims involving complex liability conditions. With the exception of annuities, the provision for claims outstanding is not discounted. The provision for annuities is estimated in line with customary life-assurance methods whereby the indexation is estimated using break even inflation and discounting takes place using the Solvency II nominal yield curve. The effect of interest-rate revaluations is recognised as a financial expense or income.

Provisions for claims outstanding are significant to assessments of the company's reported earnings and financial position since a deviation from actual future payments will lead to a run-off result being reported in future years. An account of the company's run-off result is found in the performance analysis. The risk of making incorrect provisions is described in more detail in note 2 Risk and risk management, which is where current provisions for claims outstanding are clarified by descriptions of the trend in claims costs over time.

Review of losses

The sufficiency of technical provisions is tested on an ongoing basis in conjunction with the annual accounts. The provisions established for claims outstanding and for unearned premiums are evaluated individually. Provisions for claims outstanding are based on estimated future payment flows. Accepted actuarial methods for the basis of forecasts of provision requirements. These methods include assessments of the current status of all contractual cash flows and other associated cash flows, for example, claims adjustment costs. Future cash flows are calculated without discounting, with the exception of annuities and certain insignificant amounts of accident insurance. If testing reveals that the provisions are insufficient, the change is recognised in profit or loss.

The sufficiency of provisions for unearned premiums is tested by line of business. Any insufficiency observed in the premium liability is corrected by establishing a provision for unexpired risks.

Reinsurance

Contracts signed between Länsförsäkringar Sak and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. Assumed reinsurance is classified in the same manner when the company assumes risks from other companies' insurance contracts. For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the Reinsurers' portion of technical provisions and deposits with companies that have ceded reinsurance. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Liabilities in reinsurance primarily comprise settlements against regional insurance companies and premiums to be paid for reinsurance contracts.

The reinsurers' portion of technical provisions corresponds to the reinsurers' liability for technical provisions in accordance with signed contracts. Länsförsäkringar Sak assesses impairment requirements of assets for reinsurance contracts. If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment loss is expensed in profit or loss.

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. No variable salary is paid to employees of Länsförsäkringar Sak.

Remuneration for termination of employment

A cost for remuneration in connection with termination of employment of personnel is recognised at the earliest point in time at which the company can

no longer withdraw the offer to the employees or when the company recognises expenses for restructuring. Remuneration expected to be paid after 12 months is recognised at its present value. Remuneration not expected to be fully paid within 12 months are recognised in accordance with long-term remuneration.

Defined-contribution pension plans

The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. The defined-benefit portion is insured through the Insurance Industry's Pension Fund (FPK). This pension plan entails that a company, as a rule, recognises its proportional share of the defined-benefit pension commitment and of the plan assets and expenses associated with the pension commitment. The accounts should also include information in accordance with the requirements for defined-benefit pension plans.

The FPK is currently unable to provide necessary information, which is why the pension plan above is recognised as a defined-contribution plan. Nor is any information available on future surpluses or deficits in the plan, and whether these would then affect annual contributions to the plan in future years.

Defined-benefit pension plans

The company has a defined-benefit pension plan. The plan is a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62. The company has established provisions for the potential future cost that will arise if an employee takes advantage of the benefit of retiring between the ages of 62 and 65. Provisions are calculated on an actuarial basis according to assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement.

Cash-flow statement

The cash-flow statement is reported using the indirect method, which means that operating profit is adjusted for transactions that do not involve receipts or payments during the period specified by the various insurance classes.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required, or cannot be measured with sufficient reliability.

Risk-management system at Länsförsäkringar Sak

The company conducts non-life insurance operations and annuities operations.

The main purpose of risk management is to ensure that risks are identified and managed, that risk assessment is impartial, and that own funds are adequate in relation to the risks taken. A shared risk-management system, which forms part of the internal-control system, has been established in the Länsförsäkringar AB Group. The risk-management system is defined as the strategies, processes, procedures, internal rules, limits, controls and reporting procedures needed to ensure that the company is able to continuously identify, measure, monitor, govern, manage, report and have control over the risks to which the companies are, or could become, exposed to.

Prospective analyses in the form of own risk and solvency assessments (ORSA) are performed annually. The overall aim of an ORSA is to ensure that own funds are and remain sufficient for bearing the risks associated with realising the business plan. Ongoing activities include handling known risks and identifying new risks. The company uses a partial internal model approved by the Swedish Financial Supervisory Authority to calculate the capital requirement.

Risk-management organisation

A shared risk-management system has been established in the Länsförsäkringar AB Group. The Group's risk-management system is described in the Group instructions and a Group-wide risk policy adopted by the Board of Länsförsäkringar AB and approved by the Board of each subsidiary. Each insurance subsidiary then prepares a company-specific risk policy based on the Group-wide policy. Based on this Group-wide risk-management system, the subsidiaries also prepare more detailed rules for managing company-specific risks.

The risk-management system comprises an integrated part of the organisational structure and decision-making processes and helps the operations to meet its targets with a higher degree of certainty. In addition to risk management in the operations, it also encompasses the independent risk-management function in the second line of defence. The Compliance and Actuarial functions also have a role to play in risk management. The President is responsible for incorporating the governance documents decided by the Board and each manager in the company is responsible for risks in their field of operations.

The risk-management function is responsible for independent risk control and provides support for the President, management and operating units in fulfilling their responsibility to conduct operations with a high level of risk control. Regular risk reports are submitted to the President, management and the Risk and Capital Committee and Audit Committee, and to the Board.

The Actuarial function is responsible for coordinating and ensuring the quality of the technical calculations and investigations and assisting the Board and President in actuarial matters. The Actuarial function is also responsible for reporting, on its own initiative, to the Board and President on matters pertaining to methods, calculations and assessments of the technical provisions, the valuation of insurance risks, reinsurance cover and other risk-reducing techniques.

The Compliance function is an independent control function responsible for monitoring and controlling regulatory compliance in the licensable operations. The function identifies and reports on risks that may arise as a result of non-compliance with regulations and provides recommendations for action to relevant personnel, the President and the Board.

Internal Audit is an independent review function that comprises the Board's support in quality assurance of the organisation's risk management, governance and controls.

Capital planning

The management of risk-taking is closely related to the control of the use of the company's capital. An ORSA including a plan for financing the company's operations is prepared in conjunction with the annual business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of own funds and risks, is to ensure that, at any given time, the company has a sufficient buffer of capital to meet the risks generated by the operations.

The company has own funds that exceed the statutory solvency requirement (Solvency II) by a healthy margin. The overall risk profile under Solvency II is also reported quarterly to the Board and regulatory requirements are taken into account to a great extent in the business decisions. Quantitative information on own funds, capital requirements and the solvency ratio is provided in the Board of Directors' Report under Capital situation.

Risk map and risk profile

Länsförsäkringar Sak is exposed to a variety of risks that impact the company's financial position, earnings and target fulfilment, which are described in more detail in the Länsförsäkringar AB Group's Solvency and Financial Condition Report.

The following points describe Länsförsäkringar Sak's operations and risk-taking:

- Conducts non-life insurance operations and annuities operations.
- The operations primarily focus on small and medium-sized businesses and private individuals.
- The operations are primarily conducted in Sweden. The company also conducts internationally assumed reinsurance.
- The risks taken in non-life insurance are reinsured to a relatively high extent; retention is low.
- Extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance. The operations involve a significantly high gross level of counterparty exposure but are not deemed to entail any major net risks.
- The risks in the investment assets managed by Länsförsäkringar Sak are held at a relatively low level.
- Länsförsäkringar Sak is indirectly exposed to insurance risk, market risks and property risk that arises in its holdings in subsidiaries. The Non-life Group includes Agria, Länsförsäkringar Gruppliv and the property companies Utile Dulci and Länsförsäkringar Sak Fastighets AB.

The Länsförsäkringar Sak Group's overall risks are measured in the quarterly risk report, meaning that the risks for the non-life insurance company, including the subsidiaries' insurance risks and market risks are included in the calculation.

The figures below (figure 1 and 2) show the allocation of risk in the Länsförsäkringar Sak Group, which includes the Parent Company's subsidiaries and transparency to present the company's risk profile that takes into account each subsidiary's underlying risks on 31 December 2018, classified by risk categories.

Figure 1. Classification of risk at Länsförsäkringar Sak

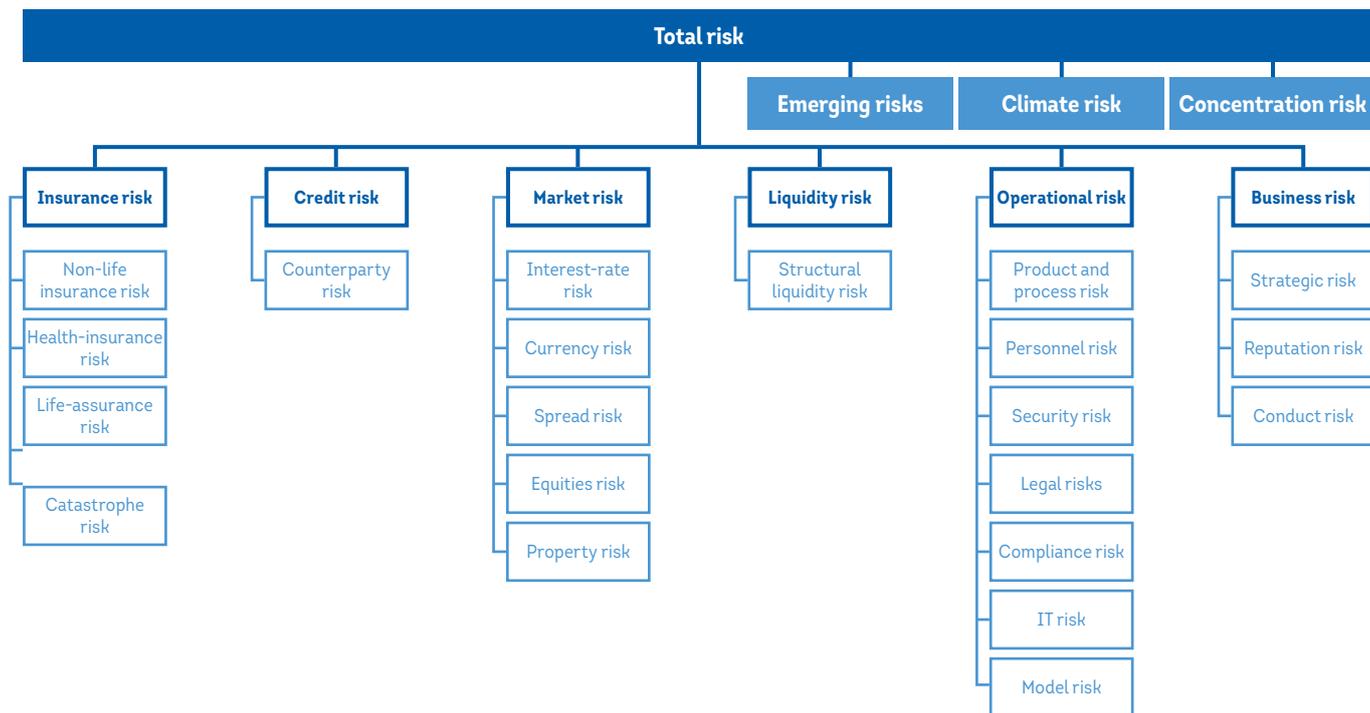
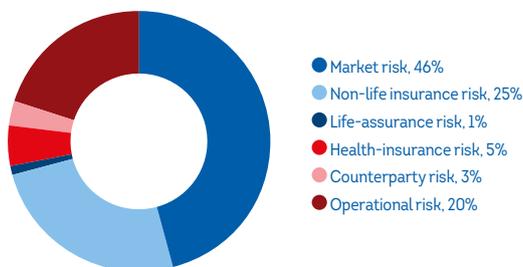
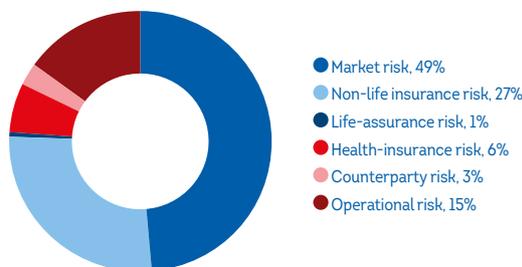


Figure 2. Classification of total capital requirement in the Länsförsäkringar Sak Group

31 December 2018



31 December 2017



Länsförsäkringar Sak's largest net risk exposure is found in the investment assets that the company has and is thus included in market risk. The largest gross insurance risk exposure is the commitments in the Member-company pool together with the regional insurance companies and the motor third-party liability pool. However, these gross exposures are significantly restricted by the reinsurance cover, which is why the net risk is low relative to other insurance risks.

Länsförsäkringar Sak's solvency ratio, for which the capital requirement is calculated using the company's partial internal model, exceeds the statutory requirement by a healthy margin. The solvency ratio, meaning the ratio between own funds and the capital requirement under Solvency II, was 228% (221) on 31 December 2018.

