

# Länsförsäkringar Alliance

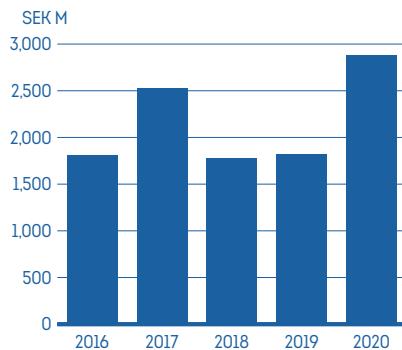
## Annual Review in summary 2020

### The year in brief

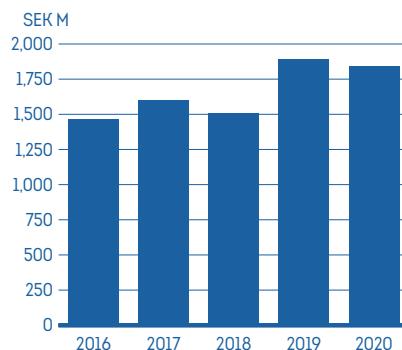
Figures in parentheses pertain to the full-year 2019.

- Operating profit for the Länsförsäkringar Alliance's non-life insurance operations was SEK 7,473 M (12,001), with investment income of SEK 7,090 M (13,199). Bonuses and discounts to customers amounted to SEK 1,756 M (1,893).
- The technical result for the Länsförsäkringar Alliance's non-life insurance operations increased to SEK 2,877 M (1,824). Premiums earned after ceded reinsurance rose 6% to SEK 29,399 M (27,856). The combined ratio declined to 92.9% (96.3).
- The Länsförsäkringar AB Group's operating profit was SEK 2,726 M (3,003). The return on equity amounted to 8% (10).
- The Länsförsäkringar Sak Group's operating profit was SEK 516 M (851). Premiums earned after ceded reinsurance rose 9% to SEK 6,781 M (6,211). The combined ratio was unchanged at 95.8% (95.8).
- The Länsförsäkringar Bank Group's operating profit amounted to SEK 1,844 M (1,893). Net interest income rose 5% to SEK 4,845 M (4,617).
- Länsförsäkringar Fondliv's operating profit amounted to SEK 702 M (738). Premium income increased to SEK 12,228 M (9,478). Commission and fee income increased to SEK 1,809 M (1,779).
- Länsförsäkringar Liv's profit amounted to SEK 1,586 M (5,567).

**Technical result for the Länsförsäkringar Alliance's non-life insurance operations**



**Länsförsäkringar Bank Group's operating profit**



**Länsförsäkringar Fondliv's managed assets**



# Focus on availability and social responsibility

2020 will long be remembered. The COVID-19 pandemic affected us all, and our thoughts go to all those who fell ill and experienced financial difficulties. That is why it was more important than ever for Länsförsäkringar to be available and shoulder its social responsibility during the year. It is pleasing to see that Länsförsäkringar succeeded in ensuring that operations functioned well and continued to deliver high customer service.

Social responsibility is a given for Länsförsäkringar. Länsförsäkringar has taken important initiatives across the country to support customers, local companies, the health care sector and clubs and associations, all of which have been severely affected by the COVID-19 pandemic. The risk of contagion was minimised by offering more digital customers meetings, increasing telephone banking staff and employees working remotely. Länsförsäkringar invested SEK 1.2 billion in social bonds in 2020, which contributes to financing of combating the effects of the corona pandemic and increasing access to health care.

Social responsibility also means that sustainability must be incorporated throughout our business. Länsförsäkringar launched a county-specific sustainability database in 2020 that helps the regional insurance companies to best support their local communities. Länsförsäkringar's contributions to the UN Sustainable Development Goals continued and Länsförsäkringar AB has been pursuing a climate-smart vision since 2019, with the long-term aim of reducing impact on the climate and climate risks, and adapting investments to the climate targets of the Paris Agreement. We are pleased that the interest of our unit-linked insurance customers in sustainability-focused funds increased markedly in 2020.

The COVID-19 pandemic highlighted the importance of having good digital capabilities. Much of the Länsförsäkringar Alliance's development activities are carried out by Länsförsäkringar AB for which our new Lean Agile work methods have resulted in more effective and innovative development activities, with rapid product development and testing. I am very proud that we have succeeded in starting several Lean Agile release trains in 2020 despite the limitations caused by the pandemic.

In 2020, Länsförsäkringar AB launched an efficiency programme to ensure a long-term, sustainable cost level for its operations, which in turn benefits the regional insurance companies and their competitiveness. We are customer-owned and we want to not only meet customer expectations, but surpass them.

The effects of the COVID-19 pandemic on Länsförsäkringar Alliance's earnings were relatively limited in 2020, mainly because the stock markets recovered strongly during the year after the very negative trend in the first quarter. The Länsförsäkringar Alliance's total operating profit amounted to SEK 9.9 billion. Operating profit in the non-life insurance operations amounted to SEK 7.5 billion, benefiting from both strong investment income and a strong technical result. Continued solid premium growth of almost 6% and lower claims costs resulted in a combined ratio of 93%. The claims ratio fell to 74%, mainly due to fewer natural catastrophe claims in 2020, but also as a result of the COVID-19 pandemic due to changed customer behaviour with less movement in society. Based on 2020 earnings, the regional insurance companies will pay back a total of at least SEK 1.8 billion in bonuses and discounts to their owners – the customers.



## ” Local commitment more relevant than ever in 2020

For Länsförsäkringar AB Group, the pandemic also had a relatively limited effect on operating profit for 2020, which amounted to SEK 2.7 billion. The non-life insurance operations brought operating profit of SEK 0.5 billion with strong premium growth of 9% and a combined ratio of 96%. Agria's healthy growth continued, both in Sweden and in the international business.

The banking operations reported a stable operating profit of SEK 1.8 billion with continued healthy growth in business volumes – deposits increased strongly by 14% and lending was up 11%. The Bank Group's credit losses increased in 2020 mainly as a result of higher loss allowances due to the gloomier macroeconomic forecasts resulting from COVID-19. However, the loss allowance gradually declined during the year, resulting in a continued low credit loss level of 0.09%.

The unit-linked insurance operations contributed an operating profit of SEK 0.7 billion. Managed assets increased to SEK 171 billion due to a favourable stock-market trend in the second half of the year and strong net inflow in the underlying business. Premium income increased 29% with sales rising in all sales channels.

I sincerely hope that 2021 will be the year when we can return to some sort of normality that will allow us to meet our customers and employees without the current restrictions. In 2020 Länsförsäkringar's local commitment was more relevant than ever before, but our social commitment will not gradually disappear in pace with the pandemic – quite the opposite! At Länsförsäkringar we believe in the power of being part of something bigger than ourselves. Supporting each other and working together toward common goals. Our unique business model makes it possible to combine sustainability, social commitment and business value.

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.

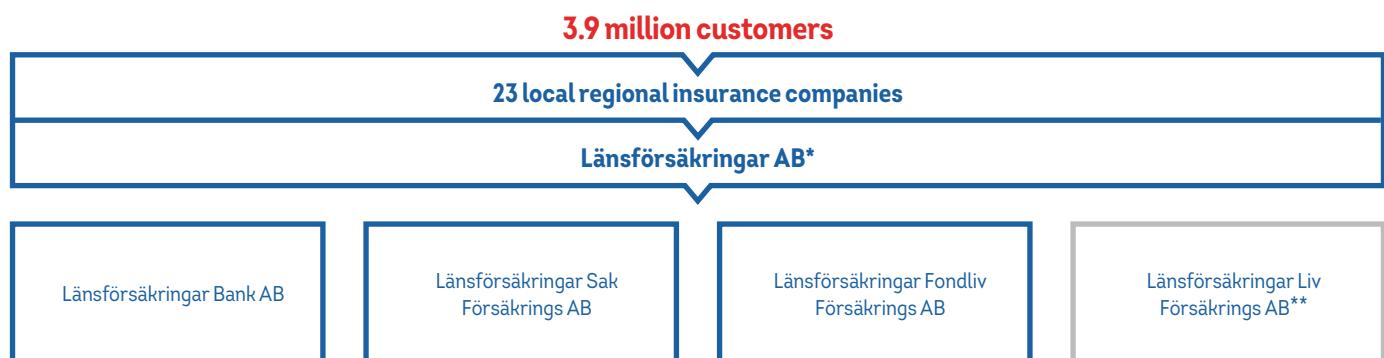
Long-term respect for customers' money is fundamental. There are no external shareholders; it is the customers' money that is being managed. This approach characterises the entire business.

The Länsförsäkringar Alliance has 3.9 million customers and 7,500 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, and 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.



\* As per 28 Dec 2020 Länsförsäkringar AB changed its legal name to Gamla Länsförsäkringar AB, but is referred to as Länsförsäkringar AB throughout this annual review.

\*\* 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 Bank	S & P Global Ratings	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A1/Stable	P-1
Länsförsäkringar Hypotek <sup>1)</sup>	S & P Global Ratings	AAA/Stable	-
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	-
Länsförsäkringar Sak	S & P Global Ratings	A/Stable	-

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

# Financial overview

Report commented on the development January–December 2020 compared to January–December 2019, unless otherwise stated.

Amounts are in SEK, unless otherwise stated.

## Länsförsäkringar Alliance

	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
<b>Non-life insurance</b>				
Solvency capital, SEK M	91,347	91,347	82,645	82,096
Solvency margin, %	302	302	282	288
Return on equity, %	8	10	-1	15
Premiums earned after ceded reinsurance, SEK M	29,399	14,970	14,428	27,856
Technical result, SEK M	2,877	1,770	1,107	1,824
Operating profit, SEK M	7,473	7,823	-350	12,001
Combined ratio, %	92.9	91.0	94.9	96.3

## Länsförsäkringar AB, Group<sup>1)</sup>

	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Operating profit, SEK M	2,726	1,595	1,130	3,003
Total assets, SEK M	613,967	613,967	590,246	572,594
Return on equity, %	8	8	7	10
Own funds for the group (FRL) <sup>2)</sup> , SEK M	57,412	57,412	50,575	50,220
Solvency capital requirement for the group (FRL) <sup>3)</sup> , SEK M	39,186	39,186	36,437	37,966 <sup>4)</sup>
Own funds for the financial conglomerate <sup>5)</sup> , SEK M	57,412	57,412	50,575	50,220
Capital requirement for the financial conglomerate <sup>5)</sup> , SEK M	39,186	39,186	36,437	37,966 <sup>4)</sup>

## Länsförsäkringar Sak, Group

	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Premiums earned after ceded reinsurance, SEK M	6,781	3,493	3,288	6,211
Technical result, SEK M	297	113	184	283
Operating profit, SEK M	516	383	133	851
Solvency ratio, % (Länsförsäkringar Sak Försäkrings AB)	197	197	200	197 <sup>4)</sup>

## Länsförsäkringar Bank, Group

	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Deposits from the public, SEK M	136,388	136,388	131,110	119,303
Loans to the public, SEK M	340,007	340,007	317,506	307,099
Operating profit, SEK M	1,844	968	876	1,893
Return on equity, %	8.5	8.8	8.3	9.5
Common Equity Tier 1 capital ratio, Bank Group, %	14.9	14.9	14.2	13.9
Common Equity Tier 1 capital ratio, consolidated situation, %	16.7	16.7	16.5	15.4

## Länsförsäkringar Fondliv

	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Premium income, SEK M	12,228	6,699	5,529	9,478
Operating profit, SEK M	702	369	333	738
Managed assets, SEK M	170,953	170,953	150,685	158,827
Solvency ratio, %	144	144	142	137

## Länsförsäkringar Liv (not consolidated in Länsförsäkringar AB)

	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Premium income after ceded reinsurance, SEK M	1,191	390	801	1,539
Profit, SEK M	1,586	3,655	-2,069	5,567
Managed assets, SEK M	112,514	112,514	110,303	113,983
Solvency ratio, %	195	195	177	211

<sup>1)</sup> Excluding Länsförsäkringar Liv Försäkrings AB. The company is operated in accordance with mutual principles. As per 28 Dec 2020 Länsförsäkringar AB changed its legal name to Gamla Länsförsäkringar AB, but is referred to as Länsförsäkringar AB throughout this annual review.

