

Länsförsäkringar Alliance

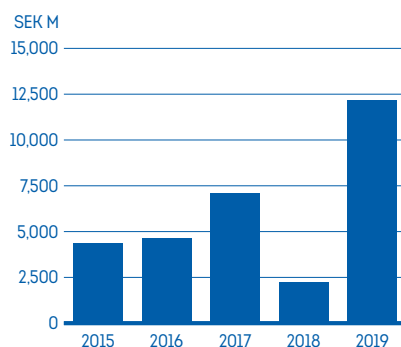
Annual Review in summary 2019

The year in brief

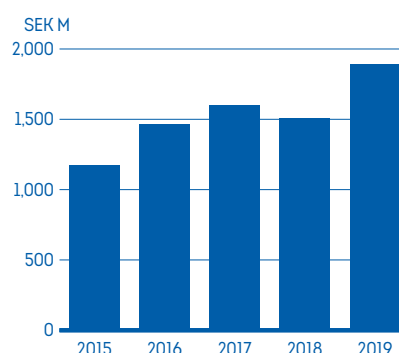
Figures in parentheses pertain to the full-year 2018.

- Operating profit for the Länsförsäkringar Alliance's non-life insurance operations rose to SEK 12,151 M (2,243), with investment income of SEK 13,140 M (1,771). Bonuses and discounts to customers increased to SEK 1,780 M (825).
- The technical result for the Länsförsäkringar Alliance's non-life insurance operations rose to SEK 1,898 M (1,778). Premiums earned after ceded reinsurance increased 4% to SEK 27,856 M (26,751). The combined ratio amounted to 96.5% (95.9).
- Operating profit for the Länsförsäkringar AB Group increased to SEK 3,003 M (2,351). The return on equity amounted to 10% (9).
- Operating profit for the Länsförsäkringar Sak Group rose to SEK 851 M (460). Premiums earned after ceded reinsurance increased 5% to SEK 6,211 M (5,891). The combined ratio amounted to 95.8% (93.5).
- Operating profit for the Länsförsäkringar Bank Group increased to SEK 1,893 M (1,510). Net interest income rose to SEK 4,617 M (4,497).
- Operating profit for Länsförsäkringar Fondliv rose to SEK 738 M (673). Premium income rose to SEK 9,478 M (9,010). Commission and fee income amounted to SEK 1,779 M (1,671).
- Profit for Länsförsäkringar Liv increased to SEK 5,567 M (609).

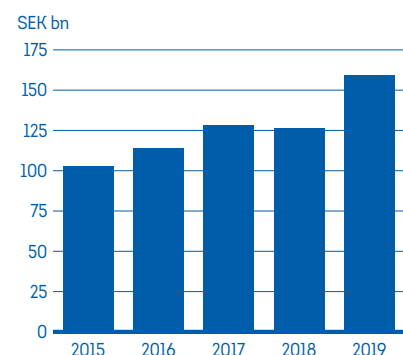
Operating profit for the Länsförsäkringar Alliance's non-life insurance operations



Länsförsäkringar Bank Group's operating profit



Länsförsäkringar Fondliv's managed assets



Satisfied customers, healthy growth and strong returns

A brief summary of 2019: Sweden's most satisfied customers, strong earnings due to healthy growth and strong returns, but also a higher number of larger non-life insurance claims in the first half of the year.

The Länsförsäkringar Alliance reported strong earnings. Operating profit in the non-life insurance operations amounted to SEK 12.2 billion, benefiting from both healthy growth in premiums and strong investment income. The stock markets performed well – the Stockholm Stock Exchange was up slightly more than 31% in 2019 and our investment income amounted to SEK 13.1 billion. Premium growth was 4%, and a gratifying achievement was the very good performance of the brand insurance and vehicle-damage guarantees through the partnership with Toyota and Lexus. Many customers had yet another reason to be pleased with choosing a customer-owned company – based on 2019 earnings the regional insurance companies will pay back at least SEK 1.8 billion in bonuses and discounts to their owners – the customers. Claims costs rose during the first half of the year, mainly as a result of the higher number of larger fire-damage claims and the claims for damage caused by storm Alfrida. This resulted in a combined ratio of 96.5%.

Climate risk is the sustainability topic that presents the most important challenge to Länsförsäkringar – a view we share with many others according to the World Economic Forum's annual Global Risks Report which ranked climate and environmental risks among the top five risks. Länsförsäkringar limits the risk related to climate impact, for example, through claims prevention and engagement. Länsförsäkringar's research fund supports climate research and has decided to provide financing of SEK 21 M for two new climate projects between 2020 and 2023. Länsförsäkringar also participates in a UN project on climate-risk scenarios.

A very strong sense of pride is built up within the Länsförsäkringar Alliance from the Swedish Quality Index's customer satisfaction surveys showing year after year that Länsförsäkringar has Sweden's most satisfied customers. But good can always be better so we are focusing on even more satisfied customers! Länsförsäkringar AB's role is to be the best partner for the regional insurance companies so that they can realise the customer promise to make everyday life easier for customers and create security and added value for them. One of Länsförsäkringar AB's overarching tasks from the regional insurance companies is to continuously pursue development activities. Introducing the Lean Agile work method will enhance the efficiency of development activities and make them more innovative, resulting in rapid product development and testing. We successfully implemented a new core banking system in 2019 and launched our Open Banking platform, which will help make services in the digital area even better, both now and in the future. We also created a "Bopulsen" app to help house owners to easily keep one step ahead and prevent damages.

The Länsförsäkringar AB Group reported solid operating profit of SEK 3.0 billion for 2019. The non-life insurance operations contributed an operating profit of SEK 0.9 billion, benefiting from strong net gains from financial items and the divestment of property holdings. The combined ratio amounted to 95.8%. Agria's healthy growth continued in 2019, particularly in the international business lines.



“Sweden's most satisfied customers and strong earnings due to healthy growth and strong returns.

The high inflow of new customers to the banking operations also continued, which led to steadily growing market shares and operating profit of SEK 1.9 billion. Deposits rose 10% and lending rose 6% with continued high credit quality.

Operating profit for the unit-linked insurance operations amounted to SEK 0.7 billion. Managed assets increased 26% to SEK 159 billion due to a favourable stock-market trend and positive net inflows of premiums and capital from existing and new customers. From the start of 2020, Länsförsäkringar will again become an eligible manager for the KAP-KL and AKAP-KL occupational pensions with unit-linked insurance, meaning that more than one million municipal and county council employees can choose Länsförsäkringar for their occupational pension.

Our customers with pension capital received strong returns in 2019. The return on all life-assurance and pension-insurance products was high and many of Länsförsäkringar's own funds performed very well, for example, Länsförsäkringar Fastighetsfond increased 65%. We are proud that Morningstar named us Best Fund House Overall in Sweden during the year.

We look ahead to 2020 from a position of strength – a year of continuous development to meet and ideally surpass customer expectations in all four of our business areas: non-life insurance, life assurance and pension insurance, banking and real-estate brokerage.

On behalf of the 23 regional insurance companies

Fredrik Bergström

President and CEO of Länsförsäkringar AB

The Länsförsäkringar Alliance's jointly owned company

Länsförsäkringar Alliance

The Länsförsäkringar Alliance comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. Customers are provided with a complete offering of banking, insurance, pension and real-estate brokerage services through the regional insurance companies.

The starting point is local presence and decision-making. Experience shows that local decision-making authority combined with joint strength creates substantial added value for customers.

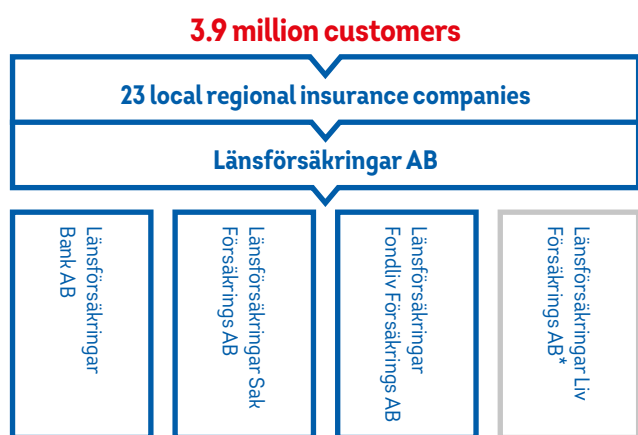
Long-term respect for customers' money is fundamental. There are no external shareholders; it is the customers' money that is being managed. This approach characterises the entire business.

The Länsförsäkringar Alliance has 3.9 million customers and 7,200 employees. The Länsförsäkringar Alliance is not a Group in the legal sense of the term. Most of the non-life insurance business in the Länsförsäkringar Alliance is underwritten in the regional insurance companies.

The Länsförsäkringar AB Group conducts banking, life assurance and pension insurance as well as some non-life insurance business. The non-life insurance business primarily comprises health, pet and crop insurance, some cargo, liability, property and motor insurance. The Länsförsäkringar AB Group also manages the Länsförsäkringar Alliance's reinsurance cover and assumed international reinsurance.

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

Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.



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

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

¹⁾ Pertains to the company's covered bonds.

Market commentary

After several years of strong economic growth, the global economy grew at a weaker rate in 2019. The US reported stable GDP growth, while Europe and several developing countries noted a clear slowdown. Softening growth was mainly due to the downturn in the manufacturing industry and uncertainty caused by the US-China trade conflict.

The US central bank, the Fed, altered the direction of its monetary policy and cut interest rates three times consecutively during the year despite unemployment continuing to fall. This was a powerful move and a swift reaction to the slowdown within the industry and the uncertainty surrounding the trade conflict. This expansive monetary policy, combined with an improved risk profile and a strong labour market, will provide a stable platform for growth in 2020.

Europe was the region hardest hit by the industrial slowdown and growth is expected to remain low in 2020. The positive performance of the services sector and the strong labour market indicate that the region will avoid a recession. The European Central Bank, ECB, reacted by making another cut to the deposit facility rate and launching a new asset purchase programme, among other measures. In communicating these new measures, the ECB was clear in saying that the programme would continue until shortly before key interest rates are raised, when inflation and the inflation outlook have stabilised at target levels. This suggests an extended period of low interest rates and monetary stimulus packages.

GDP growth in China slowed, although the economy otherwise generally performed well. The increasingly important private consumption is growing faster than the total economy, supported by a stable labour market and an expansive monetary policy. However, growth is becoming ever more dependent on fiscal and monetary policy stimuli.

In Sweden, the economic slowdown was more marked than anticipated. GDP growth fell in 2019 and this trend is expected to continue in 2020. The Riksbank went against the tide by raising its repo rate in December in spite of rising unemployment and falling inflation expectations. Despite this raise, the repo rate remains at a historically low level of 0.0%. As it lifted the rate, the Riksbank signalled that it may not touch the rate for a long time. Low interest rates and a relatively healthy trend in household disposable income contributed to a stable upswing in housing prices. According to Valueguard, housing prices increased 4.5% in 2019.

The performance of the financial markets was generally favourable in 2019, although some uncertainty did appear. It was a strong year for risk-exposed assets, global stock markets rose sharply and the Stockholm Stock Exchange ended the year up slightly more than 31%, including dividends. The fixed-income market generated uncertainty with an inverted US yield curve since such an inversion has often appeared as a precursor to past recessions. However, market optimism increased following the Fed and the ECB's monetary policy U-turns and a gradually more positive tone to the trade conflict. This led to falling expectations regarding future higher key interest rates, which was reflected in lower government bond rates. The expansive monetary policy also resulted in a positive trend in credit spreads, including Swedish covered bonds.

Financial overview

Report commented on the development January-December 2019 compared to January-December 2018, unless otherwise stated.

Amounts are in SEK, unless otherwise stated.