Table 1. Capital situation under Solvency II for Länsförsäkringar Sak

| SEK M | 31 Dec 2018 | 31 Dec 2017 |
|---------------------|-------------|-------------|
| Own funds | 3,586 | 3,306 |
| Capital requirement | 1,576 | 1,498 |
| Solvency ratio | 228% | 221% |

Insurance risks

Non-life insurance, health insurance and life-assurance risk arise in Länsförsäkringar Sak in the form of premium, reserve and catastrophe risk. Premium risk refers to the risk of losses arising due to the coming year's claims being greater than expected. Reserve risk refers to the risk of losses arising due to a negative outcome in the settlement of provisions for claims outstanding. Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Risk exposure

Insurance risk in Länsförsäkringar Sak and its subsidiaries is dominated by non-life insurance risk, mainly comprising premium risk, followed by reserve risk and health-insurance risk. Life-assurance risk represents a minor exposure in the company. Catastrophe risk comprises minor exposure through the use of reinsurance cover with relatively low retention, which limits catastrophe exposure.

Länsförsäkringar Sak is exposed to risk in the three business areas below. Minor risk exposure is also found in a portfolio that is in run-off.

- Reinsurance and Special Insurance – underwrites liability, cargo, property and motor insurance as well as assumed international reinsurance. It also has a share of the pools that now comprise the Länsförsäkringar Alliance's joint reinsurance solution.
- Health – insurance commitments in accident and health insurance, health care insurance and life assurance, including group life assurance, group health and group accident insurance.
- Agria – non-life insurance risks in pet and crop insurance.

Management

The business activities conducted by Länsförsäkringar Sak and its subsidiaries entail that insurance risks (risk of having to pay claims, morbidity risk and life-assurance risk including catastrophe risk) are consciously taken as part of performing the business operations. Accordingly, such risks are desirable, provided that they are taken as part of executing an approved business strategy and in accordance with the regulations that have been established for each operation. The company endeavours to maintain a favourable risk balance between different types of business and within each line of business. Insurance risk is limited by structuring insurance terms and individual insurance contracts to give a desirable level of risk exposure and by using reinsurance cover to limit risk-taking in the necessary lines of business. Catastrophe risk in insurance risk is managed through reinsurance cover. Reinsurance needs are specified based on risk analyses in the business operations with support from Business Area Reinsurance. The total risk exposure (risk tolerance) in insurance risk is calculated as a part of the company's total risk in the ORSA.

In an effort to limit the risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance. The company's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product. The limits per counterparty and limits for retention are managed through governance documents and also the use of reinsurers is limited to companies with high credit ratings. Reinsurance for motor third-party liability and accident insurance is managed on the basis of pool solutions in the Länsförsäkringar Alliance, which in turn is covered by external reinsurance cover. Other factors that affect risks are the product composition including diversification, risk selection rules, risk inspections and competent claims adjustment.

Risk sensitivity

Table 2 shows the sensitivity of the company's earnings and equity to changes in premium levels, claims frequency and claims inflation. The risk sensitivity of the insurance commitments underwritten in Länsförsäkringar Sak is presented below. The description does not include the insurance commitments in the subsidiaries, as opposed to how the insurance risk is measured in the partial internal model.

Table 3 shows the distribution of claims costs by term. Run-off gains for prior years' claims, excluding annuities, totalled SEK 550 M, specified by insurance line according to the performance analysis below. Run-off gains for own account for the year amounted to SEK 209 M.

Table 2. Sensitivity analysis, insurance risk (SEK M)

| Assumption | | Impact on profit before tax | | Impact on equity | |
|---------------------------------------|--|-----------------------------|-------------|------------------|-------------|
| | | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 |
| Premiums | 10% lower premium level | -237 | -248 | -185 | -193 |
| Insurance risk – claims | 10% increased claims frequency/average claim | -174 | -159 | -136 | -124 |
| Non-life insurance – claims inflation | 1% higher annual claims inflation | -153 | -157 | -119 | -122 |

The total undertaking for current insurance policies and for claims outstanding amounted to approximately SEK 14.2 billion (14.5). An estimate of the cost of claims outstanding – a gross SEK 13.6 M (13.6) – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. The reinsurance cover described above limits risk and the provision for the provision for net claims outstanding amounted to SEK 3.2 M (3.3).

The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. A significant element in the follow-up work is also the regular reviews of individual claims outstanding that are performed.

The average duration of Länsförsäkringar Sak's insurance portfolio is 3.5 years (3.7) and was slightly lower year-on-year. Table 3 shows the distribution of expected payments of claims outstanding, calculated at present value, according to term before and after reinsurance.

Table 3. Estimated claims costs before and after reinsurance (SEK M)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|--|-------|---------|---------|---------|---------|---------|---------|-----------------|
| At end of claim year | 912.9 | 1,002.9 | 1,058.5 | 1,108.9 | 1,179.4 | 1,103.7 | 1,165.3 | |
| One year later | 915.1 | 884.3 | 881.9 | 959.8 | 1,009.6 | 1,070.4 | | |
| Two years later | 962.6 | 916.9 | 996.3 | 948.9 | 907.2 | | | |
| Three years later | 923.9 | 938.7 | 916.8 | 933.6 | | | | |
| Four years later | 934.7 | 893.1 | 904.5 | | | | | |
| Five years later | 936.8 | 876.1 | | | | | | |
| Six years later | 897.0 | | | | | | | |
| Seven years later | | | | | | | | |
| Estimated claims costs | 897.0 | 876.1 | 904.5 | 933.6 | 907.2 | 1,070.4 | 1,165.3 | |
| Accumulated claims payments | 817.7 | 811.4 | 798.0 | 841.0 | 774.1 | 881.0 | 679.0 | |
| Provision for claims payments | 79.3 | 64.7 | 106.5 | 92.6 | 133.1 | 189.4 | 486.3 | 1,151.9 |
| Provision for claims payments, older year classes | | | | | | | | 1,123.7 |
| Provision for claims payments for assumed reinsurance | | | | | | | | 9,572.5 |
| Total provision for claims payments, gross | | | | | | | | 11,848.1 |
| Annuity reserve, gross | | | | | | | | 1,545.6 |
| Claims adjustment reserve, gross | | | | | | | | 203.5 |
| Provision for claims outstanding, gross | | | | | | | | 13,597.2 |
| Provision for claims payments, reinsurers' portion | | | | | | | | 9,067.5 |
| Annuity reserve, reinsurers' portion | | | | | | | | 1,309.6 |
| Claims adjustment reserve, reinsurers' portion | | | | | | | | 0 |
| Provision for claims outstanding, reinsurers' portion | | | | | | | | 10,377.1 |
| Provision for claims outstanding, for own account | | | | | | | | 3,220.1 |

Catastrophe risk

Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Länsförsäkringar Sak has a certain level of exposure to catastrophe risks for own account. Länsförsäkringar Sak manages common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural catastrophes where Länsförsäkringar Sak assumes a certain level of risk for own account. The other operational area where Länsförsäkringar Sak, for own account, is exposed to certain catastrophe risk is in the internationally assumed reinsurance.

Life-assurance risk

Life-assurance risk at Länsförsäkringar Sak is low and derives from the annuities operations which are subject to longevity risk. Longevity risk is the risk of losses arising due to the insured living longer than assumed.

Market risk

Market risk pertains to the risk of loss arising that is directly or indirectly caused by changes in the level or volatility in the market price of assets, liabilities and financial instruments, including losses caused by shortcomings in the matching between assets and liabilities. Concentration risk in market risk is the risk of losses arising due to investment assets not being well-diversified.

Risk exposure

Market risk arises in the company's investment portfolio due to investment decisions made concerning management of the insurance company's investment assets. Market risk also arises via interest-rate risk and currency risk in the company's technical provisions.

The classes of assets in asset management are equities, interest-bearing securities, alternative investments and property. The aim of management is to generate the highest possible returns given the selected level of risk within the framework of legal restrictions and guidelines resolved by the Board. The Board assumes the overall responsibility through its decisions on the framework for risk-taking, for example, by adopting investment guidelines, alloca-

tion mandates including total limits and sub-limits for various market-risk categories in the company.

The company's largest exposure is properties, which arises through the interest in the Utile Dulci partnership that pertains to office properties and shares in Humlegården AB.

The interest-bearing asset portfolios include interest-rate risk from government bonds, credit bonds and derivative instruments. Interest-rate risk is also inherent in insurance liabilities by provisions being discounted by the current market interest rate.

Credit-spread risk is the risk of losses arising due to changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates. Länsförsäkringar Sak also has spread-risk exposure in Swedish mortgage bonds and through its holdings in mainly global and US Investment Grade and High Yield funds.

The currency exposure that exists is due to insurance liabilities and investment assets in other currencies.

The company's primary equities risk exposure through fund investments is to Swedish, European and US equities but also Japanese equities and equities in emerging markets.

Management

The Board of Länsförsäkringar Sak decides on the framework for risk-taking, for example, by adopting investment guidelines, allocation mandates, a stipulated maximum SCR for market risk and up-to-date sub-limits for various market-risk categories in the company.

The main risk-reduction technique applied to the management of assets in the Group's companies is diversification. The companies' investments are spread over several classes of assets and segment in these classes, leading to exposure to various risk factors that react in different ways to fluctuations in the financial markets. Derivative instruments are also used to a certain extent in the management of assets in the Group's companies to protect the companies' balance sheets from undesired market risks. Fixed-income futures and forwards and interest-rate swaps are used in management to reduce interest-rate risk. Currency futures are also regularly used to reduce the net currency risk in the investment portfolio and insurance liabilities.

Risk sensitivity

Table 4 shows how changes in the financial markets affect the company's earnings and equity.

Table 5 shows the credit quality of assets.

Table 6 shows sensitivity to exchange-rate changes.

Table 4. Sensitivity analysis, market risks (SEK M)

| Assumption | | Impact on profit before tax | | Impact on equity | |
|---|---|-----------------------------|-------------|------------------|-------------|
| | | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 |
| Property risk ¹⁾ | 10% lower property prices | -278 | -243 | -217 | -189 |
| Interest-rate risk assets and liabilities net ²⁾ | 100 bps higher interest rate | -63 | -73 | -49 | -57 |
| Interest-rate risk assets and liabilities net ²⁾ | 100 bps lower interest rate | 61 | 100 | 48 | 78 |
| Equities risk ³⁾ | 10% lower share prices including hedge funds | -48 | -67 | -37 | -52 |
| Credit-spread risk | 100 bps higher credit spread | -94 | -110 | -73 | -86 |
| Interest-rate risk ⁴⁾ | 100 bps lower real interest rate | -24 | -5 | -19 | -4 |
| Currency risk | 10% strengthening of all foreign currencies against SEK | -9 | -14 | -7 | -11 |

¹⁾ The effect impacts only solvency capital and own funds Solvency II in Länsförsäkringar Sak.

²⁾ Interest-rate risk from investment assets (including accrued interest) and from annuities in technical provisions. Other technical provisions are not discounted except for certain insignificant amounts of accident insurance.

³⁾ Shares and participations transparent assets, including derivatives and equities in hedge funds.

⁴⁾ Net of the effect on investment assets and effect on reserves. The nominal interest rate is assumed to remain unchanged.

Table 5. Credit quality of financial assets

| | Market value, SEK M | |
|---|---------------------|--------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Cash and bank balances and cash and cash equivalents classified as Other receivables | | |
| A | 942 | 627 |
| Total | 942 | 627 |
| Bonds and other interest-bearing securities¹⁾ | | |
| AAA – Swedish Government | 1 | 208 |
| AAA – other | 1,244 | 1,646 |
| AA | 29 | 58 |
| A | 147 | 192 |
| BBB | 315 | 338 |
| BB or lower | 383 | 408 |
| No rating available | 367 | 400 |
| Total bonds and other interest-bearing securities | 2,486 | 3,250 |
| Derivatives²⁾ | | |
| AA | 12 | 10 |
| A | 6 | 0 |
| BB | 0 | 3 |
| Total derivatives | 18 | 13 |
| Total | 3,446 | 3,890 |

¹⁾ Market value including accrued interest for directly-owned holdings, which also includes analysed fixed-income funds.

²⁾ Net after taking into account collateral, excluding exchange-cleared derivatives.

Table 6. Impact on earnings of a 10% increase in the exchange rate with SEK

| Currency | Impact on profit before tax | |
|------------------|-----------------------------|---------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| CHF | 0.10 | 0.30 |
| CNY | -0.40 | -0.30 |
| DKK | 4.30 | 0.90 |
| EUR | -1.20 | -1.70 |
| GBP | -1.70 | -1.90 |
| HKD | 0.00 | -2.00 |
| INR | -0.20 | -0.40 |
| JPY | -2.50 | -1.80 |
| KRW | -0.30 | -1.20 |
| RUB | -0.00 | -0.30 |
| THB | 0.10 | 0.10 |
| TWD | -0.50 | -0.60 |
| USD | -4.60 | -5.30 |
| ZAR | -0.40 | -1.00 |
| Other currencies | -1.50 | -2.20 |
| Total | -8.80 | -17.40 |

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings.

- Counterparty risk in bank balances pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings.
- Counterparty risk in financial derivatives pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and of any collateral provided not covering the receivable.
- Counterparty risk in ceded reinsurance pertains to the risk of losses arising due to reinsurers being unable to fulfil their undertakings and of any collateral provided not covering the receivable.

