

Länsförsäkringar Liv

Annual Report

2017



About us

Contents

Introduction

- 2 Statement by the President

Operations

- 4 Board of Directors' Report
- 11 Five-year summary

Financial statements

- 13 Income statement
- 13 Statement of comprehensive income
- 14 Performance analysis
- 16 Balance sheet
- 18 Statement of changes in equity
- 19 Cash-flow statement
- 20 Notes
- 49 Audit report

Other information

- 52 Corporate Governance Report
- 58 Board of Directors and auditor
- 60 Executive management
- 60 Definitions
- 61 Address

Länsförsäkringar Liv

Managing SEK 115 billion in traditional life assurance

Länsförsäkringar Liv is the Länsförsäkringar Alliance's life-assurance company for traditional management. Länsförsäkringar Liv manages a total of SEK 115 billion divided into four management forms: New Trad, Old Trad, New World and Insured Pension. The operations are conducted according to mutual principles, which entails that earnings are not distributed to owners; they remain with the company's customers.



Länsförsäkringar in brief

Local companies with customers who are owners and the only principal

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are owned by the insurance customers - there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.8 million customers and approximately 6,400 employees.

3.8 million customers

23 local regional insurance companies

Länsförsäkringar AB

Länsförsäkringar
Sak Försäkrings AB

Länsförsäkringar
Bank AB

Länsförsäkringar
Fondliv Försäkrings AB

Länsförsäkringar
Liv Försäkrings AB¹⁾

¹⁾The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

The 2017 fiscal year

Significant events

- Profit for the Länsförsäkringar Liv Group amounted to SEK 2,363 M (2,682), mainly due to positive investment income in New and Old Trad. The change in earnings compared with the preceding year was primarily the result of additional strengthening of reserves.
- The total return for New Trad amounted to 6.4% and for Old Trad to 2.7%. Collective consolidation was 117% (114) for New Trad and 123% (125) for Old Trad.
- The bonus rate for New Trad was raised from 5% to 6% in October and was an average of 5% in 2017. The bonus rate for Old Trad was 2% during the year.
- Transitions from Old Trad to New Trad remained a priority activity in strengthening the company's balance sheet. Insurance policies with a total insurance capital of more than SEK 15 billion have transitioned to New Trad.
- The solvency ratio calculated according to Solvency II amounted to 207%, up 12 percentage points during the year. Own funds amounted to SEK 25,129 M.

Managed assets

115 SEK bn

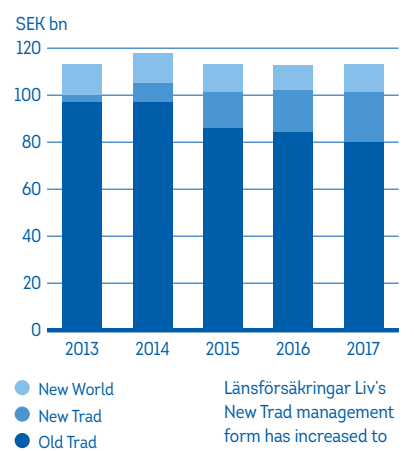
Number of policies

680,000

Key figures

SEK M	2017	2016	2015	2014
Investment assets, New Trad	20,803	17,983	15,004	8,591
Investment assets, Old Trad	80,572	84,718	86,636	97,572
Investment assets, New World	11,881	11,349	11,737	12,703
Solvency ratio, %	207	195	182	-
Collective consolidation ratio, New Trad, %	117	114	114	120
Collective consolidation ratio, Old Trad, %	123	125	120	120
Total return, New Trad, %	6.4	4.3	1.4	9.4
Total return, Old Trad, %	2.7	5.9	0.5	11.3
Total return, New World, %	13.3	5.1	0.3	8.7

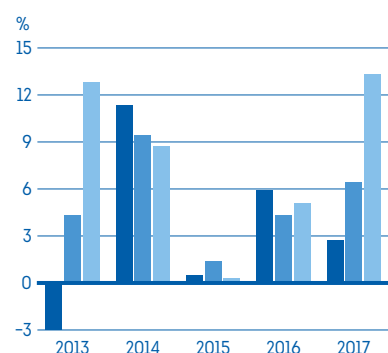
Managed assets per management form¹⁾



Länsförsäkringar Liv's New Trad management form has increased to SEK 21 billion since it was started in 2013.

¹⁾ Excluding Insured Pension.

Total return per management form



The diagram above shows the total return over the past five years per management form.

Better conditions for our customers

Statement by the President. There were many highlights during the year. Our investment portfolios reported strong returns, with our targets and risk-taking benefiting our customers. We could raise the bonus rate in New Trad to 6% and the New World portfolio delivered more than 13% in returns, which is probably among the best in the industry for portfolios with guaranteed commitments.

Business environment

The climate in the business environment was positive and we saw optimism in many of the most important markets in the world. Companies have enjoyed full order books, unemployment has been low and strong growth was noted in many countries and regions.

A healthy stock-market trend was seen in most markets during the past year. For example, the important US stock market reported an all-time high. There were few alternatives to equities investments or other company-related investments. Despite relatively high valuations, investors and savers continued to invest capital in the equities markets.

All dimensions of sustainability are becoming increasingly important and form a joint responsibility that we all must share. In terms of investments, we are working to engage with or divest companies from our portfolios that act or operate in sectors that, for example, have a negative environmental impact, use child labour or have operations related to nuclear weapons. Going forward, we will also invest more in "green" classes of assets, such as green bonds. This is an important and essential standpoint for us at Länsförsäkringar, and something that will be a sound investment for our customers in the long term.

Even in this positive financial environment, there are of course – as always – certain challenges. Interest rates remain very low, which means that many life-assurance companies with guaranteed future

pension payouts must be cautious in their risk-taking. Inflation seems unwilling to want to accelerate, resulting in Sweden's central bank and its counterparts continuing to suppress key interest rates, and thus market interest rates. Government and mortgage bond-buying stimulus packages from the

between the countries is cause for concern, although it is hoped that dialogue will improve and that this will lead to a less risky situation that we are currently experiencing.

We have a large movement of vulnerable people from both the Middle East and North Africa seeking a safer and better life in Europe that has consequences for both refugees and the recipient countries.

“ The company is well-balanced, applies a responsible risk-taking approach and has solid own funds. It means that we can tackle the challenges that we face and those that will appear in the future. The aim of everything we do is to benefit our customers as the mutual company that we are.”

central banks are reaching the end yet remain a factor to consider.

There is also certain concern regarding excessively valued equities and fears of a bubble economy based on households with high loans, not least in Sweden. While interest rates and unemployment are low, most analysts do not consider this to be an immediate risk, although there is still reason to be alert and closely monitor this trend.

Geopolitical challenges are, as normal, part of the investment universe, and there is no shortage of these at present. Some countries in Europe remain heavily in debt, such as Greece and Italy. There are major challenges in the Middle East, such as ending the war in Syria and Iraq, building up infrastructure in these countries and taking care of a population that has suffered immensely.

The US's relationship with North Korea and particularly the tone of discussion

portfolios with guaranteed commitments.

We continued the successful transition from Old to New Trad and we surpassed 100,000 customers and more than SEK 20 billion in managed assets. New Trad started in June 2013 and over the years has lived up to expectations of a highly diversified investment portfolio based on a guarantee element. The approach of allowing customers to voluntarily – and with a sound basis for decision – choose to either remain in a portfolio with higher guaranteed interest but with a lower expected return, or convert their capital and future premiums in a highly diversified portfolio with a lower guarantee and higher expected return has proven to be successful. Our customers can remain with the company but have an equalised bonus model and a buffer in the form of a collective consolidation fund – just like the traditional management form they once

How did 2017 go?

There were many highlights during the year. Our investment portfolios reported high returns, with our targets and risk-taking benefiting our customers. We could raise the bonus rate in New Trad to 6% and the New World portfolio delivered more than 13% in returns, which is probably among the best in the industry for



chose. We have received attention for this work and have been asked to lecture on this model at international insurance conferences.

In December, we finalised a project in which we became an owner of the well-run and attractive property company Humlegården. It meant that we became the second largest shareholder with a holding of slightly more than 11%. In this way, we can efficiently be part of a property company and its development instead of directly owning individual properties.

Our comprehensive income was SEK 2.4 billion, which we are pleased with. This strengthened our funds, which are now at more than SEK 25 billion. Our solvency ratio is now more than 200% – a strong position that offers a solid platform going forward.

The future

As the saying goes: “The only thing certain about the future is that it is uncertain.”

Managed assets are gradually declining in a company like ours that has been closed for new business since October 2011. We make pension payouts of almost SEK 6 billion per year, while some customers are also cancelling or transferring their insurance.

Factors to counterbalance this include our investment income, internal efficiency and cost-efficient outsourcing. To date, we have been able to offset payouts through high returns and operating results so that managed assets remain fairly intact, currently at SEK 115 billion. However, over time it will be challenging and will be handled with the aim of not adversely impacting the conditions for customers.

The short-term outlook for our three major portfolios is positive. We have New World with an equities allocation of between 60% and 80% that will yield high returns in a positive equities market. In a volatile and/or declining market, earnings will be weaker, which is natural for a portfolio with such a large share of equities.

New Trad, with its more balanced portfolio of equities, private equity, interest rates, infrastructure, properties and forestry, has better resilience to negative market scenarios and, not least, good potential in both volatile and booming stock markets. Here there are favourable prospects of an even and high bonus rate based on a well-diversified portfolio and high collective consolidation.

Old Trad that has more than 85% inter-

est-bearing investments will probably have a lower total return. We cannot expect more sharp declines in interest rates. Instead, we are more likely to see a cautious upswing in long-term interest rates and we will then see a negative return. In such a case, it is a strength that the portfolio has high collective consolidation to withstand negative returns. A cautious risk-taking approach will continue to be applied to investments in Old Trad and its high guaranteed interest rates.

In conclusion, I would like to say that the company is well-balanced, applies a responsible risk-taking approach and has solid own funds. It means that we can tackle the challenges that we face and those that will appear in the future. The aim of everything we do is to benefit our customers as the mutual company that we are.

Stockholm, March 2018

Jörgen Svensson

President of Länsförsäkringar Liv

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corporate Registration Number 516401-6627, hereby submit the Annual Report and consolidated financial statements for the 2017 fiscal year.

Ownership and Group structure

Länsförsäkringar Liv Försäkringsaktiebolag (publ), referred to below as Länsförsäkringar Liv, is a wholly owned subsidiary of Länsförsäkringar AB (Corp. Reg. No. 556549-7020), which in turn is owned by the 23 regional insurance companies together with 16 local insurance companies. The company is operated in accordance with mutual principles, which means that the earnings remain with the customers. The company is not consolidated in the Länsförsäkringar AB Group's income statement and balance sheet.

Focus of operations

Länsförsäkringar Liv is licensed to conduct life-assurance and non-life insurance operations. The company conducts life-assurance operations with mixed savings and risk insurance in three management forms: New Trad, Old Trad and New World, savings insurance in the Insured Pension management form and streamlined risk operations with health and mortality products. The company's non-life insurance commitments, which represent a small part of the company's business activities, comprise products in accident cover and invalidity benefit.

In traditional life assurance, customers' capital is normally invested in interest-bearing securities, equities, properties and alternative investments. Old Trad comprises an investment portfolio containing more than 85% interest-bearing assets, where the main focus is to meet relatively high guarantee levels over the long term. The investment portfolio for New Trad, which has lower guaranteed interest, can be more flexible and thus generate higher expected returns. Equities exposure was 34% and the percentage of interest-bearing assets was 60% at year-end. Investments in New World normally comprise the following: 30% interest-bearing securities and 70% equities.

Financial markets

A sense of optimism prevailed in the economy during 2017, with the global economy

growing stronger. The largest surprise was Europe's performance where the economy clearly surged and growth exceeded expectations. Inflation, however, remained far short of targets, which means that the ECB is expected to pursue its expansive monetary policy. The US economy also trended healthily, particularly the strong labour market, although inflation was lower than anticipated, which led to the Fed continuing its austerity measures in monetary policy at a restrained rate and increasing interest rates three times. The Republican tax reform slightly raised expectations of US growth in 2018, further fuelling stock-market performance. In general, the global economy was surprisingly stable in 2017, particularly in light of the political risks that dominated the news. The UK applied to leave the EU, Germany experienced difficulties in forming a government and the US markedly elevated its tone towards North Korea, while risks in the Middle East increased. Stock markets generally posted a favourable trend for the year, led by emerging markets. The fixed-income market reported no major fluctuations during the year. Long-term US interest rates moved sideways following a sharp upswing towards the end of 2016, while short-term rates tracked the Fed's three rate hikes. Swedish and European long-term interest rates ended 2017 slightly higher than at the start of the year and short-term rates fell marginally. Rates on Swedish covered bonds fell during the year and demand from investors was high. The Swedish economy performed strongly during the year: growth was surprisingly positive, the labour market continued to improve and inflation rose. Employment is now well above levels prior to the financial crisis of 2008. Nevertheless, the Riksbank decided to wait out interest rate increases, and the repo rate has been negative for almost three years. The SEK strengthened against the USD but weakened against the EUR during the year. Continued expansive signals from the Riksbank, a degree of concern regarding the Swedish housing market and a stronger EUR underpinned this trend.

Significant events during the year

In 2017, the company's situation improved in terms of key figures and strength of the balance sheet, but the company remains sensitive to sharply negative scenarios. Measures continued to be taken to strengthen the balance sheet and key figures during the year. Transitions from Old Trad to New Trad is one of the most important activities in this work. The offer to transfer to New Trad was sent to customers with a total insurance capital of SEK 35 billion. Customers with a total insurance capital of more than SEK 15 billion have transferred their insurance to New Trad, of which more than SEK 1 billion was changed in 2017.

In December 2017, Länsförsäkringar Liv divested two property-owning subsidiaries to Humlegården Fastigheter AB (publ) ("Humlegården") in exchange for payment in newly issued shares in Humlegården and cash and cash equivalents. Based on this transaction, Länsförsäkringar Liv became the second largest owner of Humlegården with a participating interest of 11.6%. The transaction better diversifies Länsförsäkringar Liv's property exposure and provides an interest in a property portfolio that is deemed to be of high quality and potential.

Earnings and financial position

Profit for the Länsförsäkringar Liv Group amounted to SEK 2,363 M (2,682). This result was due to positive investment income in New and Old Trad, positive operating profit and continued transitions to New Trad, which reduced needs for technical provisions. The change compared with the preceding year was attributable to an additional change in reserves.

Long-term market interest rates rose from low levels in 2017. The increase for the ten-year government bond rate was about 0.2 of a percentage point during the year. The net earnings effect of the change in interest rates was about SEK 100 M. Rising interest rates have a positive effect on Länsförsäkringar Liv since the technical liabilities are

discounted by the market interest rate. Länsförsäkringar Liv has chosen a matching strategy that reduces the effect of general interest-rate fluctuations. The effect is achieved by matching the investment assets with liabilities to protect earnings from falling interest rates. About 80% of the regulatory interest-rate risk is protected by using this strategy. It also entails that, in periods of rising rates, matching will reduce the positive effect that an increase in interest rates otherwise would have had on earnings.

In 2017, the company adjusted the assumption regarding future operating expenses, which led to a need for higher cost provisions. The changed assumption is because the company is closed for new business and the insurance portfolio is decreasing over time. Despite the company actively taking steps to reduce operating expenses, the cost per insurance policy is expected to rise slightly in the long term. This increase in reserves has not yet been included in the calculation of the solvency ratio under Solvency II.

Transitions from Old Trad to New Trad positively impacted earnings. Such a transition entails a lower guaranteed interest rate, which in turn has a positive effect on the company's liabilities and earnings. A lower guaranteed interest rate also means that more capital can be invested in assets with higher expected returns and bonuses. Net investment income recognised in profit and loss was SEK 4,770 M (6,027). The total return in Länsförsäkringar Liv's Old Trad portfolio was 2.7% (5.9). The total return amounted to 6.4% (4.3) for New Trad and to 13.3% (5.1) for New World.

Premium income

Premium income in Länsförsäkringar Liv in 2017 amounted to SEK 1,711 M (1,905), down 10%. The company has essentially been closed for new business since 2011, meaning that the portfolio of premium-paying policies has gradually declined. Paid-up insurance and external transfers, combined with no additional new insurance policies, mean that the portfolio will continue to decline. Payments are continuing to be made for premium-paying insurance policies, but premium income declines as the number of policies becomes fewer. One-off payments have essentially ceased since new sales were discontinued.

Claims payments

Claims payments amounted to SEK 5,404 M (5,683). The amount includes the value of transfers of SEK 495 M (753) from Länsförsäkringar Liv. Of capital transferred from Länsförsäkringar Liv, SEK 187 M (316) went to Länsförsäkringar Fondliv.

Change in technical provisions

Technical provisions declined SEK 3,112 M in 2017 to SEK 84,296 M (87,408). The main reason was a negative cash flow with payouts and external transfers exceeding premium income, although the increase in interest rates and transitions from Old Trad to New Trad also contributed to the decline.

Asset Management

Investment assets declined to SEK 115 billion (116) during the year.

New Trad

Länsförsäkringar Liv customers with traditionally managed insurance have had the opportunity to transition their existing insurance to New Trad. The transition to New Trad means new conditions for the insurance policy, including lower fees and lower guarantees. The reduced guarantee allows capital to be invested in other types of assets that have higher expected returns. New Trad is expected to generate higher bonuses over time than Old Trad. New Trad had managed assets of SEK 20,803 M (17,983) at year-end. On 31 December 2017, the allocation of investment assets in the New Trad portfolio was: 60% interest-bearing securities, 34% equities, 4% alternative investments and 2% property. The return on the various asset classes was as follows: interest-bearing securities 2.5% (5.5), equities 17.3% (6.2), alternative investments 1.2% (3.4) and properties 19.7% (9.9).

Investment return for New Trad amounted to 6.4% (4.3) in 2017. The largest contribution to the return was from investments in equities, which provided 5.5% to the total return. All markets made a positive contribution, with the largest from US equities. Interest-bearing investments contributed 1.4% to the total return.

At year-end, collective consolidation for New Trad was 117% (114) and the bonus rate was 6%. The bonus rate was an average of 5.0% during 2017. The average bonus rate since New Trad started in 2013 has been 6.3%.

Old Trad

The capital situation and risk scope for Old Trad was strengthened in 2017, but low interest rates and uncertainty in the financial markets meant that the percentage of long-term interest-bearing investments remained high for Old Trad. Minor changes in the investment mix were made during the year. Old Trad had managed assets of SEK 80,572 M (84,718) at year-end. On 31 December 2017, asset allocation in Old Trad was as follows: 87% interest-bearing securities, 7% equities, 4% alternative investments and 2% property. The return on the various asset classes was as follows: Interest-bearing

securities 2.2% (5.7), equities 14.6% (14.8), alternative investments 1.2% (4.3) and properties 21.7% (24.5). Managed assets in Old Trad amounted to SEK 80.6 billion (84.7) and the return was 2.7% (5.9). Collective consolidation in Old Trad amounted to 123% (125) at year-end. The bonus rate for Old Trad was 2% for the full-year 2017. The average bonus rate for Old Trad over the past ten years was 2.2%.

New World

New World is a traditional insurance policy whereby customers are guaranteed to recoup at least the premiums paid, subject to deductions for expenses and yield tax. In New World, approximately 30% of customers' capital is normally invested in bonds and 70% in equities spread over different markets. The share of equities is permitted to vary between 60% and 80%. Managed assets in New World amounted to SEK 11,881 M (11,349). The return in 2017 amounted to 13.3% (5.1).

Insured Pension

Savings in Insured Pension comprise a bond that extends over the entire savings period and an equities derivatives fund that follows the trends on the equities markets. Insured Pension thus offers savers the opportunity to profit from stock-market upswings, while protecting them from stock-market slumps. The savings perform differently for different savers depending on the share of bonds in each policy. Managed assets in Insured Pension amounted to SEK 1.9 billion (1.7).

Risk operations

Risk operations for Länsförsäkringar Liv comprise products for life-assurance cover, survivor's protection, accident and health-insurance cover and invalidity benefit. Risk operations are largely integrated with the company's savings and occupational-pension products. The risk result after reinsurance amounted to SEK 218 M (290). The company does not underwrite new insurance in the risk operations. Despite this, premium income remained relatively unchanged year-on-year at SEK 525 M (528). The claims ratio totalled 50% (49). The risk-cover capacity that provides suitable protection for customers is ensured by Länsförsäkringar's own retention and an extensive reinsurance programme. The reinsurance programme in 2017 comprised an obligatory component whereby a certain quota of business is automatically reinsured, and a voluntary component whereby high individual risks are reinsured, and catastrophe insurance in the event of a unique major event. Excess loss reinsurance will expire in 2018.

Capital situation

The company's primary measure of its capi-

tal situation has comprised the solvency ratio under Solvency II since 2016. This performance measure shows the ratio between own funds and a risk-based capital requirement according to an internal model. The company has worked actively on measures to strengthen the company's balance sheet and own funds for several years. The company has followed an action plan decided by the Board. The plan contains several measures for enhancing the efficiency of the company's operations and strengthening the balance sheet. A strengthened balance sheet provides the company with greater flexibility and opportunities to invest in asset classes with higher expected returns. These measures contributed to the company's equity strengthening from SEK 10.9 billion to SEK 24.4 billion between 2012 and 2017.

The company has pursued a strategy whereby the investment portfolio was largely matched against liabilities to protect the company's surplus against falling interest rates. Part of the matching strategy was to generate a certain surplus when interest rates rise. ALM analyses are used to optimise the investment portfolios so that the correlation between risk and return is as advantageous as possible. Transitions from Old Trad to New Trad also contributed to strengthening solvency in 2017, while lower guarantees and thus a reduced need for reserves in the company's balance sheet have led to a higher surplus. Such transitions to New Trad have strengthened own funds by a total of SEK 4.8 billion sedan 2013.

Own funds for Länsförsäkringar Liv increased from SEK 22,308 M at the start of the year to SEK 25,129 M, attributable to positive earnings. The capital requirement amounted to SEK 12,168 M (11,433) and the solvency ratio to 207%, up 12 percentage points since the start of the year.

Five-year summary

The five-year summary is on page 11.