Länsförsäkringar Alliance

	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Non-life insurance				
Solvency capital, SEK M	82,199	82,199	75,605	68,472
Solvency margin, %	288	288	268	252
Return on equity, %	15	14	16	3
Premiums earned after ceded reinsurance, SEK M	27,856	14,181	13,675	26,751
Technical result, SEK M	1,898	1,575	323	1,778
Operating profit, SEK M	12,151	5,657	6,494	2,243
Combined ratio, %	96.5	92.8	100.4	95.9

Länsförsäkringar AB, Group¹⁾

	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Operating profit, SEK M	3,003	1,550	1,453	2,351
Total assets, SEK M	572,594	572,594	560,740	506,835
Return on equity, %	10	9	10	9
Own funds for the group (FRL) ²⁾ , SEK M	50,220	50,220	47,527	43,870
Solvency capital requirement for the group (FRL) ²⁾ , SEK M	37,776	37,776	35,965	33,874
Own funds for the financial conglomerate ³⁾ , SEK M	50,220	50,220	47,527	43,870
Capital requirement for the financial conglomerate ³⁾ , SEK M	37,776	37,776	35,965	33,874

Länsförsäkringar Sak, Group

	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Premiums earned after ceded reinsurance, SEK M	6,211	3,195	3,015	5,891
Technical result, SEK M	283	156	127	402
Operating profit, SEK M	851	476	375	460
Solvency ratio, % (Länsförsäkringar Sak Försäkrings AB)	221	221	243	228

Länsförsäkringar Bank, Group

	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Deposits from the public, SEK M	119,303	119,303	115,884	108,142
Loans to the public, SEK M	307,099	307,099	301,670	289,426
Operating profit, SEK M	1,893	936	958	1,510
Return on equity, %	9.5	9.2	9.8	8.3
Tier 1 ratio Bank Group, %	13.9	13.9	13.4	14.2
Common Equity Tier 1 capital ratio consolidated situation, %	15.4	15.4	14.6	15.7

Länsförsäkringar Fondliv

	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Premium income (rolling 12-months), SEK M	9,478	9,478	9,111	9,010
Operating profit, SEK M	738	363	375	673
Managed assets, SEK M	158,827	158,827	146,106	125,805
Solvency ratio, %	137	137	141	135

Länsförsäkringar Liv (not consolidated in Länsförsäkringar AB)

	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Premium income after ceded reinsurance, SEK M	1,539	751	788	1,684
Profit, SEK M	5,567	3,287	2,280	609
Managed assets, SEK M	113,983	113,983	113,789	109,372
Solvency ratio, %	211	211	211	200

¹⁾ Excluding Länsförsäkringar Liv Försäkrings AB. The company is operated in accordance with mutual principles.

²⁾ According to Swedish Insurance Business Act (FRL), Solvens II directive in Swedish law.

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

Non-life insurance

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

The year in brief Figures in parentheses pertain to the full-year 2018.

- Länsförsäkringar has Sweden's most satisfied retail and corporate customers in non-life insurance and car insurance customers, according to the Swedish Quality Index's 2019 customer satisfaction survey,
- Operating profit rose to SEK 12,151 M (2,243) with investment income of SEK 13,140 M (1,771).
- Premiums earned after ceded reinsurance increased 4% to SEK 27,856 M (26,751).
- The technical result rose to SEK 1,898 M (1,778).
- The combined ratio amounted to 96.5% (95.9), with a claims ratio of 76.7% (76.4).
- Solvency capital increased SEK 13,727 M in 2019, amounting to SEK 82,199 M.

Earnings

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

Operating profit for the Länsförsäkringar Alliance's non-life insurance operations rose to SEK 12,151 M (2,243), both due to healthy growth in premiums and strong investment income. Stock markets developed very well in 2019, which strongly contributed to investment income amounting to SEK 13,140 M (1,771). Based on 2019 earnings, the regional insurance companies will pay back at least SEK 1.8 billion in bonuses and discounts to their owners – the customers.

The technical result rose to SEK 1,898 M (1,778), due to healthy premium growth and lower claims costs in the fourth quarter. However, the claims ratio for the full-year rose to 76.7% (76.4), mainly caused by fire-damage and natural catastrophe claims. The expense ratio was 19.8% (19.5), resulting in a combined ratio of 96.5% (95.9). Measured as a five-year average, the combined ratio and

Non-life insurance, Länsförsäkringar Alliance

Key figures, SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Premiums earned after ceded reinsurance	27,856	14,181	13,675	26,751
Technical result	1,898	1,575	323	1,778
Bonuses and discounts	-1,780	-1,576	-204	-825
Total investment income	13,140	6,107	7,033	1,771
Operating profit	12,151	5,657	6,494	2,243
Solvency capital	82,199	82,199	75,605	68,472
Solvency margin, %	288	288	268	252
Expense ratio, %	19.8	19.3	20.3	19.5
Claims ratio, %	76.7	73.5	80.0	76.4
Combined ratio, %	96.5	92.8	100.4	95.9

the claims ratio remained stable at 94% and 75%, respectively.

Solvency capital increased SEK 13,727 M during the year, amounting to SEK 82,199 M on 31 December 2019. The solvency margin amounted to 288% (252).

Business volumes

Länsförsäkringar's leading position in the Swedish non-life insurance market remained stable with a market share of 30.4% on 30 September 2019, according to statistics from Insurance Sweden.

Premiums earned increased by slightly more than 4% to SEK 27,856 M (26,751). The increase was attributable to both premium increases and portfolio growth, but was also the result of the changed reporting of premiums for assumed reinsurance.

Premiums earned for private insurance increased 3%, with growth continuing to be driven by household, homeowner and accident insurance. Agria's healthy growth continued, due to both premium increases and portfolio growth, particularly in its international business lines.

Premiums earned for the commercial segment rose by almost 9%, primarily driven by healthy growth in commercial property, commercial insurance and liability insurance.

Premiums earned in the motor insurance segment continued to grow by almost 4%, mainly due to portfolio growth. On 1 January 2019, Länsförsäkringar assumed responsibility for brand insurance and vehicle-damage guarantees for Toyota and Lexus cars in the Swedish market. This partnership was highly successful in 2019, contributing to robust growth.

Premiums earned in the agriculture segment rose by just under 4%.

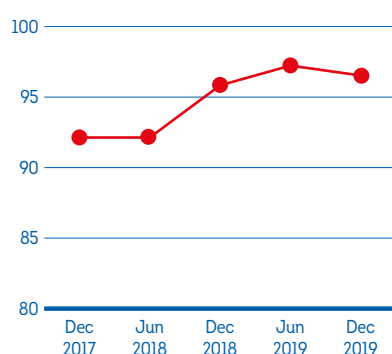
Claims trend

Claims payments after ceded reinsurance increased by almost 5% to SEK 21,149 M (20,192) and the claims ratio rose slightly to 76.7% (76.4).

In the first half of 2019 claims costs increased mainly due to fires, including several cases of larger fire damages, and natural catastrophes. Claim costs for natural catastrophes in 2019 were mainly caused by hur-

Combined ratio

Rolling 12-month figures, %



ricanes, thunderstorms and torrential rain, followed by flooding, but as a whole the year had fewer natural catastrophes than 2018 and was at an average level based on a 10-year perspective. Storm Alfrida hit eastern parts of Sweden in January, mainly causing damage to forests and buildings. Southern Sweden experienced intense hailstorms in June, which led to a high number of claims in crop insurance.

There were fewer claims in the second half of 2019, especially in the fourth quarter. The claims ratio for the second half of the year fell to 73.5% from 80.0% in the first six months.

In private insurance, claims costs increased by just under 5% during 2019. Claims costs in homeowner insurance had the highest increase, mainly due to fire- and water-damage claims. In the commercial segment, claims costs increased by slightly more than 5%, with fires causing more than 50% of claims costs. In the agriculture segment, claims costs rose by just under 4%, mainly caused by fires and crop destruction, particularly after the intense hailstorms in southern Sweden in the spring. Also, attacks of bark beetle caused damage to Swedish forests in 2019.

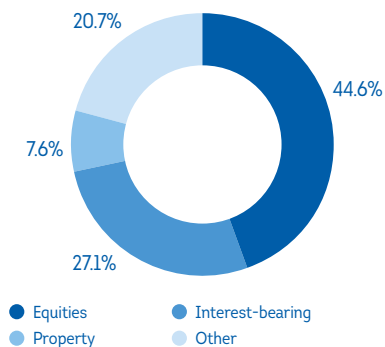
The long-term consequences of climate change for Sweden present a major challenge for the insurance industry. Länsförsäkringar endeavours to reduce the risk of climate impact, for example through claims prevention and responsible repairs. Preventing a claim is a win for the environment, society and customers. Länsförsäkringar's research fund supports climate research and has decided to provide financing of SEK 21 M for two new climate projects between 2020 and 2023. Länsförsäkringar also participates in a UN project with other insurance companies to prepare tools for climate risk analysis.

Investment income

The Länsförsäkringar Alliance reported strong investment income in 2019, primarily due to rising stock markets in Sweden and globally. Increases in the value of property investments, mainly from holdings in Humlegården*, also made a positive contribution. Investment income rose to SEK 13,140 M (1,771), a return of 13.4% of the asset value on 31 December 2019.

* Humlegården Fastigheter AB is a property company owned by the 23 regional insurance companies, Länsförsäkringar Sak, Länsförsäkringar Fondliv and Länsförsäkringar Liv.

Allocation of investment assets



Total investment assets amounted to SEK 120.6 billion on 31 December 2019.

Bank

Länsförsäkringar offers banking services through Länsförsäkringar Bank, which is part of the Länsförsäkringar AB Group. The 23 regional insurance companies are responsible for the bank's customer contact, while Länsförsäkringar AB is responsible for conducting joint business activities, strategic development activities and providing service.

The year in brief Figures in parentheses pertain to the full-year 2018.

- Länsförsäkringar Bank has Sweden's most satisfied retail and corporate customers, according to the Swedish Quality Index's 2019 customer satisfaction survey.
- Operating profit increased to SEK 1,893 M (1,510) and the return on equity amounted to 9.5% (8.3).
- Net interest income rose 3% to SEK 4,617 M (4,497).
- Business volumes increased to SEK 656 billion (561), deposits rose to SEK 119 billion (108) and lending rose to SEK 307 billion (289).
- The number of customers with Länsförsäkringar as their primary bank increased 9% and the number of bank cards increased 9%.

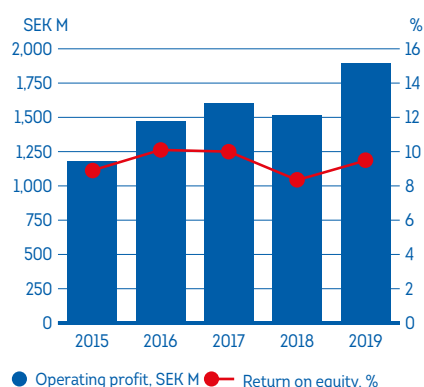
Earnings

The Länsförsäkringar Bank Group's operating profit increased 25% to SEK 1,893 M (1,510), primarily due to higher net interest income and strong underlying net commission. Operating profit in 2018 was impacted by non-recurring costs mainly related to replacing the bank's core banking system.

Net interest income rose 3% to SEK 4,617 M (4,497), mainly attributable to higher volumes. Return on equity amounted to 9.5% (8.3).

Net gains from financial items amounted to SEK 15 M (14). The strong trend in underlying net commission, excluding remuneration paid to the regional insurance companies, continued, increasing to SEK 977 M (807). Net commission amounted to SEK -636 M (-773).

Bank Group's operating profit and return on equity



Expenses

Operating expenses amounted to SEK 1,926 M (2,178). Operating expenses in the preceding year included non-recurring items for replacing the bank's core banking system.

The cost/income ratio before credit losses amounted to 0.48 (0.58).

Länsförsäkringar Bank, Group

Key figures, SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Operating profit	1,893	936	958	1,510
Return on equity, %	9.5	9.2	9.8	8.3
Net interest income	4,617	2,345	2,272	4,497
Cost/income ratio before loan losses	0.48	0.48	0.48	0.58

Credit losses

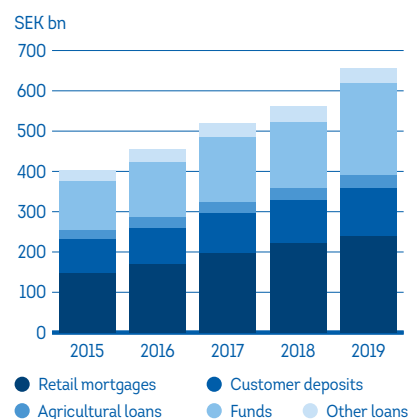
Credit losses in the Bank Group remained low and were almost exclusively attributable to Wasa Kredit. Credit losses amounted to SEK 207 M (95), net, corresponding to a credit loss level of 0.06% (0.04). The increase in credit losses in Wasa Kredit was a combined effect of growing volumes and the impact of IFRS 9.