Risk exposure

Länsförsäkringar Sak's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives and cash in hand. The exposure to counterparty-related credit risks is measured as the summarised total of potential losses if these counterparties were to default. Counterparty risks to reinsurers pertain to reinsurance receivables and reinsurers' portions of claims outstanding. Counterparty risk in financial derivatives refers to exposure to approved counterparties based on creditworthiness. These exposures arise in the insurance operations and the management of the company's asset portfolio. The method for how expected credit losses are determined for different types of assets is described in note 1 in the section on expected credit losses. The company's receivables comprise internal and external receivables that have historically shown a low share of defaulted receivables and no confirmed losses for different groups of counterparties. Considering this and the short term of the receivables, the loss given default is very low, which is why the reserve requirement is zero or almost zero.

Management

The counterparty risk is primarily reduced by diversifying the counterparties that the company uses for trading in financial derivatives and daily settlement. Concentration risk in counterparties is limited by applying exposure limits for each issuer or group of issuers that have a mutual connection and for the exposure for credit instruments per rating level. These limits and the loss on default per counterparty are followed up every quarter. By carefully selecting potential reinsurers and applying limits to maximum exposure to each counterparty, counterparty risk related to reinsurance can be limited as early as in the initial stage. Work is continuing by regularly following up and actively monitoring the trend in these counterparties' credit rating. Cash balances are to be invested according to applicable guidelines.

Sensitivity analysis

Table 7 shows the ratings for the counterparties included in the company's reinsurance cover. Reinsurance cover is to be taken out with counterparties with high credit ratings.

Table 7. Distribution of exposure of externally purchased reinsurance cover for the Länsförsäkringar Sak Group

| Exposure for externally purchased cover | Percentage distribution per risk category according to S&P Global | |
|---|---|-------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| AAA | 46 | - |
| AA | 24 | 73 |
| A | 28 | 24 |
| BBB or lower | 2 | 0 |
| Alternative rating ¹⁾ | 0 | 3 |
| Total | 100 | 100 |

¹⁾ AM Best, Fitch.

Operational risk

Operational risk refers to the risk of losses arising due to inadequate or failed internal processes and systems as well as human error or external events, and includes legal and compliance risks.

Risk exposure

The forms of operational risk to which the company is exposed are product and process risks, personnel risks, legal risks and compliance risks, IT risks, model risks and security risks.

Management

The company's work on operational risk is based on a Länsförsäkringar AB Group-wide method that encompasses business-critical processes and key controls as well as reported incidents and the operations' self-assessment of operational risk. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

The Group has a shared framework (BARB) for identifying, measure and documenting risks in the decision-making process for decisions that could be expected to have a material impact on profitability, risk profile, organisation or brand. The purpose is to ensure efficient decision-making through proactive and appropriate management of the risks so as to thereby achieve established targets with a higher degree of certainty, to ensure compliance with applicable laws and regulations and to create customer value. Furthermore, the Group-wide method encompasses continuity management, which involves preparing business contingency, continuity and restoration plans to manage incidents before, during and after a crisis has occurred. The overall goal for security work is to protect the organisation's assets from all types of threats - internal or external, intentional or unintentional. Security work is conducted in accordance with the ISO standards on information security and continuity management.

Business risk

Business risk is divided in the Länsförsäkringar Sak Group into the sub-categories of strategic risk, earnings risk, reputation risk and conduct risk. These categories and sub-categories are defined as follows:

- Business risk is the risk of losses arising due to effects of strategic decisions, weaker earnings and a bad reputation.
- Strategic risk is the risk of losses arising due to business strategies and business decisions proving to be misdirected, changes in the business environment and institutional changes.
- Earnings risk is the risk of losses arising due to an unexpected downturn in income, for example, from volume decreases.
- Reputation risk is the risk of losses arising due to a lower brand value due to actual or alleged action by the company.
- Conduct risk is the risk of improper conduct.

Risk exposure

The company's exposure to business risks follows the company's business strategies where the business planning process and results from business risk analyses comprise important instruments in adjusting the risk level to the company's conditions and changes in the business environment.

Management

Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations, and in the annual business planning process. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Concentration risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per reinsurer, per counterparty in financial derivatives, discretionary reinsurance of the insured, very large individual risks and by the diversification of the Group's investment assets. Länsförsäkringar Sak's management and Board frequently study reports on the Group's major areas of exposure and risk concentrations.

Länsförsäkringar Sak's investment assets are divided into several different classes of assets, however the focus is the strategic property holdings, which comprises the properties in which the company's office is located (Tegeluddsvägen in central Stockholm).

Liquidity risk

Liquidity risk is the risk of losses arising due to the company's own payment commitments not being fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss.

Risk exposure

A lack of liquidity could lead to the company not being able to fulfil its commitments to customers. The company's liquidity risks are low since premiums are received in advance and large individual claims and payouts outside normal cash flows are known well in advance of when they fall due.

Management

Liquidity risk is minimised by the predominant proportion of investments being made in securities with high liquidity that are listed on established exchanges. To further limit liquidity risks, rules exist on how investments are to be made in unquoted assets. The company's investment guidelines also state that the investment assets are to be invested by taking into account the company's liquidity needs for meeting its commitments.

Table 8 shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. The amounts presented in maturities are undiscounted cash flows. Most of the bonds and interest-bearing securities can be realised at short notice to cover contractual commitments at any time on the liabilities side.

Table 8. Maturity analysis for financial assets and liabilities¹⁾ and insurance undertakings

| SEK M | 2018 | | | | | | 2017 | | | | | |
|---|-------------|------------------|-------------|-------------|-------------|---------------|-------------|------------------|------------|-------------|-------------|---------------|
| | <3 months | 3 months -1 year | 1-5 years | 5-10 years | >10 years | Total | <3 months | 3 months -1 year | 1-5 years | 5-10 years | >10 years | Total |
| Assets | | | | | | | | | | | | |
| Interest-bearing securities issued by Group companies and loans to Group companies | 0 | 4 | 95 | - | - | 99 | 0 | 36 | 95 | 21 | - | 152 |
| Bonds and other interest-bearing securities ²⁾ | 2 | 170 | 1,048 | 96 | 32 | 1,348 | 14 | 153 | 1,663 | 139 | 162 | 2,131 |
| Reinsurers' portion of technical provisions | 239 | 669 | 2,218 | 2,151 | 5,224 | 10,501 | 294 | 778 | 2,176 | 2,141 | 5,051 | 10,440 |
| Other receivables | 87 | - | - | - | - | 87 | 31 | - | - | - | - | 31 |
| Prepaid expenses and accrued income | - | - | - | - | - | - | 4 | - | - | - | - | 4 |
| Liabilities | | | | | | | | | | | | |
| Technical provisions ³⁾ | 837 | 1,636 | 3,618 | 2,485 | 5,655 | 14,231 | 827 | 1,681 | 3,703 | 2,525 | 5,484 | 14,220 |
| Other liabilities | 233 | - | - | - | - | 233 | 409 | - | - | - | - | 409 |
| Accrued expenses and deferred income | 17 | - | - | - | - | 17 | 14 | - | - | - | - | 14 |
| Total cash flows, net | -759 | -793 | -257 | -238 | -399 | -2,446 | -907 | -714 | 231 | -224 | -271 | -1,885 |
| Derivatives, in and outflows, net | 4 | - | - | - | - | 4 | 18 | 4 | 15 | 15 | 4 | 56 |
| Total cash flows for financial assets and liabilities and insurance undertakings | -755 | -793 | -257 | -238 | -399 | -2,442 | -889 | -710 | 246 | -209 | -267 | -1,829 |

¹⁾ Note that the table shows financial assets and not the total assets corresponding to the commitments, which would include, for example, premium receivables and the company's property holdings.

²⁾ The balance-sheet item Bonds and other interest-bearing securities includes Fixed-income funds. These have no contractual maturities and have been excluded from the table. The recovery periods for securities do not reflect the liquidity in the portfolio but rather the final maturity of the securities. These are realisable at any time.

³⁾ Technical provisions are recognised gross, before ceded reinsurance.

| Note 3 | Premium income | |
|-----------------------------|----------------|----------------|
| | 2018 | 2017 |
| Direct insurance, Sweden | 1,660.1 | 1,710.2 |
| Direct insurance, other EEA | 9.0 | 6.7 |
| Assumed reinsurance | 2,015.5 | 2,108.6 |
| Total | 3,684.6 | 3,825.5 |

| Note 4 | Investment income transferred from financial operations | |
|--|---|------|
| | 2018 | 2017 |
| Transferred investment income | 20.6 | 24.4 |
| Interest rates, % | | |
| Provisions for insurance policies with long-term claims in run-off, SEK | 1.25 | 1.25 |
| Provisions for insurance policies with short-term claims in run-off, SEK | 0.1 | 0.1 |

The estimated return on the assets corresponding to the technical provisions is transferred from the financial operation to the technical result. The transferred investment income is calculated on the basis of half the premiums earned after ceded reinsurance and on the basis of the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The investment income is divided into two parts. Part is added to the annuities result by reducing the cost for the upward adjustment of the provision for annuities, and part is recognised as transferred investment income (see also Accounting policies).

| Note 5 | Claims payments | |
|--|-----------------|-----------------|
| | 2018 | 2017 |
| Claims paid | -1,457.1 | -1,430.3 |
| Operating expenses for claims adjustment | -176.2 | -170.6 |
| Total | -1,633.3 | -1,600.9 |

| Note 6 | Operating expenses | |
|---|--------------------|---------------|
| | 2018 | 2017 |
| Procurement and administration | | |
| Acquisition costs ¹⁾ | -340.8 | -336.0 |
| Change in Deferred acquisition costs | -3.8 | 32.3 |
| Reinsurers' portion of change in Deferred acquisition costs | 1.9 | -4.9 |
| Administration expenses | -134.0 | -125.4 |
| Commission and profit shares in ceded reinsurance | 23.6 | 23.7 |
| Total | -453.1 | -410.3 |
| Other operating expenses | | |
| Operating expenses in asset management | -20.2 | -20.5 |
| Operating expenses for claims adjustment | -176.2 | -170.6 |
| Total | -196.4 | -191.1 |
| Total | -649.5 | -601.4 |
| ¹⁾ Of which, commission for direct insurance | -101.0 | -96.2 |
| Total operating expenses by type of cost | | |
| Staff costs | -223.6 | -217.4 |
| Costs for premises | -13.5 | -12.4 |
| Depreciation/amortisation | -13.3 | -2.9 |
| Service income | 45.9 | 34.2 |
| Other expenses | -445.0 | -402.9 |
| Total | -649.5 | -601.4 |

The company rents premises, equipment and IT equipment from the Parent Company, Länsförsäkringar AB.

| Note 7 | Fees and remuneration of auditors | |
|---|-----------------------------------|------------|
| | 2018 | 2017 |
| The following fees have been paid to auditors | | |
| KPMG AB, audit assignments | 1.4 | 1.3 |
| KPMG AB, audit activities in addition to audit assignment | 0.0 | 0.0 |
| KPMG AB, tax consulting | 0.1 | 0.1 |
| KPMG AB, other services | 0.0 | 0.2 |
| Total | 1.5 | 1.6 |

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such other assignments. Everything else comes under Other assignments.

| Note 8 | Employees, staff costs and remuneration of senior executives | |
|--|--|------------|
| | 2018 | 2017 |
| Average number of employees, Sweden | | |
| Men | 69 | 68 |
| Women | 107 | 114 |
| Total number of employees | 176 | 182 |

| Salaries and other remuneration, as well as social security expenses, other employees | 2018 | 2017 |
|--|--------------|--------------|
| Salaries and remuneration | 110.5 | 111.3 |
| of which, variable salary | - | - |
| Social security expenses | 78.2 | 71.5 |
| of which, pension costs | 34.7 | 29.3 |
| Total | 188.8 | 182.8 |

| Board of Directors and senior executives, 14 (12) | 2018 | 2017 |
|--|-------------|-------------|
| Salaries and remuneration | 10.9 | 10.9 |
| of which, fixed salary to President | 3.7 | 3.7 |
| of which, variable salary to President | - | - |
| of which, fixed salary to other senior executives | 5.7 | 5.7 |
| of which, variable salary to other senior executives | - | - |
| Social security expenses | 8.3 | 8.3 |
| of which, pension costs | 3.9 | 3.8 |
| Total | 19.2 | 19.2 |

| Total salaries, other remuneration and social security expenses | 2018 | 2017 |
|--|--------------|--------------|
| Salaries and remuneration | 121.4 | 122.2 |
| of which, variable salary | - | - |
| Social security expenses | 86.6 | 79.8 |
| of which, pension costs | 38.6 | 33.1 |
| Total | 208.0 | 202.0 |

Remuneration of the Board

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. Employee representatives and Board members of the Länsförsäkringar AB Group do not receive any directors' fees.

One Board member, Sven Eggefalk, who is included in remuneration of senior executives below, did not receive any directors' fee. The fees determined by the Annual General Meeting are waived and paid to the regional insurance companies in which the individual is employed.

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Other senior executives are the individuals who, together with the President, comprise corporate management.