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

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

<sup>4)</sup> Recalculated according to revised method as per 31 Dec 2019 for risk absorption in deferred tax items when calculating capital requirement.

2020 was characterised by the COVID-19 pandemic that also dominated the global economy. Global GDP for 2020 is expected to fall due to the extensive restrictions implemented to slow the spread of COVID-19. Economic policy has been crucial in mitigating the effects of the crisis by applying expansive fiscal and monetary policies. Recovery was quick, but slowed in the autumn when the US, Europe and other parts of the world were hit by a second wave of high infection rates and new, far-reaching restrictions were introduced.

However, the outlook for the economic recovery has improved as more vaccines are becoming available. How the global economy will perform now depends on the efficiency of the vaccination programmes that started at year-end. If the speed and success of the programmes are below expectations, it could mean that restrictive measures will become a permanent feature for much of 2021.

The US economy was severely impacted by restrictions and GDP for 2020 is expected to fall sharply. Unemployment rose rapidly from record lows at the end of 2019 to more than 14% in the spring. There was nevertheless a substantial recovery, with unemployment falling to less than 7% in the autumn. The US presidential election was a possible cause for concern for the financial markets, but there were no major reactions from the market. The expansive fiscal policy combined with the vaccine roll-out and relatively high

optimism are expected to result in recovery continuing in 2021. The US central bank, the Fed, is pursuing a new monetary policy strategy in which it will compensate for periods of low inflation by allowing the inflation rate to rise above its target of 2%. The Fed will also focus more on employment. The new strategy means that US monetary policy will be slightly more expansive with low interest rates and asset purchases for a long time.

The downturn in Europe was deep but with significant differences between countries. The trend in service-oriented countries such as Spain and Italy was alarming, while Germany, in which industry is a large part of the economy, fared better. National debt is continuing to grow quickly as governments continue to alleviate the effects of the pandemic. However, market interest rates remained stable. An EU-wide Recovery and Resilience Facility, financed by the EU and ECB to stimulate the economy through extensive bond buying resulted in higher confidence in the currency union. The ECB has decided to leave the key interest rate unchanged and has instead used other means to stimulate the economy and stabilise markets. For example, the ECB expanded its asset purchase programme and improved long-term borrowing conditions for banks.

Sweden was also deeply affected by the COVID-19 pandemic, but its economic performance was better than several other European countries. GDP was unchanged in the

first quarter of 2020 and the decline in the spring was less than feared. A sustainable recovery was made in the second half of the year and the performance of the labour market was better than expected with lower unemployment. The Riksbank decided to use its balance sheet to stimulate the economy and did not touch the repo rate. The asset purchase programme was expanded in the fourth quarter to SEK 700 billion and includes government bonds, treasury bills, covered bonds, municipal bonds and corporate securities.

Global stock markets performed very negatively at the end of the first quarter due to the outbreak of the COVID-19 pandemic and concern about its effects, but recovered very well during the remainder of 2020. The MSCI World Index and the S&P 500 Index rose 14% and 16%, respectively, during the year. The Stockholm Stock Exchange followed the same trend, up almost 13% in 2020.

The Swedish housing market demonstrated surprising resilience and was stable in 2020 with housing prices rising across the country. Expectations of low interest rates, together with COVID-related restrictions, led to higher demand for larger housing, while homeowners were not impacted by redundancies to the same extent as other groups in society. According to Valueguard, housing prices increased a total of 11.5% in 2020.

# Impact of COVID-19

Since the outbreak of COVID-19 in the first quarter of 2020 and in light of the spread of the pandemic during the year, Länsförsäkringar has taken a number of measures to ensure the continuation of operations. The aim of the measures taken is to minimise the impact on Länsförsäkringar's 3.9 million customers and to continue to provide excellent service.

The risk of contagion was minimised by expanding customer meetings via digital channels, employees working remotely and separate premises for the critical operational functions and tasks.

Regarding the effect on the pandemic, Länsförsäkringar has identified a number of areas that are impacted. The consequences will vary based on the length of the pandemic, the efficiency of the vaccination programmes and the scope of the protective measures decided by the authorities. Each company in the Länsförsäkringar Alliance has a strong capital position and is considered highly able to manage any additional effects brought about by the pandemic.

## Availability

In the uncertain global situation, it is vitally important that Länsförsäkringar is available to its customers. Most of the regional insurance companies' branches remain available for customer meetings, but are following the recommendations of the authorities. The digital channels and digital communication are even more important in order to ensure that customers can continue to manage their banking and insurance with us. Digital interaction with customers is a natural contact point for Länsförsäkringar that creates a solid platform for the operations to continue without any major disruptions. Channels for digital customer meetings were expanded in 2020 and staffing for telephone banking was strengthened.

## Initiatives and social commitment

Länsförsäkringar is taking initiatives across the country to support customers, local companies, the health care sector and clubs and associations that have been severely affected by the coronavirus pandemic. Customers are offered advice and personal counselling and several regional insurance companies advanced dates of bonus payments. Local companies were supported by bringing forward purchases of products and services. Länsförsäkringar is investing in social bonds which contributes to financing of

combating the effects of the COVID-19 pandemic and increasing access to health care. Länsförsäkringar donated personal protective equipment to the health care services in the spring and insured the volunteers of the GodHjälp and Hemmahjälta schemes for delivering food and medical supplies to risk groups. Local clubs and associations are supported by continuing sponsoring and grants to cover losses and additional costs caused by the pandemic.

## Non-life insurance operations

### Continued high premium growth

The growth in premiums was relatively unaffected by the COVID-19 pandemic in 2020. Agria reported strong new business growth, partly due to increased interest in getting a pet. Depending on how the pandemic progresses, premium growth may be negatively affected due to increased bankruptcies or lower sales among corporate customers, higher unemployment and reduced economic activity.

### Impact on claims costs

Claims costs declined slightly during the year as a result of reduced movement in society, particularly in the spring. Less traffic and more people staying at home led to slightly lower motor insurance claims and everyday crime. Claims costs for health care insurance also fell slightly in March and April, but then returned to normal levels. Depending on how the pandemic progresses, claims costs could rise due to higher unemployment, although this affects only a small percentage of Länsförsäkringar's total non-life insurance volume.

### Impact on investment earnings

Investment earnings were impacted by uncertainty in the financial markets caused by the COVID-19 pandemic and its effects. The stock markets performed very negatively in the first quarter, but recovered strongly during the remainder of the year, resulting in positive investment income for 2020.

## Banking operations

### Impact on business volumes

Fund volumes were adversely affected in the first quarter, but recovered during the year, driven by strong stock markets performing at higher levels than before the start of the pandemic. Other business volumes returned to more normal levels in the second half of the year, with growth in savings products and lending displaying normalised patterns.

## Temporary mortgage repayment relief

In line with the Swedish Financial Supervisory Authority's decision, Länsförsäkringar Bank granted temporary repayment holidays to its retail mortgage customers as a result of COVID-19. Based on individual assessment, corporate customers were also granted a repayment holiday or received other liquidity support. The total volume of mortgages that were granted repayment holidays due to COVID-19 amounted to SEK 14.1 billion on 31 December 2020. New applications for mortgage repayment deferrals gradually declined to relatively low levels in the second half of the year.

### Increased loss allowances

Based on the expected macroeconomic trend resulting from the COVID-19 pandemic, Länsförsäkringar Bank's credit losses increased to SEK 326 M, net, in 2020, of which SEK 316 M was attributable to Wasa Kredit. This corresponded to a credit loss level of 0.09%. However, the continued more positive macroeconomic trend gradually led to lower loss allowances during the year.

### Impact on funding

Following the turmoil after the outbreak of the pandemic, the funding markets functioned well and funding costs for companies and banks in the capital market reported a declining trend. In Sweden, the Riksbank's SEK 700 billion bond-buying programme provided liquidity and had a positive effect on the market.

## Life assurance and pension insurance operations

### Managed assets and investment return

Managed assets and the investment return were impacted by uncertainty in the financial markets caused by the COVID-19 pandemic and its effects. The stock markets performed very negatively in the first quarter, but recovered strongly during the remainder of the year, resulting in positive investment return for 2020.

### Continued strong net inflow

The net inflow of premiums and capital increased in 2020. Depending on how the pandemic progresses, growth could be negatively affected due to reduced economic activity and higher unemployment.

# 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 2019.

- Operating profit amounted to SEK 7,473 M (12,001), with investment income of SEK 7,090 M (13,199).
- Bonuses and discounts to customers amounted to SEK 1,756 M (1,893).
- Premiums earned after ceded reinsurance rose 6% to SEK 29,399 M (27,856).
- The technical result increased to SEK 2,877 M (1,824).
- The combined ratio declined to 92.9% (96.3), with a claims ratio of 74.1% (76.7).
- Solvency capital increased SEK 9,251 M in 2020 to SEK 91,347 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 declined to SEK 7,473 M (12,001), mainly due to lower investment income in the first quarter of 2020. The capital markets were characterised by uncertainty due to the spread of COVID-19, with a sharply negative trend for stock markets in the first quarter but a strong recovery during the remainder of the year. This resulted in investment income of SEK 7,090 M (13,199) for 2020.

The technical result increased to SEK 2,877 M (1,824), due to high premium growth of 6% and lower claims costs. The claims ratio fell to 74.1% (76.7), mainly as a result of fewer natural catastrophe claims. Claims costs also declined slightly during 2020 as a result of reduced movement in society due to the COVID-19 pandemic.

The expense ratio fell to 18.8% (19.6), re-

### Non-life insurance, Länsförsäkringar Alliance

Key figures, SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Premiums earned after ceded reinsurance	29,399	14,970	14,428	27,856
Technical result	2,877	1,770	1,107	1,824
Bonuses and discounts	-1,756	-1,606	-150	-1,893
Total investment income	7,090	7,915	-825	13,199
Operating profit	7,473	7,823	-350	12,001
Solvency capital	91,347	91,347	82,645	82,096
Solvency margin, %	302	302	282	288
Expense ratio, %	18.8	17.9	19.6	19.6
Claims ratio, %	74.1	73.1	75.3	76.7
Combined ratio, %	92.9	91.0	94.9	96.3

sulting in a combined ratio of 92.9% (96.3). Measured as a five-year average, the combined ratio and the claims ratio remained stable at 94% and 75%, respectively.

Solvency capital increased SEK 9,251 M during the year, amounting to SEK 91,347 M on 31 December 2020. The solvency margin amounted to 302% (288).

Each company in the Länsförsäkringar Alliance has a strong capital position and is considered highly able to manage any additional effects brought about by the pandemic. Based on 2020 earnings, the regional insurance companies will pay back a total of at least SEK 1,756 M (1,893) in bonuses and discounts to their owners – the customers.

was attributable to both premium increases and portfolio growth. Premiums earned for private insurance increased by slightly more than 4%, with growth continuing to be driven by household, homeowner and accident insurance. Agria's healthy growth continued with strong new business growth both in Sweden and in the international business lines, partly due to increased interest in getting a pet during the COVID-19 pandemic. Premiums earned for the commercial segment rose 6%, primarily driven by healthy growth in property, commercial and liability insurance. Premiums earned for the motor insurance segment rose just under 6%, with healthy growth in commercial motor. Premiums earned in the agriculture segment rose by slightly more than 5%.