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 932 M (742), corresponding to a share of credit-impaired loan receivables of 0.20% (0.17). The loss allowance for credit-impaired loan receivables was SEK 322 M (242). The reserve ratio for credit-impaired loan receivables amounted to 34.6% (32.6). In addition, SEK 52 M (33) of the remuneration to the regional insurance companies' commitments for generated business, regarding credit-impaired loan receivables, is withheld in accordance with the settlement model. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 374 M (275). The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 40.2% (37.0).

Business volumes

Business volumes increased 17% to SEK 656 billion (561). Lending rose 6% to SEK 307 billion (289) with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 9% to SEK 240 billion (221). Deposits rose 10% to SEK 119 billion (108). The fund volume increased 40% to SEK 230 billion (164).

Business volumes for the Bank Group



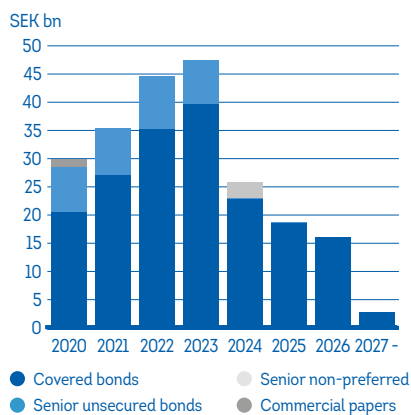
Funding

The Bank Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased to a nominal SEK 221 billion (204), of which covered bonds amounted to SEK 182 billion (164), senior long-term funding to SEK 37 billion (40) and short-term funding to SEK 1.5 billion (0.3). The average remaining term for the long-term funding was 3.3 years (3.5) on 31 December 2019.

Covered bonds were issued during the year at a volume of a nominal SEK 34 billion (40). Repurchases of covered bonds amounted to a nominal SEK 8 billion (14) and matured covered bonds to a nominal SEK 8 billion (9). Länsförsäkringar Bank issued senior unsecured bonds of a nominal SEK 6 billion (11) during the year, while maturities amounted to a nominal SEK 7 billion (6).

Länsförsäkringar Bank issued its inaugural senior non-preferred bond in September through a five-year bond with a nominal amount of SEK 2.5 billion. This issue is the first step in meeting the Swedish National Debt Office's minimum requirement for own funds and eligible liabilities (MREL) by the end of 2021. The total volume of the outstanding senior non-preferred bond was SEK 3.0 billion on 31 December 2019.

Maturity profile



Liquidity

On 31 December 2019, the liquidity reserve totalled SEK 60.5 billion (54.4). The liquidity reserve is invested in securities with very high credit quality that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. By utilising the liquidity reserve, contractual undertakings can be met for more than two years without needing to secure new funding in the capital market.

The Liquidity Coverage Ratio (LCR) for the consolidated situation on 31 December 2019 amounted to 295% (305). The Net Stable Funding Ratio (NSFR) for the consolidated situation on 31 December 2019 was 131%* (130).

* The calculation is based on the application of the regulatory requirements according to the upcoming update of the Capital Requirements Regulation.

Life assurance and pension insurance

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

The year in brief Figures in parentheses pertain to the full-year 2018.

- Länsförsäkringar has Sweden's most satisfied retail customers in pension insurance, according to the Swedish Quality Index's 2019 customer satisfaction survey.
- Operating profit for Länsförsäkringar Fondliv rose to SEK 738 M (673). Total managed assets amounted to SEK 159 billion (126).
- Profit for Länsförsäkringar Liv increased to SEK 5,567 M (609). Total managed assets amounted to SEK 114 billion (109).

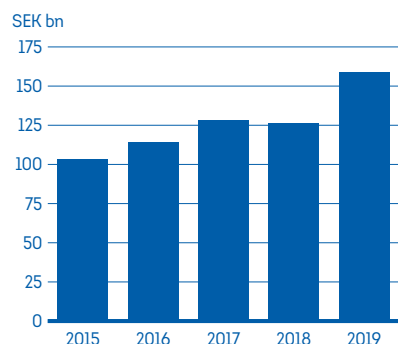
Earnings for Länsförsäkringar Fondliv

Operating profit for Länsförsäkringar Fondliv rose to SEK 738 M (673). Net inflow of premiums and capital from existing and new customers amounted to SEK 2,134 M (2,444). Managed assets increased 26% in 2019 to SEK 159 billion (126) on 31 December 2019. This increase was mainly due to a favourable stock market trend and positive net inflow.

Total premium income rose to SEK 9,478 M (9,010), of which capital transferred to the company was SEK 1,510 M (1,304). Premium income after ceded reinsurance for insurance risk declined to SEK 204 M (234). Commission and fee income increased to SEK 1,779 M (1,671) due to growing managed assets in 2019.

Operating expenses rose to SEK 1,141 M (1,106), primarily due to higher distribution and administration expenses. The increased administration expenses were largely due to higher IT costs for development.

Managed assets unit-linked insurance



Capital situation

Länsförsäkringar Fondliv's capital situation is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to the risk-based capital require-

Länsförsäkringar Fondliv and Länsförsäkringar Liv

Key figures, SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Länsförsäkringar Fondliv				
Premium income, net (rolling 12 months)	9,478	9,478	9,111	9,010
Operating profit	738	363	375	673
Managed assets	158,827	158,827	146,106	125,805
Solvency ratio, %	137	137	141	135
Länsförsäkringar Liv (not consolidated in Länsförsäkringar AB)				
Profit	5,567	3,287	2,280	609
Managed assets	113,983	113,983	113,789	109,372
Collective consolidation ratio, New Trad, %	112	112	114	105
Collective consolidation ratio, Old Trad, %	131	131	128	124
Solvency ratio, %	211	211	211	200

ment. Länsförsäkringar Fondliv's solvency ratio on 31 December 2019 amounted to 137% (135). Own funds were strengthened by a positive value growth trend, but fell due to a planned dividend for 2019.

Länsförsäkringar Fondliv's unit-linked insurance and guarantee management

Unit-linked insurance

The performance of the financial markets was generally favourable in 2019, although some uncertainty did appear. It was a strong year for risk-exposed assets with global stock markets rising sharply.

This trend was also reflected in Länsförsäkringar Fondliv's fund range. Of a total of 149 funds, all but one reported positive returns in 2019, with 41% of funds generating a return of more than 30% and 29% of funds had a return of between 20% and 30%. Funds targeting equities in properties, the US, Europe and small companies were the categories that reported the strongest performance. Länsförsäkringar's Fastighetsfond had the best performance in 2019, increasing 65%.

A high-quality, attractive fund range that generates favourable returns on customers' pension capital is a central part of the Länsförsäkringar offering. The fund range comprises both funds under Länsförsäkringar's own brand and external funds. All funds are carefully analysed and assessed based on criteria including management organisation, return and sustainability. At the end of 2019, 100% of all fund companies in the fund range had signed the UN Principles for Responsible Investment (PRI). Länsförsäkringar Fondliv works continuously on improving the range and offering a greater choice for customers. 23 new funds were launched in 2019, of which seven were sustainability-based funds.

The fund range enjoys a high sustainability ranking, for example in the annual analyses of the major insurance brokers. Länsförsäkringar Fondliv was one of the first companies in the industry to introduce supplementary criteria for identifying and promoting companies in the climate transition and can thus promote companies that support the climate targets of the Paris Agreement.

Guarantee Management

Länsförsäkringar Fondliv offers guarantee management, which is a form of pension savings for customers who want a guarantee in their savings and who need to know the lowest level of their future payments. The guarantee principle is that Länsförsäkringar guarantees a portion of the customer's paid-in insurance capital with the possibility of additional returns. A number of changes were made to this savings form in 2019 to enhance the competitiveness of the offering and to create the conditions for generating secure and long-term returns on pension customers' savings. On 31 December 2019, 50% of the investments comprised interest-bearing investments, 36% equities and 14% alternative investments.

Managed assets amounted to SEK 4.1 billion (3.3).

The return for guarantee management was strong and was among the market's best products at 15.6% (-4.0).

Earnings for Länsförsäkringar Liv

Profit for Länsförsäkringar Liv increased to SEK 5,567 M (609), mainly due to healthy investment income that benefited from strong capital markets in 2019. Investment income was boosted mainly by high returns on equities, alternative investments and properties.

The return on alternative investments was mainly the result of sales of forest holdings. In connection with the restructuring of Bergvik Skog AB, Länsförsäkringar Liv sold a large portion of its forest holdings to Stora Enso, and to 17 regional insurance companies and Länsförsäkringar Fondliv. This sale took place on market-based conditions and realised a gain of SEK 830 M.

In addition to healthy investment income, positive operating profit and transitions to New Trad, through lower technical provisions, contributed to the high earnings in 2019.

Earnings were negatively impacted by Swedish long-term market interest rates falling about 30 basis points in 2019, which resulted in a lower discount rate for liabilities during the year. Changes in market interest rates affect Länsförsäkringar Liv's earnings since future commitments are discounted with the market interest rate. However, the company can largely protect itself from interest-rate changes impacting earnings by matching assets and liabilities against each other. In addition to falling market interest rate, discounting of liabilities for terms of more than ten years was negatively affected by the 0.15 of a percentage point reduction of the Ultimate Forward Rate (UFR) to 3.90%. In total, falling interest rates and a lower

UFR had a net impact of SEK -2.0 billion on profit for 2019. Technical provisions declined SEK 0.7 billion (3.4) during the year. Operating expenses amounted to SEK 426 M (412).

Investment income was positive for all management forms and totalled SEK 9.9 billion (-0.5). New World contributed SEK 1.6 billion, which did not impact earnings and instead accrued directly to the policyholders.

Capital situation

Länsförsäkringar Liv's capital situation is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to the risk-based capital requirement. Länsförsäkringar Liv's solvency ratio on 31 December 2019 was 211% (200). The improvement in the solvency ratio was mainly due to own funds strengthening during the year as a result of positive investment income.

Collective consolidation is calculated as the ratio between total capital and insurance capital. Collective consolidation on 31 December 2019 amounted to 112% (105) in New Trad and 131% (124) in Old Trad.

Länsförsäkringar Liv's traditional management

Länsförsäkringar Liv, which is closed for new business, conducts traditional life assurance for its customers divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. Total managed assets amounted to SEK 114 billion (109) on 31 December 2019.

New Trad

Managed assets in New Trad amounted to SEK 25 billion (22). New Trad is a management form that customers with existing traditional insurance can choose to transition to. Transitions involve lower fees and a lower guaranteed rate. A lower guaranteed rate means that Länsförsäkringar Liv can invest the capital in assets that have higher expected returns, which over time increases the possibility of a higher bonus.

Investments as at 31 December 2019 comprised 54% interest-bearing investments, 33% equities, 7% alternative investments and 6% properties. The share of interest-bearing investments was lowered by 5 percentage points in 2019, while the share of alternative investments and properties was raised.

Investment return amounted to 14.9% (-0.6). The average return has been 6.3% per year since the start in 2013.

The bonus rate on 31 December 2019 was 4% (5). The bonus rate was lowered from 5% to 3% on 1 January 2019. The bonus rate was raised to 4% on 1 November 2019. In connec-

tion with this, an extra bonus of 4% was allotted. The average bonus rate has been 7.2% per year since the start in 2013.

Old Trad

Managed assets in Old Trad amounted to SEK 78 billion (77). The current low interest-rate environment presents major challenges for traditional life assurance since in many cases the expected return is lower than the guaranteed rate of the insurance policies. The primary aim of risk-taking in the Old Trad investment portfolio is to ensure that the guaranteed commitments can also be realised in the event of a negative market trend. At the same time, balanced risk-taking is applied to investments to facilitate a reasonable return on customers' savings.

Investments on 31 December 2019 comprised 84% interest-bearing investments, 5% equities, 6% properties and 5% alternative investments.

Investment return amounted to 6.9% (0.9).

The bonus rate on 31 December 2019 was 3% (3).

New World

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

Investments in New World can vary within defined intervals, with the percentage of equities comprising 60–80% and the remainder comprising interest-bearing investments. The percentage of equities on 31 December 2019 was 70%.

The investment return amounted to 17.6% (-7.8).