Note 8 Employees, staff costs and remuneration of senior executives
Remuneration and other benefits for senior executives

| 2018 | Basic salary | Other remuneration | Pension costs | Total | Pension costs as a percentage of pensionable salary, % Defined-contribution |
|---|--------------|--------------------|---------------|-------------|--|
| Ann Sommer, President | 3.7 | 0.0 | 1.5 | 5.2 | 40 |
| Ricard Robbstål, Board member | 0.3 | 0.0 | - | 0.3 | - |
| Henrietta Hansson, Board member | 0.3 | - | - | 0.3 | - |
| Jan-Olof Thorstensson, Board member | 0.2 | - | - | 0.2 | - |
| Niklas Larsson, Board member | 0.2 | - | - | 0.2 | - |
| Kjell Lindfors, Board member | 0.2 | - | - | 0.2 | - |
| Mikael Bergström, Board member | 0.2 | - | - | 0.2 | - |
| Sven Eggefalk, former Board member | 0.1 | - | - | 0.1 | - |
| Göran Spetz, former Board member | 0.1 | - | - | 0.1 | - |
| Mariette Nicander, former Board member | 0.1 | - | - | 0.1 | - |
| Other senior executives | | | | | |
| Parent Company (4 individuals) | 5.6 | 0.1 | 2.4 | 8.1 | 41 |
| Subsidiaries (2 individuals) | 4.3 | 0.1 | 2.1 | 6.5 | 50 |
| Total 2018 | 15.3 | 0.2 | 6.0 | 21.5 | |
| Total remuneration from Parent Company | 10.9 | 0.1 | 3.9 | 15.0 | |
| Total remuneration from subsidiaries | 4.3 | 0.1 | 2.1 | 6.5 | |

| 2017 | Basic salary | Other remuneration | Pension costs | Total | Pension costs as a percentage of pensionable salary, % Defined-contribution |
|---|--------------|--------------------|---------------|-------------|--|
| Ann Sommer, President | 3.7 | 0.0 | 1.5 | 5.2 | 41 |
| Ricard Robbstål, Board member | 0.3 | 0.0 | - | 0.3 | - |
| Göran Spetz, Board member | 0.3 | - | - | 0.3 | - |
| Mariette Nicander, Board member | 0.3 | - | - | 0.3 | - |
| Henrietta Hansson, Board member | 0.3 | - | - | 0.3 | - |
| Jan-Olof Thorstensson, Board member | 0.2 | - | - | 0.2 | - |
| Sven Eggefalk, Board member | 0.3 | - | - | 0.3 | - |
| Other senior executives | | | | | |
| Parent Company (4 individuals) | 5.5 | 0.2 | 2.3 | 8.0 | 40 |
| Subsidiaries (2 individuals) | 3.5 | 0.0 | 1.8 | 5.3 | 43 |
| Total 2017 | 14.4 | 0.2 | 5.6 | 20.2 | |
| Total remuneration from Parent Company | 10.8 | 0.2 | 3.8 | 14.9 | |
| Total remuneration from subsidiaries | 3.5 | 0.0 | 1.8 | 5.3 | |

Pension costs pertain to the impact on net profit for the year.

Pensions

The retirement age for the President is 60. The pension between 60 and 65 is a defined-contribution plan and the pension premium is to amount to 18% of the monthly salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65. The terms comply with pension agreements between the FAO and the FTF/SACO. Furthermore, an additional pension premium corresponding to one price base amount is paid every year.

Severance pay

A mutual period of notice of three months applies to the President. If termination of employment is issued by the company, the President is also to be entitled to severance pay corresponding to 24 monthly salaries during the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Preparation and decision-making process applied in relation to the issue of remuneration of corporate management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition and mandate of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and one Board member.

Policies for remuneration of corporate management

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

In addition to the above benefits, a company car, individual health care insurance and other benefits are offered to all employees.

| Number of women among senior executives, % | 31 Dec 2018 | 31 Dec 2017 |
|--|-------------|-------------|
| Board members | 25 | 33 |
| Other senior executives | 43 | 43 |

| | |
|---------------|---------------------------------|
| Note 9 | Other technical expenses |
|---------------|---------------------------------|

| 31 Dec 2018 | | | | |
|---------------|---|--------------------------------------|-------------------|--|
| Specification | Premiums & Motor third-party liability fees | Claims payments net after deductible | Investment income | Total deduction from Swedish Motor Insurers Other technical expenses |
| Forecast | 3.1 | -4.7 | 0.0 | -1.6 |
| Deduction | 0.3 | -0.1 | 0.0 | 0.2 |
| Total | 3.4 | -4.8 | 0.0 | -1.4 |

| 31 Dec 2017 | | | | |
|---------------|---|--------------------------------------|-------------------|--|
| Specification | Premiums & Motor third-party liability fees | Claims payments net after deductible | Investment income | Total deduction from Swedish Motor Insurers Other technical expenses |
| Forecast | 2.8 | -4.3 | 0.0 | -1.5 |
| Deduction | -0.1 | 0.2 | 0.0 | 0.1 |
| Total | 2.7 | -4.1 | 0.0 | -1.4 |

The Swedish Motor Traffic Damage Act and the Swedish Motor Liability Insurance Ordinance stipulate that insurance companies underwriting motor third-party liability insurance in Sweden must be members of Swedish Motor Insurers. The rules state that the member companies have a joint and several liability to finance the operations of Swedish Motor Insurers. This takes place by the annual net deficit for Swedish Motor Insurers being distributed between the member companies based on the companies' premium

volumes for motor third-party liability insurance by applying an annual settlement model adopted by the Meeting of Swedish Motor Insurers. The joint and several liability entails that individual member companies may have a potential additional obligation to Swedish Motor Insurers if any other member company is unable to fulfil its own obligations or if the reserves for claims outstanding held by Swedish Motor Insurers prove to be insufficient.

| | |
|----------------|-----------------------------------|
| Note 10 | Investment income, revenue |
|----------------|-----------------------------------|

| | 2018 | 2017 |
|---|--------------|--------------|
| Dividends | | |
| Dividends and Group contributions received from Group companies | 158.2 | 526.5 |
| Dividends received on shares and participations | 1.6 | 1.0 |
| Interest income | | |
| Bonds and other interest-bearing securities ¹⁾ | 14.8 | 25.6 |
| Derivatives | 8.9 | 13.1 |
| Interest-bearing securities issued by Group companies and loans to Group companies | 0.6 | 0.4 |
| Interest income for financial assets that are not measured at fair value through profit or loss ¹⁾ | -0.3 | -0.3 |
| Other interest income | 0.2 | 0.7 |
| Exchange-rate gains, net | - | 2.3 |
| Capital gains | | |
| Shares and participations | 0.5 | 8.1 |
| Profit from participations in partnerships (Group companies) | 55.0 | 61.4 |
| Bonds and other interest-bearing securities | 38.7 | 53.3 |
| Interest-bearing securities issued by Group companies and loans to Group companies | 0.6 | 0.2 |
| Other financial investment assets | - | 3.5 |
| Total | 278.8 | 695.8 |

¹⁾ Of which, a negative interest rate on cash and bank balances of SEK -0.6 M (-0.5) and negative interest on interest-bearing securities of SEK -1.9 M (-2.2).

| | |
|----------------|--|
| Note 11 | Unrealised gains on investment assets |
|----------------|--|

| | 2018 | 2017 |
|---|----------|-------------|
| Shares and participations | - | 20.6 |
| Bonds and other interest-bearing securities | - | 7.3 |
| Total | - | 27.9 |

Unrealised gains and losses are recognised net per type of instrument, meaning that the net effect is recognised in either the note on unrealised gains or in the note on unrealised losses.

| | |
|----------------|------------------------------------|
| Note 12 | Investment income, expenses |
|----------------|------------------------------------|

| | 2018 | 2017 |
|---|--------------|--------------|
| Asset management expenses | -20.2 | -20.5 |
| Other financial expenses | -5.0 | -10.8 |
| Interest expense | | |
| Derivatives | -27.9 | -22.9 |
| Bonds and other interest-bearing securities | 0.0 | -0.4 |
| Interest expense for financial liabilities that are not measured at fair value through profit or loss | -0.2 | -0.2 |
| Other interest expense | 0.1 | -0.4 |
| Exchange-rate losses, net | -17.9 | - |
| Translation, annuity reserve | -2.1 | -0.8 |
| Capital losses | | |
| Shares and participations | - | - |
| Derivatives | -17.8 | -20.5 |
| Total | -91.0 | -76.5 |

| | |
|----------------|---|
| Note 13 | Unrealised losses on investment assets |
|----------------|---|

| | 2018 | 2017 |
|---|--------------|-------------|
| Shares and participations | -7.0 | - |
| Bonds and other interest-bearing securities | -44.8 | - |
| Interest-bearing securities issued by Group companies | -0.0 | -0.2 |
| Derivatives | -6.0 | -1.5 |
| Other financial investment assets | - | -5.3 |
| Total | -57.8 | -7.0 |

| | |
|----------------|--|
| Note 14 | Investment income, per measurement category |
|----------------|--|

| | 2018 | 2017 |
|--|--------------|--------------|
| Profit/loss by measurement category | | |
| Financial assets measured at FVPL | -42.7 | 72.1 |
| Financial assets measured at amortised cost | -0.5 | -0.6 |
| Financial liabilities measured at amortised cost | -0.0 | -0.4 |
| Financial assets measured at FVOCI | - | 0.0 |
| Items not specified by category | | |
| Exchange-rate gains | -17.8 | 2.3 |
| Value-preserving interest rate, annuity reserve | -6.1 | -5.1 |
| Translation, annuity reserve | -2.1 | -0.8 |
| Dividends to subsidiaries and associated companies | 133.2 | 526.5 |
| Realised earnings, subsidiaries and associated companies | - | 61.4 |
| Asset management expenses | -20.2 | -20.5 |
| Non-financial items included in investment income, net | 80.3 | 0.3 |
| Total | 124.1 | 635.2 |

| | |
|----------------|--------------|
| Note 15 | Taxes |
|----------------|--------------|

| | 2018 | 2017 |
|--|--------------|---------------|
| Current tax | -85.5 | -134.4 |
| Total current tax | -85.5 | -134.4 |
| Deferred tax | | |
| Deferred tax expense pertaining to temporary differences | 6.1 | 2.3 |
| Total deferred tax | 6.1 | 2.3 |
| Total recognised tax income/expense | -79.4 | -132.1 |

| | 2018 | 2017 |
|---|--------------|---------------|
| Reconciliation of effective tax rate | | |
| Profit before tax | 458.8 | 1,144.8 |
| Tax at applicable tax rate | -100.9 | -251.9 |
| Tax attributable to changed tax rates | -0.2 | - |
| Tax on non-deductible costs | -2.1 | -1.7 |
| Tax on non-taxable income | 19.5 | 119.5 |
| Tax attributable to earlier years | 0.8 | 2.0 |
| Reversal of deferred tax liabilities | 3.5 | - |
| Total tax on net profit for the year | -79.4 | -132.1 |
| Current tax rate, % | 22% | 22% |
| Effective tax rate, % | 17.3% | 11.5% |

Note 15 Taxes, cont.

Recognised deferred tax assets and tax liabilities are attributable to the following:

| 31 December | Deferred tax assets | | Deferred tax liabilities | | Net | |
|---|---------------------|-------------|--------------------------|------------|-------------|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Receivables | -5.0 | -1.6 | - | - | -5.0 | -1.6 |
| Liabilities | - | - | 2.5 | 5.1 | 2.5 | 5.1 |
| Deferred tax assets (-) / deferred tax liabilities (+) | -5.0 | -1.6 | 2.5 | 5.1 | -2.5 | 3.5 |
| Offset | - | - | - | - | - | - |
| Net deferred tax assets (-) / deferred tax liabilities (+) | -5.0 | -1.6 | 2.5 | 5.1 | -2.5 | 3.5 |

The company has no temporary differences with tax effects in Group and associated companies.