Risks and risk management

A central task for Länsförsäkringar Liv is to ensure that the company can meet its guaranteed commitments to customers by a satisfactory margin. This particularly applies to the Old Trad management form where guarantees are high. The continued low interest rates place even higher requirements on the company's risk management. Accordingly, risk-taking is an integrated part of the governance of the operations, and aims at maintaining a satisfactory balance between the level of risk and the conditions for generating returns. The company also works with prospective analyses to ensure long-term capitalisation. Länsförsäkringar

Liv is primarily exposed to market risks and life-assurance risks. Among market risks, equities risk, credit risk (spread risk) and interest-rate risk are the risks that entail the highest capital requirements. Market risks are limited by applying limits to capital requirements from the investment activities. The operations are characterised by a low risk profile and Länsförsäkringar Liv meets legal and supervisory capital requirements by a healthy margin. Länsförsäkringar Liv has applied the Solvency II regulations for all of the company's operations since 1 January 2016. The company calculates the solvency capital requirement for market risk according to the partial internal model approved by the Swedish Financial Supervisory Authority and the capital requirement for other risks is calculated by applying the standard formula. A more detailed description of the risks to which the company is exposed and how these risks are managed is presented in note 2 Risk and capital management.

Employees

Länsförsäkringar Liv's high ambition is to be a responsible and attractive employer. The aim is for the workplace to have dedicated and skilled employees and managers who share joint responsibility for the operations and their own development.

Employees possess a variety of specialist and professional expertise that is vital to carrying out and developing the operations. Rapid technological advances in society require a workplace that is dynamic, flexible and innovative. Employee's physical and mental health and job satisfaction are of great importance to achieving this goal.

An attractive employer

Länsförsäkringar Liv's internal attractiveness as an employer is measured according to a Net Promotor Score (NPS). Länsförsäkringar increased its scores in this year's NPS employee survey and all indexes in the survey remained at a high level.

Länsförsäkringar is also considered to be an attractive workplace externally. Young university graduates named Länsförsäkringar the best employer in insurance for the tenth consecutive year in the Career Barometer survey.

Skills development and learning

Employee skills are developed in accordance with the company's objectives and the short and long-term needs. Länsförsäkringar Liv endeavours to nurture the conditions for an organisational culture focusing on learning and development. All employees regularly discuss their performance, skills, work environment and health as part of the perfor-

mance appraisal process. An e-coaching tool was introduced in 2017 to enhance employees' knowledge of change management.

94% (84) believe that their skills are developed in pace with changed working requirements, with the target of 75% in the business plan.

Diversity and equality

Diversity and integration centre on business value and help strengthen competitiveness and thus increase profitability. The importance of an inclusive culture is considered to be critical for benefiting from diversity and welcoming different perspectives and approaches.

A current and external diversity analysis was performed in 2017 in order to realise a diversity shift. Länsförsäkringar AB participates in several partnership programmes on diversity, such as Novare Potential, Rapid Acceleration Management, Korta vägen, Welcome Talent, My Dream Now and Diversity Charter Sweden.

The equality and diversity plan includes the application of the Equal Opportunity Act and discrimination legislation. 84% (94) of employees believe that diversity is valued in their working group and 91% (97) believe that Länsförsäkringar Liv is an equal opportunity workplace. 100% of employees said that they had not experienced any cases of victimisation or bullying in the workplace in 2017. Länsförsäkringar Liv has long maintained a clear zero tolerance standpoint on victimisation in its personnel policy.

The aim of the recruitment process is to ensure a more even gender distribution in working groups and various managerial positions. The Länsförsäkringar AB Group's share of working groups with a 40/60 ratio of men and women achieved the target in the business plan for 2017. Women managers develop and are coached as part of structured equality measures through the Qnet network.

Salary surveys are conducted every year to ensure that there are no differences between salary levels that are solely attributable to gender.

Personnel, salaries and remuneration

Information regarding the average number of employees, salaries and remuneration, as well as details concerning salary and other remuneration of corporate management, are provided in note 10 Employees, staff costs and remuneration of senior executives. The Board of Directors of Länsförsäkringar Liv has established a remuneration policy in accordance with articles 258 and 275 of the Commission Delegated Regulation (EU) 2015/35.

Significant events after the end of the fiscal year

The company's agreement on excess loss reinsurance for mobility and mortality risks was terminated for 2018. Claims that occurred under the agreement prior to 2018 will be managed in run-off, meaning that Länsförsäkringar Liv and the reinsurer will share responsibility for these claims in accordance with the agreement. The agreement on excess loss reinsurance has been in force since 2007.

New assumptions regarding the long-term discount rate: The discount rate curve used to calculate technical provisions regarding longer terms is based on the assumption of an Ultimate Forward Rate (UFR). Calculations of long-term technical provisions for both accounting purposes under IFRS and for solvency calculations under Solvency II are based on this UFR. The rules for determining the UFR under Solvency II have been updated with the rate being lowered by 0.15% on 1 January 2018. This rate reduction will increase both the technical liabilities under IFRS and under Solvency II by about SEK 400 M.

Expectations regarding future development

The company has worked for many years on strengthening the balance sheet and

improving opportunities for future returns. An action plan was initiated in 2011 and the situation has improved substantially since then, with the balance sheet strengthening and the risk scope in primarily Old Trad increasing. The company remains sensitive due to guarantee risks in Old Trad and sensitive to scenarios of falling interest rates and/or falling values of risk assets. Accordingly, work on strengthening the company's balance sheet will continue in 2018. Transitions from Old Trad to New Trad remain an important measure in this work.

Proposed appropriation of profit

The proposed appropriations as specified below will be presented to, and the income statement and balance sheet for the Group and Parent Company will be adopted at the Annual General Meeting in May 2018.

Group

Total equity for the Group amounted to SEK 24,404 M at year-end. No provision to restricted reserves in the subsidiaries is proposed.

Parent Company

In 2017, recognised profit amounted to SEK 3,121,201,500.

The Board of Directors and the President propose that net profit for the year be appropriated as follows, SEK:

Net profit for the year	3,121,201,500
Total	3,121,201,500

Of the above net amount, withdrawals from (-) and provision to (+) the collective consolidation fund are proposed as follows, SEK.

Defined-contribution occupational pension insurance	1,367,622,463
Occupation-linked health insurance and premium exemption	71,105,446
Individual traditional life assurance	1,660,758,635
Non-cancellable accident and health insurance and premium exemption	41,073,985
Accident and health	-19,359,029
Total	3,121,201,500

The Board of Directors proposes that the Annual General Meeting authorise the Board in the 2018 fiscal year to use up to SEK 1,200 M of the funds in the collective consolidation fund for final allocations in connection with payments of pension and other claims payments, transfers of insurance capital and repurchases.

Sustainability Report for

Länsförsäkringar Liv for 2017 fiscal year

This Sustainability Report has been prepared based on the requirements of Chapter 6, Section 11 of the Swedish Annual Accounts Act regarding sustainability reporting.

Länsförsäkringar's business concept is based on creating security for customers. Sustainability regarding the climate, environment, justice and social engagement are central for developing the company's business concept in the long term. Material sustainability risks are identified and prioritised in cooperation with priority stakeholders: owners and the Board, customers, employees, suppliers, partners, trade organisations, civil society organisations, authorities and investors.

Governing guidelines

Länsförsäkringar AB's, including Länsförsäkringar Liv's, policy documents and guidelines form the basis of sustainability activities and related risks. All employees are to complete an e-course in the Code of Conduct for Employees, safety and sustainability every year. The Code of Conduct and e-course are available in Swedish and English. Policies and guidelines are revised

annually. Self-assessments and operational procedures are applied for the ongoing monitoring of compliance with these policies and guidelines. A Sustainability Committee, comprising Group management and the Head of Sustainability, meets at least four times a year to discuss and decide on priority sustainability issues.

Länsförsäkringar AB's, including Länsförsäkringar Liv's, policy documents and guidelines include:

- Sustainability policy
- Code of Conduct for Employees
- Personnel policy
- Equality and diversity plan
- Owner policy
- Purchasing and procurement policy
- Code of Conduct for Suppliers
- Policy on employees' private transactions
- Policy on anti-money laundering and terror financing
- Guidelines on identifying and managing conflicts of interest
- Policy on improper benefits

Länsförsäkringar AB is a signatory of the UN Global Compact's Ten Principles on human rights, labour, environment and anti-corruption and seeks to ensure that the operations comply with these principles.

Länsförsäkringar AB has also signed the United Nations-supported Principles for Responsible Investment (PRI), which, together with the Global Compact, form the basis of the owner policy.

Climate and environmental risks

Climate risk is the area of sustainability that presents the greatest challenge for Länsförsäkringar. Global warming and the resulting extreme weather events, such as storms, torrential rain, flooding and drought, have huge socio-economic consequences. Climate risks also entail a financial risk for Länsförsäkringar Liv's investments. Companies that base their operations on fossil fuels risk becoming "stranded assets" as stricter rules come into force to meet the two-degree climate target. The operations of other companies in which Länsförsäkringar Liv invests could also be affected by climate change. Länsförsäkringar AB has reduced the risk in its investments since 2016 by divesting a large number of companies linked to coal extraction and combustion. A number of companies are engaged in dialogue regarding their impact on the climate and environment.

In June 2017, the Task on Climate-related Financial Disclosures (TCFD) pre-

sented recommendations on climate-related financial disclosures. These recommendations comprise a framework on governance, strategy, risk management and reporting of climate-related risks and opportunities. Länsförsäkringar AB is positive towards the TCFD's framework. A project has been initiated to perform climate-related scenario analyses.

A more detail description of climate-risk management is provided in note 2 Risk and capital management.

Länsförsäkringar Liv's direct environmental impact is relatively limited and primarily comprises business travel, heating and electricity in office premises, and paper print-outs. Air travel was the largest source of carbon emissions in 2017. There are guidelines for business travel, and digital meetings and rail travel, where possible, are recommended instead of air travel so as to reduce carbon emissions.

Länsförsäkringar AB's office properties, including Länsförsäkringar Liv's, are environmentally classified as energy-efficient and designed to promote health and sustainability, in line with the Sweden Green Building Council's certification scheme and the GreenBuilding system. Renewable electricity and district heating are used in these properties.

The development of digital services leads to lower volumes of paper-based communication to customers, which reduces environmental impact while making information more accessible.

Investments	2017	2016
Number of fossil companies excluded from investments	129	80
Number of reactive company dialogues on environment	29	15
Number of reactive company dialogues on human rights	82	72
Number of reactive company dialogues on anti-corruption	20	20

The table provides information for the Länsförsäkringar AB Group. Dialogues takes place though the company itself and via an ethics consultant.

Social and personnel-related risks

Employees are Länsförsäkringar AB's most important resource. They possess a variety of specialist and professional expertise that is vital to carrying out and developing the operations. Being an attractive employer is a focus area for Länsförsäkringar Liv. Diversity and equality, skills development, learning, health and work environment are deemed important for employer attractiveness. Diversity centres on business value and helps to strengthen competitiveness and thus

increase profitability. Länsförsäkringar Liv firmly believes that different thinking is a key factor for success for learning and innovation. Diversity initiatives also play an important role in being an attractive and responsible employer and broadening the recruitment pool.

The personnel policy, Code of Conduct for Employees and the equality and diversity plan form the basis of Länsförsäkringar AB's HR. The equality and diversity plan includes the application of the Equal Opportunity Act and Discrimination Act, as well as targets, action plans and follow-up methods. The Code of Conduct provides a framework for Board members, employees and external consultants that describes expected standards of conduct and behaviour in daily duties that are consistent with the Group's vision, values, targets, strategies and external requirements.

A current and external diversity analysis was performed in 2017. Activities identified include continuing to raise awareness of diversity, incorporating diversity into cultural activities, empowering managers to work on diversity in their leadership and reviewing business processes and procedures. Several internal workshops and information meetings were arranged in 2017 to highlight the importance of diversity.

Work is continuing to ensure an even gender distribution. Managers are encouraged to take a broad diversity perspective when recruiting.

Social commitment primarily takes place locally in the various regional insurance companies and is governed by the guidelines of the local companies. Länsförsäkringar AB's social commitment is primarily linked to the diversity projects above. Länsförsäkringar AB has been making financial contributions to and supporting an exchange of know-how for a microinsurance project in India since 2016. Much of Länsförsäkringar AB's purchases of IT consultancy support are made from India, which is why the microinsurance project contributes to Indian society and is in line with the UN Sustainable Development Goals (SDGs).

Respect for human rights

Länsförsäkringar AB, including Länsförsäkringar Liv, invests in companies all over the world, through its own management and via externally managed funds and mandates. The owner policy is the basis of work on responsible investments. Länsförsäkringar AB strives to encourage the companies in which it invests to adhere to international conventions that Sweden has signed on the environment, human rights, corruption and contro-

versial weapons. There is a market and business risk that these companies could be linked to violations of human rights or to breaches of other conventions. To minimise this risk, the Group engages an external ethics consultant to analyse all investments based on international conventions to identify whether a company that the Group has invested in could be linked to violations of human rights. Dialogue then commences with such companies to encourage them to stop such contraventions, assume their responsibility and take action to prevent violations from happening again. Länsförsäkringar also sets requirements and monitors managers' efforts to integrate sustainability aspects, including human rights, into their investment analyses. Länsförsäkringar AB also encourages managers to engage in dialogue with companies.

Länsförsäkringar Liv's purchases primarily comprise services in IT and telecommunications, financial services, banking and investments, and consulting.

The purchasing and procurement policy stipulates the rules and methods for purchasing and procurement. A Code of Conduct for Suppliers, based on the UN Global Compact, defines requirements regarding human rights, labour conditions, environment and business ethics. The Code of Conduct has been included in purchasing agreements with new suppliers since 2016. Suppliers are expected to comply with the Code of Conduct. Each agreement manager in the operations is responsible for monitoring suppliers.

Work conditions, business ethics and environmental impact were discussed with the largest IT suppliers in 2017. No significant shortcomings were detected.

Strategic contractual procedures will include a broader and deeper scope for sustainability dialogue. It includes assessing whether spot checks and audits with suppliers are required.

Business ethics and corruption

The insurance industry is subject to strict rules and regulatory requirements aimed at protecting its customers and maintaining confidence and stability in the financial market. The rules also seek to prevent and counteract the financial system being utilised for money laundering and terror financing.

The guiding governance documents are the Code of Conduct for Employees, policies for employees' private transactions, policies and guidelines on anti-money laundering and terror financing, guidelines for identifying and handling conflicts of interest, and policies on improper benefits.

For Länsförsäkringar, it is essential to

apply full regulatory compliance and optimally prevent the operations from being utilised for corruption, fraud, money laundering or terror financing. Länsförsäkringar makes extensive efforts to limit these risks.

Systematic work is conducted to reduce the risk of money laundering and terror financing, such as building up in-depth customer knowledge, active monitoring and transaction reporting.

The general risk assessment performed within the business operations is regularly evaluated and updated as required, and also forms the basis of the governance documents, procedures and other anti-money laundering and terror financing measures. The Compliance function monitors and checks risk-assessment compliance. A new risk assessment is carried out when new products, services and distribution channels are introduced and re-organisations are implemented. The Länsförsäkringar Alliance has a shared system for reporting deviations.

All employees, contractors and managers working in the banking and life-assurance operations must be familiar with the content of the governance documents and the relevant procedures for anti-money laundering and terror financing. All of the employees in the banking and life-assurance operations must also undergo mandatory training on the subject and receive additional training. A total of 2,013 (1,963) people completed the training course on the Act on Measures against Money Laundering and Terrorist Financing in 2017.

Länsförsäkringar AB takes a stand against all forms of corruption and improper benefits, which is stated in the Code of Conduct and the policy on improper benefits. The Swedish Anti-corruption Institute's (IMM) recommendations on gifts, rewards and other benefits in business are part of the policy on improper benefits. The overall aim of the Group's anti-corruption work is to guide employees in avoiding giving and receiving gifts and representation that could arouse suspicions that the purpose is for private gain or promoting the interests of a third party.

The Compliance function regularly performs a risk and vulnerability analysis at Länsförsäkringar AB and its subsidiaries to evaluate the risk of bribery or other forms of improper influence. The areas addressed are the operations of each company, size and organisation of each company, market, customers, distribution channels, partners, sponsoring and purchasing. The result of the 2017 risk and vulnerability analysis showed that Länsförsäkringar AB and its subsidiaries are at low risk of being exposed to bribery.

The annual e-course in the Code of

Conduct for all employees contains teaching examples of business ethics to raise awareness and highlight the circumstances and the risks of corruption within the Group, and how employees are expected to act.

A whistle blowing procedure is open to all employees, customers, partners and other business associates to help counteract or stop crime or suspected crime in the business activities or closely related to the business activities. The informant has the right to anonymity and will not suffer any repercussions due to the report. The whistle blowing procedure is an alternative to other reporting channels. The Head of Compliance did not receive any whistle blowing cases in 2017.

Health and work environment

A long-term approach to health and work environment, comprising the organisational, social and physical work environment as integrated parts of the operations, has been applied for many years. Proactive work is undertaken to create the conditions to ensure well-being and job satisfaction among employees in a healthy work environment that allows everyone to contribute their commitment, good performance and efficiency in order to attain business targets.

Every manager is responsible for addressing employee and health issues arising in their own work groups, as well as equality, diversity and discrimination. A structure has been established for work-environment cooperation between employers, managers, employees and health and safety representatives. All organisational changes in the business are preceded by a risk assessment and are an explicit managerial responsibility. The organisational and social work environment is regularly monitored to prevent stress and unhealthy work loads in accordance with the Swedish Work Environment Authority's provisions (AFS 2015:4).

The Work Environment and Equality Committee's monitoring process is based on a corporate perspective of the equality and diversity plan, sickness absence, occupational injuries and near-accidents, and the employee survey. This year's employee survey showed a positive trend with 82% (72) of employees believing that they have a reasonable stress level in their work and 88% (91) thinking that they have a good work/life balance.

Health care insurance is offered to all employees that includes medical consultations, counselling and preventive health services. An agreement is in place with occupational health care services for rehabilitation support, work-related ill health and fitness subsidies. Sickness absence is

continuously monitored and total sickness absence was 1.0% for 2017.

Responsible investments

Länsförsäkringar AB signed the United Nations-supported Principles for Responsible Investment (PRI) and strives to integrate the principles into management. Länsförsäkringar Liv invests in various classes of assets via funds and discretionary mandates. Sustainability issues are included in the choice of managers and form part of the selection criteria. Managers' work on responsible investments is followed up every year based on integration of sustainability into analyses and decisions, organisational initiatives, engagement and voting. All managers apart from one are signatories of the PRI.

Working with responsible investments is based on the international conventions signed by Sweden in the areas of the environment, human rights, labour laws, corruption and controversial weapons. An external ethics consultant has been engaged to analyse listed company holdings based on these conventions. Based on these analyses, Länsförsäkringar Liv strives to engage in dialogue with companies that breach these conventions, with the aim of the company stopping its contraventions and taking measures to prevent similar incidents from being repeated. If the dialogue does not achieve the desired results, the holdings in the company may, as a last resort, be divested. No direct investments are made in controversial weapons (cluster munitions, landmines, biological and chemical weapons and nuclear weapons).

Länsförsäkringar also engages in preventive dialogue with companies on sustainability risks and opportunities, often in collaboration with other investors to give greater impetus to dialogue. A description of corporate governance is presented in the corporate governance report on Länsförsäkringar AB's website.

Carbon footprint in investments

Länsförsäkringar has signed the PRI Montreal Pledge, an initiative whereby investors pledge to measure and publicly disclose the carbon footprint of their investment portfolios. Länsförsäkringar Liv measured its carbon footprint in equities investments in accordance with Insurance Sweden's recommended method in the first quarter of 2017 and published the results on its website. New measurements will be taken in 2018.

Green bonds

Investments in green bonds increased in 2017 to SEK 1.4 billion at year-end.

Total return table

Investment assets in Old Trad, SEK M	Total return, %	Market value, 31 Dec 2017	%	Market value, 31 Dec 2016	%
Interest-bearing	2.2	70,029	86.9	72,547	85.7
Equities	14.6	5,923	7.4	3,741	4.4
Alternative investments ¹⁾	1.2	3,382	4.2	6,805	8.0
Property	21.7	1,238	1.5	1,625	1.9
Total	2.7	80,572	100	84,718	100

Investment assets in New Trad, SEK M	Total return, %	Market value, 31 Dec 2017	%	Market value, 31 Dec 2016	%
Interest-bearing	2.5	12,491	60.0	9,350	52.0
Equities	17.3	7,048	33.9	6,119	34.0
Alternative investments ¹⁾	1.2	843	4.1	1,934	10.8
Property	19.7	421	2.0	580	3.2
Total	6.4	20,803	100	17,983	100

Investment assets in New World, SEK M	Total return, % ²⁾	Market value, 31 Dec 2017	%	Market value, 31 Dec 2016	%
Interest-bearing	0.0	3,610	30.4	3,362	29.6
Equities	21.0	8,271	69.6	7,987	70.4
Total	13.3	11,881	100	11,349	100
Total		113,256		114,050	

¹⁾ The valuation of alternative investments on 31 December is based on the most recent information from fund managers.

²⁾ The total return is based on the net asset value (NAV) of the portfolio, while the return per asset class is calculated based on the closing rates in each market.