Insured Pension

Managed assets in Insured Pension amounted to SEK 1.2 billion (1.0). This savings form comprises a bond portion and a derivative portion. The size of these two portions depends on the time remaining until retirement and thus the return for Insured Pension is individual. Insured Pension customers have been invited to transfer to New Trad since 2018. This offer was well received and a total of SEK 843 M in customer capital has been transferred to New Trad.

Real-estate brokerage

Länsförsäkringar offers real-estate brokerage through Länsförsäkringar Fastighetsförmedling. The operations are conducted in franchise form, whereby the regional insurance companies act as franchisers for the 176 local branches across Sweden.

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

Länsförsäkringar Fastighetsförmedling has 176 branches throughout Sweden. Länsförsäkringar Fastighetsförmedling is the third largest player in the market and Sweden's fastest growing estate-agent chain, and for the fourth consecutive year had the most satisfied customers according to the Swedish Quality Index's 2019 customer satisfaction survey for the estate-agent industry.

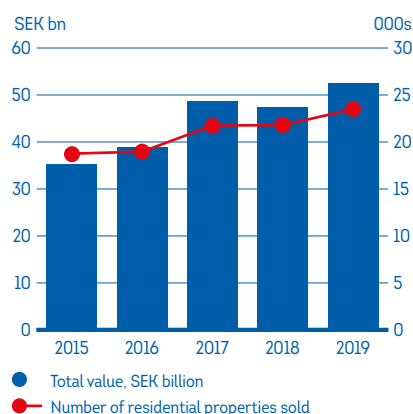
The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering, with the aim of offering more than just brokerage and sales of residential properties. The operations are conducted in franchise form, whereby the regional insurance companies act as the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

Länsförsäkringar Fastighetsförmedling's sales in 2019 represented the highest market share for single-family homes* in the company's history, with a share of 12.8% on 31 October 2019. The market share for tenant-owned apartments* increased by 0.8 percentage points in 2019, and amounted to 11.1% on 31 December 2019. The increase in market shares indicates the fastest growth in the industry.

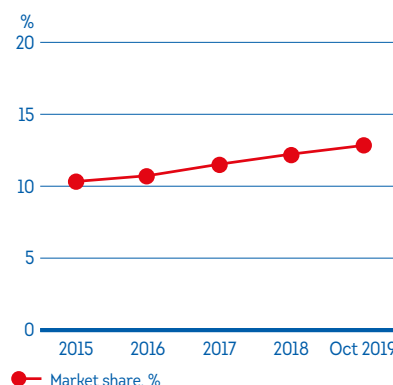
A total of 23,491 (21,790) properties were brokered in 2019, of which 12,937 (11,643) tenant-owned apartments and 9,519 (9,168) single-family homes. Commission income amounted to SEK 1,026 M (890). The total sales value for 2019 was SEK 52.4 billion (47.3).

*Statistics for market shares for single-family homes are based on Värderingsdata's list of land registration certificates (rolling 12 months on 31 October 2019). The corresponding figures for tenant-owned apartments are based on tenant-owned apartments removed from Hemnet (rolling 12 months on 31 December 2019).

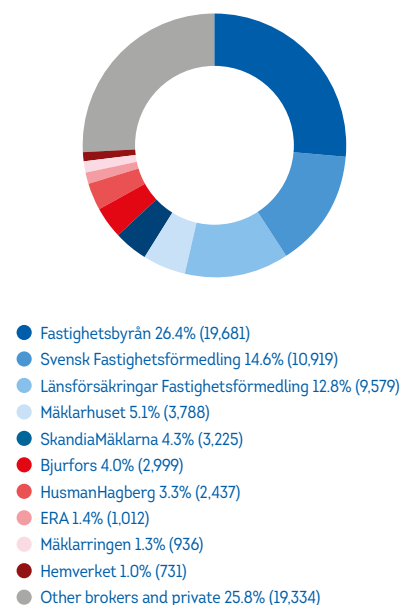
Residential properties brokered by Länsförsäkringar Fastighetsförmedling



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



Market shares and number of single-family homes brokered on 31 October 2019*



Länsförsäkringar AB

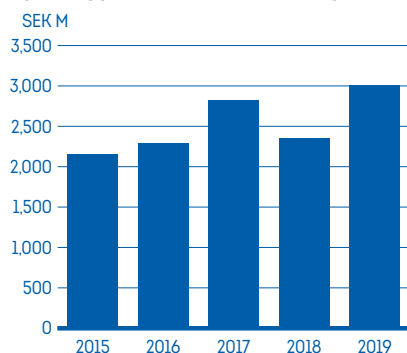
Länsförsäkringar AB and its subsidiaries are commissioned by the regional insurance companies to conduct joint banking and insurance operations, pursue strategic development activities and provide service in areas that generate economies of scale and efficiency. The Länsförsäkringar AB Group's non-life insurance business is divided into the following three business areas: Agria (pet and crop insurance), Health, and Reinsurance and Special Insurance.

The year in brief Figures in parentheses pertain to the full-year 2018.

- Operating profit for the Länsförsäkringar AB Group increased to SEK 3,003 M (2,351). The return on equity amounted to 10% (9).
- Operating profit for the Länsförsäkringar Sak Group rose to SEK 851 M (460). Premiums earned after ceded reinsurance increased 5% to SEK 6,211 M (5,891). The combined ratio amounted to 95.8% (93.5).
- Operating profit for the Länsförsäkringar Bank Group increased to SEK 1,893 M (1,510).
- Operating profit for Länsförsäkringar Fondliv rose to SEK 738 M (673).
- Net sales for the Parent Company increased to SEK 3,577 M (3,235).

Earnings

Operating profit for the Länsförsäkringar AB Group



Operating profit for the Länsförsäkringar AB Group increased to SEK 3,003 M (2,351). The return on equity amounted to 10% (9).

The Länsförsäkringar Sak Group's operating profit rose to SEK 851 M (460), benefiting from strong net gains from financial items and divestments of property holdings. Premiums earned after ceded reinsurance increased 5% to SEK 6,211 M (5,891). The combined ratio amounted to 95.8% (93.5).

The Bank Group's operating profit increased to SEK 1,893 M (1,510), primarily due to higher net interest income and strong underlying net commission. Net interest income rose 3% to SEK 4,617 M (4,497), mainly attributable to higher volumes.

Operating profit for Länsförsäkringar Fondliv rose to SEK 738 M (673), mainly driven by the favourable stock market trend and positive net flows. Managed assets increased 26% in 2019 to SEK 159 billion (126) on 31 December 2019.

The Länsförsäkringar AB Group's investment return attributable to the insurance operations' and Parent Company's assets amounted to 8.3% (2.5). Properties, which to-

talled 9% of the investment assets at the end of the year, yielded the highest return contributing 3.7 percentage points (3.9). This was mainly driven by positive changes in the market value of property holdings. In November 2019, Länsförsäkringar AB and Länsförsäkringar Sak divested property holdings to Humlegården Fastigheter AB, a property company that is part of the Länsförsäkringar Alliance.

Equities also performed strongly during the year, contributing 3.1 percentage points (-0.8). In the fixed-income portfolio, which contributed a total of 1.1 percentage points (-0.2) to investment return, mainly US credits had the most positive contribution. Alternative investments contributed 0.4 of a percentage point, mainly driven by the positive trend in forest holdings.

Capital situation

The Länsförsäkringar AB Group's equity increased SEK 1,746 M in the second half of 2019 to SEK 30,907 M.

The Länsförsäkringar AB Group is a financial conglomerate. The Group's companies are encompassed by group solvency regulations in accordance with legislation on financial conglomerates, legislation on insurance operations and legislation on banking operations.

At 31 December 2019, surplus capital for the Länsförsäkringar AB Group under the rules on financial conglomerates was SEK 12.4 billion, up SEK 0.9 billion during the half-year. Own funds amounted to SEK 50.2 billion and the capital requirement to SEK 37.8 billion. The capital situation under the rules on insurance operations commensurated with the capital situation under the rules on financial conglomerates on 31 December 2019.

The Common Equity Tier 1 capital ratio for consolidated situation* (the group encom-

passed by the group rules for banking operations) was 15.4% on 31 December 2019, up 0.8 of a percentage point for the half-year.

Tier 1 and Tier 2 capital in the consolidated situation were impacted by an interpretation on qualifying own funds published by the European Banking Authority (EBA) in November 2019. The EBA's interpretation clarified the application of the limitation rules on inclusion of own funds for banks in a consolidated situation. This means that as per 31 December 2019 the consolidated situation only includes own funds issued externally by Länsförsäkringar Bank in the portion of capital required to cover the capital requirements of Länsförsäkringar Bank, and not, as previously, also including its subsidiaries' capital requirements. Eligible Tier 1 capital on 31 December 2019 amounted to SEK 743.4 M (1,754.5**) and eligible Tier 2 capital to SEK 768.1 M (2,143.2)**. A dialogue is currently being maintained with the Swedish Financial Supervisory Authority to discuss possible options going forward.

The Board of Länsförsäkringar AB proposes that the General Meeting resolve to pay a dividend of SEK 698 M.

Capital situation of Länsförsäkringar AB's directly owned subsidiaries

	31 Dec 2019	30 Jun 2019	31 Dec 2018
Länsförsäkringar Sak Försäkrings AB			
Solvency ratio, %	221	243	228
Länsförsäkringar Fondliv Försäkrings AB			
Solvency ratio, %	137	141	135
Länsförsäkringar Bank Group			
Common Equity Tier 1 capital ratio, %	13.9	13.4	14.2

* The Länsförsäkringar Bank Group consolidated with Länsförsäkringar AB.

** The comparative period pertains to 30 September 2019.

Non-life insurance

The Länsförsäkringar AB Group's non-life insurance business primarily comprises health, pet and crop insurance, some cargo, liability, property and motor insurance as well as international reinsurance. Länsförsäkringar Sak also manages the Länsförsäkringar Alliance's joint reinsurance cover.

Operating profit for the Länsförsäkringar Sak Group rose to SEK 851 M (460), benefiting from strong investment income mainly driven by property and equities holdings. Operating profit was also impacted by a capital gain on the divestment of property holdings. Premiums earned after ceded reinsurance increased 5% to SEK 6,211 M (5,891). Of the non-life insurance operations' three business areas (Agria, Health and Reinsurance and Special Insurance), growth was highest in Agria where the premium volume increased in all business lines, with the highest growth in the international business lines.

The technical result declined to SEK 283 M (402) and the combined ratio increased to 95.8% (93.5). Claims payments after ceded reinsurance amounted to SEK 4,553 M (4,196) and the claims ratio increased to 73.3% (71.2). The expense ratio was 22.5% (22.3).

The change in technical result was mainly due to higher claims costs in parts of Agria's business and international reinsurance, and to claims that were charged to the Länsförsäkringar Alliance's internal reinsurance, for which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance.

Agria

Agria's technical result amounted to SEK 86 M (224). The portfolio grew strongly both in Sweden and in the international business. The change in earnings was primarily due to higher claims costs. Intense hailstorms in southern Sweden in June contributed to a higher level of claims in crop insurance. Agria's largest business line in terms of volume – Swedish pet insurance – reported weaker earnings due to higher claims costs. This was a combination of a higher claims frequency and a higher veterinary care costs. Earnings also included a negative non-recurring effect after adjustment of capitalised acquisition costs and claims adjustment reserves in the UK branch.

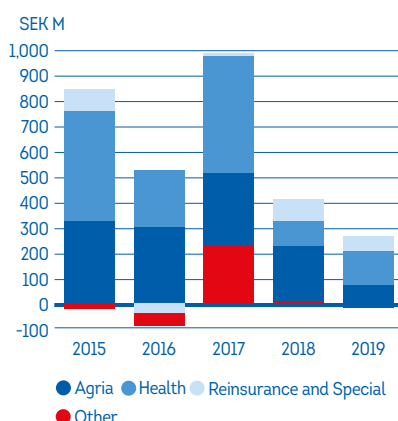
Health

The technical result for the Health business area amounted to SEK 137 M (96). Earnings for accident insurance improved as a result of premium adjustments and a review of conditions. Earnings for group life assurance and health insurance also improved. Earnings for health care insurance were weaker as a result of last year's earnings included positive run-off gains.