Change in deferred tax in temporary differences

| | Amount at 1 January | Recognised in equity | Recognised in profit or loss | Amount at 31 December |
|---|---------------------|----------------------|------------------------------|-----------------------|
| Receivables | 1.6 | - | 3.4 | 5.0 |
| Liabilities | -5.1 | - | 2.6 | -2.5 |
| Deferred tax assets (-) / deferred tax liabilities (+) | -3.5 | - | 6.0 | 2.5 |

| | |
|----------------|-----------------|
| Note 16 | Goodwill |
|----------------|-----------------|

| | 2018 | 2017 |
|------------------------------------|------------|------------|
| Opening and closing acquisition | 144.4 | 144.4 |
| Opening and closing amortisation | -144.4 | -144.4 |
| Carrying amount at year-end | 0.0 | 0.0 |

Note 17 Other intangible assets

| | Internally developed IT systems | Acquired IT systems | Acquired customer- based assets | Total |
|---|------------------------------------|---------------------|------------------------------------|---------------|
| Accumulated cost | | | | |
| Opening cost, 1 January 2018 | 142.4 | 26.5 | 322.8 | 491.7 |
| Acquisitions for the year | - | - | - | - |
| Closing cost, 31 December 2018 | 142.4 | 26.5 | 322.8 | 491.7 |
| Opening cost, 1 January 2017 | 142.4 | 26.5 | 322.8 | 491.7 |
| Acquisitions for the year | - | - | - | - |
| Closing cost, 31 December 2017 | 142.4 | 26.5 | 322.8 | 491.7 |
| Accumulated amortisation | | | | |
| Opening amortisation, 1 January 2018 | -67.8 | -10.0 | -322.8 | -400.6 |
| Amortisation for the year | - | -1.7 | - | -1.7 |
| Closing amortisation, 31 December 2018 | -67.8 | -11.7 | -322.8 | -402.3 |
| Opening amortisation, 1 January 2017 | -67.8 | -8.2 | -322.8 | -398.8 |
| Amortisation for the year | - | -1.8 | - | -1.8 |
| Closing amortisation, 31 December 2017 | -67.8 | -10.0 | -322.8 | -400.6 |
| Accumulated impairment | | | | |
| Opening impairment, 1 January 2018 | -74.6 | - | - | -74.6 |
| Impairment for the year | - | -10.5 | - | -10.5 |
| Closing impairment, 31 December 2018 | -74.6 | -10.5 | - | -85.1 |
| Opening impairment, 1 January 2017 | -74.6 | - | - | -74.6 |
| Closing impairment, 31 December 2017 | -74.6 | - | - | -74.6 |
| Carrying amount | | | | |
| 31 Dec 2017 | 0.0 | 16.5 | 0.0 | 16.5 |
| 31 Dec 2018 | 0.0 | 4.3 | 0.0 | 4.3 |

Note 18 Shares and participations in Group companies

| Company name | Corporate Registration Number | Registered office | Number of shares and participations | Participating interest | Carrying amount, property ¹⁾ | Market value, property ¹⁾ | Equity 31 Dec 2018 ¹⁾ | Of which profit 2018 ¹⁾ | Carrying amount 31 Dec 2018 ²⁾ | Fair value ²⁾ |
|--|-------------------------------|-------------------|-------------------------------------|------------------------|---|--------------------------------------|----------------------------------|------------------------------------|---|--------------------------|
| Försäkringsaktiebolaget Agria (publ) | 516401-8003 | Stockholm | 40,000 | 100 | - | - | 378.9 | 148.6 | 823.8 | 1,071.5 |
| Länsförsäkringar Sak Fastighets AB | 556683-6416 | Stockholm | 1,000 | 100 | 342.9 | 1,036.9 | 342.9 | -0.1 | 68.0 | 1,036.8 |
| Länsförsäkringar Grupplivförsäkrings AB (publ) | 516401-6692 | Stockholm | 28,000 | 100 | - | - | 71.3 | 37.7 | 238.8 | 71.3 |
| Utile Dulci 2 HB | 916601-0067 | Stockholm | 2,176 | 54.4 | 1,263.3 | 3,200.0 | 1,285.5 | 101.2 | 813.9 | 1,732.7 |
| Total 31 Dec 2018 | | | | | | | 2,078.6 | 287.4 | 1,944.5 | 3,912.3 |
| Total 31 Dec 2017 | | | | | | | 2,039.8 | 314.2 | 1,949.3 | 3,506.6 |

¹⁾ 100% of the Group companies' carrying amounts and the market value of properties as well as equity and earnings.

²⁾ Länsförsäkringar Sak's carrying amount and participating interest of fair value.

All of the shares and participations in Group companies are unquoted.

| Cost | 31 Dec 2018 | 31 Dec 2017 |
|--|----------------|----------------|
| Opening balance | 2,049.3 | 1,968.9 |
| Sale of participations in Utile Dulci 2 HB | - | - |
| Withdrawals from partnership | -59.8 | -54.4 |
| Capital gains from partnerships | 55.0 | 40.5 |
| Amended accounting policy for partnerships | - | 94.3 |
| Closing balance | 2,044.5 | 2,049.3 |

| Accumulated impairment | 31 Dec 2018 | 31 Dec 2017 |
|------------------------|----------------|----------------|
| Opening balance | -100.0 | -100.0 |
| Closing balance | -100.0 | -100.0 |
| Carrying amount | 1,944.5 | 1,949.3 |

Note 19 Interest-bearing securities issued by Group companies and loans to Group companies

| | 31 Dec 2018 | 31 Dec 2017 |
|--|-------------|--------------|
| Listed bonds, Länsförsäkringar Hypotek AB (publ) | 97.9 | 134.4 |
| Listed bonds, Länsförsäkringar Bank AB (publ) | - | 15.1 |
| Total | 97.9 | 149.5 |

Note 20 Shares and participations in associated companies

| Company name | Corporate Registration Number | Registered office | Number of shares/participations | Participating interest | Equity 31 Dec 2018 ²⁾ | Of which profit 2018 ²⁾ | Carrying amount 31 Dec 2018 ³⁾ | Carrying amount 31 Dec 2017 ³⁾ | Fair value ³⁾ |
|---|-------------------------------|-------------------|---------------------------------|------------------------|----------------------------------|------------------------------------|---|---|--------------------------|
| Länsförsäkringsbolagens Fastighets HB Humlegården | 916604-6459 | Stockholm | 188,722 | 29.1 | - | - | 0.0 | 0.0 | 0.0 |
| CAB Group AB | 556131-2223 | Örebro | 1,582 | 28.8 | 118.1 | 32.6 | 10.7 | 10.7 | 42.0 |
| European Alliance Partners Company AG ¹⁾ | CH-0203026423-1 | Zürich | 9,248 | 12.5 | 82.9 | 2.3 | 6.0 | 6.0 | 10.4 |
| Total 31 Dec 2018 | | | | | | | 16.7 | 16.7 | 52.4 |

¹⁾ The reason that European Alliance Partners Company AG is classified as an associated company despite the fact that the participating interest is less than 20% is that Länsförsäkringar Sak is deemed to have a significant influence in the company. Länsförsäkringar Sak is represented on the company's Board of Directors and is entitled to participate in all decisions to be made, including strategic issues and issues regarding guidelines, budget and business plans. Furthermore, a large amount of information is exchanged with the company.

²⁾ 100% of the associated companies' equity and earnings.

³⁾ Länsförsäkringar Sak's carrying amount and participating interest of fair value.

All shares and participations are unquoted.

| Cost | 31 Dec 2018 | 31 Dec 2017 |
|---------------------------|-------------|-------------|
| Opening balance | 16.7 | 16.7 |
| Added and deducted assets | - | - |
| Closing balance | 16.7 | 16.7 |
| Carrying amount | 16.7 | 16.7 |
| Fair value | 52.4 | 46.2 |

Summary of financial information pertaining to associated companies

Information pertains to Länsförsäkringar Sak's participating interest

| | 31 Dec 2018 | 31 Dec 2017 |
|-------------|-------------|-------------|
| Income | 98.2 | 86.7 |
| Earnings | 9.7 | 7.0 |
| Assets | 86.9 | 76.6 |
| Liabilities | 42.5 | 30.4 |
| Equity | 44.4 | 46.1 |

| Note 21 | Shares and participations | |
|------------------------------------|----------------------------------|--------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Quoted shares and participations | 433.0 | 496.9 |
| Unquoted shares and participations | 42.4 | 40.2 |
| Total | 475.4 | 537.1 |
| Fair value | 475.4 | 537.1 |
| Cost | 435.5 | 482.4 |

| Note 22 | Bonds and other interest-bearing securities | |
|---|--|----------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Issuer | | |
| Swedish government | 0.5 | 207.9 |
| Swedish mortgage institutions | 838.3 | 1,167.6 |
| Other Swedish issuers | 531.7 | 886.4 |
| Foreign states | 20.4 | 0.0 |
| Other foreign issuers | 999.5 | 952.8 |
| Total | 2,390.4 | 3,214.7 |
| Amortised cost | 2,324.4 | 3,171.4 |
| Market status | | |
| Securities quoted | 2,141.8 | 3,026.4 |
| Securities unquoted | 248.6 | 188.3 |
| Total | 2,390.4 | 3,214.7 |
| Carrying amounts compared with nominal amounts | | |
| Total surplus | 45.5 | 174.5 |
| Total deficit | -0.5 | -0.1 |

| Note 23 | Derivatives | | | |
|---|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Fair value 31 Dec 2018 | Nominal amount 31 Dec 2018 | Fair value 31 Dec 2017 | Nominal amount 31 Dec 2017 |
| Derivatives with positive values or valued at zero | | | | |
| Equity derivatives | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest-rate derivatives | 0.1 | 397.6 | 6.8 | 761.0 |
| Currency derivatives | 9.4 | 975.1 | 28.4 | 1,454.4 |
| | 9.5 | 1,372.7 | 35.2 | 2,215.4 |
| Derivatives with negative values | | | | |
| Equity derivatives | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest-rate derivatives | 0.1 | 54.7 | 0.3 | 108.2 |
| Currency derivatives | 5.0 | 158.4 | 11.5 | 596.8 |
| | 5.1 | 213.1 | 11.8 | 705.0 |

| Note 24 | Information about offsetting |
|----------------|-------------------------------------|
|----------------|-------------------------------------|

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The company has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by these types of agreements. The agreements entitle the parties

to offset liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

| Financial assets and liabilities that are offset or subject to netting agreements | | | | | | |
|--|--------------|-------------------------|------------------------------|---|---------------------------------------|-------------|
| 31 Dec 2018 | Gross amount | Offset in balance sheet | Net amounts in balance sheet | Related amounts not offset in the balance sheet | | Net amount |
| | | | | Netting framework agreement | Collateral Received (-) / Pledged (+) | |
| Assets | | | | | | |
| Derivatives | 9.5 | - | 9.5 | -3.4 | - | 6.1 |
| Liabilities | | | | | | |
| Derivatives | -5.1 | - | -5.1 | 3.4 | 11.8 | 10.1 |
| Total | 4.4 | - | 4.4 | - | 11.8 | 16.2 |

| Financial assets and liabilities that are offset or subject to netting agreements | | | | | | |
|--|--------------|-------------------------|------------------------------|---|---------------------------------------|-------------|
| 31 Dec 2017 | Gross amount | Offset in balance sheet | Net amounts in balance sheet | Related amounts not offset in the balance sheet | | Net amount |
| | | | | Netting framework agreement | Collateral Received (-) / Pledged (+) | |
| Assets | | | | | | |
| Derivatives | 35.2 | - | 35.2 | -5.4 | -15.8 | 14.0 |
| Liabilities | | | | | | |
| Derivatives | -11.8 | - | -11.8 | 5.4 | 3.9 | -2.5 |
| Total | 23.4 | - | 23.4 | - | -11.9 | 11.5 |

| Note 25 Receivables, direct insurance | | |
|--|--------------|--------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Receivables, policyholders | 306.1 | 334.0 |
| Receivables, insurance brokers | 11.1 | 12.7 |
| Receivables, insurance companies | 7.4 | 13.0 |
| Total | 324.6 | 359.7 |

| Note 26 Other receivables | | |
|----------------------------------|--------------|--------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Receivables, Group companies | 861.8 | 498.0 |
| Receivables, Parent Company | 81.1 | 85.9 |
| Other receivables | 32.6 | 11.0 |
| Total | 975.5 | 594.9 |

The transition from IAS 39 to IFRS 9 entailed that loss allowance for other receivables was established at SEK 0 M for 1 January 2018. The loss allowance on 31 December 2018 amounted to SEK 0 M. All exposures are in stage 1.

| Note 27 Deferred acquisition costs | | |
|---|-------------|-------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Opening deferred acquisition costs | 49.0 | 16.8 |
| Depreciation for the year | -104.5 | -71.5 |
| Capitalisation for the year | 100.7 | 103.8 |
| Total | 45.2 | 49.0 |
| Opening Reinsurers' portion of deferred acquisition costs | 4.9 | 0.1 |
| Depreciation for the year | -8.8 | -3.0 |
| Capitalisation for the year | 6.9 | 7.0 |
| Total | 3.0 | 4.9 |
| Total | 42.2 | 44.1 |

All acquisition costs have an amortisation period of less than one year.