Reconciliation total return table with balance sheet

	31 Dec 2017	31 Dec 2016
Shares and participations in Group companies	30	436
Interest-bearing securities issued by Group companies and loans to Group companies	3,128	3,527
Shares and participations in associated companies	-	220
Shares and participations	21,791	18,862
Bonds and other interest-bearing securities	78,793	78,811
Loans with collateral in fixed property	-	1,761
Derivatives	5,766	6,587
Other financial investment assets	-	1,739
Total investment assets	109,508	111,943
Assets for conditional bonus	5,869	4,810
Cash and cash equivalents	5,381	4,527
Derivatives, liabilities	-3,804	-4,539
Shares and participations in Group and associated companies and loans to Group companies	-38	-1,310
Market value, property	-	1,933
Collateral assets recognised as receivables and liabilities	-1,790	-1,973
Cash and cash equivalents not included in total return table	-15	62
Insured Pension	-1,872	-1,733
Other	17	330
Total according to total return table	113,256	114,050

Five-year summary

	2017	2016	2015	2014	2013
Earnings, Group, SEK M					
Premium income for own account	1,533	1,720	1,919	2,639	3,388
Investment income, net	4,770	6,027	373	12,023	-1,744
Claims payments	-5,404	-5,683	-5,959	-6,627	-7,645
Disbursed and balanced bonus	-1,012	-1,032	-1,222	-1,475	-1,888
Technical result for insurance operations	2,472	2,838	5,388	2,248	5,495
Net profit for the year	2,363	2,682	5,089	1,903	5,174
Financial position, SEK M					
Investment assets measured at fair value, Group	109,480	112,572 ⁶⁾	110,395	115,971	106,777
Technical provisions, Group	84,296	87,408	88,539	97,172	91,585
Solvency capital, Parent Company	24,477	23,142	21,503	17,651	17,226
Of which, surplus value in Group and associated companies	-	716	334	341	395
Of which, deferred tax	-	-	-	-	-
Collective consolidation capital, Parent Company	16,753	17,956	15,471	16,895	6,309
Own funds, Parent Company	25,129	22,308	20,606 ²⁾	-	-
Own funds, Parent Company (according to FRL wording on 31 Dec 2015) ⁴⁾	-	-	21,169	17,310	16,831
Minimum capital requirement, Parent Company	3,042	3,238	3,246 ²⁾	-	-
Solvency capital requirement, Parent Company	12,168	11,433	11,345 ²⁾	-	-
Own funds, group (Länsförsäkringar AB) ¹⁾	44,172	40,602	36,905 ²⁾	-	-
Solvency capital requirement, group (Länsförsäkringar AB) ¹⁾	33,441	30,121	28,233 ²⁾	-	-
Required solvency margin, Parent Company (according to FRL wording on 31 Dec 2015) ⁴⁾	-	-	3,872	4,214	3,991
Own funds, insurance group (according to FRL wording on 31 Dec 2015) ⁴⁾	-	-	9,437	7,619	-
Required solvency margin, insurance group (according to FRL 2010:2043 wording on 31 Dec 2015) ⁴⁾	-	-	6,072	6,293	-
Key figures for Parent Company, % unless otherwise specified					
Management cost ratio	0.3	0.4	0.4	0.4	0.3
Direct yield	0.9	1.3	1.8	1.5	2.7
Total return, Old Trad	2.7	5.9	0.5	11.3	-3.0
Total return, New World ³⁾	13.3	5.1	0.3	8.7	13.5
Total return, New Trad	6.4	4.3	1.4	9.4	4.3
Collective consolidation ratio, Old Trad	123	125	120	120	107
Collective consolidation ratio, New Trad	117	114	114	120	115
Solvency rate (according to FRL wording on 31 Dec 2015) ⁵⁾	-	-	128	122	118 (123)
Solvency ratio, multiple (according to FRL wording on 31 Dec 2015) ⁴⁾	-	-	5.6	4.2	4.3
Solvency ratio	207 ⁷⁾	195	182 ²⁾	-	-
Average bonus rate before tax and expenses, Old Trad	2.0	2.0	2.0	1.0	0.2
Average bonus rate after tax, Old Trad					
Endowment insurance (tax rate 30%)	1.6	1.6	1.7	0.4	-0.3
Pension insurances (tax rate 15%)	1.9	1.9	1.8	0.7	-0.1
Average bonus rate before tax and expenses, New Trad	5.0	5.5	9.2	6.6	5.0
Average bonus rate after tax, New Trad					
Pension insurances (tax rate 15%)	4.9	5.4	8.9	6.3	4.8

¹⁾ 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 and Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, except where the insurance-operation rules require deductions from profits in subsidiaries that are not transferable to another company unless the subsidiary in question is an insurance company.

²⁾ Opening balance on 1 January 2016 under Solvency II. There are no comparative figures since the regulations came into effect on 1 January 2016.

³⁾ The calculation of total return in New World changed from 2014 and comparative figures for 2013 have been restated. In the new calculation method, all items that benefit customers are included in total returns.

⁴⁾ An insurance group for Länsförsäkringar AB (publ) together with Länsförsäkringar Liv, Länsförsäkringar Sak and Länsförsäkringar Fondliv due to the amendment of the Swedish Insurance Business Act (2010:2043) effective 1 January 2014.

⁵⁾ A change to the calculation of the solvency rate was introduced in 2014. The change entailed that conditional bonuses were not fully included in liabilities, which is a change that better reflects the differences in the capital requirements between conditional bonus and life-assurance reserves. Restated comparative figures are presented in parentheses.

⁶⁾ Comparative figures for 2016 (but not 2013-2015) have been restated because accrued interest is recognised together with financial instruments measured at fair value. See note 1 for further information.

⁷⁾ Excluding changed assumption on operating expenses, including the changed assumption the solvency ratio is estimated at 200%.

Financial statements

Income statement	13
Statement of comprehensive income	13
Performance analysis	14
Balance sheet	16
Statement of changes in equity	18
Cash-flow statement	19
Note 1 Accounting policies	20
Note 2 Risks and risk management	25
Note 3 Premium income	31
Note 4 Investment income per measurement category	31
Note 5 Investment income, revenue	31
Note 6 Unrealised gains on investment assets	31
Note 7 Claims paid before ceded reinsurance	31
Note 8 Operating expenses	32
Note 9 Fees and remuneration of auditors	32
Note 10 Employees, staff costs and remuneration of senior executives	32
Note 11 Investment income, expenses	34
Note 12 Unrealised losses on investment assets	34
Note 13 Tax	34
Note 14 Investment properties	35
Note 15 Shares and participations in Group companies	35
Note 16 Interest-bearing securities issued by Group companies and loans to Group companies	36
Note 17 Shares and participations in associated companies	36
Note 18 Shares and participations	36
Note 19 Bonds and other interest-bearing securities	36
Note 20 Derivatives	37
Note 21 Assets and provisions for conditional bonus	37
Note 22 Other receivables	37
Note 23 Prepaid acquisition costs	37
Note 24 Share capital	37
Note 25 Life-assurance reserve	37
Note 26 Provision for claims outstanding	37
Note 27 Provision for pensions and similar commitments	38
Note 28 Liabilities, direct insurance	38
Note 29 Other liabilities	38
Note 30 Pledged assets and contingent liabilities	39
Note 31 Information about offsetting	39
Note 32 Financial assets and liabilities by category	40
Note 33 Fair value valuation techniques	42
Note 34 Recovery dates	44
Note 35 Disclosures on related-party transactions, etc.	44
Note 36 Significant events after the end of the fiscal year	47
Note 37 Proposed appropriation of profit	47
Board's signatures	48
Audit report	49
Corporate Governance Report	52

Income statement

Technical recognition of life-assurance operations		Group		Parent Company	
SEK M	Note	2017	2016	2017	2016
Premium income					
Premium income before ceded reinsurance	3	1,711	1,905	1,711	1,905
Premiums for ceded reinsurance		-178	-185	-178	-185
Total premium income after ceded reinsurance		1,533	1,720	1,533	1,720
Investment income, revenue	4, 5	5,567	4,933	6,281	4,901
Unrealised gains on investment assets	4, 6	952	3,983	952	3,598
Claims payments					
Claims paid before ceded reinsurance	7	-5,579	-5,859	-5,579	-5,859
Reinsurers' portion		114	122	114	122
Total claims paid after ceded reinsurance		-5,465	-5,737	-5,465	-5,737
Change in provision for claims outstanding before ceded reinsurance		66	56	66	56
Reinsurers' portion		-5	-2	-5	-2
Total change in provision for claims outstanding after ceded reinsurance		61	54	61	54
Total claims payments after ceded reinsurance		-5,404	-5,683	-5,404	-5,683
Change in other technical provisions after ceded reinsurance					
Life-assurance reserve	25	3,052	1,072	3,052	1,072
Technical provisions for life assurance for which the policyholder bears the risk					
Conditional bonus		-1,062	149	-1,062	149
Operating expenses	8, 9, 10	-417	-447	-417	-447
Investment income, expenses	4, 11	-1,574	-2,824	-1,579	-2,782
Unrealised losses on investment assets	4, 12	-175	-65	-175	-65
Technical result, life-assurance operations		2,472	2,838	3,182	2,463
NON-TECHNICAL RECOGNITION					
Technical result, life-assurance operations		2,472	2,838	3,182	2,463
Other non-technical expenses		-96	-110	-	-
Profit before tax/Profit before appropriations and tax		2,376	2,728	3,182	2,463
Tax allocation reserve		-	-	61	70
Tax	13	-13	-46	-122	-174
NET PROFIT FOR THE YEAR		2,363	2,682	3,121	2,359

Statement of comprehensive income

	Group		Parent Company	
SEK M	2017	2016	2017	2016
Net profit for the year	2,363	2,682	3,121	2,359
Other comprehensive income	-	-	-	-
Total other comprehensive income for the year, net after tax	-	-	-	-
Comprehensive income for the year	2,363	2,682	3,121	2,359

Performance analysis 2017

SEK M	Direct insurance in Sweden Occupational pension		
	Total	Defined- contribution traditional insurance	Health insurance and premium exemption
Premium income before ceded reinsurance	1,711	850	322
Premiums for ceded reinsurance	-178	-22	-89
Total premium income after ceded reinsurance	1,533	828	233
Investment income, revenue	6,281	3,281	2
Unrealised gains on investment assets	952	479	-
Claims payments			
Claims paid before ceded reinsurance	-5,579	-2,673	-191
Reinsurers' portion	114	13	45
Total claims paid after ceded reinsurance	-5,465	-2,660	-146
Change in provision for claims outstanding before ceded reinsurance	66	-	7
Reinsurers' portion	-5	-	-10
Total change in Provision for claims outstanding after ceded reinsurance	61	-	-3
Total claims payments after ceded reinsurance	-5,404	-2,660	-149
Change in other technical provisions before ceded reinsurance			
Life-assurance reserve	3,052	1,352	1
Technical provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	-1,062	-706	-
Operating expenses	-417	-198	-42
Investment income, expenses	-1,579	-834	-
Unrealised losses on investment assets	-175	-132	-
Technical result, life-assurance operations	3,182	1,411	45
Tax allocation reserve	61	-	47
Tax	-122	-43	-20
NET PROFIT FOR THE YEAR	3,121	1,368	71
Run-off result	459	-	365
Technical provisions, before ceded reinsurance			
Life-assurance reserves	82,140	45,392	3
Provision for claims outstanding	2,157	23	1,206
Total	84,296	45,415	1,209
Provisions for life assurance for which the policyholder bears the insurance risk			
Conditional bonus	5,869	4,025	-
Reinsurers' portion of technical provisions			
Provision for claims outstanding	472	2	301
Collective consolidation funds	24,142	6,524	1,671

Performance analysis 2017, cont.

SEK M	Direct insurance in Sweden Other life assurance		
	Individual traditional insurance	Health and premium exemption	Accident and health
Premium income before ceded reinsurance	431	81	26
Premiums for ceded reinsurance	-46	-21	-
Total premium income after ceded reinsurance	386	60	26
Investment income, revenue	2,998	1	-
Unrealised gains on investment assets	473	-	-
Claims payments			
Claims paid before ceded reinsurance	-2,576	-124	-15
Reinsurers' portion	28	28	-
Total claims paid after ceded reinsurance	-2,548	-96	-15
Change in provision for claims outstanding before ceded reinsurance	-1	69	-9
Reinsurers' portion	-	5	-
Total change in Provision for claims outstanding after ceded reinsurance	-1	74	-9
Total claims payments after ceded reinsurance	-2,549	-22	-24
Change in other technical provisions before ceded reinsurance			
Life-assurance reserve	1,699	-	-
Technical provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	-357	-	-
Operating expenses	-149	-14	-14
Investment income, expenses	-745	-	-
Unrealised losses on investment assets	-43	-	-
Technical result, life-assurance operations	1,712	26	-12
Tax allocation reserve	0	27	-13
Tax	-53	-12	6
NET PROFIT FOR THE YEAR	1,660	41	-19
Run-off result	-	94	-
Technical provisions, before ceded reinsurance			
Life-assurance reserves	36,742	3	-
Provision for claims outstanding	50	798	79
Total	36,792	801	79
Provisions for life assurance for which the policyholder bears the insurance risk			
Conditional bonus	1,844	-	-
Reinsurers' portion of technical provisions			
Provision for claims outstanding	5	164	-
Collective consolidation funds	14,913	976	58

Balance sheet

ASSETS, SEK M	Note	Group		Parent Company	
		31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Property and equipment					
Property and equipment		2	2	2	2
Total property and equipment		2	2	2	2
Investment assets					
Investment properties	14	-	1,719	-	-
Investments in Group companies and associated companies					
Shares and participations in Group companies	15	-	-	30	436
Interest-bearing securities issued by Group companies and loans to Group companies	16	3,128	2,880	3,128	3,527
Shares and participations in associated companies	17	0	213	0	220
Other financial investment assets					
Shares and participations	18	21,791	18,862	21,791	18,862
Bonds and other interest-bearing securities	19	78,793	78,811	78,793	78,811
Loans with collateral in fixed property		-	1,761	-	1,761
Derivatives	20, 32	5,766	6,587	5,766	6,587
Other financial investment assets		-	1,739	-	1,739
Total investment assets		109,480	112,572	109,508	111,943
Investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus	21	5,869	4,810	5,869	4,810
Reinsurers' portion of technical provisions					
Provision for claims outstanding		472	477	472	477
Receivables					
Other receivables	22	1,219	1,909	1,217	1,893
Total receivables		1,219	1,909	1,217	1,893
Other assets					
Current tax assets		39	236	39	236
Cash and cash equivalents		5,381	4,527	5,381	4,527
Total other assets		5,420	4,763	5,420	4,763
Prepaid expenses and accrued income					
Prepaid acquisition costs	23	102	143	102	143
Other prepaid expenses and accrued income		0	0	3	10
Total prepaid expenses and accrued income		102	143	105	153
TOTAL ASSETS		122,563	124,675	122,594	124,041

Balance sheet, cont.

	Note	Group		Parent Company	
		31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
EQUITY, PROVISIONS AND LIABILITIES, SEK M					
Equity					
Share capital	24	8	8	8	8
Collective consolidation fund		22,033	20,360	21,021	19,671
Other reserves					
Net profit for the year		2,363	2,682	3,121	2,359
Total equity		24,404	23,050	24,150	22,038
Untaxed reserves					
Tax allocation reserve		-	-	327	388
Technical provisions before ceded reinsurance					
Life-assurance reserve	25	82,140	85,192	82,140	85,192
Provision for claims outstanding	26	2,157	2,216	2,157	2,216
Total technical provisions		84,296	87,408	84,296	87,408
Provisions for life assurance for which the policyholder bears the investment risk before ceded reinsurance					
Conditional bonus	21	5,869	4,810	5,869	4,810
Provisions for other risks and expenses					
Provisions for pensions and similar commitments	27	24	27	22	27
Deferred tax liabilities	13	72	86	-	-
Other provisions		54	126	54	122
Total provisions for other risks and expenses		150	239	76	149
Deposits from reinsurers		472	477	472	477
Liabilities					
Liabilities, direct insurance	28	165	160	165	160
Liabilities, reinsurance		8	6	8	6
Derivatives	20, 31	3,804	4,539	3,804	4,539
Other liabilities	29	3,184	3,774	3,238	3,868
Total liabilities		7,161	8,479	7,215	8,573
Accrued expenses and deferred income					
Other accrued expenses and deferred income		210	212	189	198
TOTAL EQUITY, PROVISIONS AND LIABILITIES		122,563	124,675	122,594	124,041

Statement of changes in equity

SEK M	Group					Parent Company			
	Share capital	Collective consolidation fund	Equity method reserve	Retained earnings incl. net profit for the year	Total	Share capital	Collective consolidation fund	Retained earnings incl. net profit for the year	Total
Opening equity, 1 January 2016	8	16,307	-	5,087	21,402	8	15,560	5,143	20,711
Net profit for the year	-	-	-	2,682	2,682	-	-	2,359	2,359
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	2,682	2,682	-	-	2,359	2,359
Appropriation of profit	-	5,087	-	-5,087	-	-	5,143	-5,143	-
Divestment of subsidiaries	-	-2	-	-	-2	-	-	-	-
Disbursed bonus	-	-1,032	-	-	-1,032	-	-1,032	-	-1,032
Closing equity, 31 December 2016	8	20,360	-	2,682	23,050	8	19,671	2,359	22,038
Opening equity, 1 January 2017	8	20,360	-	2,682	23,050	8	19,671	2,359	22,038
Net profit for the year	-	-	-	2,363	2,363	-	-	3,121	3,121
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	2,363	2,363	-	-	3,121	3,121
Appropriation of profit	-	2,682	-	-2,682	-	-	2,359	-2,359	-
Transfer conditional bonus to collective consolidation fund	-	3	-	-	3	-	3	-	3
Disbursed bonus	-	-1,012	-	-	-1,012	-	-1,012	-	-1,012
Closing equity, 31 December 2017	8	22,033	-	2,363	24,404	8	21,021	3,121	24,150

All equity is classified as restricted.

Cash-flow statement

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Net profit for the year before tax	2,376	2,728	3,244	2,532
Income and yield tax paid	-167	-411	-162	-407
Disbursed bonus and pension collective agreements from collective consolidation fund	-1,012	-1,032	-1,012	-1,032
Adjustment for non-cash items	-4,893	-5,342	-4,753	-5,482
Total	-3,696	-4,057	-2,683	-4,389
Change in other operating receivables and liabilities				
Assets	5,333	2,547	5,245	2,127
Liabilities	-897	2,193	-1,041	2,074
Cash flow from operating activities	740	683	1,521	-188
Investing activities				
Divestment of subsidiaries	115	-	115	-
Loans to Group and associated companies	-	-	-781	871
Investments in property and equipment	0	0	0	0
Cash flow from investing activities	115	0	-666	871
Net cash flow for the period	855	683	855	683
Cash and cash equivalents, 1 January	4,527	3,844	4,527	3,844
Change in cash and cash equivalents	855	683	855	683
Cash and cash equivalents, 31 December	5,381	4,527	5,381	4,527

Cash and cash equivalents pertains to balances of bank accounts and Plusgiro, the amount is recognised in the balance sheet under Cash and cash equivalents.

Supplementary information about cash flows

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Interest payments, inward	2,511	2,661	2,511	2,661
Interest payments, outgoing	-729	-550	-729	-538
Dividends received	137	267	137	294
Specification of non-cash items:				
Changes in technical provisions	-3,052	-1,080	-3,052	-1,080
Change in value and results of investment assets	-2,886	-4,111	-2,743	-4,234
Value changes in investment assets for which the policyholder bears the risk	1,062	-149	1,062	-149
Other	-17	-2	-20	-19
Total	-4,893	-5,342	-4,753	-5,482

Both interest payments and dividends are recognised in the operating activities.

Notes to the financial statements

All figures in SEK M unless otherwise stated.

Note 1	Accounting policies
---------------	----------------------------

Company information

The Annual Report and consolidated financial statements for Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corp. Reg. No. 516401-6627, pertains to the fiscal year 1 January–31 December 2017. Länsförsäkringar Liv Försäkringsaktiebolag (publ) is a mutual limited liability insurance company, with its registered office in Stockholm. The company's address is Tegeluddsvägen 11-13, SE-106 50 Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, with its registered office in Stockholm. The company and its subsidiaries are not consolidated in Länsförsäkringar AB's consolidated financial statements since Länsförsäkringar Liv's earnings accrue in their entirety to the policyholders.

In addition to life-assurance operations, the Länsförsäkringar Liv Group's business activities comprise non-life insurance operations in the form of accident and health insurance. Since such group accident insurance represents less than 1% of the total operations, and accordingly is not material, the Group's entire operations have been recognised as life-assurance operations in the income statement. The portion comprising non-life insurance operations is recognised in the performance analysis under Accident and health. Consequently, this line of insurance has not been specified by occupational pension in this Annual Report.

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies FFFS 2015:12 and its amendments and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were also applied.

The Parent Company applies the same accounting policies as the Group with the exceptions described in the section on the Parent Company's accounting policies.

The Annual Report was approved for publication by the Board of Directors and President on 6 March 2018. Final adoption of the Annual Report will take place at the 2018 Annual General Meeting.

Conditions relating to the preparation of the Parent Company's and consolidated financial statements

The Parent Company's functional currency is Swedish kronor (SEK) and the financial statements for both the Parent Company and the Group, are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million (SEK M). Assets and liabilities are recognised at cost, except for most of the Group's financial assets and liabilities, which are measured at fair value.

The accounting policies stated below have been applied to all periods presented in the financial statements, unless otherwise stated.

Judgements and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that corporate management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities. These judgements and estimates are based on previous knowledge and experiences and the information available on the balance-sheet date. The actual outcome may deviate from these estimates and judgements, but estimates are regularly evaluated to reduce deviations.

Changes in the abovementioned estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Significant judgements applied to the Group's accounting policies

An area in which corporate management makes significant judgements is the classification of insurance contracts. Under IFRS 4, contracts that transfer significant insurance risk are classified as insurance contracts. Länsförsäkringar Liv has assessed all insurance contracts. The level of insurance risk was assessed by considering whether one or more scenarios of commercial significance exist in which Länsförsäkringar Liv would be obligated to pay a significant amount of compensation. The company's traditional life assurance and the insurance component of the financial agreements are classified as insurance contracts in accordance with IFRS 4. For further information, see the section on Insurance contracts below.

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

Significant sources of estimation uncertainty

The assumptions used in the calculation of the technical provisions have the most significant effect on the amounts recognised in the financial statements. In calculating the life-assurance reserve, assumptions are made regarding the discount rate, mortality, morbidity and expenses. An actuarial estimate of future costs for incurred health claims and claims that have not yet been reported is made when calculating provisions for claims outstanding. Statistical methods are used to estimate future claims costs. The valuation of the company's provisions is described in the section below concerning the recognition of technical provisions and in note 2 Risks and risk management.

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

For the market valuation of investment property, cash-flow statements containing several assumptions and judgements are used. They include such parameters as rental and cost trends, inflation and the discount rate. A change in any of these parameters due to a change in vacancy rate, market conditions or similar events affects the calculated cash flows and thus the value of the properties. For further information, refer to the accounting policies for Investment assets.

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

New and amended accounting policies

In order to conform with the classification in the solvency regulations, the Group has decided to recognise financial instruments measured at fair value including accrued interest from 1 January 2017. The change affects comparative figures in the balance sheet as per 31 December 2016. The asset items impacted are: bonds and other interest-bearing securities by SEK 646 M, interest-bearing securities issued by Group companies by SEK 23 M, derivatives by SEK 305 M and prepaid expenses and accrued income by a negative SEK 612 M. The liability items impacted are: derivatives by SEK 363 M. Comparative figures and performance measures have been updated to the new reporting method. The amendment did not impact profit or equity.

New standards and amendments to standards adopted by the EU that are to be applied from 1 January 2017 did not entail any significant changes to the Group's earnings or financial position.

New accounting regulations that have not yet been applied

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains new requirements for the classification and measurement of financial instruments, an expected loss impairment model and simplified conditions for hedge accounting.