Reinsurance and Special Insurance

The technical result for Reinsurance and Special Insurance amounted to SEK 57 M (84). Internationally assumed reinsurance reported negative earnings following higher claims costs from bad weather in Japan among others. Earnings for the Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance, were impacted by increased claims costs, mainly caused by a higher number of larger fire-damage claims and storm Alfrida that impacted parts of eastern Sweden in January. Earnings for liability insurance improved due to lower claims costs.

Technical result for Länsförsäkringar Sak Group



The Länsförsäkringar Sak Group's investment return rose to 8.4% (3.8). Properties, which at the end of the year totalled 16% of investment assets, yielded the highest return, driven by positive changes in market value, contributing 5.1 percentage points (4.9) to investment return. The fixed-income portfolio, which has a short duration, contributed 1.3 percentage points (-0.1), with primarily US credits making the largest contribution. Equities performed strongly during the year, contributing 1.9 percentage points (-0.5).

Bank

Operating profit for the Länsförsäkringar Bank Group, which is part of the Länsförsäkringar AB Group, increased to SEK 1,893 M (1,510), primarily due to higher net interest income and strong underlying net commission. The operating profit 2018 was impacted by non-recurring costs mainly related to the replacement of the bank's core banking system. Net interest income rose 3% to SEK 4,617 M (4,497), mainly attributable to higher volumes. More information about Länsförsäkringar Bank is available on pages 7-8.

Unit-linked insurance

Operating profit for Länsförsäkringar Fondliv rose to SEK 738 M (673), mainly driven by the favourable stock market trend and positive net flows. Managed assets increased 26% in 2019 to SEK 159 billion (126) on 31 December 2019. More information about Länsförsäkringar Fondliv is available on pages 9-10.

Parent Company

Profit after financial items for the Länsförsäkringar AB Group's Parent Company amounted to SEK 871 M (1,328). Profit was positively impacted by dividends and Group contributions of SEK 660 M from Länsförsäkringar Sak (SEK 460 M from Länsförsäkringar Sak and SEK 850 M from Länsförsäkringar Fondliv), and divestments of property holdings. Net sales increased to SEK 3,577 M (3,235).

Earnings for Länsförsäkringar AB Group Jul-Dec 2019 compared with Jan-Jun 2019

Operating profit for the Länsförsäkringar AB Group amounted to SEK 1,550 M (1,453).

Operating profit for the Länsförsäkringar Sak Group increased to SEK 476 M (375). The technical result increased to SEK 156 M (127). The combined ratio amounted to 96% (96). Premiums earned after ceded reinsurance rose to SEK 3,195 M (3,015). Investment income was stronger in the second half of the year compared with the first half, mainly driven by property and equities holdings.

The Länsförsäkringar Bank Group's operating profit amounted to SEK 936 M (958). Net interest income amounted to SEK 2,345 M (2,272).

Länsförsäkringar Fondliv's operating profit amounted to SEK 363 M (375). Managed assets rose to SEK 159 billion (146) on 31 December 2019. This increase was due to a favourable stock market trend and positive net flow of premiums and capital in the second half of 2019.

Profit after financial items for the Parent Company amounted to SEK 750 M (121). Profit was mainly affected by dividends and Group contributions of SEK 365 M (295) and divestment of property holdings.

Other events after the end of the year

On 1 February 2020, Mathias Collén took office as the President of Länsförsäkringar Fondliv Försäkring AB.

Risks and uncertainty factors of the operations

The Länsförsäkringar AB Group's banking and insurance operations give rise to various types of risks, with the most prominent risks comprising credit risk in the Bank Group and insurance and market risks in the non-life and unit-linked insurance companies. Alongside these risks, the focus on cyber risks and climate risks has been intensified over time, and the emergence of new types of risk, emerging risks, is continuously monitored.

Credit risk in the Länsförsäkringar Bank Group is primarily affected by the economic situation in Sweden since all loans are granted locally. The Bank Group is also exposed to liquidity risk and a certain level of market risk. Credit losses remain low and the refinancing of business activities is highly satisfactory. A settlement model has been applied since 2014 regarding the commitment that the regional insurance companies have for credit losses related to the business they have originated. The model entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission.

Market risks primarily arise in Länsförsäkringar Fondliv on the basis of indirect exposure to market risk, since future income in the unit-linked insurance operations is dependent on trends in the financial market. However, the direct market risk in unit-linked insurance is borne by the policyholders. The risks in the investment assets managed by the Group's companies for own account are held at a low level and reduced further in 2019 by divesting properties.

Life-assurance risks primarily comprise cancellation risk in Länsförsäkringar Fondliv, meaning the risk of lower future fee income due to customers moving their insurance to paid-up policies or transferring them to another insurance company.

Non-life insurance risks arise on the basis of business in Länsförsäkringar Sak, which conducts highly diverse business operations ranging from cargo insurance and reinsurance to pet insurance in the subsidiary Agria. The risks taken in non-life insurance are reinsured.

The Parent Company Länsförsäkringar AB's risks are primarily attributable to the company's investments in liquidity and the business-support operations conducted on behalf of the subsidiaries and the regional insurance companies.

Cyber risks arise in the use and transfer of digital data in the operations. Climate risks arising from climate change can directly or indirectly increase other risks, for example, by increasing insurance claims, financial losses or damage to the brand.

Länsförsäkringar AB and its insurance subsidiaries have permission from the Swedish Financial Supervisory Authority to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks, non-life insurance risks and health-insurance risks are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula. Länsförsäkringar Bank also has approval from the Financial Supervisory Authority to use the Internal Ratings Based Approach (IRB Approach) for credit risk measurement for calculating the capital requirement.

The Group's divestments of properties in 2019 resulted in a decrease in property risk. In all other respects, the risks that the Group and Parent Company are exposed to have not changed materially since 31 December 2018. A more detailed description of these, and how they are managed, is presented in the 2018 Annual Report in Group note 2 Risk and capital management.

The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at 31 December 2019 are presented in the following financial statements with accompanying notes.

Financial statements

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Länsförsäkringar Alliance non-life insurance

Financial statements

Income statement for Länsförsäkringar Alliance non-life insurance

SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Premiums earned after ceded reinsurance	27,856	14,181	13,675	26,751
Investment income transferred from financial operations	608	380	228	429
Claims payments after ceded reinsurance	-21,149	-10,338	-10,811	-20,192
Operating expenses	-5,463	-2,714	-2,749	-5,146
Other technical revenue/expenses	46	66	-20	-64
Technical result for non-life insurance operations before bonuses and discounts	1,898	1,575	323	1,778
Bonuses and discounts	-1,780	-1,576	-204	-825
Technical result for non-life insurance operations after bonuses and discounts	118	-1	119	953
Total investment income	13,140	6,107	7,033	1,771
Investment income transferred to insurance operations	-791	-314	-477	-584
Other non-technical revenue/expenses	-316	-135	-181	103
Operating profit for the period	12,151	5,657	6,494	2,243

Balance Sheet for Länsförsäkringar Alliance non-life insurance

SEK M	31 December 2019	31 December 2018
ASSETS		
Shares and participations	53,819	42,283
Bonds and other interest-bearing securities	32,636	30,393
Other investment assets	34,134	32,140
Total investment assets	120,589	104,816
Reinsurers' portion of technical provisions	9,440	10,507
Receivables and other assets	14,926	13,830
Cash and bank balances	5,396	4,469
Prepaid expenses and accrued income	1,585	1,539
TOTAL ASSETS	151,936	135,161
EQUITY, PROVISIONS AND LIABILITIES		
Equity	71,316	59,275
Technical provisions (before ceded reinsurance)	58,804	57,659
Other provisions and liabilities	19,001	15,175
Accrued expenses and deferred income	2,816	3,051
TOTAL EQUITY, PROVISIONS AND LIABILITIES	151,936	135,161

The Länsförsäkringar Alliance comprises 23 local and customerowned regional insurance companies and the jointly owned Länsförsäkringar AB. The Länsförsäkringar Alliance is not a Group in the legal sense of the term. Most of the non-life insurance business in the Alliance is underwritten by the regional insurance companies. The business conducted by Länsförsäkringar AB's non-life insurance Group comprises health insurance, animal insurance, ceded and assumed reinsurance and some cargo, liability, property and motor insurance. Earnings from the Länsförsäkringar Alliance's non-life insurance operations consist of the total earnings of the 23 regional insurance companies and the non-life insurance operations of the Länsförsäkringar AB Group. The earnings for the Parent Company Länsförsäkringar AB is also included. The holdings and change in value in the Länsförsäkringar AB share and transactions between the regional insurance companies and the Länsförsäkringar AB Group have been eliminated. The 23 regional insurance companies and the Länsförsäkringar AB Group apply the approved International Financial Reporting Standards (IFRS).

Länsförsäkringar AB Group

Key figures

Key figures for Länsförsäkringar AB Group				
SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Group				
Operating profit	3,003	1,550	1,453	2,351
Net profit for the period	2,957	1,804	1,153	2,190
Return on equity, % ¹⁾	10	9	10	9
Total assets, SEK billion	573	573	561	507
Equity per share, SEK ²⁾	2,754	2,754	2,586	2,462
Solvency capital ³⁾	32,056	32,056	30,861	29,573
Solvency margin, % ⁴⁾	488	488	503	479
Own funds for the group ⁵⁾	50,220	50,220	47,527	43,870
Solvency capital requirement for the group ⁵⁾	37,776	37,776	35,965	33,874
Own funds for the financial conglomerate ⁶⁾	50,220	50,220	47,527	43,870
Capital requirement for the financial conglomerate ⁶⁾	37,776	37,776	35,965	33,874
Insurance operation⁷⁾				
<i>Non-life insurance operations</i>				
Premiums earned (after ceded reinsurance)	5,928	3,053	2,876	5,623
Investment income transferred from financial operations	22	12	9	23
Claims payments (after ceded reinsurance) ⁸⁾	-3,966	-2,047	-1,919	-3,666
Technical result, non-life operations	218	106	112	344
<i>Premium income, non-life insurance</i>				
Premium income before ceded reinsurance	7,852	2,738	5,113	7,302
Premium income after ceded reinsurance	6,108	2,575	3,532	5,703
<i>Life-assurance operations</i>				
Premium income (after ceded reinsurance)	495	156	339	510
Fees pertaining to financial agreements	794	408	386	755
Investment income, net	512	223	289	-133
Claims payments (after ceded reinsurance)	-254	-99	-155	-271
Technical result, life-assurance operations	802	415	387	734
Operating profit for insurance operations⁹⁾	1,670	902	768	1,130
<i>Key figures</i>				
Cost ratio ¹⁰⁾	30	30	30	29
Expense ratio ¹¹⁾	23	23	23	23
Claims ratio ¹²⁾	74	74	74	72
Combined ratio	97	97	96	94
Management cost ratio, life-assurance operations ¹³⁾	0,8	0,8	0,9	0,9
Direct yield, % ¹⁴⁾	9,6	9,7	-0,1	1,1
Total return, % ¹⁵⁾	10,1	5,4	4,7	1,5
<i>Financial position</i>				
Investment assets, SEK billion ¹⁶⁾	14	14	15	14
Unit-linked insurance assets – policyholder bears the risk, SEK billion	155	155	142	122
Technical provisions (after ceded reinsurance), SEK billion	9	9	10	9

Key figures for Länsförsäkringar AB Group, cont.

SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Banking operation				
Net interest income	4,617	2,345	2,272	4,497
Operating profit	1,893	936	958	1,510
Net profit for the period	1,440	670	724	1,182
Return on equity, % ¹⁷⁾	9.5	9.2	9.8	8.3
Total assets, SEK billion	381	381	382	350
Equity	18,479	18,479	17,848	16,106
Cost/income ratio before loan losses ¹⁸⁾	0.48	0.48	0.48	0.58
Investment margin, % ¹⁹⁾	1.21	1.21	1.21	1.30
Common Equity Tier 1 capital ratio Bank Group, %	13.9	13.9	13.4	14.2
Tier 1 ratio Bank Group, % ²⁰⁾	16.0	16.0	15.6	15.5
Total capital ratio Bank Group, % ²¹⁾	18.5	18.5	18.1	18.2
Common Equity Tier 1 capital ratio consolidated situation, %	15.4	15.4	14.6	15.7
Tier 1 ratio consolidated situation, % ²⁰⁾	16.0	16.0	16.0	16.5
Total capital ratio consolidated situation, % ²¹⁾	16.6	16.6	17.7	18.3
Credit loss level, % ²²⁾	0.06	0.09	0.04	0.04

- 1) Operating profit and revaluations of owner-occupied property less standard tax at 21.4% (22.0) in relation to average equity, adjusted for items in equity recognised in other comprehensive income excluding revaluations of owner-occupied property, and adjusted for Additional Tier 1 Capital loans.
- 2) Equity adjusted for Additional Tier 1 Capital loan per share.
- 3) Total of shareholders' equity, adjusted for Additional Tier 1 Capital loans, subordinated loan and deferred taxes.
- 4) Solvency capital as a percentage of full-year premium income after ceded reinsurance.
- 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. Länsförsäkringar Liv Försäkrings AB is also included in the group, despite the company 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, but with Länsförsäkringar Liv included in accordance with the deduction and aggregation method as permitted by the Swedish Financial Supervisory Authority.
- 6) The financial conglomerate comprises the same companies as the group according to the insurance-operation rules, see footnote 5). The calculations for the financial conglomerate are made using the same methods as for the group in accordance with the insurance-operation rules. Unlike the group under the insurance-operation rules, the transferability of profits for the financial conglomerate is to also be tested in other regulated companies than the group's insurance companies.
- 7) The earnings, key figures and financial position of the insurance operations are presented in accordance with the Swedish Annual Accounts Act for Insurance Companies and Swedish Financial Supervisory Authority's directives and general guidelines FFFS 2015:12.
- 8) Excluding claims adjustment costs.
- 9) The operating profit of the insurance operations includes the Länsförsäkringar Sak Group's and Länsförsäkringar Fondliv's investment income and other non-technical income and expenses.
- 10) Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.
- 11) Operating expenses as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Excluding claims adjustment costs in accordance with the regulation of the Swedish Financial Supervisory Authority.
- 12) Claims payments as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Includes claims adjustment costs in accordance with the regulation of the Swedish Financial Supervisory Authority.
- 13) Operating expenses and claims adjustment costs in relation to the average value of investment assets, investment assets for which the policyholder bears the investment risk and cash and cash equivalents.
- 14) Direct yield refers to the total of rental income from properties, interest income, interest expenses, dividends on shares and participations, administration costs for asset management and operating expenses for properties in relation to the average value of the insurance operations' investment assets and cash and bank balances for the period.
- 15) Total return is calculated as the sum of direct yields and changes in the value of the investment portfolio in relation to the average value of the investment assets during the period. Pertains to non-life insurance and life-assurance.
- 16) Investment assets comprise owner-occupied property, shares and participations in associated companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and cash equivalents, and interest-bearing liabilities.
- 17) Operating profit after standard tax at 21.4% (22.0) in relation to average equity, adjusted for changes in value of financial assets recognised in equity.
- 18) Total expenses before loan losses in relation to total income.
- 19) Net interest income in relation to average total assets.
- 20) Tier 1 capital in relation to the total risk exposure amount.
- 21) Total own funds in relation to the total risk exposure amount.
- 22) Credit losses, net, for loan receivables in relation to loans to the public and credit institutions after loss allowance.

Consolidated income statement for Länsförsäkringar AB Group				
SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Premiums earned before ceded reinsurance	7,968	3,893	3,986	7,690
Reinsurers' portion of premiums earned	-1,573	-788	-785	-1,590
Premiums earned after ceded reinsurance	6,396	3,195	3,201	6,100
Interest income	5,986	3,041	2,945	5,229
Interest expense	-1,363	-692	-670	-729
Net interest income	4,624	2,349	2,275	4,500
Change in unit-linked insurance assets – policyholder bears the risk	30,453	11,458	18,995	-4,539
Dividends in unit-linked insurance assets – policyholder bears the risk	13	13	-	8
Investment income, net	1,006	476	531	-26
Commission income	3,250	1,688	1,562	2,937
Other operating income	2,407	1,199	1,208	2,346
Total operating income	48,150	20,377	27,772	11,327
Claims payments before ceded reinsurance	-4,069	-2,498	-1,571	-4,769
Reinsurers' portion of claims payments	-128	362	-489	854
Claims payments after ceded reinsurance	-4,197	-2,136	-2,061	-3,915
Change in life-assurance provision	-8	70	-79	-9
Change in unit-linked insurance liabilities – policyholder bears the risk	-30,985	-11,472	-19,275	4,668
Commission expense	-3,161	-1,500	-1,661	-3,216
Staff costs	-2,476	-1,214	-1,262	-2,228
Other administration expenses	-4,112	-2,200	-1,912	-4,182
Loan losses	-207	-138	-69	-95
Total expenses	-45,146	-18,827	-26,319	-8,976
Operating profit	3,003	1,550	1,453	2,351
Tax	-46	254	-300	-162
Net profit for the period	2,957	1,804	1,153	2,190
Earnings per share before and after dilution, SEK	284	173	111	210

Consolidated statement of comprehensive income for Länsförsäkringar AB Group

SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Net profit for the period	2,957	1,804	1,153	2,190
Other comprehensive income				
Items that have been transferred or can be transferred to profit for the period				
Translation differences attributable to foreign operations	31	17	14	4
Cash-flow hedges	-22	-3	-19	-58
Change in fair value of available-for-sale financial assets	2	-59	62	-50
Tax attributable to items that have been transferred or can be transferred to profit for the period	3	14	-10	24
Total	14	-32	46	-80
Items that cannot be transferred to profit for the period				
Revaluation of owner-occupied property	148	13	135	393
Change in fair value of equity instruments measured at fair value through other comprehensive income	25	13	13	-10
Tax attributable to items that cannot be reversed to profit for the period	-36	-11	-26	-74
Total	138	15	122	309
Total other comprehensive income for the period, net after tax	151	-16	168	229
Comprehensive income for the period	3,109	1,787	1,321	2,418

Consolidated statement of financial position for Länsförsäkringar AB Group

SEK M	31 Dec 2019	31 Dec 2018	SEK M	31 Dec 2019	31 Dec 2018
ASSETS			EQUITY AND LIABILITIES		
Goodwill	558	542	Equity		
Other intangible assets	4,309	4,200	Share capital	1,042	1,042
Deferred tax assets	128	122	Other capital contributed	10,272	10,272
Property and equipment	344	69	Additional Tier 1 instruments	2,200	1,200
Owner-occupied property	1,161	3,232	Reserves	-573	697
Shares in Länsförsäkringar Liv Försäkrings AB	8	8	Retained earnings including profit for the period	17,965	13,656
Shares and participations in associated companies	62	54	Total equity	30,907	26,867
Reinsurers' portion of technical provisions	9,504	10,553	Subordinated liabilities	2,595	2,593
Loans to the public	307,099	289,426	Technical provisions	18,860	19,465
Unit-linked insurance assets – policyholder bears the risk	154,563	122,340	Unit-linked insurance liabilities – policyholder bears the risk	155,950	123,135
Shares and participations	4,634	2,700	Deferred tax liabilities	882	1,435
Bonds and other interest-bearing securities	52,618	43,950	Other provisions	125	119
Treasury bills and other eligible bills	9,934	10,847	Debt securities in issue	226,661	210,304
Derivatives	8,290	6,090	Deposits from the public	118,305	106,854
Change in value of hedge portfolios	5	125	Due to credit institutions	6,565	5,992
Other receivables	5,393	4,523	Derivatives	511	787
Prepaid expenses and accrued income	2,321	1,977	Change in value of hedge portfolios	1,241	1,058
Cash and cash equivalents	11,661	6,075	Other liabilities	5,524	3,638
TOTAL ASSETS	572,594	506,835	Accrued expenses and deferred income	4,468	4,587
			TOTAL EQUITY AND LIABILITIES	572,594	506,835

Consolidated statement of changes in equity for Länsförsäkringar AB Group

SEK M	Share capital	Other capital contributed	Additional Tier 1 instruments	Reserves	Retained earnings including net profit for the period	Total
Opening equity, 1 January 2018	1,042	10,272	1,200	468	11,787	24,770
Realised gain from sale of shares	-	-	-	-	13	13
Dividends paid	-	-	-	-	-300	-300
Comprehensive income for the period	-	-	-	229	2,190	2,418
Issued additional Tier 1 instruments	-	-	-	-	-34	-34
Closing equity, 31 December 2018	1,042	10,272	1,200	697	13,656	26,867
Opening equity, 1 January 2019	1,042	10,272	1,200	697	13,656	26,867
Comprehensive income for the period	-	-	-	168	1,153	1,321
Issued additional Tier 1 instruments	-	-	1,000	-	-28	972
Closing equity, 30 June 2019	1,042	10,272	2,200	864	14,781	29,161
Opening equity, 1 July 2019	1,042	10,272	2,200	864	14,781	29,161
Divestment in owner-occupied property	-	-	-	-1,421	1,421	-
Comprehensive income for the period	-	-	-	-16	1,804	1,787
Issued additional Tier 1 instruments	-	-	-	-	-41	-41
Closing equity, 31 December 2019	1,042	10,272	2,200	-573	17,965	30,907

Consolidated statement of cash flows for Länsförsäkringar AB Group

SEK M	Jan-Dec 2019	Jan-Dec 2018
Operating activities		
Operating profit	3,003	2,351
Adjustment for non-cash items	1,936	3,269
Tax paid	-658	-542
Cash flow from operating activities before changes in working capital	4,282	5,079
Cash flow from changes in working capital		
Change in shares and participations, bonds and other interest-bearing securities and derivatives	-10,830	-2,864
Increase (-)/Decrease (+) in operating receivables	-18,596	-28,695
Increase (+)/Decrease (-) in operating liabilities	12,315	11,201
Cash flow from operating activities	-12,829	-15,279
Investing activities		
Change in shares and participations in associated companies	3	3
Investment in intangible assets	-483	-595
Investment in property and equipment	-16	-34
Divestment in property and equipment	6	8
Investment in owner-occupied property	-	-37
Divestment in owner-occupied property	3,385	-
Cash flow from investing activities	2,895	-655
Financing activities		
Change in debt securities in issue	14,682	21,142
Change in lease liabilities	-104	-
Additional Tier 1 instruments	931	-34
Dividends paid	-	-300
Cash flow from financing activities	15,508	20,809
Net cash flow for the period	5,574	4,875
Cash and cash equivalents, 1 January	6,075	1,196
Exchange-rate differences in cash and cash equivalents	11	4
Cash and cash equivalents, 31 December	11,661	6,075

Länsförsäkringar AB Group

Notes to the consolidated financial statements

All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

The consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and regulation and general guidelines FFFS 2015:12 of the Swedish Financial Supervisory Authority were applied. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and statements (UFR). The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

JUDGEMENTS AND ESTIMATES

The following judgements and estimates apply in addition to those stated in the 2018 Annual Report.

A tax audit pertaining to the 2014 fiscal year in Wasa Kredit AB was completed during the year. The company evaluated the implication for subsequent years, which resulted in an increase in current tax.

Due to the dissolution of the untaxed reserves in Wasa Kredit AB, the deferred tax liabilities in the Group will decline. The net impact on the Bank Group's earnings was marginally negative for 2019.

CHANGES TO 2019 REPORTING

The Group applies IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019, and apply in advance the amendments to IAS 39 and IFRS 7 the Interest Rate Benchmark Reform.

IFRS 16 Leases

IFRS 16 Leases has replaced IAS 17 Leases and primarily entails changes to accounting of operating leases under which the Group is the lessee and that in accordance with IAS 17 were recognised as a lease expense in profit or loss. IFRS 16 entails changes to accounting by lessees since all leases (with certain exemptions) are to be recognised in the statement of financial position as follows: the obligation to make future fixed lease payments as a lease liability and the right to use an underlying asset as a lease asset. The accounting of leases by lessors essentially corresponds to previously applicable policies.

Assessment of leases

When a contract is signed, the Group assesses whether it includes a lease. A contract is, or contains, a lease if it conveys the right for the Group to control the use of an identified asset for a period of time in exchange for consideration. The Group has decided to identify the lease components in the Group's lease contracts and does not include non-lease components in its calculation of the lease liability.

Application of exemption rules

There are exemptions for short-term leases and leases for which the underlying asset has a low value. The Group has decided not to recognise leases in the statement of financial position for which the underlying asset has a low value or has a lease term (including periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option) of 12 months or less or that will end within 12 months from the date of initial application of 1 January 2019.