| Note 28 Other prepaid expenses and accrued income | | |
|--|-------------|-------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Other accrued income | 1.5 | 1.3 |
| Other prepaid expenses | 6.1 | 11.9 |
| Total | 7.6 | 13.2 |

| Note 29 Untaxed reserves | | |
|---------------------------------|----------------|----------------|
| | 2018 | 2017 |
| Contingency reserve | 1,138.8 | 1,138.8 |
| Tax allocation reserve | | |
| Reserve for 2013 | - | 16.7 |
| Reserve for 2014 | - | 10.0 |
| Reserve for 2015 | - | 39.6 |
| Reserve for 2016 | - | 49.7 |
| Reserve for 2017 | - | 14.8 |
| Reserve for 2018 | - | 105.0 |
| Closing balance, 31 December | - | 235.8 |
| Total | 1,138.8 | 1,374.6 |

| Note 30 Unearned premiums and unexpired risks | | | | | | |
|---|--------------|---------------------|--------------|--------------|---------------------|--------------|
| | 31 Dec 2018 | | | 31 Dec 2017 | | |
| | Gross | Reinsurers' portion | Net | Gross | Reinsurers' portion | Net |
| <i>Unearned premiums</i> | | | | | | |
| Opening balance | 616.1 | 91.3 | 524.8 | 605.8 | 63.4 | 542.4 |
| Provisions during the period | -4.5 | 32.8 | -37.3 | 14.0 | 27.8 | -13.8 |
| Exchange-rate changes | 21.0 | - | 21.0 | -3.7 | 0.1 | -3.8 |
| Closing balance | 632.6 | 124.1 | 508.5 | 616.1 | 91.3 | 524.8 |
| <i>Unexpired risk</i> | | | | | | |
| Opening balance | 1.3 | - | 1.3 | 1.7 | - | 1.7 |
| Provisions during the period | -0.5 | - | -0.5 | -0.4 | - | -0.4 |
| Closing balance | 0.8 | - | 0.8 | 1.3 | - | 1.3 |
| Total of unearned premiums and unexpired risks | 633.4 | 124.1 | 509.3 | 617.4 | 91.3 | 526.1 |

| | |
|----------------|---------------------------|
| Note 31 | Claims outstanding |
|----------------|---------------------------|

| | 31 Dec 2018 | | | 31 Dec 2017 | | |
|--|-----------------|---------------------|----------------|-----------------|---------------------|----------------|
| | Gross | Reinsurers' portion | Net | Gross | Reinsurers' portion | Net |
| Claims incurred and reported | 4,530.7 | 4,467.9 | 62.7 | 4,883.4 | 3,176.0 | 1,707.4 |
| Claims incurred and not reported | 7,213.0 | 5,880.9 | 1,332.1 | 7,153.7 | 5,739.1 | 1,414.6 |
| Annuities | 1,650.7 | - | 1,650.7 | 1,662.4 | 1,419.0 | 243.5 |
| Claims adjustment costs | 208.1 | - | 208.1 | 220.1 | - | 220.1 |
| Total opening balance | 13,602.5 | 10,348.8 | 3,253.7 | 13,919.6 | 10,334.1 | 3,585.5 |
| Provisions for the period | -43.7 | 14.8 | -58.5 | -139.8 | 7.3 | -147.1 |
| Exchange-rate changes | 30.2 | 13.5 | 16.7 | -0.7 | 7.5 | -8.2 |
| Effect of interest-rate revaluations for annuities | 8.2 | - | 8.2 | 5.9 | - | 5.9 |
| Portfolio transfers | - | - | - | -182.4 | - | -182.4 |
| Total change for the year | -5.3 | 28.3 | -33.6 | -317.0 | 14.8 | -331.8 |
| Claims incurred and reported | 4,579.3 | 4,443.7 | 135.7 | 4,530.7 | 4,468.0 | 62.7 |
| Claims incurred and not reported | 7,268.7 | 5,933.4 | 1,335.3 | 7,213.1 | 5,880.9 | 1,332.2 |
| Annuities | 1,545.7 | - | 1,545.7 | 1,650.7 | - | 1,650.7 |
| Claims adjustment costs | 203.5 | - | 203.5 | 208.1 | - | 208.1 |
| Total closing balance | 13,597.2 | 10,377.1 | 3,220.1 | 13,602.6 | 10,348.9 | 3,253.7 |

The discount rate curve defined by the EIOPA is used to calculate annuities. This curve has been produced to correspond to a risk-free interest rate term structure and is based on market data for Swedish swap rates. A macroeconomic assumption of a long-term interest rate of 4.05% is also included. Other insurance is not discounted.

| | |
|----------------|---|
| Note 32 | Pensions and similar commitments |
|----------------|---|

| | 31 Dec 2018 | 31 Dec 2017 |
|--|-------------|-------------|
| Provisions for pensions | 2.6 | 2.8 |
| Provisions for early retirement in accordance with pension agreement | - | 2.4 |
| Other provisions | 18.4 | 14.2 |
| Total provisions for pensions | 21.0 | 19.4 |

Pension provisions of SEK 2.6 M (2.8) are encompassed by the Pension Obligations Vesting Act.

Defined-benefit pension plans

The company has a defined-benefit pension plan that is a pension agreement from 2006 for the insurance sector. Persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on a summary of the ages and annual pensions calculated as an average per age group.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that upward adjustment of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

| Assumptions pertaining to defined-benefit commitments | 2018 | 2017 |
|---|------|-------|
| Discount rate | - | 0.50% |
| Percentage expected to retire voluntarily at age 62 | - | 50.0% |
| Future salary increases | - | 2.50% |

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the FPK, is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company is, as a rule, to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. FTP plan contributions for 2019 are expected to total SEK 19.3 M.

| | 2018 | 2017 |
|---|------|------|
| Expenses for defined-contribution plans | 31.6 | 31.3 |

| | |
|----------------|-------------------------|
| Note 33 | Other provisions |
|----------------|-------------------------|

| | 31 Dec 2018 | 31 Dec 2017 |
|---------------------------------------|-------------|-------------|
| Provision for contractual obligations | 9.8 | 9.5 |
| Other provisions | 2.0 | 1.8 |
| Total | 11.8 | 11.3 |

| | |
|----------------|--------------------------------------|
| Note 34 | Liabilities, direct insurance |
|----------------|--------------------------------------|

| | 31 Dec 2018 | 31 Dec 2017 |
|------------------------------------|--------------|--------------|
| Liabilities to policyholders | 577.9 | 287.0 |
| Liabilities to insurance brokers | 6.8 | 4.1 |
| Liabilities to insurance companies | 2.6 | 307.9 |
| Total | 587.3 | 599.0 |

| Note 35 Other liabilities | | |
|--|--------------|--------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Liabilities, Group companies | 64.4 | 61.3 |
| Liabilities to the Parent Company | 157.2 | 312.2 |
| Liabilities, Länsförsäkringar Liv Försäkrings AB | 0.4 | 0.4 |
| Other liabilities | 29.8 | 51.7 |
| Total | 251.8 | 425.6 |

| Note 36 Other accrued expenses and deferred income | | |
|---|--------------|--------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| Premiums, received but not due | 93.1 | 105.8 |
| Accrued holiday and overtime remuneration | 13.3 | 12.5 |
| Other accrued expenses | 35.0 | 30.2 |
| Total | 141.4 | 148.5 |

| Note 37 Financial assets and liabilities by category | | | | | | | |
|---|--|--|--|--|--|--|--|
|---|--|--|--|--|--|--|--|

| 31 Dec 2018 | Financial assets measured at FVPL | | | Financial assets measured at FVOCI | | | Fair value |
|--|-----------------------------------|--------------------|---|------------------------------------|--------------------|-----------------------|----------------|
| | Measured at FVPL | Equity instruments | Financial assets measured at amortised cost | Debt instruments measured at FVOCI | Equity instruments | Total carrying amount | |
| ASSETS | | | | | | | |
| Interest-bearing securities issued by Group companies and loans to Group companies | 97.9 | - | - | - | - | 97.9 | 97.9 |
| Shares and participations | 433.0 | - | - | - | 42.4 | 475.4 | 475.4 |
| Bonds and other interest-bearing securities | 2,390.4 | - | - | - | - | 2,390.4 | 2,390.4 |
| Derivatives | 9.5 | - | - | - | - | 9.5 | 9.5 |
| Other financial investment assets | - | - | - | - | - | - | - |
| Other receivables | - | - | 952.8 | - | - | 952.8 | 952.8 |
| Cash and bank balances | - | - | 110.1 | - | - | 110.1 | 110.1 |
| Prepaid expenses and accrued income | - | - | 0.2 | - | - | 0.2 | 0.2 |
| Total | 2,930.8 | - | 1,063.1 | - | 42.4 | 4,036.3 | 4,036.3 |

| | Financial liabilities measured at FVPL | Financial liabilities measured at amortised cost | Total carrying amount | Fair value |
|--------------------------------------|--|--|-----------------------|--------------|
| LIABILITIES | | | | |
| Derivatives | - | - | 5.1 | 5.1 |
| Other liabilities | - | 232.7 | 232.7 | 232.7 |
| Accrued expenses and deferred income | - | 17.0 | 17.0 | 17.0 |
| Total | 5.1 | 249.7 | 254.8 | 254.8 |

The carrying amount of assets classified as Financial assets measured at amortised cost and liabilities classified as Financial liabilities measured at amortised cost comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

| 31 Dec 2017 | Financial assets measured at FVPL | | | Total carrying amount | Fair value |
|--|--|------------------|-----------------------|-----------------------|----------------|
| | Financial assets measured according to fair value option | Held for trading | Loans and receivables | | |
| ASSETS | | | | | |
| Interest-bearing securities issued by Group companies and loans to Group companies | 149.5 | - | - | 149.5 | 149.5 |
| Shares and participations | 537.1 | - | - | 537.1 | 537.1 |
| Bonds and other interest-bearing securities | 3,214.7 | - | - | 3,214.7 | 3,214.7 |
| Derivatives | - | 35.2 | - | 35.2 | 35.2 |
| Other financial investment assets | - | - | - | - | - |
| Other receivables | - | - | 595.2 | 595.2 | 595.2 |
| Cash and bank balances | - | - | 136.7 | 136.7 | 136.7 |
| Prepaid expenses and accrued income | - | - | 4.0 | 4.0 | 4.0 |
| Total | 3,901.3 | 35.2 | 735.9 | 4,672.4 | 4,672.4 |

Note 37 Financial assets and liabilities by category, cont.

| | Financial liabilities measured at FVPL | | | Fair value |
|--------------------------------------|--|-----------------------------|-----------------------|--------------|
| | Held for trading | Other financial liabilities | Total carrying amount | |
| LIABILITIES | | | | |
| Derivatives | 11.8 | - | 11.8 | 11.8 |
| Other liabilities | - | 409.4 | 409.4 | 409.4 |
| Accrued expenses and deferred income | - | 13.6 | 13.6 | 13.6 |
| Total | 11.8 | 423.0 | 434.8 | 434.8 |

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

Fair value valuation techniques

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices quoted in an active market.

Level 2 refers to prices determined by calculated prices of observable market data.

Level 3 refers to prices based on own assumptions and judgements.

| | 31 Dec 2018 | | | | 31 Dec 2017 | | | |
|--|-------------|---------|---------|-----------------------|-------------|---------|---------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total carrying amount | Level 1 | Level 2 | Level 3 | Total carrying amount |
| ASSETS | | | | | | | | |
| Interest-bearing securities issued by Group companies and loans to Group companies | 97.9 | - | - | 97.9 | 149.5 | - | - | 149.5 |
| Shares and participations | 433.0 | - | 42.4 | 475.4 | 496.9 | - | 40.2 | 537.1 |
| Bonds and other interest-bearing securities | 2,141.8 | - | 248.6 | 2,390.4 | 3,026.4 | - | 188.3 | 3,214.7 |
| Derivatives | 0.1 | 9.4 | - | 9.5 | 0.5 | 34.7 | - | 35.2 |
| Other financial investment assets | - | - | - | - | - | - | - | - |
| LIABILITIES | | | | | | | | |
| Derivatives | 0.1 | 5.0 | - | 5.1 | 0.2 | 11.6 | - | 11.8 |

There were no significant transfers between Level 1 and Level 2 during 2018 or during 2017. There were no transfers from Level 3 in 2018 or 2017.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found.

Bonds and other interest-bearing securities that are not quoted in an active market comprise interest-bearing, unquoted loans that are valued using unobservable market data and are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not

available are measured at a fair value corresponding to the cost adjusted for any impairment.

Gains and losses are recognised in profit or loss under Investment income, revenue and Investment income, expenses.

Shares and participations in Group companies measured at cost in the balance sheet

The fair value (Level 3) of shares and participations in Group companies was measured at equity per share based on the most recent company report and, where appropriate, plus outstanding acquired goodwill or surpluses in properties.

| Change Level 3 | Shares and participations | Bonds and other interest-bearing securities | Total |
|--|---------------------------|---|--------------|
| Opening balance, 1 January 2017 | 37.8 | 149.1 | 186.9 |
| Acquisitions | - | 35.2 | 35.2 |
| Divestments | - | - | - |
| Recognised in profit or loss | 2.4 | 4.0 | 6.4 |
| Transfer to Level 3 | - | - | - |
| Closing balance, 31 December 2017 | 40.2 | 188.3 | 228.5 |
| Opening balance, 1 January 2018 | 40.2 | 188.3 | 228.5 |
| Acquisitions | - | 61.0 | 61.0 |
| Divestments | - | -15.4 | -15.4 |
| Recognised in profit or loss | 2.2 | 14.7 | 16.9 |
| Transfer to Level 3 | - | - | - |
| Closing balance, 31 December 2018 | 42.4 | 248.6 | 291.0 |

Länsförsäkringar Sak began applying IFRS 9 Financial Instruments from 1 January 2018. Changes to accounting policies attributable to IFRS 9 are described in note 1 Accounting policies.

Financial assets and liabilities by category according to IFRS 9

| SEK M | Carrying amount 1 Jan 2018 | Category according to IAS 39 | Category according to IFRS 9 |
|--|-------------------------------|--|------------------------------|
| Assets | | | |
| Interest-bearing securities issued by Group companies and loans to Group companies | 149.5 | Financial assets measured according to fair value option | FVPL |
| Shares and participations | 537.1 | | |
| Shares and participations | 40.2 | Financial assets measured according to fair value option | FVOCI |
| Of which other shares and participations | 496.9 | Financial assets measured according to fair value option | FVPL |
| Bonds and other interest-bearing securities | 3,214.7 | Financial assets measured according to fair value option | FVPL |
| Derivatives | 35.2 | Held for trading | FVPL |
| Other receivables | 595.2 | Loans and receivables | Amortised cost |
| Cash and bank balances | 136.7 | Loans and receivables | Amortised cost |
| Prepaid expenses and accrued income | 4.0 | Loans and receivables | Amortised cost |
| Total assets | 4,672.4 | | |
| Liabilities | | | |
| Derivatives | 11.8 | Held for trading | FVPL |
| Other liabilities | 409.4 | Other financial liabilities | Amortised cost |
| Accrued expenses and deferred income | 13.6 | Other financial liabilities | Amortised cost |
| Total liabilities | 434.8 | | |

Expected credit losses are recognised in the item Cash and bank balances and Other receivables measured at amortised cost and the accumulated loss allowance amounted to zero or almost zero.