IFRS 9 has been approved by the EU and will take effect for fiscal years beginning on or after 1 January 2018 and early adoption is permitted. Länsförsäkringar Liv has chosen not to apply the standard in advance and does not intend to restate comparative figures for 2017 in the 2018 Annual Report caused by IFRS 9.

In September 2016, the IASB amended IFRS 4 to allow insurance companies to use an exception to start applying IFRS 9 which is to be applied for fiscal years beginning on or after 1 January 2018. This exemption has been approved by the EU and means that insurance companies can instead choose to start applying IFRS 9 at the same time as the future standard IFRS 17, that is from the 2021 fiscal year. Länsförsäkringar Liv has not made use of this exemption.

The categories in IAS 39 will be replaced by three measurement categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification for financial assets is determined based on the company's business model for the holdings and the cash flow characteristics that the assets give rise to. Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value in other comprehensive income. The rules regarding financial liabilities are largely consistent with the IAS 39 rules. Based on the analysis performed, the classification of financial assets under IFRS 9 is determined as follows in the table below. With the exception of enhanced disclosure requirements, the effect of the classification of financial assets and liabilities under IFRS 9 is expected to have a minor impact on the consolidated financial statements.

Financial asset	Fair value through profit and loss	Amortised cost	Fair value through other comprehensive income
Interest-bearing securities issued by Group companies and loans to Group companies	X		
Shares and participations	X		X
Bonds and other interest-bearing securities	X		
Loans with collateral in fixed property	X		
Derivatives	X		
Other financial investment assets	X		
Other receivables		X	
Cash and cash equivalents		X	

New principles are introduced for the impairment of financial assets, which, based on the company's business model for the holdings and the cash flow characteristics that the assets give rise to, are measured at either amortised cost or for debt instruments measured at fair value through other comprehensive income. The impairment model requires recognition of a 12-month expected credit losses and, in the event of a significant increase in the credit risk, the loss allowance is to be based on the full lifetime expected credit losses. A method has been established for calculating expected credit losses for cash and cash equivalents and other receivables measured at amortised cost and is not deemed to have any material impact on Länsförsäkringar Liv's financial statements.

The rules on hedge accounting entail, for example, simplified assessments for the effectiveness of a hedging relationship, and expanded limits for what may be identified as a hedging instrument and a hedged item. Hedge accounting is not applied, and therefore these changes are not deemed to have any material impact on the company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will take effect for fiscal years beginning on or after 1 January 2018 and will then replace all previously issued standards and interpretations on income. The standard contains a single, five-step model for recognising revenue from contracts with customers that is not encompassed by other standards.

Länsförsäkringar has carried out a Group-wide project on the implementation of IFRS 15 and analysed the effects. The analysis did not identify any effects that require adjustments of retained earnings.

IFRS 16 Leases

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

For lessees, the new standard means that essentially the same lease agreements are to be recognised in the statement of financial position. Leases are not to be classified as operating or finance for the lessee. The standard provides certain recognition exemptions for lessees for assets of low value and for leases with a term of 12 months or less. The standard contains more extensive disclosure requirements. The evaluation of the effects of IFRS 16 on the company's reporting is under way and has not yet been completed.

IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts was published on 18 May 2017 and will replace the existing standard IFRS 4 Insurance Contracts. The new standard has not yet been approved by the EU but is expected to come into effect for fiscal years beginning on or after 1 January 2021. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The new standard will also impose expanded disclosure requirements to increase comparability between different companies.

Länsförsäkringar is running a project in the Group to analyse the effects of the new standard. The project is in the pilot study stage.

Consolidated financial statements

The Group includes the Parent Company and the companies in which Länsförsäkringar Liv has a controlling influence. A controlling influence is defined as having direct or indirect control to thereby influence a company's financial and operational strategies in order to receive economic benefits. The consolidated financial statements were prepared following the purchase method. The purchase method entails that acquired identifiable assets and assumed liabilities are measured at fair value on the acquisition date. If the cost is greater than the fair value of the net assets, the difference is recognised as goodwill. Earnings from operations acquired or divested during the year are recognised in the consolidated financial statements from the acquisition date until the date on which the controlling influence ceases.

Associated companies are companies in which ownership comprises a part of a permanent connection and in which the Parent Company exercises a significant but not a controlling influence. The share in associated companies' earnings after tax is recognised in the consolidated income statement. Associated companies are recognised in the consolidated financial statements in accordance with the equity method.

Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety when the consolidated financial statements are prepared.

In the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity.

Related parties

Related legal entities include the Länsförsäkringar AB Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB and the 23 regional

insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Länsförsäkringar Liv's Board members, senior executives and their close family members and companies owned by them. See note 35 Disclosures on related-party transactions, etc. for more information.

Translation of foreign currencies

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

Unrealised exchange-rate differences thus arising are recognised in profit and loss as exchange-rate gains/losses net under Investment income, revenue or Investment income, expenses.

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

Insurance contracts

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

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts based on the level of insurance risk. Insurance products that do not involve a significant level of insurance risk are to be classified as non-insurance contracts. The level of insurance risk was assessed by considering whether one or more scenarios of commercial significance exist in which Länsförsäkringar Liv would be obligated to pay a significant amount of compensation.

Contracts with discretionary participation features

Traditional life assurance at Länsförsäkringar Liv comprises contracts with discretionary participation features. This means that the policyholders have a preliminary distributable surplus. However, this preliminary distributable surplus is not guaranteed. Accordingly, these contracts are recognised in accordance with the policies applied for insurance contracts. The preliminary distributable surplus is recognised as equity.

Premium income

Premiums for the insurance contracts are recognised as premium income in line with premiums being paid. Premiums pertain to direct life assurance and direct accident and health insurance and comprise periodic premiums and single premiums. Premium income is recognised as the total gross premium for direct insurance deposited or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year.

Claims payments

Claims paid correspond to compensation to policyholders and cancellations, repurchases and external transfers during the accounting period. Such compensation is recognised by the guaranteed portion being expensed and the bonus portion reducing equity. Expenses for claims adjustment are also included in claims paid.

Investment income

Investment income, revenue and expenses

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

Unrealised gains and losses on investment assets

Unrealised gains and losses on investment assets and derivatives are included in the items Unrealised gains and Unrealised losses on investment assets. Unrealised gains and losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised change in value is reversed as an unrealised gain or loss.

Operating expenses

All operating expenses are classified in profit and loss according to the following functions: acquisition, change in the item prepaid acquisition costs, administration, commission and profit shares in ceded reinsurance. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for financial management are recognised under Investment income, expenses. Operating expenses for property management are recognised as direct costs for properties, and are included in Investment income, expenses.

Leasing

Länsförsäkringar Liv leases equipment from its Parent Company Länsförsäkringar AB. These agreements are limited in scope and recognised in their entirety as operating leases. These rental changes are recognised straight-line over the leasing period.

Tax

Yield tax

Yield tax is not a tax on an insurance company's earnings but is paid by the company on behalf of the policyholders. Tax objects comprise the value of the net assets managed on behalf of the policyholders at the start of the fiscal year. For the Group, the yield tax attributable to the period is recognised in profit and loss as other non-technical expenses.

Tax

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

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

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

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

Investment assets

Investment properties

The Group holds land and buildings for the purpose of generating rental income and increases in value. Accordingly, these holdings are classified as investment property. The properties are continuously measured at fair value according to the revaluation technique. This is performed by an external appraiser by applying both location prices and cash flows. Valuations take place every six months. Since the properties are recognised and measured at fair value, they are not depreciated. Changes in fair value of these properties are recognised in profit and loss as unrealised gains and losses on investment assets.

When investment properties are sold, the realised gains or losses are calculated as the difference between the net selling price and the carrying amount of the investment properties according to the most recently published financial report. Realised gains and losses on investment properties are recognised in profit and loss as investment income, revenue and investment income, expenses.

Financial assets and liabilities

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of the asset. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

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

Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting conducted in the balance sheet is provided in note 31 on Information about offsetting.

Classification and measurement

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument and on the options contained in IAS 39. After initial recognition, the classification determines how the financial instrument is measured. For instruments classified as Financial assets measured at fair value through profit and loss, the cost corresponds to the fair value without additions for transaction costs. Financial instruments are continuously measured at fair value, cost or amortised costs depending on the category that the instrument belongs to.

Financial assets measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial assets measured according to fair value option. The "Held for trading category" comprises derivatives that have a positive market value. The "Financial assets measured according to fair value option" category includes assets that are managed and valued based on the fair values of the assets. The fair value which also forms the basis of internal monitoring and reporting to senior executives. Since these assets are managed and measured at fair value, the company has chosen to classify these instruments as Financial assets measured at fair value through profit and loss. In the balance sheet, the category of Financial assets measured according to fair value option comprises the following items: Interest-bearing securities issued by Group companies and loans to Group companies; Shares and participations; Bonds and other interest-bearing securities; Loans with collateral in fixed property and Other financial investment assets. Changes in fair value of these assets are recognised in profit and loss as Unrealised gains and unrealised losses on investment assets.

Loans and receivables

Loans and receivables are financial assets that have fixed or fixable payments and that are not derivatives or quoted in an active market. Assets in this category are measured at amortised cost. Loans and receivables in the balance sheet comprise the items: Other receivables and Cash and cash equivalents.

Financial liabilities measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial liabilities measured according to fair value option. A financial liability held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The company classifies derivatives that have a negative market value in the Held for trading category. The company has no financial liabilities in the Financial liabilities measured according to fair value option category.

Other financial liabilities

The Other financial liabilities category in the balance sheet comprises Other liabilities and Other accrued expenses and deferred income. Liabilities in this category are measured at amortised cost.

Method for determining fair value

The methods for determining fair value and the level of the valuation hierarchy from which inputs are used for calculating the fair value are stated in note 33 Fair value valuation techniques.

Financial instruments quoted in an active market

The largest portion of the company's financial instruments are measured at fair value using prices quoted in an active market. No additions for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment are made. A financial instrument is considered to be quoted in an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy. Instruments quoted in an active market and found in Level 1 of the fair value hierarchy are found in the balance sheet as Interest-bearing securities issued by Group companies and loans to Group companies (loans to Group companies are not quoted in an active market and are measured according to Level 2), Shares and participations, Bonds and other interest-bearing securities, Derivatives and Other financial investment assets.

Financial instruments not quoted in an active market

If the market for a financial instrument is not active, the fair value is determined by using a valuation technique. The company has OTC derivatives, for example, that are not traded in an active market. The valuation techniques applied are based on market data as far as possible, while company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the balance sheet as the items: Interest-bearing securities issued by Group companies and loans to Group companies (debt securities in issue by Group companies are quoted in an active market and are found in Level 1); Loans with collateral in fixed property and Derivatives. If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the balance sheet as the items: Investment property, Shares and participations and Bonds and other interest-bearing securities.

Impairment testing of financial assets

On each reporting occasion, the company assesses whether a financial asset is in need of impairment by evaluating objective evidence of whether a financial asset requires impairment. Objective evidence comprises observable circumstances that have occurred and affect the possibility of recovering the cost.

The recoverable amount for assets belonging to the category of Loans and receivables, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

Reversal of impairment losses

Recognised impairment is reversed when there is no longer an indication that the impairment requirement still exists or a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied. Impairment of loans and receivables recognised at amortised cost are reversed if a later increase of the recoverable amount can objectively be attributed to an event that occurred after the impairment was applied.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds and immediately available balances at banks and similar institutions.

Prepaid acquisition costs

Costs that have a clear connection to underwriting insurance contracts are capitalised as Prepaid acquisition costs in the balance sheet and are depreciated over the useful life. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. These acquisition costs pertain to operating expenses, for example, commission and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. Costs are depreciated straight-line over ten years. The asset is impairment tested every year.

Technical provisions

Technical provisions comprise a life-assurance reserve and a provision for claims outstanding. All changes in technical provisions are recognised in profit and loss.

Life-assurance reserve

The life-assurance reserve corresponds to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction of the anticipated capital value of future contractual premium payments. The life-assurance reserve is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity premium changes, repurchases/transfers, changed payment periods, operating expenses, and applicable tax rates for yield tax.

The discount rate curve defined by the EIOPA is applied to the calculation of technical provisions. This curve has been produced to correspond to interest rates for relevant durations and is based on market data for Swedish swap rates. A macroeconomic assumption of a long-term interest rate of 4.20% is also included. A differentiated addition to the provisions for occupational pension insurance and other life assurance entails a difference between prudent and satisfactory provisions.

Assumptions regarding mortality are structured as generation mortality and include a trend-based increase in life expectancy in relation to year of birth. These assumptions are based on the company's experience of mortality in its own portfolio and on Statistics Sweden's assumptions for future increases in life expectancy.

Assumptions regarding premium changes, repurchases/transfers, changed payment periods and operating expenses including asset management expenses are determined based on the company's experience and, in certain cases, by applying expert judgement regarding future outcomes. Länsförsäkringar Liv's life expectancy and operating expenses assumptions are satisfactory and prudent, respectively, and other assumptions are considered to be realistic or, in certain cases, prudent.

Provision for claims outstanding

The provision for claims outstanding comprises provision for disability annuities, established claims and non-established claims.

The provision for disability annuities corresponds to the discounted capital value of the company's commitments in accordance with the insurance contract. For disability annuities at fixed amounts, the nominal interest-rate assumption was determined based on the EIOPA's yield curve for Solvency II. A yield curve for break-even inflation, calculated as the difference between nominal and real government bond rates, was used for indexed disability annuities. The provision for established claims corresponds to the expected capital value of the company's future expenses due to the incurred health claim. It includes reported and approved claims that have not yet been paid and future operating expenses. It also includes the fixed-income operations. The provision for non-established claims pertains to claims that have not yet been reported but which have been made using statistical methods based on previous experience for the respective products.

Provisions for life assurance for which the policyholder bears the investment risk

Conditional bonus

The provision for conditional bonus for the Insured Pension management form is determined as the difference on an aggregated level between the market value of investment assets on behalf of the policyholders and the

life-assurance reserves. The provision for conditional bonus for New World is determined as the difference between insurance capital and the life-assurance reserves on an individual level. Provisions for conditional bonus may not be negative for the specific insurance.

Reinsurance

Contracts signed between Länsförsäkringar Liv and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the Reinsurers' portion of technical provisions, which corresponds to the reinsurers' liability. Deposited funds from reinsurers comprise the liability item Deposits from reinsurers. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Annual earnings are primarily settled through deductions in accordance with reinsurance contracts.

Länsförsäkringar Liv does not underwrite assumed reinsurance.

Remuneration of employees

Current remuneration

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

Remuneration for termination of employment

A cost for remuneration in connection with termination of employment of personnel is recognised at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognises expenses for restructuring. Remuneration expected to be paid after 12 months is recognised at its present value. Remuneration not expected to be fully paid within 12 months are recognised in accordance with long-term remuneration.

Defined-contribution pension plans

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

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

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

Defined-benefit pension plans

The Group's commitments for defined-benefit plans are calculated separately for each plan by making an estimate of the future remuneration that the employees will have earned over their employment in both current and prior periods. The provisions for defined-benefit pensions is discounted to a present value.

Cash-flow statement

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

Contingent liabilities

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

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

Differences between the Group's and the Parent Company's accounting policies

The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, according to the above. The Parent Company applies the same accounting policies as the Group except in the following cases:

Tax

Yield tax

For the Parent Company, yield tax is recognised as tax in profit and loss.

Shares and participations in Group and associated companies

The Parent Company's shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements.

On each reporting occasion, the company assesses whether there is any indication of an impairment requirement. If so, the recoverable amount is calculated. If the carrying amount exceeds the recoverable amount, the asset is impaired with the impairment loss recognised in profit and loss. If the recoverable amount increases again, the impairment is reversed in profit and loss.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and in shares and participations in Group companies with the donor. Group contributions are recognised in accordance with the main rule of RFR 2. Group contributions received from subsidiaries are recognised according to the same principles as for recognising dividends. Group contributions paid to a subsidiary are recognised as an increase in Shares and participations in Group companies. Group contributions that have been paid to or received from the Parent Company are recognised directly in equity after deductions for their current tax effects since Group contributions are accounted for according to the policies for dividends and shareholders' contributions.

Untaxed reserves

Changes in untaxed reserves are recognised in the Parent Company's accounts in profit and loss under appropriations (Tax allocation reserve). Untaxed reserves are offset, where appropriate, against loss carryforwards or are subject to taxation when they are dissolved.

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

Note 2

Risks and risk management

Risk-management system at Länsförsäkringar Liv

Länsförsäkringar Liv is operated according to mutual principles and the company's risks are borne by the policyholders. The management of risk-taking is to contribute to the provision of insurance products at a controlled risk level with a reasonable return. One of the key objectives of the risk-management system is to ensure that Länsförsäkringar Liv can meet its guaranteed commitments to customers with a satisfactory margin. Accordingly, the most critical risks are those that could contribute to the company's insolvency, which could lead to the company not being able to meet the commitments to its policyholders.

Therefore, the aim is for Länsförsäkringar Liv to have an efficient and robust risk-management system to continuously identify, measure, monitor, manage and report the risks associated with the business activities. The company's risk-management system comprises an organisation with well-defined authorities and responsibilities, and includes risk strategy, risk appetite, risk-management processes, risk-measurement methods, the process for an Own Risk and Solvency Assessment (ORSA) governance documents and reporting procedures.

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

Prospective analyses in the form of scenario analyses and ORSAs are performed at least once a year. The overall aim of an ORSA is to ensure that own funds are and remain sufficient for bearing the risks associated with realising the business plan. Ongoing activities include handling known risks and identifying new risks. A complete report of all risks in the company's operations is submitted every quarter to the Risk and Capital Committee, Audit Committee and Board.

Risk-management organisation

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

The risk-management system comprises an integrated part of the organisational structure and decision-making processes and helps the operations to meet its targets at higher degree of certainty. In addition to risk management in the operations, it also encompasses the independent risk-management function. The Compliance and Actuarial functions also have a role to play in risk management.

The President is responsible for incorporating the governance documents decided by the Board and each manager in the company is responsible for risks in their field of operations.

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

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

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

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

The Internal Audit function, Compliance function and Risk management function are affiliated to Länsförsäkringar AB in the organisation and are independent from the operations that are controlled.

Solvency II

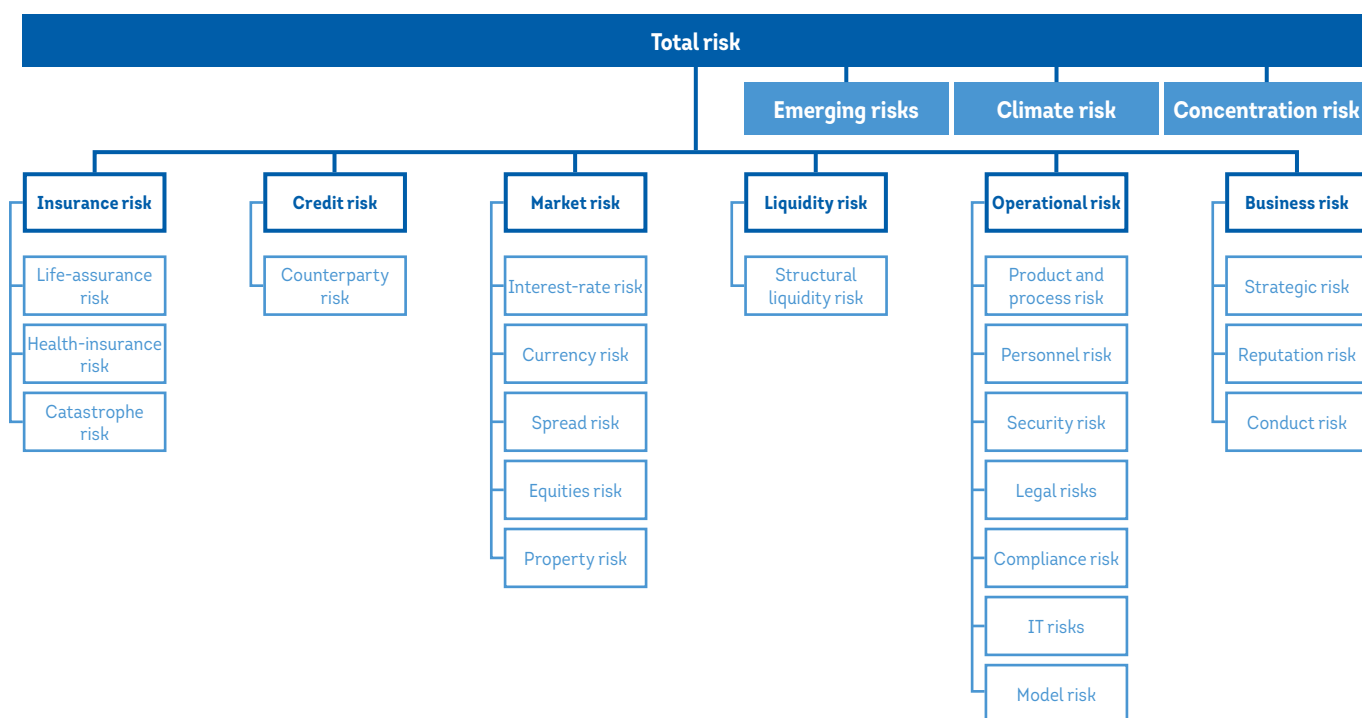
Länsförsäkringar Liv applies Solvency II to the entire operations from 1 January 2016. Länsförsäkringar Liv calculates the solvency capital requirement for interest-rate risk, equities risk, property risk, spread risk and currency risk by using the partial internal model. Other risks are calculated in accordance with the standard formula.

Risk profile and risk map

Länsförsäkringar Liv is primarily exposed to market risks and life-assurance risks, which are described more in the Länsförsäkringar AB Group's Solvency and Financial Condition Report.

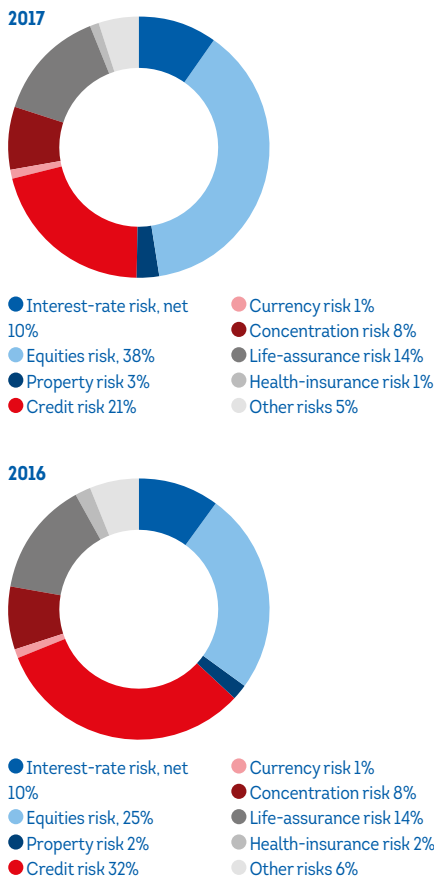
The diagram below shows Länsförsäkringar Liv's risk chart.