Classification of leases

The Group recognises its leases in the statement of financial position as a right-of-use asset and a lease liability. Right-of-use assets are classified as the corresponding underlying asset that would have been presented if it had been owned. Leases pertaining to rent for premises are classified as owner-occupied property and leases that pertain to other forms of equipment, IT servers and cars are classified as property and equipment. The Group's lease liabilities are recognised in the statement of financial position as other liabilities.

Effect of transition to IFRS 16

The Group has applied the modified retrospective approach, which entails that comparative information is provided in accordance with IAS 17 and IFRIC 4. The transition to IFRS 16 entails that the Group has recognised new assets and liabilities for its operating leases as the lessee for primarily rent for premises and various forms of equipment, cars and servers. On the initial date of application, the Group recognised the present value of the lease payments outstanding as lease liabilities in the amount of SEK 179 M. Right-of-use assets were recognised on transition at an amount corresponding to the lease liabilities (after adjustment for prepaid lease payments recognised on 31 December 2018), which is why the Group does not recognise any adjustment to equity in the opening balance for 2019. The effect of the transition to IFRS 16 on the Group's statement of financial position is presented in its entirety in note 5. The expenses for the Group's leases have changed since the Group recognises depreciation for right-of-use assets and interest expenses for lease liabilities. The Group previously recognised operating lease expenses on a straight-line basis over the lease term and recognised assets (prepaid lease payments) and liabilities (accrued lease payments) only to the extent that a difference existed between the actual lease payments and the expenses recognised.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group applies IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019. IFRIC 23 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. The interpretation did not entail any impact on the consolidated financial statements.

Interest Rate Benchmark Reform (Amendments to IAS 39 and IFRS 7)

The Group has decided to apply in advance the Interest Rate Benchmark Reform (Amendments to IAS 39 and IFRS 7) (IBOR reform), issued in September 2019. In accordance with the transition rules, the amendments were applied retrospectively to hedging relationships that existed at the beginning of the reporting period or identified thereafter and for amounts accumulated in the cash flow hedge reserve.

The amendments provide temporary relief from applying specific hedge accounting requirements for hedging relationships directly affected by the IBOR reform. The relief also means that the IBOR reform will not generally mean that hedge accounting needs to be discontinued. The amendment did not have any quantitative impact on the consolidated financial statements.

In brief, the transition relief entails the following:

- when the Group takes into account the "highly probable" requirement for cash flow hedges, it assumes that IBORs in hedging instruments and hedge items will not change as a result of the IBOR reform.
- the Group will not recycle amounts in the cash flow hedge reserve to profit or loss as a result of the uncertainty that may exist in the cash flows after the IBOR reform is expected to have a direct effect.
- in a prospective assessment of whether the hedge is expected to be highly effective, the Group has assumed that the applicable IBOR will not change as a result of the IBOR reform.
- the Group will not discontinue the hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- the Group's hedged risk component in fair value hedges does not need to be separately identifiable on an ongoing basis, and instead the risk component only needs to be identifiable at the inception of the hedging relationship.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2018 Annual Report.

Jan-Dec 2019, SEK M	Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Premiums earned after ceded reinsurance	6,211	204	-	-	-18	6,396
Net interest income	-	-	4,617	-	6	4,624
Change in unit-linked insurance assets – policyholder bears the risk	-	30,453	-	-	-	30,453
Dividends in unit-linked insurance assets – policyholder bears the risk	-	13	-	-	-	13
Investment income, net	22	76	20	1,248	-360	1,006
Commission income	24	1,765	1,457	-	4	3,250
Other operating income	314	147	26	3,576	-1,656	2,407
Total operating income	6,571	32,658	6,121	4,824	-2,024	48,150
Claims payments after ceded reinsurance	-4,553	-85	-	-	442	-4,197
Change in life-assurance provision	-	-	-	-	-8	-8
Change in unit-linked insurance liabilities – policyholder bears the risk	-	-30,985	-	-	-	-30,985
Commission expense	-343	-739	-2,094	-	15	-3,161
Staff costs	-553	-210	-640	-1,091	18	-2,476
Other administration expenses	-838	99	-1,286	-2,862	776	-4,112
Loan losses	-	-	-207	-	-	-207
Total expenses	-6,288	-31,920	-4,227	-3,953	1,242	-45,146
Technical result	283	738	-	-	-1,021	-
Non technical recognition	569	0	-	-	-569	-
Operating profit	851	738	1,893	871	-1,351	3,003
Tax	-	-	-	-	-	-46
Net profit for the period	-	-	-	-	-	2,957
Income distribution						
External income	6,421	32,184	6,617	2,602	377	48,150
Internal income	150	475	-496	2,222	-2,350	-
Total operating income	6,571	32,658	6,121	4,824	-2,024	48,150

The distribution into operating segments matches how the Group is organised and is monitored by Group Management. The technical result is presented for Non-life insurance and Unit-linked insurance since the result is followed up by Group Management. Income is primarily attributable to Sweden, with a small portion from Denmark, Finland, France, Norway and the UK.

The Non-life insurance segment pertains to non-life and group life-assurance; group life-assurance comprises a minor portion only. The Länsförsäkringar Alliance's internal and external reinsurance is also included.

The Unit-linked insurance segment pertains to life-assurance with links to mutual funds.

The Bank segment pertains to deposits and lending operations. The legal structure of Länsförsäkringar Bank Group matches the product offering to customers.

The Parent Company segment pertains to service, IT and development for the Länsförsäkringar Alliance, administration of securities funds and costs for joint functions.

Depreciation/amortisation and impairment: Depreciation of property and equipment and amortisation of intangible assets is included in Other administration expenses in Non-life insurance. Amortisation pertaining to acquired intangible assets under Unit-linked insurance is included in eliminations and adjustments of administration expenses.

Investment income, net: Investment income that is transferred from financial operations to insurance operations is recognised in non-life insurance.

Continued on next page

Note 2 Earnings per segment, cont.

Jan-Dec 2018, SEK M	Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Premiums earned after ceded reinsurance	5,891	234	-	-	-25	6,100
Net interest income	-	-	4,497	-	3	4,500
Change in unit-linked insurance assets – policyholder bears the risk	-	-4,539	-	-	-	-4,539
Dividends in unit-linked insurance assets – policyholder bears the risk	-	8	-	-	-	8
Investment income, net	23	-140	43	1,498	-1,450	-26
Commission income	25	1,658	1,253	-	2	2,937
Other operating income	408	236	16	3,233	-1,546	2,346
Total operating income	6,347	-2,544	5,809	4,731	-3,016	11,327
Claims payments after ceded reinsurance	-4,196	-109	-	-	389	-3,915
Change in life-assurance provision	-	-	-	-	-9	-9
Change in unit-linked insurance liabilities – policyholder bears the risk	-	4,668	-	-	-	4,668
Commission expense	-507	-697	-2,026	-	14	-3,216
Staff costs	-539	-181	-588	-977	58	-2,228
Other administration expenses	-703	-461	-1,590	-2,425	998	-4,182
Loan losses	-	-	-95	-	-	-95
Total expenses	-5,945	3,220	-4,299	-3,403	1,451	-8,976
Technical result	402	676	-	-	-1,078	-
Non technical recognition	58	-3	-	-	-55	-
Operating profit	460	673	1,510	1,328	-1,621	2,351
Tax	-	-	-	-	-	-162
Net profit for the period	-	-	-	-	-	2,190
Income distribution						
External income	6,167	-2,979	6,254	1,792	93	11,327
Internal income	180	435	-445	2,939	-3,109	-
Total operating income	6,347	-2,544	5,809	4,731	-3,016	11,327

Note 3 Related-party transactions

SEK M	Income Jan-Dec	Expenses Jan-Dec	Receivables 31 Dec	Liabilities 31 Dec	Commitments 31 Dec
2019					
Länsförsäkringar Liv Försäkrings AB	303	21	188	820	-
Regional insurance companies	2,113	2,465	7,587	12,276	62
Other related parties	100	12	22	35	7
2018					
Länsförsäkringar Liv Försäkrings AB	353	36	102	1,005	-
Regional insurance companies	1,663 ¹	2,493 ¹	8,792	13,471	57
Other related parties	30	15	12	47	9

¹ Comparative figures for income and expenses have been amended.

Income and expenses include interest. Receivables and liabilities to regional insurance companies include technical reserves.

In 2019, sales were made regarding business-related shares, including operating properties. Divestment took place on November 1, 2019. In connection with the divestment, new lease agreements, so-called Sale-and-leaseback, were signed. Additional purchase price may be payable.

Note 4 Fair value valuation techniques

Table 1		31 December 2019		31 December 2018	
SEK M		Book value	Fair value	Book value	Fair value
Assets					
Shares in Länsförsäkringar Liv Försäkrings AB		8	8	8	8
Loans to the public		307,099	308,209	289,426	290,228
Unit-linked insurance assets – policyholder bears the risk		154,563	154,563	122,340	122,340
Shares and participations		4,634	4,292	2,700	2,700
Bonds and other interest-bearing securities		52,618	52,618	43,950	43,950
Treasury bills and other eligible bills		9,934	9,934	10,847	10,847
Derivatives		8,290	8,290	6,090	6,090
Other receivables		1,051	-	506	-
Prepaid expenses and accrued income		152	-	150	-
Cash and cash equivalents		11,661	-	6,075	-
Total assets		550,010	537,914	482,093	476,163
Liabilities					
Subordinated liabilities		2,595	2,653	2,593	2,632
Debt securities in issue		226,661	232,880	210,304	214,315
Deposits from the public		118,305	119,859	106,854	108,677
Due to credit institutions		6,565	-	5,992	-
Derivatives		511	511	787	787
Other liabilities		2,389	-	792	-
Accrued expenses and deferred income		1,721	-	1,499	-
Total liabilities		358,748	355,903	328,821	326,411

Gains and losses are recognised in profit and loss in Investment income, net.

The fair value of other receivables, cash and cash equivalents, due to credit institutions and other liabilities comprises a reasonable approximation based on the cost of the assets and liabilities since these assets and liabilities have short terms.

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 listed in an active market.

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

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

Table 2 – Fair value valuation techniques, SEK M

31 December 2019	Level 1	Level 2	Level 3	Total
Assets				
Shares in Länsförsäkringar Liv Försäkrings AB	–	–	8	8
Unit-linked insurance assets – policyholder bears the risk	154,563	–	–	154,563
Shares and participations	2,802	63	1,769	4,634
Bonds and other interest-bearing securities	52,263	–	355	52,618
Treasury bills and other eligible bills	9,934	–	–	9,934
Derivatives	1	8,289	–	8,290
Liabilities				
Derivatives	–	511	–	511
31 December 2018				
Assets				
Owner-occupied property	–	–	3,232	3,232
Shares in Länsförsäkringar Liv Försäkrings AB	–	–	8	8
Unit-linked insurance assets – policyholder bears the risk	122,340	–	–	122,340
Shares and participations	1,555	43	1,103	2,700
Bonds and other interest-bearing securities	43,700	–	250	43,950
Treasury bills and other eligible bills	10,847	–	–	10,847
Derivatives	1	6,090	–	6,090
Liabilities				
Derivatives	3	784	–	787

There were no significant transfers between Level 1 and Level 2 during 2019 or during 2018. There were no transfers from Level 3 in 2019 or 2018.

Normally, there are no active markets for owner-occupied property within Level 3, which is why fair value is estimated using models based on discounted cash flows. The method applied to the calculation of fair value is a combination of the location-price method, based on reported purchases of comparable properties, and a return-based cash-flow method. The return method is based on a calculation of the present value of future actual cash flows in the form of operating net, which has been successively adjusted to market over 10 years and the present value of the estimated residual value in year 10. The residual value was estimated by performing a constant capitalisation of an estimated market-adjusted operating net. Divestment of operating properties took place on the 1 of November 2019.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report with the exception of shares and participations held by Länsförsäkringar Bank which is regularly valued based on recent company reports and forecasted results. Delisted, insolvent companies are measured at zero, if no other listing can be found.

Shares in Länsförsäkringar Liv are valued at the company's share capital. Länsförsäkringar Liv is conducted in accordance with mutual principles whose earnings are not distributed to the owner; instead they accrue in their entirety to the policyholders.