Note 39 Anticipated recovery and settlement periods, amounts expected to be recovered

| | 31 Dec 2018 | | | 31 Dec 2017 | | |
|--|----------------------|------------------|-----------------|----------------------|------------------|-----------------|
| | Not more than 1 year | More than 1 year | Total | Not more than 1 year | More than 1 year | Total |
| ASSETS | | | | | | |
| Goodwill | - | - | - | - | - | - |
| Other intangible assets | 1.8 | 2.5 | 4.3 | 1.8 | 14.7 | 16.5 |
| Shares and participations in Group companies | - | 1,944.5 | 1,944.5 | - | 1,949.3 | 1,949.3 |
| Shares and participations in associated companies | - | 16.7 | 16.7 | - | 16.7 | 16.7 |
| Interest-bearing securities issued by Group companies and loans to Group companies | 97.9 | - | 97.9 | 53.1 | 96.4 | 149.5 |
| Shares and participations | - | 475.4 | 475.4 | - | 537.1 | 537.1 |
| Bonds and other interest-bearing securities | 336.4 | 2,054.0 | 2,390.4 | 588.3 | 2,626.4 | 3,214.7 |
| Derivatives | 9.5 | - | 9.5 | 35.2 | - | 35.2 |
| Other financial assets | - | - | - | - | - | - |
| Deposits with companies that have ceded reinsurance | 85.0 | - | 85.0 | 51.6 | - | 51.6 |
| Reinsurers' portion of technical provisions | 908.1 | 9,593.1 | 10,501.2 | 1,072.6 | 9,367.6 | 10,440.2 |
| Receivables, direct insurance | 324.6 | - | 324.6 | 359.7 | - | 359.7 |
| Receivables, reinsurance | 575.6 | - | 575.6 | 280.6 | - | 280.6 |
| Other receivables | 975.5 | - | 975.5 | 594.9 | - | 594.9 |
| Deferred tax assets | - | 5.0 | 5.0 | - | 1.6 | 1.6 |
| Tangible assets | 0.9 | 2.1 | 3.0 | 1.3 | 2.4 | 3.7 |
| Cash and bank balances | 110.1 | - | 110.1 | 136.7 | - | 136.7 |
| Prepaid expenses and accrued income | 52.8 | - | 52.8 | 62.2 | - | 62.2 |
| Total assets | 3,478.2 | 14,093.3 | 17,571.5 | 3,238.0 | 14,612.2 | 17,850.2 |
| LIABILITIES | | | | | | |
| Technical provisions | 2,472.5 | 11,758.1 | 14,230.6 | 2,507.7 | 11,712.3 | 14,220.0 |
| Other provisions | - | 32.8 | 32.8 | - | 30.7 | 30.7 |
| Deposits from reinsurers | 12.0 | - | 12.0 | 16.1 | - | 16.1 |
| Current tax liabilities | - | 46.3 | 46.3 | - | 30.8 | 30.8 |
| Deferred tax liabilities | 2.5 | - | 2.5 | 2.5 | 2.6 | 5.1 |
| Liabilities, direct insurance | 587.3 | - | 587.3 | 599.0 | - | 599.0 |
| Liabilities, reinsurance | 619.3 | - | 619.3 | 286.0 | - | 286.0 |
| Derivatives recognised as liabilities | 5.1 | - | 5.1 | 11.8 | - | 11.8 |
| Other liabilities | 240.2 | 11.6 | 251.8 | 425.6 | - | 425.6 |
| Accrued expenses and deferred income | 144.4 | - | 144.4 | 153.4 | - | 153.4 |
| Total liabilities | 4,083.3 | 11,848.8 | 15,932.1 | 4,002.1 | 11,776.4 | 15,778.5 |

The recovery periods for securities do not reflect the liquidity in the portfolio but rather the final maturity of the securities.

Note 40 Pledged assets and contingent liabilities

| | 31 Dec 2018 ¹⁾ | 31 Dec 2017 ²⁾ |
|--|---------------------------|---------------------------|
| Pledged assets | | |
| Assets registered on behalf of policyholders | 3,729.4 | 3,779.8 |
| Total | 3,729.4 | 3,779.8 |

¹⁾ Assets pledged for the benefit of policyholders to cover technical provisions in the balance sheet in accordance with Chapter 6, Section 11 of the Swedish Insurance Business Act. The amount recognised as pledged assets corresponds to the technical liabilities after deductions for reinsurers' portion. All assets recognised in the benefit register amounted to SEK 8,086 M (8,356).

²⁾ Registered assets in accordance with Chapter 6, Section 11 of the Insurance Business Act amount to SEK 3,779.8 M. In the event of insolvency, the policyholders have a preferential right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance commitments are covered for liabilities in accordance with the Insurance Business Act in accordance with the wording at the end of 2017.

| | 31 Dec 2018 | 31 Dec 2017 |
|--------------------------------|-------------|-------------|
| Contingent liabilities | | |
| Part-owner of Utile Dulci 2 HB | 42.4 | 49.4 |
| Total | 42.4 | 49.4 |

Commitments

| | | |
|---|-------|-------|
| Remaining amount to invest in investment assets | 209.9 | 186.0 |
|---|-------|-------|

Note 41 Disclosures on related parties**Organisation**

Länsförsäkringar Sak is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 16 local insurance companies. Joint operations are conducted in Länsförsäkringar AB, which provides services to Länsförsäkringar Sak. This pertains to such services as asset management, legal, finance, safety, personnel and development of a joint IT system. Länsförsäkringar Sak also sells services to Länsförsäkringar Gruppiv. The largest areas are insurance administration, claims-adjustment services and product development. The organisation means that there are a large number of ongoing transactions and a few non-recurring transactions between Länsförsäkringar Sak and Länsförsäkringar AB, subsidiaries and the regional insurance companies.

Related parties

Legal entities closely related to Länsförsäkringar Sak include all of the companies in the Länsförsäkringar AB Group. Länsförsäkringar Mäklarservice AB, the regional insurance companies with subsidiaries and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

Note 41 Disclosures on related parties, cont.

Pricing

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. Overall, pricing is intended to distribute costs within the corporate group based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Agreements

Significant agreements for Länsförsäkringar Sak are primarily outsourcing agreements with Länsförsäkringar AB regarding asset management, IT, service and development. Furthermore, agreements have been entered into with Länsförsäkringar Mäklarservice regarding sales and with the regional insurance companies regarding reinsurance contracts for the Länsförsäkringar Alliance and agreements regarding commission for sales, claims adjustment and reinsurance management. Additional agreements that have been entered into are with Humlegården Fastigheter AB regarding the administration of Utile Dulci 2 HB and partnership agreements with Länsförsäkringar AB regarding Utile Dulci 2 HB. Länsförsäkringar Sak leases its office premises from the Parent Company Länsförsäkringar AB, which in turn leases from the property owner Utile Dulci 2 HB. Länsförsäkringar Sak's participating interest in Utile Dulci 2 HB is 54.4%.

Related-party transactions 2017 - Transfer of business

On 1 December 2017, Länsförsäkringar Sak transferred a portfolio of accident and health insurance for adults to the regional insurance companies. The portfolio of reserves for claims outstanding of SEK 182 M were transferred to the regional insurance companies on 1 December 2017, following a joint valuation by the parties. 23 regional insurance companies participated in the portfolio transfer. Länsförsäkringar Sak received remuneration of SEK 260 M for the transfer of the business.

Related-party transactions

| 2018 | Income | Expenses | Receivables | Liabilities |
|------------------------------|--------|----------|-------------|-------------|
| Parent Company | 10.2 | 254.9 | 81.1 | 162.2 |
| Group companies | 256.4 | -110.5 | 960.6 | 64.6 |
| Länsförsäkringar Liv | 0.3 | 0 | 2.4 | 0.3 |
| Regional insurance companies | 55.2 | 176.9 | 8,575.3 | 8,795.3 |
| Other related parties | 5.7 | 14.3 | 0.1 | 9.9 |

| 2017 | Income | Expenses | Receivables | Liabilities |
|------------------------------|--------|----------|-------------|-------------|
| Parent Company | 6.0 | 225.9 | 85.9 | 313.6 |
| Group companies | 676.1 | 9.7 | 660.3 | 61.6 |
| Länsförsäkringar Liv | 1.5 | 0.0 | 1.0 | 0.4 |
| Regional insurance companies | 458.8 | 219.7 | 8,542.7 | 8,166.1 |
| Other related parties | 0.2 | 14.8 | 10.7 | 10.9 |

Bank balances and interest income received from Länsförsäkringar Bank AB amounts to:

| | 2018 | 2017 |
|---|-------|-------|
| Cash and cash equivalents with Länsförsäkringar Bank AB | 762.5 | 490.6 |
| Interest income received | - | - |

Note 42 Supplementary disclosures on income-statement items by insurance class

| 2018 | Total | Accident and health | Motor third-party liability | Motor, other classes | Marine, air and cargo | Fire and other property damage | General liability | Legal expenses | Credit and guarantee insurance | Total, direct insurance | Assumed reinsurance |
|-----------------------------|--------------|---------------------|-----------------------------|----------------------|-----------------------|--------------------------------|-------------------|----------------|--------------------------------|-------------------------|---------------------|
| Premiums earned, gross | 3,689.6 | 1,087.5 | 48.0 | 159.4 | 116.8 | 88.7 | 158.6 | 2.3 | 4.6 | 1,665.9 | 2,023.7 |
| Claims payments, gross | -2,403.2 | -823.1 | 42.3 | -136.1 | -57.9 | -59.2 | -31.8 | -3.0 | -2.5 | -1,071.3 | -1,331.9 |
| Operating expenses, gross | -476.9 | -229.1 | -8.8 | -19.3 | -30.9 | -10.4 | -29.4 | -0.6 | -2.7 | -331.2 | -145.7 |
| Loss from ceded reinsurance | -709.0 | -2.3 | -86.8 | -1.5 | -6.7 | -9.6 | -54.7 | -0.2 | -0.2 | -162.0 | -54.7 |
| Earnings | 100.5 | 33.0 | -5.3 | 2.5 | 21.3 | 9.5 | 42.7 | -1.5 | -0.8 | 101.4 | -0.9 |
| Premium income, gross | 3,684.6 | 1,093.4 | 40.2 | 145.2 | 118.8 | 90.5 | 171.5 | 2.2 | 7.3 | 1,669.1 | 2,015.5 |

Note 43 Significant events after the end of the fiscal year

No significant events were reported after the balance-sheet date.

Note 44 Appropriation of profit

According to the balance sheet of Länsförsäkringar Sak Försäkringsaktiebolaget (publ), non-restricted equity of SEK 296,619,387 is at the disposal of the Annual General Meeting.

The following profit is at the disposal of the Annual General Meeting:

| | |
|----------------------------|--------------------|
| Retained earnings | 34,299,932 |
| Group contributions paid | -150,000,000 |
| Tax on Group contributions | 33,000,000 |
| Net profit for the year | 379,319,455 |
| Total | 296,619,387 |

The Board of Directors proposes that profit be appropriated as follows:

| | |
|--------------------------------|--------------------|
| To be distributed to the owner | 295,000,000 |
| To be carried forward | 1,619,387 |
| Total | 296,619,387 |

The dividend, comprising 59% of the insurance company's equity, has been proposed after considering the rules on solvency capital requirement under the Swedish Insurance Business Act.

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 228% (221).

The insurance company's financial position does not result in any other assessment than that the insurance company can be expected to fulfil its obligations in both the short and long term.

The Board of Directors believes that the insurance company's equity as reported in the Annual Report is sufficiently high in relation to the nature, scope and risks of the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

For more information on the insurance company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.

The Annual Report was approved for publication by the Board of Directors on 7 March 2019.
The company's income statement and balance sheet will be adopted at the 2019 Annual General Meeting.

Fredrik Bergström
Chairman

Mikael Bergström
Board member

Henrietta Hansson
Board member

Niklas Larsson
Board member

Ricard Robbstål
Board member

Jan-Olof Thorstensson
Board member

Hans Holm
Employee representative

Linnéa Niklasson
Employee representative

Ann Sommer
President

Our auditor's report was submitted on 27 March 2019
KPMG AB

Gunilla Wernelind
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Länsförsäkringar Sak Försäkringsaktiebolag (publ), corp. id 502010-9681

Report on the annual accounts

Opinions

We have audited the annual accounts of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2018. The annual accounts of the company are included on pages 4–45 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of Länsförsäkringar Sak Försäkringsaktiebolag (publ) as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Provisions for claims outstanding reported as part of the technical provisions

See disclosure 31 and accounting principles on page 22 in the annual account for detailed information and description of the matter.

Description of key audit matter

Provision for claims outstanding, reported as part of technical provisions, amounts to SEK 13,597.2 M as of December 31, 2018, which constitutes 77 per cent of the company's total assets.

This is an area involving significant judgments of uncertain future outcome, primarily including the timing and size of incurred claims which will be settled with the policyholders.

The company uses established actuarial valuation models to support the calculations of the provision for claims outstanding. The complexity of the models may cause risk for errors as a result of inadequate/incomplete data or the design or application of the models.