Figure 1. Classification of risk at Länsförsäkringar Liv



The diagram below shows the company's risk profile where equities risk comprises the largest risk.

Figure 2. Risk profile under Solvency II



Life-assurance and health-insurance risk

Insurance risk (underwriting risk) refers to the risk of loss or negative change in the value of underwriting liabilities due to incorrect tariffs and provisions assumptions.

- Life-assurance risk refers to the risk of losses in connection with the insurance of a specific person's life and health.
- Mortality risk is the risk of losses arising due to mortality among the insured being higher than assumed.
- Longevity risk is the risk of losses arising due to the insured living longer than assumed.
- Disability and morbidity risk is the risk of losses arising due to the insured's disability and morbidity being higher than assumed.
- Expenses risk is the risk of losses arising due to the estimated costs for conducting the company's operations not covering the company's actual costs.
- Cancellation risk is the risk of losses arising due to a change in the premium payments, repurchases or transfers deviating from that which has been assumed.
- Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.
- Health-insurance risk refers to the risk of losses arising due to the insured's disability and morbidity being higher than assumed. Health-insurance risk also includes catastrophe risk.

Exposure to life-assurance and health-insurance risk

Länsförsäkringar Liv is licensed to conduct life-assurance and health-insurance operations, as well as non-life insurance commitments in the form of direct accident insurance. Länsförsäkringar Liv conducts life assurance with traditional management in its Trad (Old), New Trad, New World and Insured Pension portfolios. Länsförsäkringar Liv is operated according to mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers. Länsförsäkringar Liv stopped new sales in the autumn of 2011, which essentially means that all new sales have ceased. Exposure to underwriting risk is measured as the combined best estimate of the company's technical provisions based on data from the insurance systems.

For traditional management, investments are normally made on a discretionary basis in interest-bearing securities, equities, properties and alternative investments. Traditional management contains a guaranteed value that grows at a guaranteed interest rate. In addition, customers will receive bonuses if the total return is favourable over time. From May 2013, Länsförsäkringar Liv has two portfolios in traditional management: New Trad and Old Trad. The New World management form is a management form that combines a guarantee element with the opportunity for better returns through investments in equities. The guarantee means that after five years, or death, the policyholder is guaranteed to recover the money invested after fees and taxes. The guaranteed interest rate is 0%.

Länsförsäkringar Liv targets private individuals, employees and self-employed persons working in small and medium-sized businesses, and has few commitments with large companies. A geographic distribution throughout Sweden is created since all 23 regional insurance companies brokered the company's products. The collective consolidation fund contains policyholders' surplus capital. The amount of the surplus capital for the individual policyholders varies. The surplus capital in the collective consolidation fund is regularly analysed, for example, by studying transfer options, payment times and/or age in order to assess the scope of future payouts. No material concentrations were identified. For this reason, Länsförsäkringar Liv does not have any material risk concentrations.

Management of life-assurance and health-insurance risks

Länsförsäkringar Liv has reinsured all morbidity risks and mortality risks through mandatory excess loss reinsurance up to the retention, which varies between products. For risks exceeding the level of retention, the surplus portion can be optionally reinsured or retained within Länsförsäkringar Liv. Länsförsäkringar Liv has also taken out catastrophe reinsurance to further limit its risks. The retention is SEK 20,000,000 and covers up to SEK 700,000,000.

Longevity risk can mainly be limited by making a variety of changes, for example, by reducing the payment period, making payment at an earlier date, repurchases or transfers. To reduce this risk, a change rule framework is in place that may entail the requirement of a medical examination. Long-life expectancy risk is managed by regularly updating life-expectancy assumptions and monitoring trends in increases in life expectancy.

Disability and morbidity risks are limited when new policies are sold by assessing risk according to the company's risk assessment regulations. Another measure to reduce risk takes place in connection with claims adjustment, by regularly checking information provided in accordance with the company's claims-adjustment policy. Risk is also managed by regularly updating assumptions regarding illness incidence and recovery. Other factors that influence underwriting risks are product composition, the content of terms and conditions and risk selection rules.

The company regularly monitors trends in insurance risks and the company's sensitivity to various insurance risks is presented in table 1 below. The capital requirement for life-assurance and health-insurance risks under Solvency II is measured using the standard formula and is described in greater detail in the company's Solvency and Operations report. The company is most sensitive to low interest rates and long-life expectancy risks that impact insurance provisions. A sensitivity analysis to discount rates is performed for falling interest rates.

Table 1. Sensitivity analysis, life-assurance and health-insurance risks

Assumption before reinsurance	Change in assumption	Change in provision	
		2017	2016
Mortality (incl. longevity risk)	-20%	+1,427	+1,415
Morbidity	+50%	+201	+211
Expense ratio	+10%	+531	+483
Nominal discount rate ¹⁾	-50 bp	+3,062	+3,162

¹⁾With the transition to the Solvency II regulations, the company has also changed the discount rate curve in the IFRS reporting for calculating life-assurance reserves and provision for disability annuities at fixed amounts. The sensitivity analysis is based on the discount rate curve defined by the EIOPA, including a macroeconomic assumption of a long-term interest rate of 4.2% for the calculation of technical provisions.

Follow-up of assumptions made regarding life-assurance and health-insurance risks

The technical provisions are calculated per insurance contract after assumptions are made for mortality, interest, morbidity, the probability of recovery, cancellations and operating expenses. Assumptions made are followed up at least once annually in connection with the Actuarial function's reports to the Swedish Financial Supervisory Authority.

Market risk

Market risk is the risk of losses arising due to changes, in level or volatility, of interest rates, financial asset prices and exchange rates. Market risk encompasses equities risk, property risk, interest-rate risk, credit-spread risk and currency risk.

Exposure to market risk

Market risk primarily arises through management of investment assets that are to cover insurance commitments. The value of insurance commitments is calculated by discounting using a yield curve, which means that the market risk is also recognised on the liability side of the balance sheet.

The main asset classes in Länsförsäkringar Liv's investment portfolio are interest-bearing securities, equities, alternative investments and property. Derivative instruments are increasingly utilised in the management of investment assets in order to reduce market risks or to enhance the efficiency of the management of the company's assets and liabilities and to achieve the desired risk profile. No material changes were made to the exposure in asset classes in the investment assets during the year.

The company's equities exposure is low and primarily attributable to the equities funds found in the New Trad and New World portfolios. In addition, equities risk is also found to a certain extent in unquoted shares, known as private equity, and hedge fund holdings.

The company has spread-risk exposure in Swedish mortgage bonds and in European and US corporate loans. Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions and the desired level of risk-taking in the investment portfolio. Table 4 below shows that most of the interest-bearing investments have an AAA rating.

Table 2. Sensitivity analysis, market risks

The table shows the net sensitivity in assets and liabilities before tax.

Sensitivity analysis		Impact on profit before tax	
		2017	2016
Interest-rate risk, net ¹⁾	50 basis point lower interest rates	-884	-617
Equities risk ²⁾	10% lower share prices	-2,400	-2,372
Property risk ³⁾	10% lower market value	-144	-172
Credit-spread risk	1% higher credit spread	-2,775	-3,238

¹⁾Interest-rate risk takes into consideration price risk, including accrued interest. Länsförsäkringar Liv's earnings are more negatively affected by falling interest rates than by rising interest rates. Net changes in value of investment assets including accrued interest rates, less changes in technical provisions. The sensitivity analysis is based on the discount rate curve defined by the EIOPA, including a macroeconomic assumption of a long-term interest rate of 4.2% for the calculation of technical provisions.

²⁾Including hedge funds.

³⁾Market value of property equities.

The currency exposure that exists is due to investment assets in other currencies and the risk being limited by the use of currency derivatives. The table below shows the currency exposure where the earnings effect of the SEK strengthening by 10% is larger than SEK 10 M and currencies that are normally hedged. Other currencies includes other currencies apart from SEK that the company is exposed to through its investment assets and where the earnings effect of the individual currency is less than SEK 10 M. The total net currency exposure of the market value on 31 December 2017 amounted to 0.3% (2) of total investment assets.

Table 3. Impact on earnings at year-end of SEK strengthening by 10%

Currency	Impact on earnings before tax	
	2017	2016
BRL	-11	-2
CAD	-17	0
EUR	3	-115
GBP	-1	5
HKD	-45	-43
INR	-16	-11
JPY	0	-2
KRW	-30	-13
TWD	-21	-15
USD	-128	468
ZAR	-11	-5
Other currencies	-45	-31

Management of market risk

The main risk-reduction technique applied to the management of assets is diversification. Investments are spread over several classes of assets and segments in these classes, leading to exposure to various risk factors that react in different ways to fluctuations in the financial markets. This means that as a whole the portfolio is less sensitive to market fluctuations than its portfolio components. The diversification effect is modelled using the internal model that Länsförsäkringar Liv has had approved by the Swedish Financial Supervisory Authority to use in calculations of the solvency capital requirement and is regularly measured as an integrated part of these calculations.

Länsförsäkringar Liv governs its own risk-taking by taking into account the sensitivity of the insurance undertakings to changes in interest rates, with conscious choices about the extent to which the undertakings are matched against assets with corresponding properties. This primarily takes place by using various types of interest-rate derivatives. Interest-rate derivatives, futures, forwards and interest-rate swaps are used in management to reduce interest-rate risk, primarily for liabilities matching. By using these instruments, interest-rate sensitivity can be effectively reduced without needing to sell the underlying bonds and thus retaining any coupons and excess returns of spread exposure. The effect of these derivative strategies is continuously monitored by measuring the resulting interest-rate duration and interest-rate sensitivity (DV01) of the portfolio on a daily basis.

Management uses equity index forward contracts when it needs to temporarily reduce equities risk. In this way, the need to sell holdings in equities funds is avoided, while the portfolio is protected from major falls in prices in the equities markets.

Management makes regular use of derivative instruments to reduce currency risk in the portfolio. This means that established limits on currency exposure can be considered without having to refrain from investing in desirable assets that have a different currency risk than SEK.

To ensure long-term stability, ALM analyses are performed by simulating future capital requirements based on projecting the liability and asset sides given several plausible scenarios.

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and that any collateral provided will not cover the receivable. Counterparty risk derives from counterparties for financial derivatives, cash balances and counterparties in reinsurance.

Länsförsäkringar Liv's exposure to counterparty risk is low but arises through the use of financial derivatives. Derivatives are purchased to protect the balance sheet against, for example, interest-rate risk, equities risk and currency risk and entail that the counterparty undertakes, through derivative contracts, to compensate for negative results arising from changes in, for example, market interest rates, share prices or exchange rates. As a result, a receivable from the counterparty may arise in the event of market changes.

The company takes out reinsurance to avoid assuming greater individual liability than that stated in the insurance guidelines and reinsurance policy. Accordingly, the company is also exposed to counterparty risk from reinsurers. The exposure to counterparty risks is measured as the consolidated total of potential losses if these counterparties were to default.

The exposures that the company has to the reinsurer Sweden Re are covered through bank account collateral.

Credit risk that arises via counterparties in financial derivatives is managed by limits for derivative exposures per counterparty, and by signing agreements with all companies regarding OTC derivatives. These agreements regulate receivables in derivatives contracts between the contract parties, for example, the amount of receivables permitted, how they are to be paid and at what frequency. In practice, this means that for the majority of cases the collection and provision of collateral takes place on a daily basis. The size of the permitted exposure depends on the rating of the counterparty. Counterparty risk in ceded reinsurance is limited in the first instance by selecting counterparties with high credit ratings. Sweden Re has an A rating from Standard & Poor's and the outstanding receivable on 31 December 2017 totalled SEK 472 M (477). Table 4 shows the market value consideration of credit enhancement and corresponds to the carrying amount of the assets on the balance-sheet date.

Table 4. Credit quality based on market value

	Specification of financial assets	
	2017	2016
Cash and bank balances and cash and cash equivalents classified as Other receivables		
A	5,381	4,527
Total	5,381	4,527
Bonds and other interest-bearing securities¹⁾		
AAA – Swedish Government	6,439	5,972
AAA – Government securities other than those issued by the Swedish Government	2,307	2,289
AAA	46,127	44,439
AA	3,050	3,486
A	2,387	5,333
BBB	4,622	9,087
BB	861	3,131
B	4	2,026
CCC	–	277
CC	–	6
D	–	6
NR	3,524	4,263
Total	69,321	80,315

¹⁾ Market values including accrued interest.

Business risk

Business risk pertains to the risk of lower earnings, higher expenses or loss of confidence from customers or other stakeholders. Strategic risk is thus included as a sub-category of business risk. Business risk also includes reputation risk, meaning the risk of a decline in income due to negative rumours about either Länsförsäkringar or the industry in general. Business risk also includes conduct risk, meaning the risk of improper conduct.

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

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

Operational risk

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

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

Work on operational risk is based on Group-wide methods that encompass business-critical processes and key controls as well as reported incidents and the operations' self-assessment of operational risk. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

The Group has a process (GOP) for approving new or significantly changed products, services, markets, processes, IT systems and for major changes to the operations and organisation. The purpose of the approval process is to achieve efficient and appropriate management of the risks that may arise in connection with change work, to ensure compliance with applicable regulations and to create customer value.

The Group's continuity management involves preparing business contingency, continuity and restoration plans to manage incidents before, during and after a crisis has occurred. The overall goal for security work is to protect the organisation's assets from all types of threats – internal or external, intentional or unintentional. Security work is conducted in accordance with the ISO standards on information security and continuity management.

Liquidity risk

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

The business activities of Länsförsäkringar Liv are based on premiums being paid in advance and being managed until insurance compensation is to be paid out. A lack of liquidity could lead to the company not being able to fulfil its commitments to customers. Liquidity risk is closely associated with the investment assets found in the company's investment portfolios and is measured and monitored through daily forecasts of liquidity requirements, taking into account both inflows and outflows, including liquidity requirements for signed derivative agreements.

The company's liquidity requirements are also forecasted for the medium term, up to five years, based on annual actuarial cash-flow forecasts within the framework of the company's ORSA. A liquidity reserve is maintained to ensure favourable short-term access to funds that also takes into account the need for cash and surplus liquidity based on established liquidity forecasts for the payment of securities transactions and claims payments and, where necessary, other inward and outward payments, such as premiums and operating expenses.

Assets are classified into pre-defined liquidity classes, of which the liquidity reserve may comprise only assets in the highest liquidity class. Clear rules also apply to life-assurance companies regarding how assets are to be deposited to ensure that they are readily available to the company and can thus be realised as needed.

Table 5. Discounted net cash outflows for technical provisions

Duration, year	Percentage of cash flow, %	
	2017	2016
0-5	32.3	31.8
5-10	26.1	25.9
10-15	18.6	18.4
15-20	11.1	11.5
20-30	8.9	9.3
30-	3.0	3.1

Table 6. Maturity analysis for interest-bearing financial assets and liabilities and insurance undertakings

The table shows the cash flows for each period, based on the remaining contractual maturities.

SEK M	2017						2016					
	<3 months	3 months -1 year	1-5 years	5-10 years	>10 years	Total	<3 months	3 months -1 year	1-5 years	5-10 years	>10 years	Total
Assets												
Interest-bearing securities issued by Group companies and loans to Group companies	-21	680	2,476	24	0	3,159	295	61	2,559	-	-	2,915
Bonds and other interest-bearing securities	34	4,385	35,012	16,977	18,952	75,359	1,926	3,308	35,693	19,110	20,973	81,010
Loans with collateral in fixed property	-	-	-	-	-	-	16	1,759	-	-	-	1,775
Other receivables	1,159	-	-	-	-	1,159	1,827	-	-	-	-	1,827
Liabilities												
Technical provisions ¹⁾	1,449	4,512	23,121	23,553	37,532	90,167	1,443	4,533	23,278	23,925	39,039	92,218
Other liabilities	2,982	-	-	-	-	2,982	3,522	-	-	-	-	3,522
Accrued expenses and deferred income	176	-	-	-	-	176	190	-	-	-	-	190
Total cash flows, net	-3,435	553	14,367	-6,552	-18,580	-13,648	-1,091	595	14,974	-4,815	-18,066	-8,403
Derivatives, in and outflows, net	384	390	1,075	1,652	714	4,215	350	394	1,214	1,557	933	4,448
Total cash flows, net	-3,051	943	15,442	-4,900	-17,866	-9,433	-741	989	16,188	-3,258	-17,134	-3,955

¹⁾ Technical provisions are recognised gross, before ceded reinsurance.

Capital management

Länsförsäkringar Liv is a limited liability life-assurance company with a prohibition against issuing dividends and that is operated according to mutual principles. Länsförsäkringar Liv is a subsidiary of Länsförsäkringar AB, but is not consolidated in the Länsförsäkringar AB Group. The company's profit is not distributed to the owner and instead stays in the company and accrues to Länsförsäkringar Liv's policyholders. Different conditions apply to Länsförsäkringar Liv due to the company's special position in the Länsförsäkringar AB Group.

Capital planning process

Unlike profit-making subsidiaries in the Group that are to contribute to value growth and dividends to the owners of Länsförsäkringar AB, the capital in Länsförsäkringar Liv is controlled only to secure commitments to customers and to generate as high returns on investment assets for customers as possible. Given its corporate form, it is also vital for Länsförsäkringar Liv to maintain sufficient capital. The possibility of raising capital via direct capital contributions is considered to be limited due to the prohibition against issuing dividends. A capital target is decided every year by the Board in connection with the ORSA, which is expressed as a solvency ratio calculated in accordance with Solvency II. The Board also decides on the minimum level for capitalisation.

The purpose of the ORSA is to ensure that own funds are sufficient for bearing the risks associated with realising the business plan. The analysis is

based on the business plan activities and its fundamental scenario, but also includes a demanding but realistic negative scenario and stress tests. The analysis is to be performed in such a manner that the Board and management gain greater joint understanding of issues relating to capital structure, capital requirement and business contingency to reduce risks.

Table 7. Capital situation under Solvency II

Länsförsäkringar Liv's solvency ratio is measured as own funds based on the capital requirement under Solvency II. The solvency ratio exceeds the statutory requirement by a healthy margin. The solvency ratio amounted to 207% (195).

The capital situation strengthened during the year, as seen in table 7. Own funds for Länsförsäkringar Liv increased SEK 2,821 M (1,702) during the reporting period to SEK 25,129 M (22,308). The improvement was largely attributable to profit for the period.

	2017	2016
Own funds	25,129	22,308
Capital requirement	12,168	11,433
Solvency ratio	207 ¹⁾	195

¹⁾ Excluding changed assumption on operating expenses, including the changed assumption the solvency ratio is estimated at 200%.

Note 3			Premium income	
Group and Parent Company	2017	2016		
Gross premium income before ceded reinsurance is distributed as follows in the life-assurance operations				
Direct life assurance	1,282	1,438		
Direct accident and health insurance	429	467		
Total	1,711	1,905		
Gross premium income for direct life assurance is distributed in the following categories				
Premiums for individual life assurance	1,132	1,190		
Group insurance premiums	150	248		
Total	1,282	1,438		
Periodic premiums	1,127	1,243		
Single premiums	155	195		
Total	1,282	1,438		
Premiums for contracts that do not carry bonus rights				
Premiums for contracts that carry bonus rights	956	1,114		
Total	1,282	1,438		

All premiums pertain to insurance in Sweden.

Note 4					Investment income, per measurement category			
	Group		Parent Company					
	2017	2016	2017	2016				
Investment income, per measurement category								
Financial assets measured according to fair value option	5,003	7,143	5,003	7,143				
Held for trading	-789	-703	-789	-703				
Loans and receivables	-33	-76	-33	-76				
Items not distributed by category								
Exchange-rate gains/losses, net	356	-713	356	-713				
Dividends in Group and associated companies	2	8	2	8				
Capital gains/losses from limited partnerships	-101	27	-101	27				
Depreciation/amortisation and impairment of shares and participations	-78	-	-78	-				
Asset management expenses	-110	-102	-110	-102				
Other financial expenses	-	-168	-	-168				
Non-financial items included in investment income, net	1,026	32	955	5				
Total	5,278	5,448	5,205	5,421				

Note 5					Investment income, revenue			
	Group		Parent Company					
	2017	2016	2017	2016				
Rental income	74	72	0	0				
Dividends								
Dividends received	135	259	135	259				
Dividends received from Group and associated companies	2	8	2	35				
Total dividends	137	267	137	294				
Interest income								
Interest-bearing securities issued by and loans to Group companies	31	42	31	42				
Bonds and other interest-bearing securities	1,328 ¹⁾	1,530	1,328 ¹⁾	1,530				
Derivatives	432	349	432	349				
Other interest income	80 ²⁾	93	85 ²⁾	106				
Total interest income	1,871	2,014	1,876	2,027				
Exchange-rate gains/losses, net	356	-	356	-				
Capital gains, net								
Interest-bearing securities issued by and loans to Group companies	12	10	12	10				
Shares and participations	1,675	1,828	2,241	1,828				
Shares and participations in associated companies	3	-	3	-				
Shares and participations in Group companies	734	2	950	2				
Bonds and other interest-bearing securities	702	740	702	740				
Other investment assets	3	0	3	0				
Total capital gains	3,129	2,580	3,912	2,580				
Investment income, revenue	5,567	4,933	6,281	4,901				

¹⁾ Of which negative interest rate in the Group/Parent Company on interest-bearing securities of SEK 31 M.

²⁾ Of which negative interest rate in the Group/Parent Company cash and bank balances of SEK 11 M.