The fair value of Level 2 shares and participations that pertain to unquoted Series B and Series C shares with conversion rights to quoted Series A shares without restrictions is measured based on the price of the Series A share on the balance-sheet date.

Level 2 derivatives essentially refer to swaps for which fair value has been calculated by discounting expected future cash flows.

Bonds and other interest-bearing securities in Level 3 that are not quoted in an active market comprise interest-bearing, unquoted loans. 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. Holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for impairment.

Financial instruments measured at amortised cost in the statement of financial position

Fair values for deposits from the public (Level 2) and loans to the public (Level 3) have been calculated using discounted expected cash flows where the discount rates applied are the current deposit and lending rates (including discounts). During the year, loans to the public were transferred from Level 2 to Level 3 since the discounts used for calculating fair value are not observable in a market.

Fair value (Level 2) for debt securities in issue and subordinated liabilities is determined based on quoted prices. Parts of debt securities in issue that are considered to be illiquid are adjusted based on expected current issue prices. Commercial papers do not have market prices and the fair value is determined based on the yield curve of each currency.

Note 4 Fair value valuation techniques, cont.
Table 3 – Change level 3

SEK M	Owner-occupied property	Shares in Länsförsäkringar Liv Försäkrings AB	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2019	3,232	8	1,103	250	4,593
Acquisition	3	–	341	100	444
Divestments	–3,320	–	–	–2	–3,323
Recognised in net profit for the period	–63	–	324	7	268
Recognised in other comprehensive income	148	–	–	–	148
Closing balance, 31 December 2019	–	8	1,769	355	2,132
Opening balance, 1 January 2018	2,887	–	954	188	4,029
Acquisition	37	–	0	62	99
Divestments	–	–	–10	–16	–26
Application of IFRS 9	–	8	–	–	8
Recognised in net profit for the year	–84	–	159	15	89
Recognised in other comprehensive income	393	–	–	–	393
Closing balance, 31 December 2018	3,232	8	1,103	250	4,593

Right-of-use assets of SEK 1,161 M in the statement of financial position are recognised as owner-occupied property.
Right-of-use assets are not measured at fair value.

Note 5 Financial effect of change in accounting policy from IAS 17 Leases to IFRS 16 Leases

SEK M	
Future operating lease payments at 31 December 2018	182
Exceptions from accounting in the statement of financial position	
– short-term leases	0
– leases for which the underlying asset has a low value	–6
Extension options that it is reasonably certain will be exercised	4
Total operating lease payments before discounting at 1 January 2019 is to be recognised in the statement of financial position	180
Discount effect at 1 January 2019	–1
Financial lease liabilities at 31 December 2018	–
Lease liabilities recognised in the statement of financial position at 1 January 2019	179

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities of SEK 179 M in the statement of financial position, which impacts property and equipment by SEK 163 M, other assets by SEK 16 M and other liabilities.

To measure lease liabilities, the Group discounted future lease payments by using an incremental borrowing rate on 1 January 2019. The average incremental borrowing rate applied was 0.49%.

Länsförsäkringar AB, Parent Company

Financial statements

Income statement for Länsförsäkringar AB, Parent Company				
SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Net sales	3,577	1,896	1,681	3,235
Operating expenses				
External expenses	-2,814	-1,514	-1,300	-2,340
Staff costs	-1,071	-526	-545	-959
Depreciation/amortisation and impairment of property and equipment and intangible assets	-69	-33	-36	-105
Operating profit/loss	-376	-176	-200	-169
Profit/loss from financial items				
Profit from participations in Group companies	1,251	929	322	1,506
Interest income and similar profit/loss items	-1	-2	1	-2
Interest expense and similar profit/loss items	-3	-2	-1	-7
Profit/loss after financial items	871	750	121	1,328
Tax	-5	-1	-4	-7
Profit for the period	866	749	117	1,322

Statement of comprehensive income for Länsförsäkringar AB, Parent Company				
SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Profit/loss for the period	866	749	117	1,322
Other comprehensive income				
Items that cannot be transferred to profit for the period				
Change in fair value of equity instruments measured at fair value through other comprehensive income	-1	-1	-1	0
Total other comprehensive income for the period, net after tax	-1	-1	-1	0
Comprehensive income for the period	865	748	117	1,321

Balance sheet for Länsförsäkringar AB, Parent Company

SEK M	31 Dec 2019	31 Dec 2018
ASSETS		
Fixed assets		
Intangible assets	345	373
Property and equipment	30	45
Financial assets		
Shares and participations in Group companies	17,741	17,742
Participating interests in other companies	-	1,016
Other financial assets	2,531	913
Total financial assets	20,272	19,671
Total fixed assets	20,646	20,089
Current assets	827	813
Cash and bank balances	221	209
TOTAL ASSETS	21,696	21,111
EQUITY, PROVISIONS AND LIABILITIES		
Restricted equity	6,059	6,068
Non-restricted equity	14,439	13,565
Total equity	20,498	19,633
Provisions	46	46
Long-term liabilities	258	323
Current liabilities	894	1,109
TOTAL EQUITY, PROVISIONS AND LIABILITIES	21,696	21,111

Statement of cash flows for Länsförsäkringar AB, Parent Company

SEK M	Jan-Dec 2019	Jan-Dec 2018
Operating activities		
Profit after financial items	871	1,328
Adjustment for non-cash items	-886	-109
Tax paid	-15	-43
Cash flow from operating activities before changes in working capital	-30	1,176
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-1,304	185
Increase (+)/Decrease (-) in operating liabilities	-236	-244
Cash flow from operating activities	-1,570	1,118
Investing activities		
Change in shares in Group companies	1,608	-800
Other investing activities	-26	-63
Cash flow from investing activities	1,582	-863
Financing activities		
Dividends paid	-	-300
Cash flow from financing activities	-	-300
Cash flow for the period	12	-45
Cash and cash equivalents, 1 January	209	254
Cash and cash equivalents, 31 December	221	209

Statement of changes in equity for Länsförsäkringar AB, Parent Company

SEK M	Restricted equity			Non-restricted equity			Total
	Share capital	Development Expenditures Fund	Statutory reserve	Fair value reserve	Share premium reserve	Retained earnings, including net profit for the year	
Opening equity, 1 January 2018	1,042	189	4,801	-503	5,471	7,610	18,611
Dividends paid	-	-	-	-	-	-300	-300
Comprehensive income for the period	-	-	-	0	-	1,322	1,322
Capitalised proprietary development expenditures	-	34	-	-	-	-34	-
Closing equity, 31 December 2018	1,042	224	4,801	-503	5,471	8,597	19,633
Opening equity, 1 January 2019	1,042	224	4,801	-503	5,471	8,597	19,633
Comprehensive income for the period	-	-	-	-1	-	117	117
Capitalised proprietary development expenditures	-	-9	-	-	-	9	-
Closing equity, 30 June 2019	1,042	215	4,801	-504	5,471	8,724	19,749
Opening equity, 1 July 2019	1,042	215	4,801	-504	5,471	8,724	19,749
Comprehensive income for the period	-	-	-	-	-	748	748
Capitalised proprietary development expenditures	-	1	-	-	-	-1	-
Closing equity, 31 December 2019	1,042	215	4,801	-504	5,471	9,472	20,498

Länsförsäkringar AB, Parent Company

Notes to the financial statements

Amounts are in SEK M, unless otherwise stated.

Note 1 Accounting policies

The Parent Company prepares its accounts according to the Swedish Annual Accounts Act (1995:1554). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies. The regulations in RFR 2 stipulate that in the annual accounts the parent company is to apply all IFRS adopted by the EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and additions to IFRS.

AMENDED ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019

IFRS 16 Leases

IFRS 16 Leases replaced IAS 17 Leases on 1 January 2019. The main requirement of the standard is that the lessee is to recognise leases, which were previously classified as operating leases, in the balance sheet. Länsförsäkringar AB has made use of the option in RFR 2 to not apply IFRS 16 due to the relationship between accounting and taxation. As lessee, Länsförsäkringar AB continues to recognise the company's lease payments as an expense on a

straight-line basis over the term. Accordingly, the standard did not have any financial effect on the company's interim report.

IFRIC 23 Uncertainty over Income Tax Treatments

The company applies IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019. IFRIC 23 clarifies how IAS 12 is to be applied if there are uncertainties about how tax legislation is to be applied to a certain transaction or under certain circumstances. The interpretation did not entail any impact on the company's interim report.

Interest Rate Benchmark Reform (Amendments to IAS 39 and IFRS 7)

The amendments provide temporary relief from applying specific hedge accounting requirements for hedging relationships directly affected by the IBOR reform. The relief also means that the IBOR reform will not generally mean that the hedge accounting needs to be discontinued. The amendment did not have any quantitative impact on the consolidated financial statements.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2018 Annual Report.

Note 2 Related-party transactions

SEK M	Income Jan-Dec	Expenses Jan-Dec	Receivables 31 Dec	Liabilities 31 Dec
2019				
Group companies	2,222	-156	543	208
Länsförsäkringar Liv Försäkrings AB	203	-	0	3
Regional insurance companies	1,726	-27	31	66
Other related parties	570	0	4	-
2018				
Group companies	2,939	-143	461	246
Länsförsäkringar Liv Försäkrings AB	219	-8	16	38
Regional insurance companies	1,488	-22	165	592
Other related parties	23	-4	0	-

Income and expenses include interest.

Note 3 Pledged assets and contingent liabilities

SEK M	31 Dec 2019	31 Dec 2018
Contingent liabilities		
Part-owner of Utile Dulci 2 HB	-	13

Länsförsäkringar AB and Länsförsäkringar Fondliv have entered into a service agreement with Länsförsäkringar Liv due to Länsförsäkringar Liv's run off. In Annual Report 2018 the Group's note 46 Pledged assets and contingent liabilities provides additional information about the agreement.

The President and CEO submitted the report for Länsförsäkringar AB Group (pages 12-14, 17-32) on behalf of the Board of Directors.

This report has not been reviewed by the company's auditor.

Stockholm 13 February 2020

Fredrik Bergström
President and CEO

Länsförsäkringar Liv Försäkrings AB

Income statement for Länsförsäkringar Liv Försäkrings AB				
SEK M	Jan-Dec 2019	Jul-Dec 2019	Jan-Jun 2019	Jan-Dec 2018
Premium income after ceded reinsurance	1,539	751	788	1,684
Investment income net	9,949	2,983	6,966	-527
Claims payments	-4,928	-2,406	-2,518	-4,939
Change in technical provisions	-520	2,142	-2,662	4,992
Operating expenses	-426	-224	-206	-412
Technical result, life insurance operations	5,614	3,246	2,368	798
Non-technical expenses	-	-	-	-
Profit before tax	5,614	3,246	2,368	798
Tax allocation reserve	50	50	-	-14
Tax	-97	-9	-88	-175
Profit for the period	5,567	3,287	2,280	609
Other comprehensive income for the period	-	-	-	-
Comprehensive income for the period	5,567	3,287	2,280	609

Balance sheet for Länsförsäkringar Liv Försäkrings AB		
SEK M	31 Dec 2019	31 Dec 2018
ASSETS		
Investment assets	115,979	110,662
Reinsurers' portion of technical provisions	0	397
Receivables	2,730	1,399
Other assets	3,634	3,979
Prepaid expenses and accrued income	53	72
TOTAL ASSETS	122,396	116,509
EQUITY, PROVISIONS AND LIABILITIES		
Equity	27,974	23,703
Untaxed reserves	291	340
Technical provisions	85,018	84,850
Provisions for other risks and expenses	32	30
Deposits from reinsurers	0	397
Liabilities	8,902	7,006
Accrued expenses and deferred income	179	183
TOTAL EQUITY, PROVISIONS AND LIABILITIES	122,396	116,509

For information about Länsförsäkringar Liv's key figures, see separate "Nyckeltalsrapport" available at <https://www.lansforsakringar.se/foretag/om-oss/finansie/lt/gemen-samma-bolag/lansforsakringar-liv/>

Financial calendar 2020

Annual Report 2019 Länsförsäkringar AB	12 March
Annual Review 2019 Länsförsäkringar Alliance	12 March
Interim Report January-June 2020	3 September

The information was submitted for publication on 13 February 2020 at 13:00 Swedish time.

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