The company's provision for claims outstanding consists of a variety of different products with different characteristics such as settlement period, injury patterns, assumptions about morbidity, inflation, discount rate, mortality (life annuities) and overheads.

Other Information than the annual accounts

This document also comprises other information than the annual accounts and is found on pages 1–3. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Insurance Companies. The

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Länsförsäkringar Sak Försäkringsaktiebolag (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Response in the audit

We have assessed the applied actuarial assumptions by comparing the valuation methods with the company's own experience and investigations, regulatory requirements and industry benchmarks.

We have performed tests on a sample basis to assess management's data extraction process as input to the actuarial calculations.

We have involved our own actuarial specialists to assist us in challenging the methodology and the assumptions used in the projected cash flows and in the valuation of the provisions. We have performed our own calculations verifying the adequacy of the provision and compared it to the expected future contractual obligations.

We have also considered the completeness of the underlying facts and circumstances that are presented in the disclosures in the accounts and assessed whether the information is adequate to understand management judgements.

Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that

an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Länsförsäkringar Sak Försäkringsaktiebolag (publ) in accordance with profes-

sional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Länsförsäkringar Sak Försäkringsaktiebolag (publ) by the general meeting of the shareholders on the 16 of May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm 27 March 2019
KPMG AB

Gunilla Wernelind
Authorized Public Accountant

Board of Directors and auditor



Auditor: Gunilla Wernelind. Elected by the Annual General Meeting:
Authorised Public Accountant, KPMG.

1 Fredrik Bergström

Born 1970. Employed 2018. President and CEO of Länsförsäkringar AB.
Education: Master of Science in Business and Economics, Uppsala University. **Board appointments:** Chairman of Länsförsäkringar Bank AB and Länsförsäkringar Fondliv AB, Board member of Länsförsäkringar Liv AB, Insurance Sweden, Swedish Insurance Employers Association (FAO), European Alliance Partners Company AG, Enebybergs Tennishall AB. **Previous experience:** President of Länsförsäkringar Stockholm, Head of Retail at SBAB, Head of Distribution Private Sweden at If and other positions at If Skadeförsäkring AB and Dial Försäkrings AB.

2 Mikael Bergström

Born 1962. President of Länsförsäkringar Västernorrland. Elected: 2018.
Education: Master of Science in Business and Economics, Stockholm School of Economics. **Other Board appointments:** Wasa Kredit, Länsförsäkringar Västernorrland, EkoNord AB, Länsförsäkringar Norr Holding AB and Fastighetsförvaltningsbolaget Gården 35 AB. **Previous experience:** Regional manager at Nordea. Worked at Länsförsäkringar since 2014.

3 Henrietta Hansson

Born 1964. President of Länsförsäkringar Jönköping. Elected: 2016
Education: Bachelor of Science in Business and Economics, local government administration Lund University. **Other Board appointments:** Länsförsäkringar Fondförvaltning **Previous experience:** President of Länsförsäkringar Göinge-Kristianstad and Agria. Worked at Länsförsäkringar since 2000.

4 Niklas Larsson

Born 1970. President of Länsförsäkringar Göinge-Kristianstad. Elected: 2018.
Education: Master of Science in Business Administration and Economics at School of Business and Economics at Växjö University. **Other Board appointments:** Länsförsäkringar Affärservice Sydost AB and Group company Länsförsäkringar Göinge-Kristianstad. **Previous experience:** Senior positions at the SEB Group and Ikanobanken since 1998.



5 Ricard Robbstål

Born 1970. President of Länsförsäkringar Göteborg och Bohuslän. Elected: 2015. **Education:** MBA Harvard/Stanford and Behavioural sciences. **Other Board appointments:** Chairman of Länsförsäkringar Fastighetsförmedling. Board member of Platzer Property and Länsförsäkringar Grupplivförsäkrings AB. **Previous experience:** President/CEO of Göteborgsposten and Stampen Local Media.



6 Jan-Olof Thorstensson

Born 1959. Forest farmer. Elected: 2016 **Education:** Mechanical engineer. **Other Board appointments:** Chairman of Länsförsäkringar Kalmar län and Kalmar Hamn AB. **Previous experience:** Södra Skogsägarna.



Employee representatives

7 Hans Holm

Born 1959. Administration manager in Health Business Area. Employee representative. Elected: 2017. **Education:** Swedish Defence University, economics, systems science, certified CIO, IFU diploma Non-life & Life. **Other Board appointments:** No **Previous experience:** Major in Royal Swedish Air Force, District Manager Non-life & Life, Head of Sales Support Livförsäkring Försäkringsbolaget Salus Ansvar, Controller of system owner group (SÄG) Länsförsäkringar AB, Operative system owner Customer System Länsförsäkringar AB. Mentor at the Royal Swedish Academy of Engineering Sciences (IVA).



8 Linnéa Niklasson

Born 1958. Integration IT unit. Employee representative. Elected: 2014. **Education:** Systems developer, upper-secondary education in economics. **Other Board appointments:** Länsförsäkringar AB, Agria Djurförsäkring, Chairman of Länsförsäkringar AB FTF club. **Previous experience:** Test Manager/Change Management at Länsförsäkringar AB, Systems Developer Agria, Chairman of Agria employee club, Group Manager accounts receivable ledger/IT Esselte Meto.

Deputy: Inge Gustafsson.

Management

Ann Sommer

President. Head of Non-life Insurance business unit. Born 1959. Employed 1988. **Education:** Master of Science in Business and Economics. **Board appointments:** Chairman of Länsförsäkringar Grupplivförsäkrings AB, Board member of SOS International and Amice (Association of Mutual Insurers and Insurance Cooperatives in Europe), Chairman of Swedish Theft Prevention Association (SSF), Board member of Co-operatives Sweden and Humlegården. **Previous experience:** President of Wasa International, Wasa Specialförsäkringar AB, Wasa International UK and Stockholm Re.

Thomas Abrahamsson

Head of Health Business Area. President of Länsförsäkringar Grupplivförsäkrings AB. Born 1956. Employed 2009. **Education:** Bachelor of Science in Social Work. **Board appointments:** None. **Previous experience:** Several different managerial positions in banking and insurance.

Carina Bodesand

Head of Sustainability and Business Development. Born 1974. Employed 1995. **Education:** Business, education pedagogy and project management at Umeå University, information officer Berghs School of Communication. **Board appointments:** None. **Previous experience:** Worked at Länsförsäkringar since 1995, holding senior positions since 2006. 2011 – present Länsförsäkringar Sak, 2000–2011 Länsförsäkringar Fondförvaltning, 1995–2000 Länsförsäkringar Västerbotten.

Maria Ekelberg

Head of IT Delivery Non-Life. Born 1965. Employed since 2014. **Education:** Master's Degree in Economics, Bachelor of Arts in French, Diplôme International de Management. **Board appointments:** None. **Previous experience:** Head of IT Movestic Liv & Pension, project manager at Skandia Link.

Agnes Fabricius

President of Agria Djurförsäkring. Born 1972. Employed 2017. **Education:** Hippologist Swedish University of Agricultural Sciences, studies at Stockholm School of Economics. **Board appointments:** Chairman of Agria Pet Insurance Ltd. **Previous experience:** Head of Retail customer business area, Head of Bank and Claims Manager at Länsförsäkringar Stockholm.

Pernilla Fredriksson

HR Manager. Born 1968. Employed 2001. **Education:** Bachelor of Arts. **Board appointments:** None. **Previous experience:** 25 years' of experience in HR. HR Manager at Länsförsäkringar IT Centre and HR Manager at Länsförsäkringar Bank.

Definitions

Provision for unearned premiums

A liability item, corresponding to the portion of premium income that pertains to the next year in the annual accounts.

Run-off result

For claims for which final settlement has not been completed at the end of the fiscal year, funds are reserved in the provision for claims outstanding. The assessment of future payments implemented may however prove to be incorrect for various reasons. If the calculated compensation amount for a claim proves to be over-valued, run-off gains will arise when the compensation amount is re-assessed or when the claim has been settled. If the amount is under-valued, a corresponding run-off loss will arise.

Madelen Holmegård

Head of Customer Experience. Born 1973. Employed 2005. **Education:** Master of Arts in Marketing, Mid Sweden University. **Board appointments:** None. **Previous experience:** Senior positions in IT and development at Länsförsäkringar AB (focusing on customer meeting and local regional insurance companies' business).

Gunnel Karlsson

CFO. Born 1963. Employed 1989. **Education:** Master of Science in Business and Economics. **Board appointments:** CAB Group, Länsförsäkringar Grupplivförsäkrings AB, Länsförsäkringar Sak Fastighets AB and Utile Dulci 2 HB. **Previous experience:** Various positions as head of finance and head of control at Länsförsäkringar AB.

Göran Laurén

Head of Asset Management. Born 1962. Employed 2007. **Education:** Executive MBA, Stockholm University. **Board appointments:** Chairman of Länsförsäkringar Sak Fastighets AB and Utile Dulci 2 HB. **Previous experience:** CIO Länsförsäkringar AB, Executive Vice President Länsförsäkringar Hypotek, CFO SBAB.

John Nyman

Head of Reinsurance and Special Insurance Business Area. Born 1979. Employed 2016 (at Länsförsäkringar AB since 2006). **Education:** Master of Science and Bachelor's Degree in Economics. **Board appointments:** Länsförsäkringar Mäklarservice. **Previous experience:** Head of M&A and Strategic Development, Equity Strategist at Länsförsäkringar Asset Management.

Totte Pikanen

Chief Actuary. Born 1977. Employed 2010. **Education:** Diploma in Actuarial Science. **Board appointments:** None. **Previous experience:** Trygg-Hansa 2003–2006, Moderna försäkringar 2006–2009, Aon 2009–2010.

Michael Truwert

General Counsel/Head of Business Support. Born 1962. Employed 1992. **Education:** LL.M. **Board appointments:** Board Chairman of INI – International Network of Insurance, Brussels. **Previous experience:** Claims adjuster, Claims Manager, Marketing Manager, Head of Business Support.

Direct yield

Direct yield refers to the total of operating net from properties, interest income, interest expense, other financial expenses, dividends on shares and participations (excluding dividends on participations in insurance subsidiaries) in relation to the average value of the investment assets during the year, including surplus values of properties in Group companies.

Direct insurance

Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Discounting of claims outstanding

Present value calculation of future claims payments in insurance transactions with long-term settlement periods.

Operating expenses

Operating expenses is a collective term for expenses for sales, management and administration.

Expense ratio

Operating expenses in the insurance operations 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.

Required solvency margin

The lowest permitted level of own funds for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in the Swedish Insurance Business Act.

Claims payments

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

Technical provisions

Provision for unearned premiums and unexpired risks, and provision for claims outstanding and comparable commitments in accordance with signed insurance contracts.

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 (the cost of capital) on these investments is transferred from investment income to the insurance operations. With the amendment of the accounting policies for indexed annuities, this is recognised as an increased capital cost for investment income transferred from financial operations, to the change in provision for claims outstanding reducing the total claims payments.

Own funds

Own funds comprise Tier 1 capital and ancillary own funds. Tier 1 capital is the difference between assets and liabilities measured in accordance with the Solvency II regulations rules and subordinated liabilities. Ancillary own funds comprise items not recognised in the statutory balance sheet but that could be required to cover losses. Own funds for Länsförsäkringar Sak main comprise equity and untaxed reserves according to the legal accounts adjusted by revaluation items arising on the remeasurement of the balance sheet in accordance with Solvency II.

Solvency margin

The ratio between solvency capital and premium income for own account, expressed as a percentage. The solvency margin, calculated in this manner, is the measure of capital strength of the insurance company normally used.

Solvency capital

Recognised equity, plus untaxed reserves, deferred tax liabilities and surplus values on property.

Minimum capital requirement

The minimum capital requirement comprises the minimum amount of eligible Tier 1 capital and is calculated by taking into account all or part of technical provisions, premium income, positive risk amounts, deferred taxes, administrative costs, ceded reinsurance and the solvency capital requirement.

Premium income

Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment.

Premiums earned

The proportion of premium income attributable to the fiscal year.

Technical result for non-life insurance operations

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

Claims ratio

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

Solvency capital requirement

Regulatory solvency capital requirement calculated using Länsförsäkringar's Internal Model.

Contingency reserve

Provisions for contingency reserve is an appropriation. The contingency reserve is to equalise fluctuations in the risk process and the uncertainty in the calculation basis for provisions for unearned premiums and claims outstanding.

Total return ratio

Total return ratio refers to the sum of the direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs, in relation to the average value of these assets during the year. The change in value in assets for liability hedges is included in the figure, but the change in value of the discounted technical provisions is not included in the total return.

Combined ratio

The sum of operating expenses in the insurance operations and claims payments as a percentage of premiums earned after ceded reinsurance.

Deferred tax

Deferred tax liabilities/assets pertain to temporary taxable differences.

Reinsurance

Risk distribution method entailing that an insurance company purchases coverage for a portion of its liability commitment for insurance and reinsurance contracts, known as ceded reinsurance. Assumed reinsurance refers to the business that an insurance company receives from other insurance company in the form of reinsurance.

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Production: Länsförsäkringar Sak in partnership with Springtime-Intellecta.
Photos: Länsförsäkringar's image bank, Jimmy Eriksson, iStock. Print: GöteborgsTryckeriet.
We print on environmentally friendly paper.