Note 6					Unrealised gains on investment assets			
	Group		Parent Company					
	2017	2016	2017	2016				
Investment properties	-	385	-	-				
Interest-bearing securities issued by and loans to Group companies	-	16	-	16				
Shares and participations	590	308	590	308				
Bonds and other interest-bearing securities	354	2,542	354	2,542				
Derivatives	-	732	-	732				
Other financial investment assets	8	-	8	-				
Total	952	3,983	952	3,598				

Note 7			Claims paid before ceded reinsurance	
Group and Parent Company	2017	2016		
Claims payments	-4,954	-5,017		
Cancellations, repurchases and external transfers	-616	-832		
Claims adjustment costs	-9	-10		
Total	-5,579	-5,859		

Note 8	Operating expenses
---------------	---------------------------

	Group		Parent Company	
	2017	2016	2017	2016
Operating expenses in life-assurance operations distributed according to functions				
Acquisition	-96	-103	-96	-103
Change in the prepaid acquisition costs item	-41	-51	-41	-51
Administration expenses	-354	-366	-354	-366
Commission and profit shares in ceded reinsurance	74	73	74	73
Total	-417	-447	-417	-447
of which, purchasing from the Länsförsäkringar AB Group	-265	-288	-265	-288
Total amount of direct insurance commission	-110	-95	-110	-95
Total amount of research and development expenses that have been expensed	-	-	-	-

The item Acquisition below consists of Acquisition and Change in the prepaid acquisition costs items below. The item Administration consists of the total of the items Administration expenses and Commission and profit shares in ceded reinsurance.

Total expenses comprise the following

	Group		Parent Company	
	2017	2016	2017	2016
Acquisition	-137	-154	-137	-154
Claims adjustment	-9	-10	-9	-10
Administration	-280	-293	-280	-293
Financial management	-110	-102	-110	-102
Property management	-17	-24	-0	-0
Total	-553	-583	-536	-559

Costs for acquisition and administration are recognised in profit and loss under operating expenses, claims adjustment costs are recognised under claims payments in note 7 Claims paid, costs for financial management are recognised in note 11 Investment income, expenses under asset management expenses, and costs for property management are recognised as direct costs for properties in note 14 Investment properties.

	Group		Parent Company	
	2017	2016	2017	2016
Total costs are distributed as follows				
Staff costs, etc.	-58	-59	-58	-59
Costs for premises, etc.	-0	-0	-0	-0
Amortisation/depreciation, etc.	-50	-66	-50	-66
Other	-445	-458	-428	-434
Total	-553	-583	-536	-559

Note 9	Fees and remuneration of auditors
---------------	--

	Group		Parent Company	
	2017	2016	2017	2016
KPMG AB				
Audit assignment	2	2	2	2
Audit operations in addition to the audit assignment	-	0	-	0
Tax consulting	2	1	2	1
Total	4	3	4	3

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

Note 10	Employees, staff costs and remuneration of senior executives
----------------	---

Group and Parent Company			
Average number of employees	2017		2016
<i>Sweden</i>			
Men	14		14
Women	19		18
Total number of employees	33		32
Salaries and other remuneration, as well as social security expenses, other employees			
Salaries and remuneration	19.9		19.3
of which, variable salary	-		-
Social security expenses	13.1		14.6
of which, pension costs	5.6		7.1
Total	33.0		33.9
Board of Directors and senior executives, 17 (19)			
Salaries and remuneration	14.2		13.9
of which, fixed salary to President	3.8		3.8
of which, variable salary to President	-		-
of which, fixed salary to other senior executives	7.7		7.6
of which, variable salary to other senior executives	-		-
Social security expenses	11.2		10.8
of which, pension costs	5.3		5.0
Total	25.4		24.7
Total salaries, other remuneration and social security expenses			
Salaries and remuneration	34.1		33.2
of which, variable salary	-		-
Social security expenses	24.3		25.4
of which, pension costs	10.9		12.0
Total	58.4		58.6

Remuneration of the Board

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

Remuneration of senior executives

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

Note 10 Employees, staff costs and remuneration of senior executives, cont.

Remuneration of senior executives	Pension costs as a percentage of pensionable salary, %				
	Basic salary/ Board fee	Other remuneration	Pension costs	Total	Defined- contribution
Parent Company 2017, SEK 000s					
Jörgen Svensson, President	3,823	-	1,908	5,731	52
Karl-Olof Hammarkvist, Chairman of the Board	465	-	-	465	
Gunnar Wetterberg, Board member	273	-	-	273	
Henrik Perlmutter, Board member	206	-	-	206	
Eric Grimlund, Board member	118	-	-	118	
Marie-Louise Zetterström, Board member	274	-	-	274	
Birgitta Carlander, Board member	293	-	-	293	
Ingemar Larsson, Board member	279	-	-	279	
Örian Söderberg, Board member	202	-	-	202	
Anna Söderblom, Board member	278	-	-	278	
Sten Dunér, Board member	208	-	-	208	
Karin Starrin, former Board member	88	-	-	88	
Other senior executives (6 people)	7,628	44	3,402	11,074	0
Total 2017	14,135	44	5,310	19,489	

Remuneration of senior executives	Pension costs as a percentage of pensionable salary, %				
	Basic salary/ Board fee	Other remuneration	Pension costs	Total	Defined- contribution
Parent Company 2016, SEK 000s					
Jörgen Svensson, President	3,731	55	1,838	5,624	50
Karl-Olof Hammarkvist, Chairman of the Board	401	-	-	401	-
Gunnar Wetterberg, Board member	279	-	-	279	-
Anders Grånäs, Board member	106	-	-	106	-
Henrik Perlmutter, Board member	207	-	-	207	-
Karin Starrin, Board member	281	-	-	281	-
Marie-Louise Zetterström, Board member	279	-	-	279	-
Birgitta Carlander, Board member	292	-	-	292	-
Ingemar Larsson, Board member	235	-	-	235	-
Örian Söderberg, Board member	199	-	-	199	-
Anna Söderblom, Board member	248	-	-	248	-
Other senior executives (6 people)	7,507	45	3,177	10,729	40
Total 2016	13,765	100	5,015	18,880	

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

Pensions

The retirement age for the President is 60. The pension between 60 and 65 is a defined-contribution plan and the pension premium is to amount to 31% of the pensionable salary. Pensionable salary refers to fixed salary. In addition, the company pays an additional pension premium of SEK 120,000 per year. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65. The terms comply with pension agreements between the FAO and the FTF/SACO. Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year for each senior executive.

Severance pay

A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

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

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management.

The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy.

The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition of Remuneration Committee and mandate

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

Policies for remuneration of corporate management

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

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

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

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Note 10 Employees, staff costs and remuneration of senior executives, cont.

Number of women among senior executives, %

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Board members	38	50	38	50
Other senior executives	33	50	33	33

	Group		Parent Company	
	2017	2016	2017	2016
Operating expenses, investment properties	-17	-24	-	-
Asset management expenses	-110	-102	-110	-102
Other financial expenses	-150	-168	-150	-168
Interest expense				
Interest-bearing securities issued by and loans to Group companies	-	-	-	-
Bonds and other interest-bearing securities	-16	-13	-16	-13
Derivatives	-646	-525	-646	-525
Other interest expense	-1	-1	-1	-1
Total interest expense	-663	-539	-663	-539
Impairment				
Shares and participations	-157	-17	-78	-
Capital gains/losses from partnerships	-	-	-101	-
Total impairment	-157	-17	-179	-
Exchange-rate losses, net	-	-712	-	-712
Capital losses, net				
Bonds and other interest-bearing securities	-30	-3	-29	-3
Derivatives	-447	-1,259	-447	-1,259
Total capital losses	-477	-1,262	-476	-1,262
Investment income, expenses	-1,574	-2,824	-1,579	-2,782

	Group		Parent Company	
	2017	2016	2017	2016
Interest-bearing securities issued by and loans to Group companies	-24	-	-24	-
Loans with collateral in fixed property	-25	-32	-25	-32
Derivatives	-126	-	-126	-
Other assets	-	-33	-	-33
Total	-175	-65	-175	-65

	Group		Parent Company	
	2017	2016	2017	2016
Current tax expense				
Yield tax on pension funds	-	-	-96	-111
Tax	-26	-58	-26	-60
Adjustment of tax pertaining to prior years	0	-3	0	-3
Deferred tax				
Deferred tax pertaining to temporary differences	13	15	-	-
Total recognised tax expense	-13	-46	-122	-174
Deferred tax liabilities pertaining to the following:				
Untaxed reserves	72	87	-	-
Total	72	87	-	-

The change between the years pertaining to recognised deferred tax liabilities and tax assets has been recognised as deferred tax expenses/income in profit and loss. Yield tax is recognised in the Group according to IFRS in the item Other non-technical expenses.

	Group		Parent Company	
	2017	2016	2017	2016
Tax rates applied:				
Yield tax on pension funds, pension insurance	15%	15%	15%	15%
Yield tax on pension funds, endowment insurance	30%	30%	30%	30%
Average government funding rate for taxation, pension insurance	0.50%	0.58%	0.50%	0.58%
Government funding rate for taxation, endowment insurance	1.25%	1.4%	1.25%	1.4%
Tax rate for calculating income tax	22%	22%	22%	22%
Tax rate for calculating deferred tax	22%	22%	22%	22%

Note 14 Investment properties**Holdings**

Group	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value ¹⁾	Change in value ¹⁾
Investment properties, value on 31 December 2017	-	-	0.0%	0.0%	-	0.0%
Investment properties, value on 31 December 2016	1,094	1,719	12.3%	4.8%	-506	-29.4%

¹⁾ Change in value refers to the change in market value if the direct yield requirement is raised by two percentage points. No part of the properties are used for the company's own operations.

Change in value for the period

Group	Cost		Fair value	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Opening balance	1,094	1,038	1,719	1,295
Additional investments in existing assets	137	57	137	57
Reclassification	-1	-1	-	-
Sales	-1,230	-	-1,883	-
Profit from adjustments of fair value	-	-	27	367
Closing balance	-	1,094	-	1,719

Impact on profit for the period

	Group	
	31 Dec 2017	31 Dec 2016
Rental income	77	74
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	-21	-29

The income-statement items above are included in the lines Investment income, revenue and Investment income, expenses.

Summary of values

Group	Tax assessment value	Fair value	Cost
Subsidiaries	-	-	-
Total for the Group	-	-	-

Similar to prior years, the Group's properties were valued externally by independent valuation companies. Fair value was calculated by applying a combination of the location-price method, based on reported purchases of comparable properties, and a return-based cash-flow method. For further information on how fair value was determined, see note 34 Fair value valuation techniques.

Note 15 Shares and participations in Group companies

Company name	Corporate Registration Number	Registered office	Number of shares/participations	Share of equity, %	Equity 2017	Profit 2017	Carrying amount	Fair value
Länsförsäkringar Komplement AB	556660-1257	Stockholm	1,000	100%	0	0	0	0
Fastighets KB Automobilpalatset	969680-4195	Stockholm	1,000	100%	30	-101	30	30
Total 31 December 2017					30	-101	30	30
Total 31 December 2016					304	20	436	1,159

All shares and participations are unquoted.

Cost	Parent Company	
	31 Dec 2017	31 Dec 2016
Opening balance	492	468
Shareholders' contributions	183	-
Added and deducted assets	-271	-2
Withdrawals from limited partnerships	-139	-
Capital gains/losses from limited partnerships	-101	27
Closing balance	164	492
Accumulated changes in value		
Opening balance	-57	-57
Impairment	-77	-
Closing balance	-134	-57
Total carrying amount	30	436
Fair value	30	1,159

Note 16 Interest-bearing securities issued by Group companies and loans to Group companies

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Listed bonds issued by Länsförsäkringar Hypotek	2,730	2,268	2,730	2,268
Listed bonds issued by Länsförsäkringar Bank	398	612	398	612
Promissory notes from Swedish Group companies	-	-	-	647
Fixed-term subordinated debentures to Swedish Group companies (Länsförsäkringar Bank)	-	-	-	-
Loans to Group companies (Länsförsäkringar AB)	-	-	-	-
Total fair value	3,128	2,880	3,128	3,527

Note 17 Shares and participations in associated companies

Company name	Corporate Registration Number	Registered office	Number of shares/participations	Share of equity, %	Equity 2017	Profit 2017	Group's carrying amount	Fair value	Parent Company's carrying amount	Fair value
FAB S-Holt i Kista	556678-4715	Stockholm	499	49.9	1	1	1	1	0	0
Total 31 December 2017					1	1	1	1	0	0
Total 31 December 2016					110	16	213	213	220	213

All shares and participations are unquoted.

It has been assessed that the holdings in associated companies are not of material significance to the Parent Company.

Total amount for associated companies	Income	Earnings	Assets	Liabilities	Equity	Fair value
Group and Parent Company, 31 December 2017	-	1	1	-	1	-
Group and Parent Company, 31 December 2016	38	16	127	17	110	213

Cost	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Opening balance	213	209	220	220
Added and deducted assets	-212	4	-220	-
Closing balance	1	213	0	220

Note 18 Shares and participations

Group and Parent Company	31 Dec 2017	31 Dec 2016
Quoted shares and participations	18,778	16,787
Unquoted shares and participations	6,664	5,194
Total	25,442	21,981
Cost	17,292	14,108
Total carrying amount	25,442	21,981
Less, assets for conditional bonus	-3,651	-3,119
Total	21,791	18,862

Note 19 Bonds and other interest-bearing securities

Group and Parent Company	31 Dec 2017	31 Dec 2016
Issuer		
Swedish government	6,437	5,971
Swedish mortgage institutions	25,304	25,062
Other Swedish issuers	18,276	16,475
Foreign states	4,360	4,264
Other foreign issuers	25,836	28,077
Total	80,214	79,849
Amortised cost	72,565	71,469
Market status		
Securities quoted	78,694	78,478
Securities unquoted	1,520	1,371
Total	80,214	79,849
Carrying amounts compared with nominal amounts		
Total surplus	6,431	6,051
Total deficit	-79	-210
Total carrying amount	80,214	79,849
Less, assets for conditional bonus	-1,421	-1,038
Total	78,793	78,811

Note 20		Derivatives			
		Carrying amount		Nominal amount	
Group and Parent Company		31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Derivatives with positive values or valued at zero					
Equity-related		-	1	-	-
Interest		5,297	6,115	44,488	22,067
Currency		540	528	35,906	35,906
Total		5,837	6,644	80,393	57,973
Derivatives with negative values					
Equity-related		1	-	-	-
Interest		3,728	4,485	17,485	30,685
Currency		76	53	-1,726	-1,726
Total		3,804	4,539	15,758	28,959
Total carrying amount for derivatives with positive values		5,837	6,644		
Less, assets for conditional bonus		-71	-58		
Total		5,766	6,587		

Note 21		Assets and provisions for conditional bonus	
Group and Parent Company		31 Dec 2017	31 Dec 2016
Opening balance		4,810	4,959
Change in value		1,059	-149
Closing balance		5,869	4,810

Changes in provisions are recognised in the Income statement on the row Technical provisions for life assurance for which the policyholder bears the risk. The change in value on the asset side is recognised in the Income statement on the rows Investment income, revenue and expense, and Unrealised gains and Unrealised losses.

Note 22		Other receivables			
		Group		Parent Company	
Group and Parent Company		31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Receivables from Länsförsäkringar AB Group		49	44	49	44
Other receivables		1,170	1,865	1,168	1,849
Total		1,219	1,909	1,217	1,893

Note 26		Provision for claims outstanding				
Group and Parent Company		Established claims	Non-established claims	Provision for claims and disability annuities	Total 31 December 2017	Total 31 December 2016
Opening balance		51	190	1,975	2,216	2,275
Other changes		8	5	-71	-59	-59
Closing balance		58	195	1,904	2,157	2,216

Note 23		Prepaid acquisition costs	
Group and Parent Company		31 Dec 2017	31 Dec 2016
Insurance contracts			
Opening balance		143	195
Capitalised costs during the year		9	14
Depreciation according to plan for the year		-50	-66
Closing balance		102	143

Note 24		Share capital	
Parent Company		31 Dec 2017	31 Dec 2016
Number of shares, issued and paid		8,000	8,000
Quotient value per share, SEK		1,000	1,000
Number of shares outstanding		8,000	8,000

According to applicable Articles of Association, the company is unable to pay any dividend. The changes in equity, compared with the preceding year's balance sheet, are recognised in the statement of changes in equity.

Note 25		Life-assurance reserve	
Group and Parent Company		31 Dec 2017	31 Dec 2016
Opening balance		85,192	86,264
Payments		1,023	1,190
Claims paid		-5,123	-5,383
Estimated costs withdrawn ¹⁾		-406	-279
Investment income contributed to life-assurance reserves		-472	-
Change in reserves due to amended interest-rate assumptions		1,883	1,562
New mortality assumptions		-	-
Mortality results		-29	-2
Tax expense withdrawal, life-assurance reserve		-72	-126
Change due to basic change to New Trad		-441	-779
Introduction for assumption on asset management expense		-	1,424
Adjustment of LA (risk margin)		28	882
New methods for future operating expenses		685	-
Other changes		-128	439
Closing balance		82,140	85,192

¹⁾ Of which, costs withdrawn for asset management SEK -133. Introduced in 2016.

The discount rate curve defined by the EIOPA is used for life-assurance reserves and provision for disability annuities at fixed amounts. This curve has been produced to correspond to interest rates for relevant durations and is based on market data for Swedish swap rates. A macroeconomic assumption of a long-term interest rate of 4.20% is also included. A yield curve for break-even inflation, calculated as nominal interest minus real interest for government bonds, was used for indexed disability annuities.

Note 27	Provisions for pensions and similar commitments	
Group	31 Dec 2017	31 Dec 2016
Provisions for pensions	22	23
Provision for early retirement in accordance with pension agreement	2	4
Total	24	27

Defined-benefit pension plans

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62.

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

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments to defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the FPK, is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company is, as a rule, to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosures are also presented in the accounts pursuant to the requirements for defined-benefit pension plans. FPK is unable to provide necessary information which is why the pension plans above are recognised as defined-contribution plans in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan, and whether these surpluses and deficits would then affect the contributions for the plan in future years.

FTP plan contributions for 2017 are expected to total SEK 5 M.

	2017	2016
Expenses for defined-contribution plans	9	9

Note 28	Liabilities, direct insurance	
Group and Parent Company	31 Dec 2017	31 Dec 2016
Liabilities to policyholders	156	152
Liabilities to insurance brokers	9	8
Total	165	160

Note 29	Other liabilities			
	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Liabilities to Group companies	-	-	58	112
Liabilities to Länsförsäkringar AB Group	103	154	103	154
Other liabilities	3,081	3,620	3,077	3,602
Total	3,184	3,774	3,238	3,868

Note 30 Pledged assets and contingent liabilities

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
For own liabilities, pledged assets				
Assets registered for technical provisions:	89,694	91,741	89,694	91,741
Total	89,694	91,741	89,694	91,741
<small>¹⁾ Assets pledged for the benefit of policyholders to cover technical provisions in accordance with Chapter 6, Section 11 of the Insurance Business Act. The amount recognised as pledged assets corresponds to the technical liabilities after deductions for reinsurers' portion in the balance sheet. All assets recognised in the benefit register amounted to SEK 114,480 M. </small>				
Other pledged assets	3	1	3	1
Total	3	1	3	1
Contingent liabilities				
Part-owner of Fastighets KB Automobilpalatset	-	-	27	22
Total	-	-	27	22
Commitments				
Remaining amount to invest in investment assets	3,591	2,647	3,591	2,647

Note 31 Information about offsetting

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The Bank Group has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by these types of agreements. The agreements entitle the parties to offset liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

Group and Parent Company

Financial assets and liabilities that are offset or subject to netting agreements						
				Related amounts not offset in the balance sheet		
31 Dec 2017	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received(-)/ Pledged(+)	Net amount
Assets						
Derivatives	5,836	-	5,836	-2,004	-2,923	909
Liabilities						
Derivatives	-3,804	-	-3,804	2,004	1,134	-666
Total	2,032	-	2,032	0	-1,789	243
Financial assets and liabilities that are offset or subject to netting agreements						
				Related amounts not offset in the balance sheet		
31 Dec 2016	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received(-)/ Pledged(+)	Net amount
Assets						
Derivatives	6,644	-	6,644	-2,038	-3,401	1,205
Liabilities						
Derivatives	-4,539	-	-4,539	2,038	1,427	-1,074
Total	2,105	-	2,105	0	-1,974	131

Note 32 Financial assets and liabilities by category

Group	Financial assets measured at fair value through profit and loss				
	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
31 Dec 2017					
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,128	-	-	3,128	3,128
Shares and participations	25,442 ¹⁾	-	-	25,442	25,442
Bonds and other interest-bearing securities	80,214 ¹⁾	-	-	80,214	80,214
Derivatives	-	5,837	-	5,837	5,837
Other receivables	-	-	1,219	1,219	1,219
Cash and cash equivalents	-	-	5,381	5,381	5,381
Total	108,784	5,837	6,600	121,221	121,221

Group	Financial liabilities measured at fair value through profit and loss				
	Financial liabilities measured according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	-	3,804	-	3,804	3,804
Other liabilities	-	-	3,185	3,185	3,185
Accrued expenses and deferred income	-	-	210	210	210
Total	-	3,804	3,395	7,199	7,199

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

¹⁾ Including amounts in the balance sheet recognised as assets for conditional bonus.

Group	Financial assets measured at fair value through profit and loss				
	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
31 Dec 2016					
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	2,880	-	-	2,880	2,880
Shares and participations	21,981 ¹⁾	-	-	21,981	21,981
Bonds and other interest-bearing securities	79,849 ¹⁾	-	-	79,849	79,849
Loans with collateral in fixed property	1,761	-	-	1,761	1,761
Derivatives	-	6,644 ¹⁾	-	6,644	6,644
Other financial investment assets	1,739	-	-	1,739	1,739
Other receivables	-	-	1,827	1,827	1,827
Cash and cash equivalents	-	-	4,527	4,527	4,527
Total	108,210	6,644	6,354	121,208	121,208

Group	Financial liabilities measured at fair value through profit and loss				
	Financial liabilities measured according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	-	4,539	-	4,539	4,539
Other liabilities	-	-	2,662	2,662	2,662
Accrued expenses and deferred income	-	-	190	190	190
Total	-	4,539	2,852	7,391	7,391

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

¹⁾ Including amounts in the balance sheet recognised as assets for conditional bonus.

Note 32 Financial assets and liabilities by category, cont.