The premium growth was relatively unaffected by the COVID-19 pandemic in 2020. Depending on how the pandemic progresses, premium growth may decline due to increased bankruptcies or lower sales among corporate customers, higher unemployment and reduced economic activity.

### Combined ratio

Rolling 12-month figures, %



### Business volumes

Länsförsäkringar's leading position in the Swedish non-life insurance market remained stable with a market share of 30.3% on 30 September 2020, according to statistics from Insurance Sweden.

Premiums earned after ceded reinsurance rose 5.5% to SEK 29,399 M (27,856). The increase

## Claims trend

Claims payments after ceded reinsurance amounted to SEK 21,572 M (21,142) and the claims ratio fell to 74.1% (76.7).

Claims costs declined in 2020, mainly as a result of fewer natural catastrophe claims. Earnings for the first half of 2019 were charged with natural catastrophe claims caused by storm Alfrida and intense hailstorms in southern Sweden as well as several cases of large fire-damage claims.

Claims costs also declined slightly during 2020 as a result of reduced movement in society due to the COVID-19 pandemic with restrictions and official recommendations in place. Less traffic and more people staying at home led to slightly lower motor insurance claims and everyday crime. Claims costs for health care insurance also fell slightly in March and April, but then returned to normal levels. However, the combination of a higher claims frequency and increasingly advanced veterinary care led to continuing high claims costs for Agria.

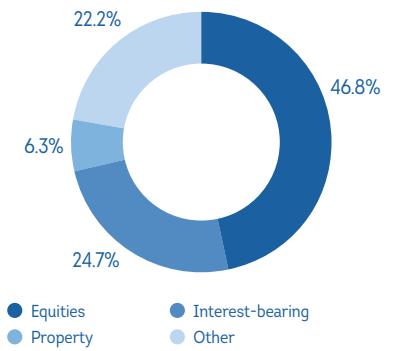
Depending on how the pandemic progresses, claims costs could rise due to higher unemployment, although this affects only a small percentage of Länsförsäkringar's total non-life insurance volume.

## Investment income

The Länsförsäkringar Alliance reported lower investment income in 2020 of SEK 7,090 M (13,199), a return of 6.4% on the asset value on 31 December 2020. The capital markets were characterised by uncertainty due to the spread of COVID-19, with a sharply negative trend for stock markets in the first quarter but a strong recovery during the remainder of the year. Increases in the value of property investments from holdings in Humlegården\* made a positive contribution to investment income.

\* 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 130.0 billion on 31 December 2020.

# 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 2019.

- Operating profit amounted to SEK 1,844 M (1,893) and the return on equity amounted to 8.5% (9.5).
- Net interest income rose 5% to SEK 4,845 M (4,617).
- Business volumes increased 11% to SEK 729 billion (656), deposits rose to SEK 136 billion (119) and lending rose to SEK 340 billion (307).
- The number of customers with Länsförsäkringar as their primary bank rose 6% and the number of bank cards increased 5%.

### Earnings

The Länsförsäkringar Bank Group's operating profit declined 3% to SEK 1,844 M (1,893). The decline was mainly due to higher credit losses as a result of the uncertain macroeconomic situation caused by COVID-19. Operating profit before credit losses rose 3% to SEK 2,169 M (2,101).

Net interest income rose 5% to SEK 4,845 M (4,617), mainly attributable to higher volumes. The return on equity amounted to 8.5% (9.5). Net losses from financial items amounted to SEK -28 M (15). The strong trend in underlying net commission, excluding remuneration to the regional insurance companies, continued, up 5% to SEK 1,028 M (977). Net commission amounted to SEK -559 M (-636).

### Bank Group's operating profit and return on equity



### Expenses

Operating expenses rose 9% to SEK 2,109 M (1,926). The increase was mainly due to AML-related costs, IT costs for digitisation and higher depreciation. The cost/income ratio before credit losses was 0.49 (0.48) and the cost/income ratio after credit losses was 0.57 (0.53).

### Länsförsäkringar Bank, Group

Key figures, SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Operating profit	1,844	968	876	1,893
Return on equity, %	8.5	8.8	8.3	9.5
Net interest income	4,845	2,422	2,423	4,617
Cost/income ratio before loan losses	0.49	0.50	0.48	0.48

### Credit losses

Credit losses in the Bank Group remained low and were almost exclusively attributable to Wasa Kredit. Credit losses totalled SEK 326 M (207), net, for 2020, corresponding to a credit loss level of 0.09% (0.06). The increase was mainly due to higher loss allowances due to the gloomier macroeconomic forecasts resulting from COVID-19.

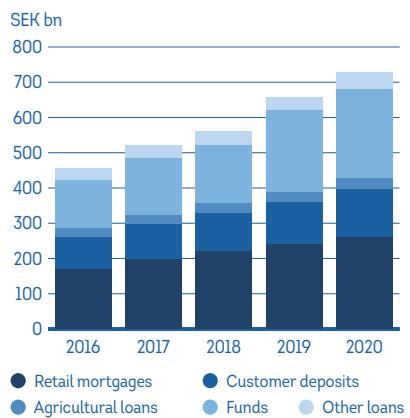
Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 1,151 M (932), corresponding to a share of credit-impaired loan receivables of 0.22% (0.20). The loss allowance for credit-impaired loan receivables was SEK 405 M (322). The reserve ratio for credit-impaired loan receivables amounted to 35.2% (34.6). In addition, SEK 54 M (52) of the remuneration to the regional insurance companies' commitments regarding credit-impaired loan receivables\* is withheld. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 459 M (374). The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies\*, amounted to 39.9% (40.2).

\* In accordance with the settlement model for the regional insurance companies' credit-risk commitments for generated business.

### Business volumes

Business volumes increased 11% to SEK 729 billion (656). Lending rose 11% to SEK 340 billion (307) with continued high credit quality. Lending amounted to SEK 55 billion (43) in Länsförsäkringar Bank, SEK 260 billion (240) in Länsförsäkringar Hypotek and SEK 25 billion (24) in Wasa Kredit. Deposits rose 14% to SEK 136 billion (119). The fund volume increased 14% to SEK 253 billion (230).

### Business volumes for the Bank Group

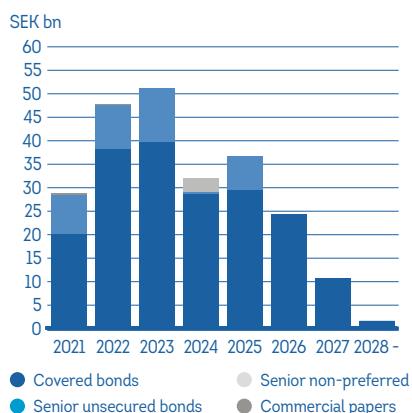


## Funding

The Bank Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased to a nominal SEK 232 billion (221), of which covered bonds amounted to SEK 192 billion (182), senior long-term funding to SEK 40 billion (37) and short-term funding to SEK 0.5 billion (1.5). The average remaining term for the long-term funding was 3.1 years (3.3) on 31 December 2020.

Covered bonds were issued during the year at a volume of a nominal SEK 38 billion (34). Repurchases of covered bonds amounted to a nominal SEK 14 billion (8) and matured covered bonds to a nominal SEK 14 billion (8). Länsförsäkringar Bank issued senior unsecured bonds of a nominal SEK 11 billion (6) during the year, while maturities amounted to a nominal SEK 8 billion (7). The total volume of the outstanding senior non-preferred bond was SEK 3.0 billion on 31 December 2020. In November, Länsförsäkringar Bank issued an Additional Tier 1 Capital loan (AT1) of a nominal SEK 1.2 billion. The transaction was well-received by the market and demand from investors was high. During the year, Länsförsäkringar Bank also issued a senior unsecured five-year Euro bond for a nominal EUR 500 M.

## Maturity profile



## Liquidity

The liquidity position is strong and the liquidity reserve on 31 December 2020 was SEK 64.0 billion (60.5). The liquidity reserve is invested in securities with very high credit quality and 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 two years without needing to secure new funding in the capital market.

The Liquidity Coverage Ratio (LCR) for the consolidated situation on 31 December 2020 was 263% (295). The Net Stable Funding Ratio (NSFR) for the consolidated situation on 31 December 2020 was 129%\*\* (131).

\*\* 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 2019.

- Länsförsäkringar Fondliv's operating profit amounted to SEK 702 M (738). Total managed assets amounted to SEK 171 billion (159).
- Länsförsäkringar Liv's profit amounted to SEK 1,586 M (5,567). Total managed assets amounted to SEK 113 billion (114).
- According to the Swedish Quality Index's 2020 customer satisfaction survey, Länsförsäkringar has Sweden's most satisfied retail customers in pension insurance among the companies ranked.

### Earnings for Länsförsäkringar Fondliv

Länsförsäkringar Fondliv's operating profit amounted to SEK 702 M (738). Net inflow of premiums and capital from existing and new customers increased to SEK 4,618 M (2,134). Managed assets increased 8% to SEK 171 billion (159) on 31 December 2020 mainly due to positive returns in the second half of the year and a strong net inflow in the underlying business.

Total premium income rose to SEK 12,228 M (9,478), of which capital transferred to the company was 3,758 M (1,510). Premium income after ceded reinsurance for insurance risk increased to SEK 262 M (204). Commission and fee income increased to SEK 1,809 M (1,779) due to higher managed assets and a strong premium inflow in 2020. Operating expenses rose to SEK 1,212 M (1,141), primarily due to higher distribution and administration expenses. The increased administration expenses were largely due to higher IT costs for development and personnel increases.

The effects of the COVID-19 pandemic on Länsförsäkringar Fondliv's performance were relatively limited in 2020, mainly because the stock markets recovered strongly following the decline in the first quarter. Depending on how the pandemic progresses, growth could be negatively affected due to reduced economic activity and higher unemployment.

### Managed assets unit-linked insurance



### Länsförsäkringar Fondliv and Länsförsäkringar Liv

Key figures, SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
<b>Länsförsäkringar Fondliv</b>				
Premium income, net	12,228	6,699	5,529	9,478
Operating profit	702	369	333	738
Managed assets	170,953	170,953	150,685	158,827
Solvency ratio, %	144	144	142	137
<b>Länsförsäkringar Liv</b> (not consolidated in Länsförsäkringar AB)				
Profit	1,586	3,655	-2,069	5,567
Managed assets	112,514	112,514	110,303	113,983
Collective consolidation ratio, New Trad, %	116 <sup>1</sup>	116 <sup>1</sup>	108 <sup>10</sup>	112
Collective consolidation ratio, Old Trad, %	113 <sup>1</sup>	113 <sup>1</sup>	110 <sup>10</sup>	131
Solvency ratio, %	195	195	177	211

<sup>1</sup> According to the updated collective consolidation policy from 31 March 2020.

### Capital position

Länsförsäkringar Fondliv's capital position is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to the risk-based capital requirement. Länsförsäkringar Fondliv's solvency ratio on 31 December 2020 was 144% (137). Own funds strengthened during the year as a result of a positive value growth trend, updated assumptions regarding future cash flows and a changed remuneration model with the regional insurance companies. At the same time, own funds were negatively impacted by planned dividends of SEK 1,200 M for the 2020 fiscal year to Länsförsäkringar AB. Länsförsäkringar Fondliv has a strong capital position and is considered highly able to manage any additional effects brought about by the pandemic.