Parent Company	Financial assets measured at fair value through profit and loss				
	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
31 Dec 2017					
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,128	-	-	3,128	3,128
Shares and participations	25,442 ¹⁾	-	-	25,442	25,442
Bonds and other interest-bearing securities	80,214 ¹⁾	-	-	80,214	80,214
Derivatives	-	5,837	-	5,837	5,837
Other receivables	-	-	1,217	1,217	1,217
Cash and cash equivalents	-	-	5,381	5,381	5,381
Total	108,784	5,837	6,598	121,219	121,219

Parent Company	Financial liabilities measured at fair value through profit and loss				
	Financial liabilities measured according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	-	3,804	-	3,804	3,804
Other liabilities	-	-	3,239	3,239	3,239
Accrued expenses and deferred income	-	-	189	189	189
Total	-	3,804	3,428	7,232	7,232

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

Parent Company	Financial assets measured at fair value through profit and loss				
	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
31 Dec 2016					
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	2,890	-	637	3,527	3,527
Shares and participations	21,981 ¹⁾	-	-	21,981	21,981
Bonds and other interest-bearing securities	79,849 ¹⁾	-	-	79,849	79,849
Loans with collateral in fixed property	1,761	-	-	1,761	1,761
Derivatives	-	6,644 ¹⁾	-	6,644	6,644
Other financial investment assets	1,739	-	-	1,739	1,739
Other receivables	-	-	1,827	1,827	1,827
Cash and cash equivalents	-	-	4,527	4,527	4,527
Total	108,220	6,644	6,991	121,855	121,855

Parent Company	Financial liabilities measured at fair value through profit and loss				
	Financial liabilities measured according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	-	4,539	-	4,539	4,539
Other liabilities	-	-	-	-	-
Accrued expenses and deferred income	-	-	-	-	-
Total	-	4,539	-	4,539	4,539

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

¹⁾ Including amounts in the balance sheet recognised as assets for conditional bonus.

Note 33 Fair value valuation techniques

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

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

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

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

Group

31 Dec 2017	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Investment properties	-	-	-	-
Interest-bearing securities issued by Group companies and loans to Group companies	2,993	135	-	3,128
Shares and participations	18,778	7	6,657	25,442
Bonds and other interest-bearing securities	78,510	184	1,520	80,214
Derivatives	15	5,822	-	5,837
Liabilities				
Derivatives	6	3,798	-	3,804

31 Dec 2016	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Investment properties	-	-	1,719	1,719
Interest-bearing securities issued by Group companies and loans to Group companies	2610	270	-	2,880
Shares and participations	16,795	-	5,186	21,981
Bonds and other interest-bearing securities	78,478	-	1,371	79,849
Loans with collateral in fixed property	-	1,761	-	1,761
Derivatives	25	6,619	-	6,644
Other financial investment assets	1,739	-	-	1,739
Liabilities				
Derivatives	3	4,536	-	4,539

There were no significant transfers between Level 1 and Level 2 during 2017 or during 2016. There were no transfers from Level 3 in 2017 or 2016.

There are not normally active markets for investment properties, which is why fair value is estimated using models based on discounted cash flows. The method applied to the calculation of fair value is a combination of the location-price method, based on reported purchases of comparable properties, and a return-based cash-flow method. The return method is based on a calculation of the present value of future actual cash flows in the form of operating net, which has been successively adjusted to market, over 10 years and the present value of the estimated residual value in year 10. The residual value was estimated by performing a constant capitalisation of an estimated market-adjusted operating net.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable

companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association).

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

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses. For information on determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

Change Level 3

	Investment properties	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2016	1,295	5,427	1,079	7,801
Acquisitions	-	113	315	428
Divestments	-	-231	-76	-307
Recognised in profit and loss	424	-123	53	354
Closing balance, 31 December 2016	1,719	5,186	1,371	8,276
Opening balance, 1 January 2017	1,719	5,186	1,371	8,276
Acquisitions	-	1,757	278	2,035
Divestments	-1,719	-137	-101	-1,957
Recognised in profit and loss	-	-149	-27	-175
Closing balance, 31 December 2017	0	6,657	1,520	8,178

Not 33 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 quoted in an active market.

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

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

Parent Company

31 Dec 2017	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Interest-bearing securities issued by Group companies and loans to Group companies	2,993	135	-	3,128
Shares and participations	18,778	7	6,657	25,442
Bonds and other interest-bearing securities	78,510	184	1,520	80,214
Loans with collateral in fixed property	-	-	-	-
Derivatives	15	5,822	-	5,837
Liabilities				
Derivatives	6	3,798	-	3,804

31 Dec 2016	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Interest-bearing securities issued by Group companies and loans to Group companies	3,257	270	-	3,527
Shares and participations	16,795	-	5,186	21,981
Bonds and other interest-bearing securities	78,478	-	1,371	79,849
Loans with collateral in fixed property	-	1,761	-	1,761
Derivatives	25	6,619	-	6,644
Other financial investment assets	1,739	-	-	1,739
Liabilities				
Derivatives	3	4,536	-	4,539

There were no significant transfers between Level 1 and Level 2 during 2017 or during 2016. There were no transfers from Level 3 in 2017 or 2016.

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

Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International

Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association). Bonds and other interest-bearing securities that are not quoted in an active market comprise interest-bearing, unquoted loans that are valued using unobservable market data and are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for any impairment.

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses. For information on determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

Change Level 3

	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2016	5,427	1,079	6,506
Acquisitions	113	315	428
Divestments	-231	-76	-307
Recognised in profit and loss	-123	53	-69
Closing balance, 31 December 2016	5,186	1,371	6,557
Opening balance, 1 January 2017	5,186	1,371	6,557
Acquisitions	1,757	278	2,035
Divestments	-137	-101	-239
Recognised in profit and loss	-149	-27	-175
Closing balance, 31 December 2017	6,657	1,520	8,178

Note 34 Recovery dates

	Group 2017		Group 2016		Parent Company 2017		Parent Company 2016	
	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year
Assets								
Property and equipment	-	2	-	2	-	2	-	2
Investment properties	-	-	1,719	-	-	-	-	-
Shares and participations in Group companies	-	-	-	-	-	30	-	436
Interest-bearing securities issued by Group companies and loans to Group companies	960	2,168	409	2,471	960	2,168	409	3,118
Shares and participations in associated companies	-	0	-	213	-	-	-	220
Shares and participations	-	21,791	-	18,862	-	21,791	-	18,862
Bonds and other interest-bearing securities	7,915	70,878	7,855	70,956	7,915	70,878	7,855	70,956
Loans with collateral in fixed property	-	-	1,761	-	-	-	1,761	-
Derivatives	5,766	-	6,587	-	5,766	-	6,587	-
Other financial investment assets	-	-	-	1,739	-	-	-	1,739
Assets for conditional bonus	173	5,696	134	4,676	173	5,696	134	4,676
Provision for claims outstanding	144	328	106	371	144	328	106	371
Other receivables	1,219	-	1,909	-	1,217	-	1,893	-
Current tax assets	39	-	236	-	39	-	236	-
Cash and cash equivalents	5,381	-	4,527	-	5,381	-	4,527	-
Prepaid acquisition costs	50	52	66	77	50	52	66	77
Other prepaid expenses and accrued income	0	-	0	-	3	-	10	-
Total	21,647	100,915	25,309	99,367	21,648	100,945	23,584	100,457
Liabilities								
Life-assurance reserve	5,314	76,826	5,585	79,607	5,314	76,826	5,585	79,607
Provision for claims outstanding	372	1,785	385	1,831	372	1,785	385	1,831
Conditional bonus	173	5,696	134	4,676	173	5,696	134	4,676
Provisions for pensions and similar commitments	-	24	-	27	-	22	-	26
Deferred tax liabilities	72	-	86	-	-	-	-	-
Other provisions	7	47	7	119	7	47	3	119
Deposits from reinsurers	144	328	106	371	144	328	106	371
Liabilities, direct insurance	165	-	162	-	165	-	162	-
Liabilities, reinsurance	8	-	6	-	8	-	6	-
Derivatives	3,804	-	4,539	-	3,804	-	4,539	-
Other liabilities	3,184	-	8,115	-	3,238	-	3,866	-
Other accrued expenses and deferred income	210	-	213	-	189	-	213	-
Total	13,453	84,706	19,338	86,631	13,414	84,704	14,999	86,630

Note 35 Disclosures on related-party transactions, etc.**Organisation**

Länsförsäkringar Liv is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies.

Joint operations are conducted in the Länsförsäkringar AB Group, which provides services to Länsförsäkringar Liv. This pertains to development, maintenance, services such as financial, legal, life-assurance administration, asset management, risk control, compliance, security, staff, communication and operation, management and development of joint IT systems. The organisation means that there are a large number of ongoing transactions and a few non-recurring transactions between the companies within the Länsförsäkringar Alliance.

Related legal entities and related parties

Länsförsäkringar Liv's operations are conducted according to mutual principles. This means that no profits may be distributed to shareholders.

Related legal entities include all companies within the Länsförsäkringar AB Group, the regional insurance companies and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

Remuneration of Board members and senior executives in Länsförsäkringar Liv is found in note 10 Employees, staff costs and remuneration of senior executives. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

Guidelines for managing conflicts of interest

It is important that there is a well-functioning system to prevent disguised dividends or other non-permitted capital use, while utilising policyholders' interest in enjoying economies of scale and other benefits from being part of a group. Länsförsäkringar Liv's Board of Directors has established guidelines for managing conflicts of interest aimed at serving as a tool to promote internal control.

Cost price policy

To achieve accurate cost distribution, the overall starting point for pricing transactions with related legal entities is that pricing must be based on direct and indirect costs and that the pricing must be based on the cost price policy. The cost price policy entails that the price is set in the form of a total cost that is not charged with any profit mark-up. In addition, no pricing may exceed the market level.

The pricing and cost distribution of services in development and maintenance of general IT systems and other services is currently distributed in groups of basic services (for example, expenses for rents, workplaces and shared functions), mandatory services (for example, joint development and IT) and individual services. The common factor for these is that costs must be distributed as far as possible based on an assessment of actual utilisation.

Basic services include the basic service offering provided by Länsförsäkringar AB to Länsförsäkringar Liv through the Group-wide units. Group overheads pertain to costs consisting of Länsförsäkringar AB's President and staff, as well as expenses that are directly due to the fact that Länsförsäkringar AB with its subsidiaries is a Group. The

mandatory services also include common development and service, maintenance and development of the shared brand, as well as management and operation of the Alliance's joint IT systems provided by Länsförsäkringar AB. In addition, there is a price list for individual services, for example, project management. Individual services pertain to services that are individually priced and which Länsförsäkringar Liv may choose to purchase from Länsförsäkringar AB when necessary.

Prices and cost distribution within the Länsförsäkringar AB Group are prepared at bilateral meetings between the purchaser and the seller and in the joint corporate management, which includes the President of Länsförsäkringar Liv. The Board of Länsförsäkringar Liv then decides on the price list and cost distribution for the coming year in conjunction with the annual business planning.

Decision-making process

The transactions are based on written agreements at market standards and terms. The decision-making documentation prior to a new agreement with related legal entities must be written and contain a risk assessment for conflicts of interest. The decision-making documentation must also include a brief requirement and impact analysis, as well as the person responsible for the transaction.

There are assignment agreements that regulate the assignments that Länsförsäkringar Liv has undertaken on behalf of Länsförsäkringar AB or another related party. The assignment agreements also state how control and planning of the outsourced operation is to take place. There are also specifications for assignment agreements that describes each assignment's service content, service level and execution.

Monitoring

Cost distribution is followed up on a monthly basis. The total costs and internal costs are reported to the Board of Länsförsäkringar Liv and corporate management.

The policies are documented in the finance handbook and prices for purchased services are published on Länsförsäkringar's intranet.

Länsförsäkringar Liv's transactions with related parties

The following section provides a description of the most significant related-party transactions in 2017.

1) IT services and products from Länsförsäkringar AB

Länsförsäkringar AB provides IT services and products according to a framework agreement since 2004. Pricing is based on the cost-distribution principle. Costs for joint financial infrastructure are distributed according to various keys depending on the service to provide the most accurate picture possible. The framework agreement applies until further notice, with a 12-month period of notice.

2) Service and development from Länsförsäkringar AB

A more detailed description of pricing and organisation for these services is available in the above section about regulations for internal transactions of an ongoing nature.

Mandatory services within Länsförsäkringar Alliance

Costs for the mandatory services in the Länsförsäkringar AB Group are distributed among the three core business segments Non-life, Life assurance and Bank. The total operational costs are used as the distribution basis between the core businesses where no clear cost driver can be identified.

Individual service within Länsförsäkringar Alliance

Prices for individual services are set to reflect consumption of the product or service and invoicing is according to agreement with the customer.

Basic service in the Länsförsäkringar AB Group

The service centre and each Group-wide unit that provides basic service within the Länsförsäkringar AB Group prepares an annual documentation displaying the units that are counterparties, the products and services provided, content, service level, price structure and price level. This pertains, for example, to such services as IT, rent for premises and asset management. Länsförsäkringar Liv leases premises from Länsförsäkringar AB and pays market-based rent.

Costs for Group overhead

The costs for Group overhead are distributed between the units within the Länsförsäkringar AB Group. For Group overhead, a document must be prepared annually providing details on costs, meaning the services and activities executed and the President's staff/function responsible, how these costs are distributed between the business units, etc.

3) Bonds in Länsförsäkringar Hypotek AB

Länsförsäkringar Liv owns listed bonds issued by Länsförsäkringar Hypotek AB with a fair value of SEK 2,730 M (2,268).

4) Regional insurance companies' distribution remuneration

Länsförsäkringar Liv pays remuneration to the regional insurance companies for customer care based on capital under management (New Trad), premiums paid and for the change from traditional management to New Trad management. Remuneration levels are regulated through agreements.

5) Service offerings between Länsförsäkringar Liv and Länsförsäkringar Fondliv

Länsförsäkringar Liv purchases administrative services from Länsförsäkringar Fondliv. The service offerings are regulated through agreements. Pricing is based on the cost-distribution principle and since 2014 a fixed price per insurance. The contract is extended one year at a time, unless it is cancelled by the parties. Services primarily pertain to life-assurance administration, IT management, administration of risk operations, risk assessment and claims adjustment.

6) Asset management in Länsförsäkringar AB and with external managers

Länsförsäkringar AB is commissioned by Länsförsäkringar Liv to manage investment assets through its asset management department and a number of external managers. For management, Länsförsäkringar Liv pays remuneration in relation to its proportion of the asset management department's actual operating expenses. The remuneration is calculated on cost price applicable at any time pursuant to adopted financial control policies within the Länsförsäkringar AB Group. For external management, the companies pay remuneration of a corresponding amount and on the same date as Länsförsäkringar AB pays remuneration to external managers. The agreement applies until further notice, with a 12-month period of notice.

7) Management remuneration from Länsförsäkringar Fondförvaltning AB

Länsförsäkringar Fondförvaltning provides management remuneration for managing New World products. The cooperation agreement applies until further notice, with three months' period of notice.

8) Occupational pensions for employees of the Länsförsäkringar Alliance

Länsförsäkringar Liv provides occupational pensions for employees of the Länsförsäkringar Alliance. These pension benefits are based on agreements in the Swedish labour market and the premiums are market-based.

9) Bonds and subordinated debts in Länsförsäkringar Bank AB

Länsförsäkringar Liv owns listed bonds issued by Länsförsäkringar Bank AB with a fair value of SEK 398 M (612).

10) Loans to Humlegården Holding I-III AB

There are no remaining loans to Humlegården Holding I-III AB. However, interest was paid in 2017 until the loan had been repaid.

11) Loans to companies within the Life Group

There are no remaining promissory notes to companies within the Life Group.

12) Transaction with Humlegården Fastigheter AB

The property management agreement has been terminated. In December 2017, Länsförsäkringar Liv divested two property-owning subsidiaries to Humlegården Fastigheter AB (publ). The sales proceeds totalled SEK 1,883 M, corresponding to the carrying amount in the Group as at 30 June 2017. These proceeds were received in the form of newly issued shares in Humlegården Fastighets AB corresponding to 11.6% and cash and cash equivalents of SEK 600 M. The property management agreement with Humlegården Fastigheter AB has been terminated.

13) Cooperation with Länsförsäkringar Sak regarding procurement of catastrophe reinsurance:

Cooperation with Länsförsäkringar Sak regarding procurement of catastrophe reinsurance. Länsförsäkringar Liv has commissioned Länsförsäkringar Sak's Reinsurance department to take responsibility for the procurement and administration of non-proportional reinsurance of catastrophe risks. This cooperation entails that the parties will share the reinsurance cover. The premium amounted to SEK 1.3 M (1.4). No disaster claims were incurred during the year.

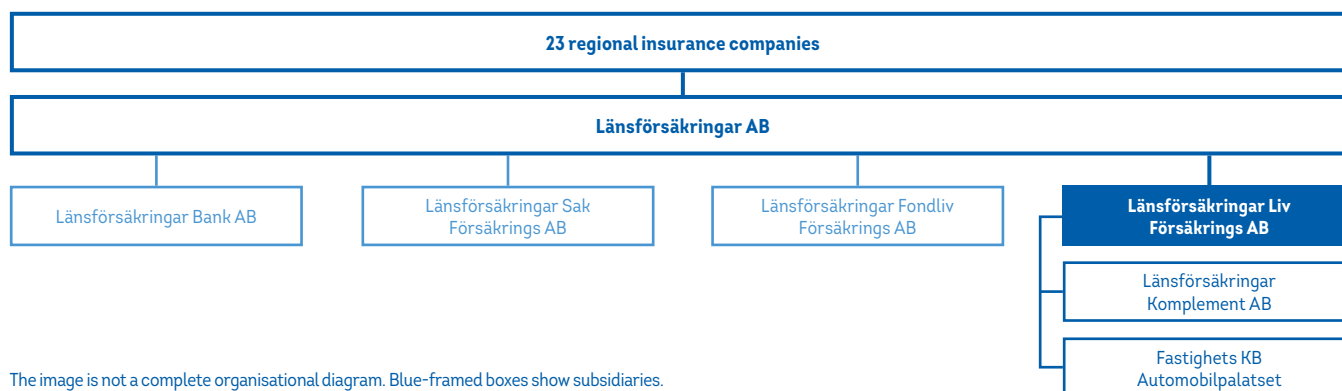
14) Agreement with Länsförsäkringar Fondliv regarding compensation for transfer of capital between the companies:

Premium flows currently take place between Länsförsäkringar Liv and Länsförsäkringar Fondliv when management forms are changed. Länsförsäkringar Liv and Länsförsäkringar Fondliv have agreed that the companies will pay compensation to each other based on commercial terms for the expenses arise when insurance capital is transferred between the two companies. This compensation is to be at a level corresponding to the transfer fees that apply at any time for external transfers from each party. Settlement is to take place every quarter between the parties according to separate accounts.

15) Agreements regarding AML services with Länsförsäkringar Bank AB:

Länsförsäkringar Bank AB provides certain anti-money laundering services and measures to combat terror financing. Länsförsäkringar Liv pays remuneration according to a cost-distribution principle adopted by the Boards of both companies.

Operational structure



The image is not a complete organisational diagram. Blue-framed boxes show subsidiaries. Light blue-framed boxes show other Group companies and dark-blue boxes show owners. Länsförsäkringar Liv is not consolidated in the Länsförsäkringar AB Group.

The tables below show the significant related-party transactions between companies within Länsförsäkringar Liv and legal entities closely related to the Group, as described above. All amount are in SEK M.

Länsförsäkringar Liv's transactions with related parties

Nature	Counterparty	2017		2016		Reference
		Income	Expenses	Income	Expenses	
IT services and products	Länsförsäkringar AB	-	33	-	33	1
Service and development, of which	Länsförsäkringar AB	-	89	-	87	2
- Individual service		-	12	-	26	
- Mandatory services		-	14	-	5	
- Basic service		-	51	-	51	
- Group overhead		-	12	-	5	
Interest	Länsförsäkringar Hypotek AB	20	-	56	-	3
Distribution remuneration, 2017 including remuneration capital	23 regional insurance companies	-	110	-	95	4
Service offerings	Länsförsäkringar Fondliv AB	5	159	3	163	5
Asset Management	Länsförsäkringar AB	-	110	-	102	6
Management remuneration	Länsförsäkringar Fondförvaltning AB	30	-	70	-	7
Occupational pension premiums for employees of the Länsförsäkringar Alliance	Länsförsäkringar Alliance	44	-	34	-	8
Interest	Länsförsäkringar Bank AB	1	-	1	-	9
Interest	Humlegården Holding I-III	5	-	64	-	10
Property management	Humlegården Fastigheter AB	-	17	-	5	12
Sales of properties	Humlegården Fastigheter AB	-	-	-	-	12
Catastrophe reinsurance	Länsförsäkringar Sak AB	-	2	-	3	13
Compensation for transfer of capital	Länsförsäkringar Fondliv AB	4	-	8	-	14
AML services	Länsförsäkringar Bank	-	2	-	-	15
Total		109	522	236	488	

Transactions between Länsförsäkringar Liv and its subsidiaries

Nature	Counterparty	2017		2016		Reference
		Income	Expenses	Income	Expenses	
IT services and products	Länsförsäkringar Liv AB's subsidiaries	1	0	1	0	11
Total		1	0	1	0	

Related-party receivables and liabilities - Group

Counterparty	31 Dec 2017		31 Dec 2016	
	Receivables	Liabilities	Receivables	Liabilities
Länsförsäkringar Hypotek AB	2,575	-	2,267	-
Länsförsäkringar Bank AB	398	-	341	-
Länsförsäkringar AB	164	21	283	26
Länsförsäkringar Fondliv AB	44	81	15	126
Länsförsäkringar Fondförvaltning AB	2	-	5	-
Regional insurance companies	-	9	-	8
Länsförsäkringar Sak AB	-	1	-	1
Humlegården Holding I-III AB	-	-	1,761	-
Total	3,183	112	4,672	161

Related-party receivables and liabilities - Parent Company

Counterparty	31 Dec 2017		31 Dec 2016	
	Receivables	Liabilities	Receivables	Liabilities
Fastighets KB Automobilpalatset	-	-	411	76
Fastigheten Dykarhuset AB	-	-	236	36
Total	-	-	647	112

Note 36 Significant events after the end of the fiscal year

On 2 February 2018, Johan Agerman left his position as President and CEO of Länsförsäkringar AB and his Board appointment in Länsförsäkringar Liv. In connection with this, Sören Westin was appointed President and CEO of Länsförsäkringar AB.

New assumptions regarding the long-term discount rate: The discount rate curve used to calculate technical provisions regarding longer terms is based on the assumption of an Ultimate Forward Rate (UFR). Calculations of long-term technical provisions for both accounting purposes under IFRS and for solvency calculations under Solvency II are based on this UFR. The rules for determining the UFR under Solvency II have been updated with the rate being lowered by 0.15% on 1 January 2018. This rate reduction will increase both the technical liabilities under IFRS and under Solvency II by about SEK 400 M.

The company's agreement on excess loss reinsurance for morbidity and mortality risks was terminated for 2018. Claims that occurred under the agreement prior to 2018 will be managed in run-off, meaning that Länsförsäkringar Liv and the reinsurer will share responsibility for these claims in accordance with the agreement. The agreement on excess loss reinsurance has been in force since 2007.