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

#### Unit-linked insurance

In 2020, the financial markets performed very negatively in the first quarter, but recovered strongly in the second half of the year.

This trend was also reflected in Länsförsäkringar Fondliv's fund range. Of a total of 159 funds, 76% generated a positive return, while 24% reported a negative return in 2020. The categories of funds that performed the strongest included new technology and small cap, while funds targeting certain emerging markets and Europe performed negatively.

A high-quality, attractive fund range that generates favourable returns on customers' pension capital is a central part of the Länsförsäkringar offering. All funds are carefully analysed and assessed based on criteria including management organisation, return and sustainability. All of the funds in the range have signed the UN Principles for Responsible Investment (PRI). Länsförsäkringar Fondliv was one of the first companies in the industry to introduce supplementary criteria for identifying and promoting companies in the transition to the climate targets of the Paris Agreement. 18 new funds were launched in 2020, of which nine were sustainability-focused funds. Five sustainability-focused investment proposals were also launched.

during the year as well as Gröna Lövet (Green Leaf), a label for funds with a low climate risk. Customer interest in sustainability-focused equities funds and funds with low climate risk is increasing and accounted for 40% of total assets in 2020.

#### *Guarantee Management*

Länsförsäkringar Fondliv offers guarantee management, which is a form of pension insurance for customers who want a guarantee in their savings and the lowest level on their future payments. Länsförsäkringar guarantees a portion of the customer's paid-in insurance capital with the possibility of additional returns. On 31 December 2020, 49% of the investments comprised interest-bearing investments, 32% equities and 19% alternative investments.

Managed assets amounted to SEK 4.6 billion (4.1). The total return was 5.9% (15.6). The average return has been 4.1% per year since the start in 2012.

#### **Earnings for Länsförsäkringar Liv**

Profit for Länsförsäkringar Liv amounted to SEK 1,586 M (5,567). Investment income in 2020 was impacted by uncertainty in the financial markets caused by the COVID-19 pandemic. The stock markets performed very negatively in the first quarter, but recovered strongly during the remainder of the year, resulting in positive investment returns in all portfolios at year-end. All classes of assets made a positive contribution to investment income, particularly equities and alternative investments. Investment income totalled SEK 4.1 billion (9.9). Of this amount, investment income for New World amounted to SEK 0.5 billion, which did not impact earnings but accrued directly to the policyholders.

Länsförsäkringar Liv is working actively to strengthen the company's balance sheet and capital position in order to improve the conditions for maintaining its long-term investment strategy. However, persistently low interest rates and an uncertain economic outlook in the external environment present challenges for the future and set high demands on the company's risk management.

The bonus rate was adjusted to the development of the pandemic in 2020, to ensure buffers for future payments. The premium discount introduced on risk insurance in July 2019 was extended until 30 September 2020 to give customers better conditions to retain their insurance policies.

Earnings were negatively impacted by Swedish long-term market interest rates falling during the year, which led to a lower discount rate for the liability 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 rates, discounting of liabilities for terms of more than ten years was negatively affected by the 0.15 percentage point reduction of the Ultimate Forward Rate (UFR) to 3.75%. Technical provisions declined SEK 1.7 billion (0.7) during the year. Operating expenses rose to SEK 438 M (430) due to higher depreciation of deferred acquisition costs. Administration expenses fell 12% to SEK 309 M (350).

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

#### *Capital position*

Länsförsäkringar Liv's capital position 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 2020 was 195% (211). The reduction in the solvency ratio was mainly due to the capital requirement increasing during the year, primarily as a result of an update to the internal capital model. Collective consolidation on 31 December 2020 amounted to 116%\* (112) in New Trad and 113%\* (131) in Old Trad. Länsförsäkringar Liv has a strong capital position and is considered highly able to manage any additional effects brought about by the pandemic.

\* According to the updated collective consolidation policy from 31 March 2020.

#### **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 113 billion (114) on 31 December 2020.

#### *New Trad*

Managed assets in New Trad amounted to SEK 26 billion (25). 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. Länsförsäkringar Liv can thus invest the capital in assets with a higher expected return, which over time increases the possibility of higher bonuses.

Investments as at 31 December 2020 comprised 51% interest-bearing investments, 33% equities, 10% alternative investments and 6% properties. The percentage of

alternative investments increased in 2020, while the percentage of interest-bearing investments was reduced.

Investment return was 5.4% (14.9). The bonus rate on 31 December 2020 was 3% (4). The bonus rate was lowered from 4% to 0% on 1 April 2020 as a consequence of the turmoil in the financial markets caused by the pandemic. The bonus rate was raised from 0% to 2% on 1 October 2020 and to 3% on 1 December 2020. The average bonus rate has been 6.4% per year since the start in 2013.

#### *Old Trad*

Managed assets in Old Trad amounted to SEK 76 billion (78). 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 facilitate a reasonable return on customers' savings.

Investments on 31 December 2020 comprised 80% interest-bearing investments, 8% alternative investments, 6% properties and 6% equities. The percentage of interest-bearing investments declined in 2020, while the percentage of alternative investments and properties increased.

Investment return amounted to 3.4% (6.9). The bonus rate on 31 December 2020 was 2% (3). The bonus rate was lowered from 3% to 0% on 1 January 2020 as a consequence of the turmoil in the financial markets caused by the pandemic. The bonus rate was raised to 2% on 1 October 2020.

#### *New World*

Managed assets in New World amounted to SEK 9 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. On 31 December 2020, 70% of the investments comprised equities and 30% interest-bearing investments. Investment return amounted to 6.5% (17.6).

#### *Insured Pension*

Managed assets in Insured Pension amounted to SEK 0.9 billion (1.2). This savings form comprises a bond portion and a derivative portion. The distribution between the two depends on the time remaining until retirement and so the return is individual. Insured Pension customers have been invited to transfer to New Trad since 2018. The offer has been well received and customers with more than SEK 1.1 billion in insurance capital have 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 181 local branches across Sweden.

## The year in brief

Figures in parentheses pertain to the full-year 2019.

- Länsförsäkringar Fastighetsförmedling's total sale value amounted to 63.4 billion (52.4).
- The number of brokered properties increased 12% to 26,304 (23,491) properties, the number of brokered tenant-owned apartments increased 14% and the number of brokered single-family homes increased 8%.
- Länsförsäkringar Fastighetsförmedling has Sweden's most satisfied customers according to the Swedish Quality Index's 2020 customer satisfaction survey for the estate-agent industry.

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 181 branches throughout Sweden. Länsförsäkringar Fastighetsförmedling is one of the largest players in the market and Sweden's fastest growing estate-agent chain, and for the fifth consecutive year had the most satisfied customers according to the Swedish Quality Index's 2020 customer satisfaction survey for the estate-agent industry.

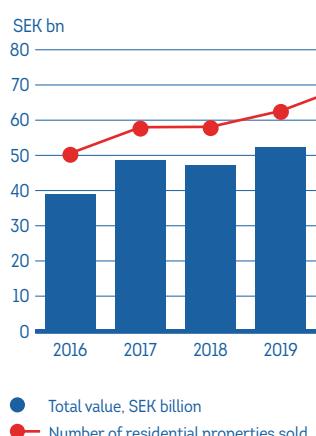
The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering, with the aim of offering more than just brokerage and sales of residential properties. The operations are conducted in franchise form, whereby the regional insurance companies act as the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

In 2020 Länsförsäkringar Fastighetsförmedling brokered a total of 26,304 properties (23,491), an increase of 12%. The number of brokered tenant-owned apartments rose 14% to 14,720 (12,916) and the number of bro-

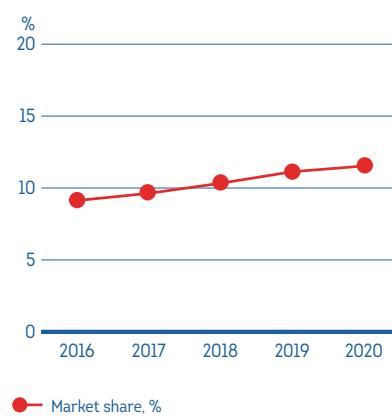
kered single-family homes increased 8% to 10,288 (9,530). Commission income rose 19% to SEK 1,223 M (1,026). The total sales value for 2020 was SEK 63.4 billion (52.4). Länsförsäkringar Fastighetsförmedling's market share of brokered single-family homes\* was 12.9% on 31 July 2020. The market share of brokered tenant-owned apartments was 11.5% on 31 December 2020.

\* Statistics for market shares for single-family homes are based on Värderingsdata's list of land registration certificates (rolling 12 months on 31 July 2020). The corresponding figures for tenant-owned apartments are based on tenant-owned apartments removed from Hemnet (rolling 12 months on 31 December 2020).

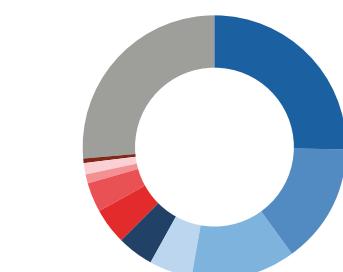
Residential properties brokered by Länsförsäkringar Fastighetsförmedling



Länsförsäkringar Fastighetsförmedling's market share of brokered tenant-owned apartments\*



Market shares and number of single-family homes brokered on 31 July 2020\*



- Fastighetsbyrån 25.5% (19,168)
- Svensk Fastighetsförmedling 14.6% (10,981)
- Länsförsäkringar Fastighetsförmedling 12.9% (9,712)
- Mäklarhuset 5.1% (3,849)
- Bjurfors 4.5% (3,377)
- SkandiaMäklarna 4.5% (3,365)
- HusmanHagberg 3.5% (2,615)
- ERA 1.3% (983)
- Mäklarriingen 1.2% (875)
- Hemverket 0.7% (547)
- Other brokers and private 26.2% (19,594)

# 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.

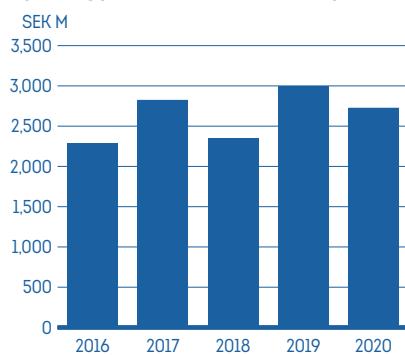
## The year in brief

Figures in parentheses pertain to the full-year 2019.

- The Länsförsäkringar AB Group's operating profit was SEK 2,726 M (3,003). The return on equity amounted to 8% (10).
- The Länsförsäkringar Sak Group's operating profit was SEK 516 M (851). Premiums earned after ceded reinsurance rose 9% to SEK 6,781 M (6,211). The combined ratio was unchanged at 95.8% (95.8).
- The Länsförsäkringar Bank Group's operating profit after credit losses amounted to SEK 1,844 M (1,893).
- Länsförsäkringar Fondliv's operating profit amounted to SEK 702 M (738).
- Net sales for the Parent Company amounted to SEK 3,539 M (3,577).

### Earnings

#### Operating profit for the Länsförsäkringar AB Group



The Länsförsäkringar AB Group's operating profit was SEK 2,726 M (3,003). The return on equity amounted to 8% (10).

Operating profit for the Länsförsäkringar Sak Group declined to SEK 516 M (851), mainly due to lower investment income. Profit for the preceding year was also impacted by capital gains on the divestment of property holdings. Premiums earned after ceded reinsurance rose 9% to SEK 6,781 M (6,211). The combined ratio was unchanged at 95.8% (95.8).

The Bank Group's operating profit fell to SEK 1,844 M (1,893), mainly driven by higher credit losses as a result of the uncertain macroeconomic situation caused by COVID-19. Operating profit before credit losses rose to SEK 2,169 M (2,101). Net interest income rose 5% to SEK 4,845 M (4,617), mainly attributable to higher volumes.

Länsförsäkringar Fondliv's operating profit amounted to SEK 702 M (738), benefiting from a strong net inflow of premiums and capital. Managed assets increased 8% to SEK 171 billion on 31 December 2020 due to positive returns and a strong net inflow.

The Länsförsäkringar AB Group's investment return attributable to the insurance operations' and Parent Company's assets amounted to 2.6% (8.3). Equities contributed 0.9 of a percentage point following the strong recovery of the stock markets in the second half of the year. Alternative investments contributed 0.8 of a percentage point, mainly driven by the positive trend in forest holdings. Properties contributed 0.6 of a percentage point to investment income, driven by positive changes in market value. In the fixed-income portfolio, which contributed a total of 0.3 of a percentage point, the most positive contributions came from mainly US interest-rate durations and lower Swedish housing spreads. The return for each class of asset is stated in SEK from 1 January 2020, which means that currency effects are included.

#### Capital position

The Länsförsäkringar AB Group's equity increased SEK 2,565 M in the second half of 2020 to SEK 33,051 M. The main reason for the increase was earnings for the period and Länsförsäkringar Bank's issue of Tier 1 instruments of SEK 1,200 M in November 2020.

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 2020, surplus capital for the Länsförsäkringar AB Group under the rules on financial conglomerates was SEK 18.2 billion, up SEK 4.1 billion during the second half of the year. Own funds amounted to SEK 57.4 billion and the capital requirement to SEK 39.2 billion. The capital position

under the rules on insurance operations was commensurate with the capital position under the rules on financial conglomerates on 31 December 2020.

The Common Equity Tier 1 capital ratio for the consolidated situation\* (the group encompassed by the group rules for banking operations) was 16.7% on 31 December 2020, up 0.2 of a percentage point for the second half of the year. The Swedish Financial Supervisory Authority has decided that, from the third quarter 2020, Länsförsäkringar Bank and its subsidiaries are also to be consolidated at the sub-group level (sub-consolidated basis), meaning at the Bank Group level. An effect of this is that a larger portion of Länsförsäkringar Bank's externally issued capital instruments qualifies for inclusion in own funds in the consolidated situation. This strengthened the Tier 1 ratio and the total capital ratio in the consolidated situation.

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

#### Capital position of Länsförsäkringar AB's directly owned subsidiaries

	31 Dec 2020	30 Jun 2020	31 Dec 2019
Länsförsäkringar Sak Förskrings AB			
Solvency ratio, %	197	200	197**
Länsförsäkringar Fondliv Förskrings AB			
Solvency ratio, %	144	142	137
Länsförsäkringar Bank Group			
Common Equity Tier 1 capital ratio, %	14.9	14.2	13.9

\* The Länsförsäkringar Bank Group consolidated with Länsförsäkringar AB.

\*\* Restated according to revised method as per 31 December 2019 for risk absorption in deferred tax items when calculating capital requirements.

## 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 declined to SEK 516 M (851), mainly due to lower investment income. Profit for the preceding year was also impacted by capital gains on the divestment of property holdings. Premiums earned after ceded reinsurance rose 9% to SEK 6,781 M (6,211), where the strong sales in all three business areas, Agria, Health and Reinsurance, and Special Insurance, contributed to the favourable volume trend. In Agria, the premium volume increased in Sweden as well as in all international business lines.

The technical result increased to SEK 297 M (283), mainly due to lower operating expenses. The combined ratio was unchanged at 95.8% (95.8). Claims payments after ceded reinsurance amounted to SEK 5,148 M (4,553) and the claims ratio increased to 75.9% (73.3). Claims costs primarily increased in health care insurance and internationally assumed reinsurance. The expense ratio declined to 19.9% (22.5), partly as a result of reduced marketing activities due to the pandemic.

### Agria

Agria's technical result increased to SEK 132 M (86). Strong business during the year contributed to record-breaking portfolio growth in all markets, partly due to increased interest in getting a pet during the COVID-19 pandemic. The combination of a higher claims frequency and increasingly advanced veterinary care led to continuing high claims costs. There were no major claims in crop insurance in 2020, but cases of salmonella were more frequent than usual among farm animals.

During the autumn, the app Agria Vårdguide was launched in Sweden with veterinary care advice via video calls, which is based on the acquisition of Vethem Sweden AB.

### Health

The technical result for the Health business area fell to SEK 102 M (137). Earnings for health care insurance were negative as a result of higher claims costs, both for claims in 2020 and higher reserves for prior-year claims, related to operations and medical care. Earnings for accident insurance improved as a result of previous premium adjustments and a review of conditions. The result for group life assurance improved, driven by lower claims costs.

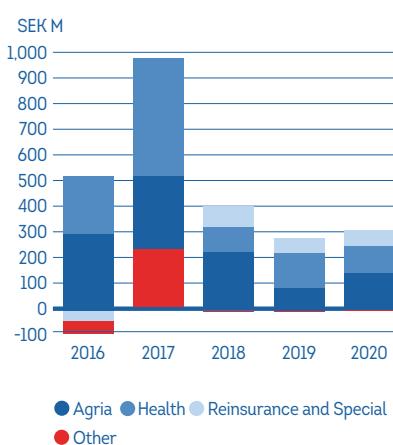
The pandemic led to claims costs for health care insurance declining slightly in March and April, but then returned to normal levels. Unemployment claims in the loan protection insurance of the Bo kvar product increased due to rising unemployment figures, but this insurance policy represents only a small share of total business volumes.

### Reinsurance and Special Insurance

The technical result for Reinsurance and Special Insurance increased to SEK 64 M (57). Earnings for the Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance, improved as a result of lower claims costs. Claims costs for 2019 were impacted by several larger fire-damage claims and storm Alfrida. Earnings for motor insurance improved, mainly due to run-off gains following a review of prior-year reserves for motor third-party liability insurance. In addition, claims costs for motor insurance declined as a result of less traffic on the road due to the pandemic. Earnings for cargo and liability insurance remained positive. However, earnings for internationally assumed reinsurance declined after higher claims costs due to events such as the explosion in Beirut and natural disasters in the US, and run-off losses from claims in previous years.

In assumed reinsurance, both from the Länsförsäkringar Alliance and internationally assumed reinsurance, business interruption claims were received due to the pandemic. However, there is continuing uncertainty in the reinsurance industry as to whether business interruption in property damage cover is to include pandemic claims.

### Technical result for Länsförsäkringar Sak Group



The Länsförsäkringar Sak Group's investment return amounted to 2.8% (8.4). Properties contributed 1.2 percentage points, driven by positive changes in market value. Equities contributed 0.8 of a percentage point following the strong recover of the

stock markets in the second half of the year. The new forest class of asset in alternative investments generated high investment returns and contributed 0.6 of a percentage point. The fixed-income portfolio, which has a short duration, contributed 0.2 of a percentage point, with the most positive contributions coming from US interest-rate durations and lower Swedish housing spreads. The return for each class of asset is stated in SEK from 1 January 2020, which means that currency effects are included.

### Bank

The Länsförsäkringar Bank Group's operating profit fell to SEK 1,844 M (1,893), mainly driven by higher credit losses as a result of the uncertain macroeconomic situation caused by COVID-19. Credit losses amounted to SEK 326 M (207), net, corresponding to a credit loss level of 0.09% (0.06). Operating profit before credit losses rose to SEK 2,169 M (2,101). Net interest income rose 5% to SEK 4,845 M (4,617), mainly attributable to higher volumes. More information about Länsförsäkringar Bank is available on pages 9-10.

### Unit-linked insurance

Länsförsäkringar Fondliv's operating profit amounted to SEK 702 M (738), benefiting from strong net inflow of premiums and capital. Managed assets increased 8% during the year to SEK 171 billion on 31 December 2020 due to positive returns and a strong net inflow. More information about Länsförsäkringar Fondliv is available on pages 11-12.

### Parent Company

Profit after financial items for the Länsförsäkringar AB Group's Parent Company amounted to SEK 778 M (871). Profit was positively impacted by dividends and Group contributions of SEK 970 M (660) from Länsförsäkringar Sak. Earnings last year were also impacted by the divestment of property holdings. Länsförsäkringar AB's efficiency programme resulted in lower staff costs, mainly consultant costs, in 2020. Net sales amounted to SEK 3,539 M (3,577).

### Earnings for Länsförsäkringar AB Group Jul-Dec 2020 compared with Jan-Jun 2020

Operating profit for the Länsförsäkringar AB Group amounted to SEK 1,595 M (1,130).

Operating profit for the Länsförsäkringar Sak Group increased to SEK 383 M (133). The technical result fell to SEK 113 M (184). The combined ratio amounted to 96.9% (94.5). Premiums earned after ceded reinsurance rose to SEK 3,493 M (3,288). Investment income was stronger in the second half of the year, mainly due to the strong stock-market recovery.

The Länsförsäkringar Bank Group's operating profit was SEK 968 M (876). Net interest income was SEK 2,422 M (2,423).

Länsförsäkringar Fondliv's operating profit increased to SEK 369 M (333), mainly driven by a higher average value of managed assets in the second half of the year. Managed assets increased to SEK 171 billion (151) on 31 December 2020 due to positive returns and a strong net inflow in the second half of the year.

Profit after financial items for the Parent Company amounted to SEK 123 M (655).

Dividends and Group contributions from Länsförsäkringar Sak in the second half of 2020 totalled SEK 175 M (795).

## Other events in 2020

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

On 1 September 2020, Björn Dalemo took office as the President of Länsförsäkringar Sak, succeeding Ann Sommer who retired at the end of the year. Agria also formed its own business unit.

On 28 December 2020, Länsförsäkringar AB changed its legal name to Gamla Länsförsäkringar AB. The change in name is part of the plans to legally restructure Länsförsäkringar AB and its subsidiaries, so that the company name "Länsförsäkringar AB" can be reinstated after the restructuring has been completed. Gamla Länsförsäkringar AB is referred to as "Länsförsäkringar AB" throughout this annual review.

## Events after the end of the period

On 1 January 2021, Länsförsäkringar AB grouped together the responsibility for business, development and service for the Länsförsäkringar Alliance's non-life insurance business in a single unit to enhance efficiency. This involved merging the Non-life Insurance business unit, the LB Sak unit as well as risk assessment and claims adjustment from the Life Assurance business unit.

Länsförsäkringar is planning a legal restructure in 2021 to the extent that the Länsförsäkringar AB Group's non-life insurance company, through a merger with Länsförsäkringar AB, would become the parent company of the Group. The purpose is to make the Länsförsäkringar AB Group a more appropriate, transparent and efficient legal organisation so that the consolidated situation for the banking operations only comprises the Bank Group. Restructuring requires the approval of the Swedish Financial Supervisory Authority.

The effects of the pandemic on Länsförsäkringar's operations have not changed since the end of 2020. The outlook for the

economic recovery is improving as more vaccines are becoming available. How the global economy will perform now depends on the efficiency of the vaccination programmes that started at year-end.

## 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.

Credit risk in the Länsförsäkringar Bank Group is primarily affected by the economic situation in Sweden since all loans are granted locally. Low loan-to-value ratio, combined with a well-diversified geographic spread and local presence, are the core pillars in ensuring that the loan portfolio maintains high credit quality. Länsförsäkringar Bank includes the expected macroeconomic trend in its loss allowance. The regional insurance companies cover 80% of the provision requirement in the Bank Group (excluding Wasa Kredit) on the date when an impairment is identified, by means of an off-set against accrued distribution remuneration.

In the unit-linked insurance operations, the policyholders primarily bear the market risks, but since the trend in insurance capital is governed by the company's earnings, the company is also exposed to market risk. The risks in the investment assets managed by the Group's companies for own account are held at a low level.

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, where deemed appropriate, and extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance.

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.

The day-to-day operations include a variety of process risks and the subsidiaries' products and services may be associated with different types of product risks. Securi-

ty risks, for example, external crime and internal fraud cannot be completely avoided and as digitisation increases greater focus has been directed to cyber risks and IT risks. Compliance risks are continuously in focus, particularly risks associated with money laundering and terror financing.

It is a huge challenge to combat money laundering and economic crime, which are widespread problems in society with a major bearing on the financial sector. The risk of the life-assurance and banking operations being used to launder money, terror financing and for fraud is reduced through a systematic process of risk assessment, active monitoring of ongoing business relationships and deviating activities or transactions. If, after an examination, an activity or individual transaction is suspected of involving money laundering or terror financing, it is immediately reported to the Financial Intelligence Unit of the police. Resources for the bank's work on anti-money laundering and measures to combat terror financing have been expanded. Part of this work involved establishing a new unit in 2020, Financial Crime Prevention, the head of which is a member of the bank's management team and reports directly to the President of the bank.

The COVID-19 pandemic and its effects led to greater uncertainty in the financial markets in 2020. Depending on the progress of the pandemic and the efficiency of the vaccination programmes, the Group could be negatively impacted by lower income and higher claims costs. Based on the expected macroeconomic trend resulting from the pandemic, Länsförsäkringar Banks increased its loss allowance in the spring. The macroeconomic forecasts in the autumn entailed a lower impact on the loss allowance.

The pandemic also affects daily work since some employees are working remotely to minimise the risk of contagion. The effects of the coronavirus pandemic on the Länsförsäkringar AB Group's operations, and how they are managed, are described in more detail on page 6.

Other than the risks caused by the pandemic in 2020, other risks that the Group and Parent Company are exposed to have not changed materially since 31 December 2019. A more detailed description of these, and how they are managed, is presented in Länsförsäkringar AB's 2019 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 2020 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 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Premiums earned after ceded reinsurance	29,399	14,970	14,428	27,856
Investment income transferred from financial operations	622	354	268	608
Claims payments after ceded reinsurance	-21,572	-10,822	-10,750	-21,142
Operating expenses	-5,456	-2,657	-2,799	-5,410
Other technical revenue/expenses	-114	-74	-40	-88
<b>Technical result for non-life insurance operations before bonuses and discounts</b>	<b>2,877</b>	<b>1,770</b>	<b>1,107</b>	<b>1,824</b>
Bonuses and discounts	-1,756	-1,606	-150	-1,893
<b>Technical result for non-life insurance operations after bonuses and discounts</b>	<b>1,122</b>	<b>165</b>	<b>957</b>	<b>-70</b>
Total investment income	7,090	7,915	-825	13,199
Investment income transferred to insurance operations	-589	-327	-262	-790
Other non-technical revenue/expenses	-150	70	-220	-338
<b>Operating profit for the period</b>	<b>7,473</b>	<b>7,823</b>	<b>-350</b>	<b>12,001</b>

Balance Sheet for Länsförsäkringar Alliance non-life insurance		
SEK M	31 December 2020	31 December 2019
<b>ASSETS</b>		
Shares and participations	60,858	53,773
Bonds and other interest-bearing securities	32,055	32,636
Other investment assets	37,113	34,167
<b>Total investment assets</b>	<b>130,027</b>	<b>120,577</b>
Reinsurers' portion of technical provisions	10,512	9,440
Receivables and other assets	16,224	14,965
Cash and bank balances	5,335	5,396
Prepaid expenses and accrued income	1,649	1,629
<b>TOTAL ASSETS</b>	<b>163,747</b>	<b>152,007</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	82,670	71,241
Technical provisions (before ceded reinsurance)	61,584	58,917
Other provisions and liabilities	16,620	19,029
Accrued expenses and deferred income	2,873	2,819
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>163,747</b>	<b>152,007</b>

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 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
<b>Group</b>				
Operating profit	2,726	1,595	1,130	3,003
Net profit for the period	2,270	1,359	911	2,957
Return on equity, % <sup>1)</sup>	8	8	7	10
Total assets, SEK billion	614	614	590	573
Equity per share, SEK <sup>2)</sup>	2,959	2,959	2,829	2,754
Solvency capital <sup>3)</sup>	34,245	34,245	32,829	32,056
Solvency margin, % <sup>4)</sup>	461	461	469	488
Own funds for the group <sup>5)</sup>	57,412	57,412	50,575	50,220
Solvency capital requirement for the group <sup>5)</sup>	39,186	39,186	36,437	37,966
Own funds for the financial conglomerate <sup>6)</sup>	57,412	57,412	50,575	50,220
Capital requirement for the financial conglomerate <sup>6)</sup>	39,186	39,186	36,437	37,966
<b>Insurance operation<sup>7)</sup></b>				
<i>Non-life insurance operations</i>				
Premiums earned (after ceded reinsurance)	6,481	3,341	3,140	5,928
Investment income transferred from financial operations	8	4	4	22
Claims payments (after ceded reinsurance) <sup>8)</sup>	-4,529	-2,404	-2,125	-3,966
<b>Technical result, non-life operations</b>	<b>221</b>	<b>76</b>	<b>145</b>	<b>218</b>
<i>Premium income, non-life insurance</i>				
Premium income before ceded reinsurance	8,833	3,151	5,682	7,852
Premium income after ceded reinsurance	6,887	2,954	3,933	6,108
<i>Life-assurance operations</i>				
Premium income (after ceded reinsurance)	572	213	359	495
Fees pertaining to financial agreements	811	406	405	794
Investment income, net	237	342	-105	512
Claims payments (after ceded reinsurance)	-303	-150	-152	-254
<b>Technical result, life-assurance operations</b>	<b>927</b>	<b>561</b>	<b>366</b>	<b>802</b>
<b>Operating profit for insurance operations<sup>9)</sup></b>	<b>1,219</b>	<b>752</b>	<b>466</b>	<b>1,670</b>
<i>Key figures</i>				
Cost ratio <sup>10)</sup>	27	26	28	30
Expense ratio <sup>11)</sup>	20	19	21	23
Claims ratio <sup>12)</sup>	77	79	75	74
Combined ratio	97	98	95	97
Management cost ratio, life-assurance operations <sup>13)</sup>	0.8	0.8	0.8	0.8
Direct yield, % <sup>14)</sup>	1.0	1.0	0.0	9.6
Total return, % <sup>15)</sup>	3.2	4.0	-0.8	10.1
<i>Financial position</i>				
Investment assets, SEK billion <sup>16)</sup>	14	14	14	14
Unit-linked insurance assets – policyholder bears the risk, SEK billion	166	166	146	155
Technical provisions (after ceded reinsurance), SEK billion	9	9	9	9

## Key figures for Länsförsäkringar AB Group, cont.

SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
<b>Banking operation</b>				
Net interest income	4,845	2,422	2,423	4,617
Operating profit	1,844	968	876	1,893
Net profit for the period	1,439	760	679	1,440
Return on equity, % <sup>17)</sup>	8.5	8.8	8.3	9.5
Total assets, SEK billion	410	410	406	381
Equity	19,830	19,830	17,854	18,479
Cost/income ratio before loan losses <sup>18)</sup>	0.49	0.50	0.48	0.48
Investment margin, % <sup>19)</sup>	1.18	1.17	1.18	1.21
Common Equity Tier 1 capital ratio Bank Group, %	14.9	14.9	14.2	13.9
Tier 1 ratio Bank Group, % <sup>20)</sup>	16.9	16.9	15.1	16.0
Total capital ratio Bank Group, % <sup>21)</sup>	19.3	19.3	17.5	18.5
Common Equity Tier 1 capital ratio consolidated situation, %	16.7	16.7	16.5	15.4
Tier 1 ratio consolidated situation, % <sup>20)</sup>	17.7	17.7	16.7	16.0
Total capital ratio consolidated situation, % <sup>21)</sup>	19.1	19.1	17.4	16.6
Credit loss level, % <sup>22)</sup>	0.09	0.05	0.13	0.06

1) Operating profit and revaluations of owner-occupied property less standard tax at 21.4% (21.4) 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. The owner-occupied property was sold during 2019.

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. On 28 December 2020, Länsförsäkringar AB changed its legal name to Gamla Länsförsäkringar AB. Gamla Länsförsäkringar AB is referred to as "Länsförsäkringar AB" throughout this annual review. 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. Solvency capital requirement for the full year 2019 recalculated according to revised method from 2019-12-31 for risk absorption in deferred tax items when calculating capital requirement.

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. Capital requirement for the full year 2019 recalculated according to revised method from 2019-12-31 for risk absorption in deferred tax items when calculating capital requirement.

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 2019:23.

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% (21.4) 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.

# Länsförsäkringar AB Group

## Financial statements

Consolidated income statement for Länsförsäkringar AB Group				
SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Premiums earned before ceded reinsurance	8,877	4,469	4,408	7,968
Reinsurers' portion of premiums earned	-1,850	-936	-914	-1,573
<b>Premiums earned after ceded reinsurance</b>	<b>7,026</b>	<b>3,533</b>	<b>3,493</b>	<b>6,396</b>
Interest income	6,543	3,198	3,345	5,986
Interest expense	-1,692	-772	-920	-1,363
<b>Net interest income</b>	<b>4,851</b>	<b>2,426</b>	<b>2,425</b>	<b>4,624</b>
Change in unit-linked insurance assets - policyholder bears the risk	7,096	16,892	-9,795	30,453
Dividends in unit-linked insurance assets - policyholder bears the risk	14	14	-	13
Investment income, net	436	607	-171	1,006
Commission income	3,417	1,747	1,671	3,250
Other operating income	2,285	1,175	1,110	2,407
<b>Total operating income</b>	<b>25,126</b>	<b>26,393</b>	<b>-1,267</b>	<b>48,150</b>
Claims payments before ceded reinsurance	-6,869	-4,274	-2,594	-4,069
Reinsurers' portion of claims payments	2,060	1,731	328	-128
<b>Claims payments after ceded reinsurance</b>	<b>-4,809</b>	<b>-2,543</b>	<b>-2,266</b>	<b>-4,197</b>
Change in life-assurance provision	-9	70	-79	-8
Change in unit-linked insurance liabilities - policyholder bears the risk	-7,359	-17,249	9,891	-30,985
Commission expense	-3,324	-1,733	-1,591	-3,161
Staff costs	-2,484	-1,168	-1,316	-2,476
Other administration expenses	-4,091	-2,082	-2,009	-4,112
Loan losses	-326	-93	-232	-207
<b>Total expenses</b>	<b>-22,401</b>	<b>-24,798</b>	<b>2,397</b>	<b>-45,146</b>
<b>Operating profit</b>	<b>2,726</b>	<b>1,595</b>	<b>1,130</b>	<b>3,003</b>
Tax	-456	-236	-220	-46
<b>Net profit for the period</b>	<b>2,270</b>	<b>1,359</b>	<b>911</b>	<b>2,957</b>
Earnings per share before and after dilution, SEK	218	130	87	284

## Consolidated statement of comprehensive income for Länsförsäkringar AB Group

SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
<b>Net profit for the period</b>	<b>2,270</b>	<b>1,359</b>	<b>911</b>	<b>2,957</b>
<b>Other comprehensive income</b>				
<b>Items that have been transferred or can be transferred to profit for the period</b>				
Translation differences attributable to foreign operations	-35	-9	-27	31
Cash-flow hedges	-110	-72	-37	-22
Change in fair value of available-for-sale financial assets	94	138	-44	2
Tax attributable to items that have been transferred or can be transferred to profit for the period	1	-17	17	3
<b>Total</b>	<b>-51</b>	<b>40</b>	<b>-91</b>	<b>14</b>
<b>Items that cannot be transferred to profit for the period</b>				
Revaluation of owner-occupied property	-	-	-	148
Change in fair value of equity instruments measured at fair value through other comprehensive income	0	-2	2	25
Tax attributable to items that cannot be reversed to profit for the period	0	0	-	-36
<b>Total</b>	<b>0</b>	<b>-2</b>	<b>2</b>	<b>138</b>
<b>Total other comprehensive income for the period, net after tax</b>	<b>-51</b>	<b>38</b>	<b>-89</b>	<b>151</b>
<b>Comprehensive income for the period</b>	<b>2,219</b>	<b>1,397</b>	<b>822</b>	<b>3,109</b>

## Consolidated statement of financial position for Länsförsäkringar AB Group

SEK M	31 Dec 2020	31 Dec 2019	SEK M	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>			<b>EQUITY AND LIABILITIES</b>		
Goodwill	618	558	<b>Equity</b>		
Other intangible assets	4,390	4,309	Share capital	1,042	1,042
Deferred tax assets	148	128	Other capital contributed	10,272	10,272
Property and equipment	358	344	Additional Tier 1 instruments	2,200	2,200
Owner-occupied property	1,022	1,161	Reserves	-626	-573
Shares in Länsförsäkringar Liv Försäkrings AB	8	8	Retained earnings including profit for the period	20,163	17,965
Shares and participations in associated companies	72	62	<b>Total equity</b>	<b>33,051</b>	<b>30,907</b>
Reinsurers' portion of technical provisions	10,557	9,504	Subordinated liabilities	2,597	2,595
Loans to the public	340,007	307,099	Technical provisions	19,613	18,860
Unit-linked insurance assets – policyholder bears the risk	165,918	154,563	Unit-linked insurance liabilities – policyholder bears the risk	168,735	155,950
Shares and participations	5,233	4,634	Deferred tax liabilities	945	882
Bonds and other interest-bearing securities	56,389	52,618	Other provisions	146	125
Treasury bills and other eligible bills	11,796	9,934	Debt securities in issue	235,471	226,661
Derivatives	5,515	8,290	Deposits from the public	133,747	118,305
Change in value of hedge portfolios	305	5	Due to credit institutions	7,403	6,565
Other receivables	6,783	5,393	Derivatives	1,051	511
Prepaid expenses and accrued income	2,628	2,321	Change in value of hedge portfolios	1,809	1,241
Cash and cash equivalents	2,221	11,661	Other liabilities	4,947	5,524
<b>TOTAL ASSETS</b>	<b>613,967</b>	<b>572,594</b>	Accrued expenses and deferred income	4,451	4,468
			<b>TOTAL EQUITY AND LIABILITIES</b>	<b>613,967</b>	<b>572,594</b>

## 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 2019	1,042	10,272	1,200	697	13,656	26,867
Divestment in owner-occupied property	-	-	-	-1,421	1,421	-
Comprehensive income for the period	-	-	-	151	2,957	3,109
Issued additional Tier 1 instruments	-	-	1,000	-	-69	931
<b>Closing equity, 31 December 2019</b>	<b>1,042</b>	<b>10,272</b>	<b>2,200</b>	<b>-573</b>	<b>17,965</b>	<b>30,907</b>
Opening equity, 1 January 2020	1,042	10,272	2,200	-573	17,965	30,907
Realised gain from sale of shares	-	-	-	-	0	0
Comprehensive income for the period	-	-	-	-90	912	822
Issued additional Tier 1 instruments	-	-	-1,200	-	-42	-1,242
<b>Closing equity, 31 June 2020</b>	<b>1,042</b>	<b>10,272</b>	<b>1,000</b>	<b>-663</b>	<b>18,835</b>	<b>30,486</b>
Opening equity, 1 July 2020	1,042	10,272	1,000	-663	18,835	30,486
Realised gain from sale of shares	-	-	-	-	0	0
Comprehensive income for the period	-	-	-	37	1,360	1,397
Issued additional Tier 1 instruments	-	-	1,200	-	-32	1,168
<b>Closing equity, 31 December 2020</b>	<b>1,042</b>	<b>10,272</b>	<b>2,200</b>	<b>-626</b>	<b>20,163</b>	<b>33,051</b>

## Consolidated statement of cash flows for Länsförsäkringar AB Group

SEK M	Jan-Dec 2020	Jan-Dec 2019
<b>Operating activities</b>		
Operating profit	2,726	3,003
Adjustment for non-cash items	5,673	1,936
Tax paid	-567	-658
<b>Cash flow from operating activities before changes in working capital</b>	<b>7,832</b>	<b>4,282</b>
<b>Cash flow from changes in working capital</b>		
Change in shares and participations, bonds and other interest-bearing securities and derivatives	-9,815	-10,830
Increase (-)/Decrease (+) in operating receivables	-34,451	-18,596
Change in debt securities in issue	12,009	14,682
Increase (+)/Decrease (-) in operating liabilities	15,909	12,315
<b>Cash flow from operating activities<sup>1)</sup></b>	<b>-8,515</b>	<b>1,853</b>
<b>Investing activities</b>		
Change in shares and participations in associated companies	-	3
Investment in intangible assets	-475	-483
Investment in property and equipment	-26	-16
Divestment in property and equipment	6	6
Divestment in owner-occupied property	-	3,385
Investment in subsidiary	-81	-
<b>Cash flow from investing activities</b>	<b>-577</b>	<b>2,895</b>
<b>Financing activities</b>		
Change in lease liabilities	-252	-104
Additional Tier 1 instruments	-75	931
<b>Cash flow from financing activities<sup>1)</sup></b>	<b>-327</b>	<b>827</b>
Net cash flow for the period	-9,419	5,574
Cash and cash equivalents, 1 January	11,661	6,075
Exchange-rate differences in cash and cash equivalents	-21	11
<b>Cash and cash equivalents, 31 December</b>	<b>2,221</b>	<b>11,661</b>

1) Comparative figures were adjusted since Change in debt securities in issue was reclassified from Cash flow from financing activities to Cash flow from operating activities.

# 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 2019:23 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.

#### CHANGES THAT IMPACTED THE FINANCIAL STATEMENTS IN 2020

No accounting standards came into effect during the period that have a material effect on the consolidated financial statements.

#### APPLICATION OF ACCOUNTING POLICIES CAUSED BY NEW TRANSACTIONS

In the spring of 2020, Länsförsäkringar Bank began efforts to change its bank card supplier from Visa to Mastercard. Initially, the change results in increased charges. These have been recognised as Costs to fulfil a contract in accordance with IFRS 15 Revenue from contracts with customers in the balance item Prepaid expenses and accrued income. Assuming that Länsförsäkringar Bank meets certain set transaction volumes, the bank will be reimbursed for some of these costs. The reimbursements received to date have been recognised as Contract liability in the balance item Accrued expenses and deferred income. The contract liability will be repaid over time as the bank meets the previously set transaction volumes.

#### FUTURE CHANGES TO ESTIMATES AND JUDGEMENTS

The Swedish Financial Supervisory Authority approved the revised definition of default in the final quarter of 2019. The new definition was implemented in the fourth quarter of 2020. The main change as regards the new definition for default is that all of the companies in the Bank Group now apply the same definition. The effect of the updated definition resulted in an increase in the loss allowance.

#### NEW IFRS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

##### Changes to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – Interest Rate Benchmark Reform (phase 2)

The ongoing global Interest Rate Benchmark Reform aims to produce alternative risk-free rates as a replacement for interbank offered rates (IBORs) that are usually used as interest reference rates for financial assets and liabilities subject to variable interest. This Reform could result in a reform of the existing interest rate benchmark or the introduction of a new alternative benchmark rate based on transaction data.

On 27 August 2020, the IASB published amendments to several standards to prevent unwanted accounting consequences in the period after the Reform has been implemented. The amendments were adopted by the EU on 13 January 2021 and apply for financial years beginning on or after 1 January 2021. The amendments primarily entail a practical expedient for changes to contractual cash flows of financial assets and liabilities (including lease liabilities) that allow the effective interest rate to be changed to the new interest rate benchmark and thus entail that the carrying amount remains the same as before the change. The IASB is also adjusting the relief from hedge accounting requirements by making it possible to update documentation for existing hedging relationships in order to adapt to the new interest rate benchmark. A project is currently being conducted within the Länsförsäkringar AB Group to investigate the effects of the Interest Rate Benchmark Reform.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2019 Annual Report.

Note 2   Earnings per segment		Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Jan-Dec 2020, SEK M							
Premiums earned after ceded reinsurance		6,781	262	-	-	-17	7,026
Net interest income		-	-	4,845	-	5	4,851
Change in unit-linked insurance assets – policyholder bears the risk		-	7,096	-	-	-	7,096
Dividends in unit-linked insurance assets – policyholder bears the risk		-	14	-	-	-	14
Investment income, net		8	240	-28	978	-762	436
Commission income		27	1,836	1,549	-	6	3,417
Other operating income		36	57	20	3,536	-1,364	2,285
<b>Total operating income</b>		<b>6,852</b>	<b>9,506</b>	<b>6,386</b>	<b>4,514</b>	<b>-2,131</b>	<b>25,126</b>
Claims payments after ceded reinsurance		-5,148	-128	-	-	467	-4,809
Change in life-assurance provision		-	-	-	-	-9	-9
Change in unit-linked insurance liabilities – policyholder bears the risk		-	-7,359	-	-	-	-7,359
Commission expense		-374	-858	-2,107	-	16	-3,324
Staff costs		-566	-219	-636	-1,080	17	-2,484
Other administration expenses		-466	-243	-1,473	-2,656	747	-4,091
Loan losses		-	-	-326	-	-	-326
<b>Total expenses</b>		<b>-6,554</b>	<b>-8,807</b>	<b>-4,542</b>	<b>-3,736</b>	<b>1,239</b>	<b>-22,401</b>
<b>Technical result</b>		<b>297</b>	<b>699</b>	-	-	<b>-996</b>	-
Non technical recognition		219	3	-	-	-222	-
<b>Operating profit</b>		<b>516</b>	<b>702</b>	<b>1,844</b>	<b>778</b>	<b>-1,114</b>	<b>2,726</b>
Tax							-456
<b>Net profit for the period</b>							<b>2,270</b>
<b>Income distribution</b>							
External income		6,812	8,966	6,934	2,358	57	25,126
Internal income		40	531	-548	2,156	-2,178	-
<b>Total operating income</b>		<b>6,852</b>	<b>9,497</b>	<b>6,386</b>	<b>4,514</b>	<b>-2,122</b>	<b>25,126</b>

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 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
<b>Total operating income</b>	<b>6,571</b>	<b>32,658</b>	<b>6,121</b>	<b>4,824</b>	<b>-2,024</b>	<b>48,150</b>
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
<b>Total expenses</b>	<b>-6,288</b>	<b>-31,920</b>	<b>-4,227</b>	<b>-3,953</b>	<b>1,242</b>	<b>-45,146</b>
<b>Technical result</b>	<b>283</b>	<b>738</b>	<b>-</b>	<b>-</b>	<b>-1,021</b>	<b>-</b>
Non technical recognition	569	0	-	-	-569	-
<b>Operating profit</b>	<b>851</b>	<b>738</b>	<b>1,893</b>	<b>871</b>	<b>-1,351</b>	<b>3,003</b>
Tax						-46
<b>Net profit for the period</b>						<b>2,957</b>
<b>Income distribution</b>						
External income	6,421	32,184	6,617	2,602	377	48,150
Internal income	150	475	-496	2,222	-2,350	-
<b>Total operating income</b>	<b>6,571</b>	<b>32,658</b>	<b>6,121</b>	<b>4,824</b>	<b>-2,024</b>	<b>48,150</b>

**Note 3** Related-party transactions

During the period, normal business transactions took place between related parties.

Note 4   Fair value valuation techniques		31 December 2020		31 December 2019	
Table 1	SEK M	Book value	Fair value	Book value	Fair value
<b>Assets</b>					
Shares in Länsförsäkringar Liv Försäkrings AB		8	8	8	8
Loans to the public		340,007	340,742	307,099	308,209
Unit-linked insurance assets – policyholder bears the risk		165,918	165,918	154,563	154,563
Shares and participations		5,233	5,233	4,634	4,292
Bonds and other interest-bearing securities		56,389	56,389	52,618	52,618
Treasury bills and other eligible bills		11,796	11,796	9,934	9,934
Derivatives		5,515	5,515	8,290	8,290
Other receivables		3,218		1,051	
Prepaid expenses and accrued income		155		152	
Cash and cash equivalents		2,221		11,661	
<b>Total assets</b>		<b>590,459</b>		<b>550,010</b>	
<b>Liabilities</b>					
Subordinated liabilities		2,597	2,639	2,595	2,653
Debt securities in issue		235,471	243,414	226,661	232,880
Deposits from the public		133,747	137,055	118,305	119,859
Due to credit institutions		7,403		6,565	
Derivatives		1,051	1,051	511	511
Other liabilities		2,645		2,389	
Accrued expenses and deferred income		1,268		1,721	
<b>Total liabilities</b>		<b>384,182</b>		<b>358,748</b>	

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.

**Note 4 Fair value valuation techniques, cont.**

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**

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Shares in Länsförsäkringar Liv Försäkrings AB	-	-	8	8
Unit-linked insurance assets – policyholder bears the risk	165,918	-	-	165,918
Shares and participations	3,119	59	2,054	5,233
Bonds and other interest-bearing securities	55,779	-	610	56,389
Treasury bills and other eligible bills	11,796	-	-	11,796
Derivatives	-	5,515	-	5,515
<b>Liabilities</b>				
Derivatives	0	1,050	0	1,051
<b>31 December 2019</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
Derivatives	-	511	-	511

The note has been prepared according to the same accounting policies applied in the 2019 Annual report. During the period, no material transfers were made between the levels and there have been no changes in the classification due to changes of the purpose or use in holding these assets.

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 2020	-	8	1,769	355	2,132
Acquisition	-	-	116	322	438
Divestments	-	-	-	-51	-51
Recognised in net profit for the period	-	-	170	-16	154
Recognised in other comprehensive income	-	-	-1	-	-1
<b>Closing balance, 31 December 2020</b>	<b>-</b>	<b>8</b>	<b>2,054</b>	<b>610</b>	<b>2,672</b>
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 year	-63	-	324	7	268
Recognised in other comprehensive income	148	-	-	-	148
<b>Closing balance, 31 December 2019</b>	<b>-</b>	<b>8</b>	<b>1,769</b>	<b>355</b>	<b>2,132</b>

Right-of-use assets of SEK 1,022 M in the statement of financial position are recognised as owner-occupied property.  
Right-of-use assets are not measured at fair value.

# Länsförsäkringar AB, Parent Company

## Financial statements

### Income statement for Länsförsäkringar AB, Parent Company

SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
<b>Net sales</b>	<b>3,539</b>	<b>1,790</b>	<b>1,749</b>	<b>3,577</b>
<b>Operating expenses</b>				
External expenses	-2,598	-1,312	-1,286	-2,814
Staff costs	-1,080	-502	-579	-1,071
Depreciation/amortisation and impairment of property and equipment and intangible assets	-58	-29	-30	-69
<b>Operating profit/loss</b>	<b>-198</b>	<b>-52</b>	<b>-145</b>	<b>-376</b>
<b>Profit/loss from financial items</b>				
Profit from participations in Group companies	970	175	795	1,251
Interest income and similar profit/loss items	7	1	6	-1
Interest expense and similar profit/loss items	-1	-1	0	-3
<b>Profit/loss after financial items</b>	<b>778</b>	<b>123</b>	<b>655</b>	<b>871</b>
Tax	-3	0	-3	-5
<b>Profit for the period</b>	<b>775</b>	<b>122</b>	<b>652</b>	<b>866</b>

### Statement of comprehensive income for Länsförsäkringar AB, Parent Company

SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
<b>Profit/loss for the period</b>	<b>775</b>	<b>122</b>	<b>652</b>	<b>866</b>
<b>Other comprehensive income</b>				
<b>Items that cannot be transferred to profit for the period</b>				
Change in fair value of equity instruments measured at fair value through other comprehensive income	-1	0	-1	-1
<b>Total other comprehensive income for the period, net after tax</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>-1</b>
<b>Comprehensive income for the period</b>	<b>774</b>	<b>122</b>	<b>652</b>	<b>865</b>

## Balance sheet for Länsförsäkringar AB, Parent Company

SEK M	30 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	456	345
Property and equipment	25	30
<b>Financial assets</b>		
Shares and participations in Group companies	17,741	17,741
Other financial assets	2,947	2,531
<b>Total financial assets</b>	<b>20,689</b>	<b>20,272</b>
<b>Total fixed assets</b>	<b>21,170</b>	<b>20,647</b>
Current assets	1,033	827
Cash and bank balances	220	221
<b>TOTAL ASSETS</b>	<b>22,424</b>	<b>21,696</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Restricted equity	6,189	6,059
Non-restricted equity	15,083	14,439
<b>Total equity</b>	<b>21,272</b>	<b>20,498</b>
Provisions	48	46
Long-term liabilities	226	258
Current liabilities	878	894
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>22,424</b>	<b>21,696</b>

## Statement of cash flows for Länsförsäkringar AB, Parent Company

SEK M	Jan-Dec 2020	Jan-Dec 2019
<b>Operating activities</b>		
Profit after financial items	778	871
Adjustment for non-cash items	-120	-886
Tax paid	-8	-15
<b>Cash flow from operating activities before changes in working capital</b>	<b>650</b>	<b>-30</b>
<b>Cash flow from changes in working capital</b>		
Increase (-)/Decrease (+) in operating receivables	-438	-1,304
Increase (+)/Decrease (-) in operating liabilities	-48	-236
<b>Cash flow from operating activities</b>	<b>164</b>	<b>-1,570</b>
<b>Investing activities</b>		
Change in shares in Group companies	-	1,608
Other investing activities	-165	-26
<b>Cash flow from investing activities</b>	<b>-165</b>	<b>1,582</b>
<b>Financing activities</b>		
Dividends paid	-	-
Other financing activities	-	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>
Cash flow for the period	-1	12
Cash and cash equivalents, 1 January	221	209
<b>Cash and cash equivalents, 31 December</b>	<b>220</b>	<b>221</b>

## 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 2019	1,042	224	4,801	-503	5,471	8,597	19,633
Dividends paid	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-1	-	117	117
Capitalised proprietary development expenditures	-	-9	-	-	-	9	0
<b>Closing equity, 31 December 2019</b>	<b>1,042</b>	<b>215</b>	<b>4,801</b>	<b>-504</b>	<b>5,471</b>	<b>9,472</b>	<b>20,498</b>
Opening equity, 1 January 2020	1,042	215	4,801	-504	5,471	9,472	20,498
Comprehensive income for the period	-	-	-	-2	-	654	652
Capitalised proprietary development expenditures	-	39	-	-	-	-39	0
<b>Closing equity, 30 June 2019</b>	<b>1,042</b>	<b>254</b>	<b>4,801</b>	<b>-506</b>	<b>5,471</b>	<b>10,087</b>	<b>21,149</b>
Opening equity, 1 July 2020	1,042	254	4,801	-506	5,471	10,087	21,149
Comprehensive income for the period	-	-	-	0	-	122	122
Capitalised proprietary development expenditures	-	91	-	-	-	-91	0
<b>Closing equity, 31 December 2020</b>	<b>1,042</b>	<b>345</b>	<b>4,801</b>	<b>-506</b>	<b>5,471</b>	<b>10,118</b>	<b>21,272</b>

# 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 2020

No accounting standards came into effect during the period that have a material effect 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 2019 Annual Report.

### Note 2 Related-party transactions

During the period, normal business transactions took place between related parties.

### Note 3 Pledged assets and contingent liabilities

Länsförsäkringar AB and Länsförsäkringar Fondliv have entered into a service agreement with Länsförsäkringar Liv due to Länsförsäkringar Liv's run off. In the Annual Report 2019 the Group's note 45 Pledged assets and contingent liabilities provides additional information about the agreement.

The President and CEO submitted the report for Länsförsäkringar AB Group  
(pages 14-16, 19-33) on behalf of the Board of Directors.

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

Stockholm 11 February 2021

Fredrik Bergström  
*President and CEO*

# Länsförsäkringar Liv Försäkrings AB

## Financial statements

Income statement for Länsförsäkringar Liv Försäkrings AB				
SEK M	Jan-Dec 2020	Jul-Dec 2020	Jan-Jun 2020	Full-year 2019
Premium income after ceded reinsurance	1,191	390	801	1,539
Investment income net	4,099	4,641	-542	9,949
Other technical revenues	67	67	-	-
Claims payments	-4,877	-2,394	-2,483	-4,928
Change in technical provisions	1,992	1,371	622	-296
Bonuses and discounts	-348	-115	-234	-224
Operating expenses	-438	-243	-195	-430
Other technical expenses	-53	-62	9	4
<b>Technical result, life insurance operations</b>	<b>1,633</b>	<b>3,655</b>	<b>-2,022</b>	<b>5,614</b>
Non-technical revenues and expenses	-	-	-	-
<b>Profit before tax allocation reserve and tax</b>	<b>1,633</b>	<b>3,655</b>	<b>-2,022</b>	<b>5,614</b>
Tax allocation reserve	45	45	-	50
Tax	-92	-45	-47	-97
<b>Profit for the period</b>	<b>1,586</b>	<b>3,655</b>	<b>-2,069</b>	<b>5,567</b>
Other comprehensive income for the period	-	-	-	-
<b>Comprehensive income for the period</b>	<b>1,586</b>	<b>3,655</b>	<b>-2,069</b>	<b>5,567</b>

Balance sheet for Länsförsäkringar Liv Försäkrings AB		
SEK M	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
Intangible assets	10	-
Tangible assets	2	-
Investment assets	111,031	115,979
Receivables	1,135	2,730
Other assets	4,877	3,634
Prepaid expenses and accrued income	1	53
<b>TOTAL ASSETS</b>	<b>117,056</b>	<b>122,396</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	28,518	27,974
Untaxed reserves	246	291
Technical provisions	82,949	85,018
Provisions for other risks and expenses	32	32
Liabilities	5,109	8,902
Accrued expenses and deferred income	202	179
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>117,056</b>	<b>122,396</b>

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

## Financial calendar 2021

Annual Report 2020 Länsförsäkringar AB	15 March
Annual Review 2020 Länsförsäkringar Alliance	15 March
Interim Report January-June 2021 Länsförsäkringar Alliance	1 September

The information was submitted for publication on 11 February 2021 at 13:00 Swedish time.

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