Note 37 Proposed appropriation of profit

The proposed appropriations as specified below will be presented to, and the income statement and balance sheet for the Group and Parent Company will be adopted at the Annual General Meeting in May 2018.

Group

Total equity for the Group amounted to SEK 23,050 M at year-end. No provision to restricted reserves in the subsidiaries is proposed.

Parent Company

In 2017, recognised profit amounted to SEK 3,121,201,500.

The Board of Directors and the President propose that net profit for the year be appropriated as follows, SEK:

Net profit for the year	3,121,201,500
Total	3,121,201,500

Of the above net amount, withdrawals from (-) and provision to (+) the collective consolidation fund are proposed as follows, SEK.

Defined-contribution occupational pension insurance	1,367,622,463
Occupation-linked health insurance and premium exemption	71,105,446
Individual traditional life assurance	1,660,758,635
Non-cancellable accident and health insurance and premium exemption	41,073,985
Accident and health	-19,359,029
Total	3,121,201,500

The Board of Directors proposes that the Annual General Meeting authorise the Board in the 2017 fiscal year to use up to SEK 1,200 M of the funds in the collective consolidation fund for final allocations in connection with payments of pension and other claims payments, transfers of insurance capital and repurchases.

The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2018.

Stockholm, 6 March 2018

Karl-Olof Hammarkvist
Chairman

Sören Westin
Board member

Birgitta Carlander
Board member

Sten Dunér
Board member

Ingemar Larsson
Board member

Henrik Perlmutter
Board member

Eric Grimlund
Board member

Örian Söderberg
Board member

Anna Söderblom
Board member

Gunnar Wetterberg
Board member

Marie-Louise Zetterström
Board member

Bitte Franzén Molander
Employee representative

Kristina Padel Roström
Employee representative

Jörgen Svensson
President

My audit report was submitted on 6 March 2018.

Gunilla Wernelind
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Länsförsäkringar Liv Försäkringsaktiebolag (publ), corp. id 516401-6627

Report on the annual accounts and consolidated accounts

Opinions

I have audited the annual accounts and consolidated accounts of Länsförsäkringar Liv Försäkringsaktiebolag (publ) for the year 2017, except for the sustainability report on pages 7-9. The annual accounts and consolidated accounts of the company are included on pages 4-48 in this document.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Insurance Companies. My opinions do not cover the sustainability report on pages 7-9. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Key Audit Matters

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

Calculation of Technical provisions

See disclosure 26 and 27 and accounting principles on page 24 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Technical provisions in the annual accounts and the consolidated accounts are stated at 84 296 MSEK at December 31, 2017, corresponding to 69 percent of total assets.

This is an area that involves significant judgments.

Life-insurance reserves corresponds to the capital value of the guaranteed amounts of ongoing insurance contracts after deduction of the future agreed premiums.

Life-insurance reserves are calculated using generally accepted actuarial methods. The calculations contain assumptions such as interest rates, mortality, tax and operating expenses

Provision for claims outstanding consists of four different technical reserves: Provision for disability annuities, established claims, non-established claims and claims-handling reserve. Significant assumptions are morbidity and settlement period.

Response in the audit

We have assessed the applied assumptions in the actuarial methods used to calculate Life-insurance reserves and Provision for claims outstanding.

We have compared the valuation assumptions against the Company's own experience investigations, regulatory requirements and industry benchmarks.

We have involved our own actuarial specialists to assist us in challenging the methodology and assumptions used in the calculation of cash-flows and valuation of the Technical reserves. We have via calculations checked that the reserves are adequate compared to the expected future contractual obligations or, with regards to provisions for disability annuities and non-established claims, compared to our own recalculations.

We have performed tests on a sample basis to assess the management's data extraction process, actuarial calculations and booking in the general ledger.

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

Valuation of financial instruments classified as level 2 and 3

See disclosure 34 and accounting principles on pages 22-23 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The financial instruments classified as level 2 and 3 in the consolidated accounts are stated at 14 325 MSEK at December 31, 2017, corresponding to 12 percent of investment assets in the consolidated accounts.

The fair value of financial assets, classified as level 2 according to the IFRS fair value hierarchy, are measured based on observable market data that are not included in level 1. Since there are a limited number of representative transactions for these assets the fair value is difficult to assess.

The fair value of financial assets classified as level 3 according to the IFRS fair value hierarchy is based on valuation models that involve significant levels of management judgements as the fair value calculation is based on input that is unobservable by a third party.

The Group's assets as above, consists of shares and participations and Bonds and other securities.

Response in the audit

We have tested the controls over the valuation process including management's determination and approval of assumptions and methods used in model-based calculations, controls over data integrity, change management for internal valuation models and management's review of valuations made by external experts.

We have engaged our internal valuations specialists to assist us in challenging the method and assumptions used in the valuation of unlisted financial assets.

We have assessed methods used in the valuation models against industry practice and valuation guidelines.

We have compared assumptions used against appropriate benchmarks and pricing sources and investigated significant differences.

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 7-9 and 1-3. The other information comprises also of the report "Nyckeltalsrapport 2017" (but does not include the annual accounts and consolidated accounts and my auditor's report thereon). The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Insurance Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is

not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the Managing Director of Länsförsäkringar Liv Försäkringsaktiebolag (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 7-9, and that it is prepared in accordance with the Annual Accounts Act.

My examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that my examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinion.

A statutory sustainability report has been prepared.

Gunilla Wernelind, Box 382, 101 27, Stockholm, was appointed auditor of Länsförsäkringar Liv Försäkringsaktiebolag (publ) by the general meeting of the shareholders on the 16th of June 2016. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm 6 March 2018

Gunilla Wernelind
Authorized Public Accountant

Corporate Governance Report

Introduction

Länsförsäkringar Liv Försäkringsaktiebolag (Länsförsäkringar Liv) is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 16 local insurance companies. Länsförsäkringar Liv is operated according to mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers.

Länsförsäkringar Liv complies with the applicable parts of the Swedish Corporate Governance Code (the Code). The main reason for deviations is that Länsförsäkringar Liv is not a stock-market company. Deviations from the provisions of the Code and explanations for such deviations are presented below in the "Deviations from the Code" section on page 56.

This Corporate Governance Report is unaudited.

Corporate governance

Länsförsäkringar Liv comprises the Traditional Life Assurance business unit within the Länsförsäkringar AB Group.

Länsförsäkringar AB has a corporate governance system based on the Länsförsäkringar Alliance's strategies, Länsförsäkringar AB's assignment from its owners, Länsförsäkringar AB's long-term direction and on principles for managing the Länsförsäkringar AB Group decided upon by the Board of Länsförsäkringar AB. The risk-based performance management represents the basis of the corporate governance system.

Based on the aforementioned starting points, the corporate governance system consists of the organisation, the internal regulations

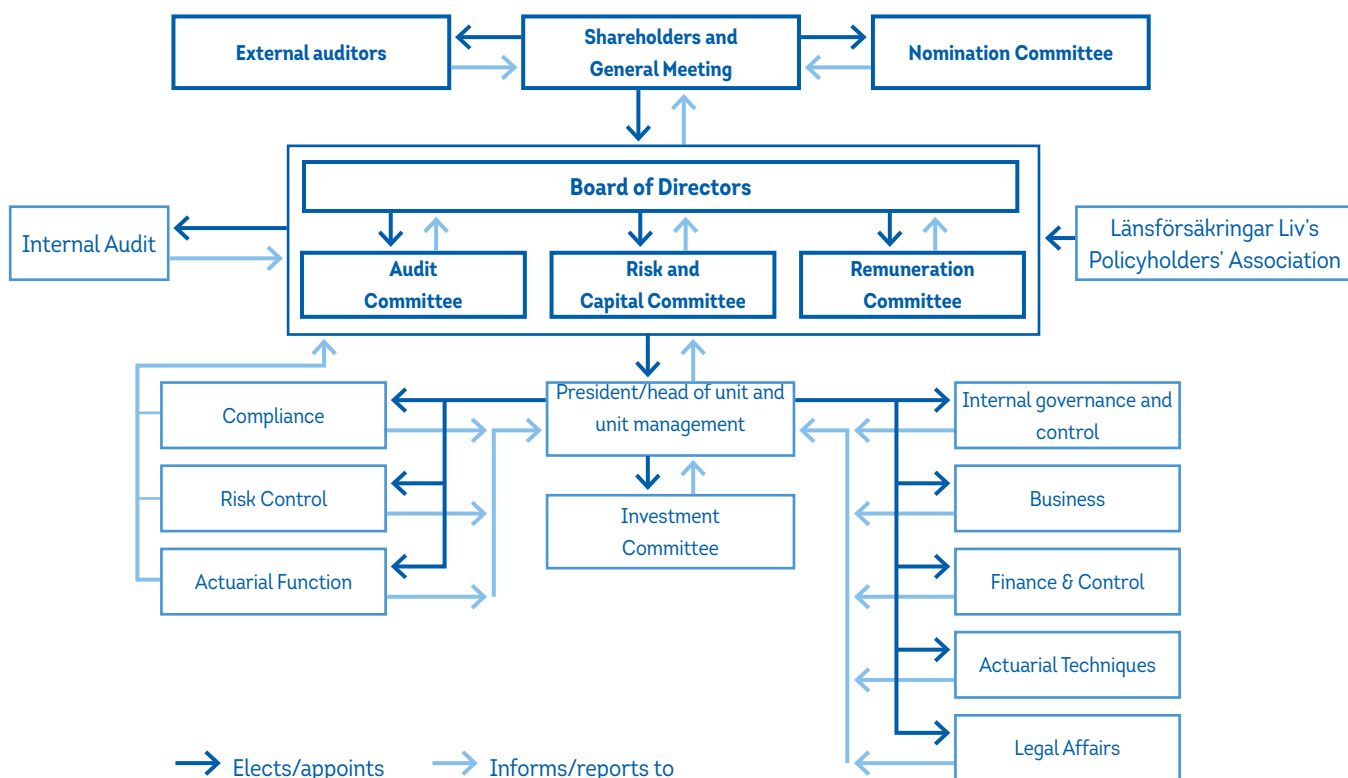
and internal-control system, while Länsförsäkringar Liv guarantees the governance and internal control within the company within the framework of the corporate governance system.

The Board establishes the operational organisation for Länsförsäkringar Liv, which should be appropriate and transparent, with a clear distribution of responsibility and information between the various company bodies and between the so-called lines of defence, and a clear decision and reporting procedure. An internal-control system is integrated into the operational organisation, including a compliance system and a risk-management system. Economies of scale are guaranteed within the framework of the organisation via Group-wide functions and outsourced operations, continuity management and contingency plans, efficient systems for reporting and transferring information, information security, management of conflicts of interest and ensuring that Board members and employees are suited to their tasks.

The internal regulations, which comprise governance documents such as policies, guidelines and instructions, represent an important tool for managing the operations. The organisation and distribution of responsibility are determined by the internal regulations, as are the procedures for governance and internal control. The internal regulations are reviewed and decided upon regularly.

Internal control is part of the governance and management of Länsförsäkringar Liv. Internal control aims to ensure that the organisation is efficient and fit for its purpose, that operations are conducted in accordance with decided strategies in order to achieve established targets and that financial statements and reporting are reliable.

Länsförsäkringar Liv's governance structure, figure 1



Furthermore, the internal control is to ensure that information systems are managed and operated efficiently, that there is a strong ability to identify, measure, monitor and manage risks and full regulatory compliance. Risk and capital control and capital planning are a part of the internal control. The internal-control process encompasses all parts of the organisation, including outsourced activities, and is an integral part of the organisational structure and decision-making processes. Internal control at Länsförsäkringar Liv is based on a system comprising three lines of defence, which comprise operations in the first line, functions for compliance and risk control and the Actuarial function in the second line and Internal Audit in the third line.

The purpose of the risk-management system, which is a part of internal control, is to ensure that Länsförsäkringar Liv's operations are continuously able to identify, measure, monitor, manage and report risks. Internal control also includes the compliance system that ensures compliance with laws, regulations and other rules, and guarantees that new and amended regulations are monitored and implemented effectively, that the Boards and employees are trained and that risks linked to compliance with external and internal rules can continuously be identified, measured, controlled, managed and reported. An outline of the governance and reporting structure is provided in figure 1.

The company has outsourced important parts of its operations to the Parent Company Länsförsäkringar AB and fellow subsidiary Länsförsäkringar Fondliv Försäkringsaktiebolag (Länsförsäkringar Fondliv). The main reason for this is that the greatest efficiency is deemed to be achieved by performing certain functions jointly on a Group-wide basis. In addition, Länsförsäkringar Bank manages the

anti-money laundering activities. Distribution and customer care are primarily managed by the regional insurance companies. Specialised expertise and resources are allocated within the company to ensure ordering, monitoring and control of the outsourced operations.

An overview of the organisation and outsourced operations is provided in figure 2.

Shareholders and General Meeting

Shareholders exercise their voting rights at the General Meeting, which is the highest decision-making body. A General Meeting is normally held once a year, the Annual General Meeting. Länsförsäkringar AB holds 100% of the capital and votes in Länsförsäkringar Liv.

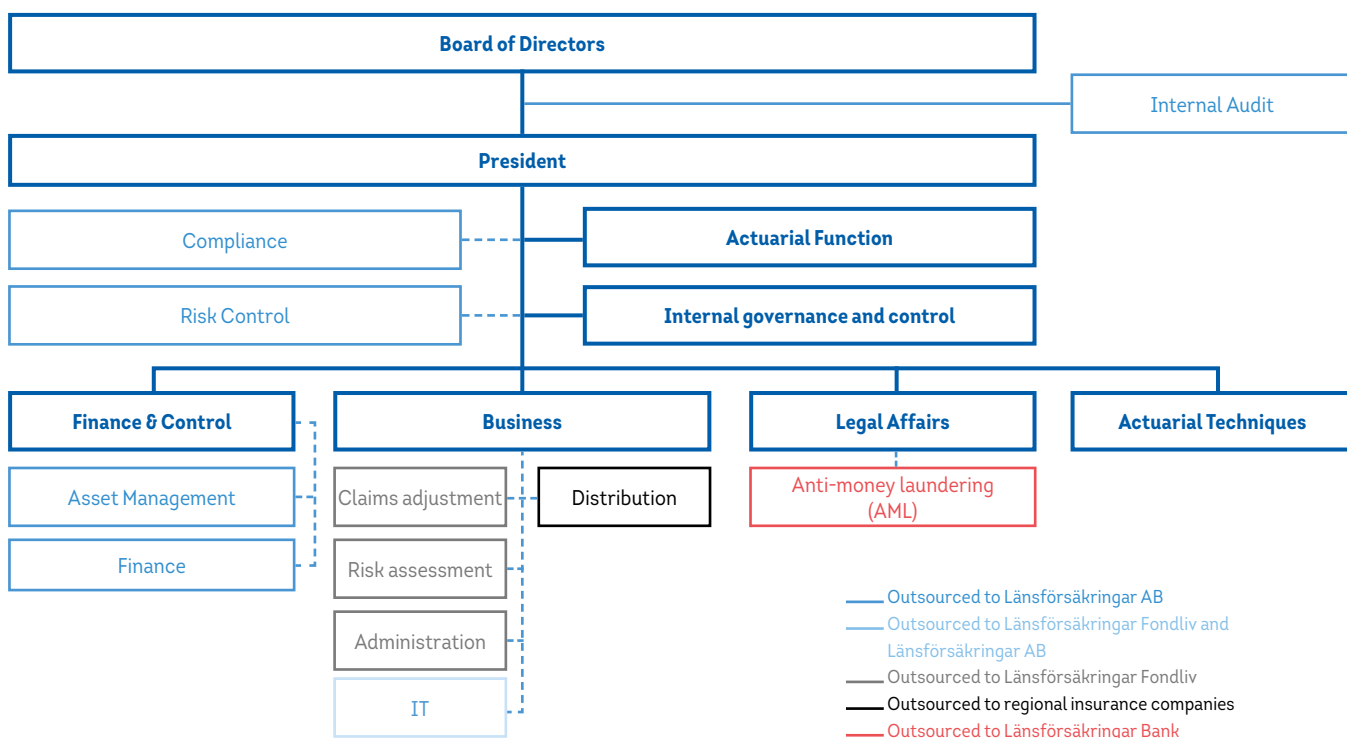
Decisions are made at the Annual General Meeting regarding the Annual Report, the election of members of the Board and auditors, fees and other remuneration of Board members and auditors, and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration of Board members is specified for the Chairman and other Board members.

Nomination Committee

Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee. The Nomination Committee is charged with the task of presenting, in consultation with the CEO of Länsförsäkringar AB, proposals regarding the Board of Directors and auditors of companies including Länsförsäkringar Liv, and fees and other remuneration of these Board members and auditors.

Länsförsäkringar Liv's governance structure, figure 2



The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB and new Board members are recruited in accordance with the instructions and established procedures and processes. The Board is to have a sufficient number of Board members based on the size and degree of complexity of the company, and the nature and scope of the operations. With this as the starting point, the Nomination Committee is to assess, whether the Board has a suitable composition, with respect to the operations, stage of development and other conditions of the company, that ensures the overall competencies and experience necessary for the company are in place, characterised by diversity in terms of, for example, age, gender and ethnic origin, in accordance with the Länsförsäkringar AB Group's diversity policy applicable at any time. The Nomination Committee is also responsible for ensuring that a suitability assessment of proposed Board members is performed.

Nomination Committee prior to Annual General Meeting

Since the 2017 Annual General Meeting, the Nomination Committee of Länsförsäkringar AB has comprised Otto Ramel as Chairman (Länsförsäkringar Skåne), Per-Åke Holgersson (Länsförsäkring Kronoberg), Anna-Greta Lundh (Länsförsäkringar Södermanland), Göran Spetz (Länsförsäkringar Västerbotten) and Mats Åstrand (Länsförsäkringar Gävleborg).

Prior to the Annual General Meeting, the Nomination Committee has:

- studied the Board's evaluation of its work,
- studied the Board Chairman's view of the operations, the Board's work and requirements for expertise and experience, and
- reviewed and discussed requirements for expertise and experience with respect to the needs of the operations and regulatory requirements.

Prior to the Annual General Meeting, the Nomination Committee will:

- evaluate the independence of candidates,
- nominate Board members, the Board Chairman and auditors,
- carry out suitability assessments of Board members, and
- propose fees and other remuneration of Board members and auditors.

External auditors

The Annual General Meeting appoints the external auditors. Nominations are made to the Nomination Committee. In accordance with the Articles of Association, Länsförsäkringar Liv is to have between one and three auditors and between zero and three deputy auditors. Auditors are appointed for a period in office of a maximum of four years. At the Extraordinary General Meeting in 2016, Gunilla Wernelind, KPMG AB, was appointed auditor for the period up to and including the 2018 Annual General Meeting. At the 2015 Annual General Meeting, Anders Tagde, KPMG AB, was appointed auditor for the period up to the 2018 Annual General Meeting.

The auditor examines Länsförsäkringar Liv's Annual Report, as well as the administration of the Board and the President. The auditor presented his audit results and observations to the Board once during 2017. The auditor also participates in the meetings of the Board's Audit Committee. The auditor reviews Länsförsäkringar Liv's six-month accounts.

Länsförsäkringar Liv's Policyholders' Association

Länsförsäkringar Liv's Policyholders' Association was formed with the purpose of promoting the long-term interests of Länsförsäkringar Liv's policyholders. Members of the association are appointed

by the policyholders in Länsförsäkringar Liv. To secure fulfilment of the purpose and ensure that the policyholders acquire influence and insight into the company's operations, the association is entitled to appoint two members to Länsförsäkringar Liv's Board of Directors. In matters of particular significance, the association will receive special information and be able to submit special statements.

Board of Directors

Composition of Board

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar Liv is to comprise between eight and 14 Board members, with between zero and six deputies. Board members are elected for a maximum mandate period of two years. In addition, members appointed by trade-union organisations are also members of the Board. The President is not a member of the Board. Länsförsäkringar Liv has no time limit for the length of time a member may sit on the Board and no age limit for Board members. Two of the members are appointed by Länsförsäkringar Liv's Policyholders' Association. A majority of the Board members, including the employee representatives, must be independent in relation to Länsförsäkringar Liv and other companies in the same Group. The Chairman of the Board is appointed by the Annual General Meeting. The President and Board Secretary participate in Board meetings except for matters in which there may be a conflict of interest or when it would otherwise be inappropriate for them to attend. Employees reporting on particular issues attend meetings when they make their presentations.

The Board currently comprises 13 regular members and one deputy. Nine of the members are appointed by the General Meeting, two by Länsförsäkringar Liv's Policyholders' Association and two members and one deputy by the trade unions. Seven of the members are independent. A presentation of the Board members can be found on pages 58 and 59 of the company's Annual Report.

Board responsibilities and allocation of duties

The Board is responsible for the organisation and administration of the company and decisions on issues of material significance and of an overall nature relating to the company's operations. The Board appoints, evaluates and dismisses the President, adopts an appropriate organisation and the goals and strategies of the operations, and ensures that efficient systems are in place for internal governance, control and risk management.

Every year, the Board adopts a formal work plan. The formal work plan includes a description of the duties and responsibilities of the Board, its Chairman and its members, the delegation of duties within the Board, the lowest number of Board meetings, procedures for reporting on the operations and financial reporting, as well as procedures for Board meetings in terms of notices of meetings and presentations of materials, as well as conflicts of interest and disqualification.

The Board is to continuously remain informed about the performance of the company to be able to continuously assess the company's financial situation and position. Through its formal work plan, the Board has established that financial reporting is to take place in accordance with established instructions and through regular Board meetings.

The Board must also regularly manage and evaluate the company's risk development and risk management. During the year, the Board regularly reviews the company's earnings and business-volume trends, financial position and risk trends in relation to, for example, the business plan and forecasts. The Board receives regular reports from Compliance, Risk Control, the Actuarial function and Internal Audit. The Board continuously monitors current matters with authorities.

Chairman

According to the formal work plan, the Chairman is to lead the Board's work and ensure that the Board fulfils its duties. The Chairman is also to ensure that the Board meets as required, that Board members are provided with the opportunity to participate in meetings and receive satisfactory information and documentation for decision-making, and apply an appropriate working methodology. Through ongoing contact with the President, also between Board meetings, the Chairman is to remain informed of significant events and developments in the company, and support the President in his work.

Work of the Board

In its formal work plan, the Board has established annually recurring items of business and a standard for its agenda and information and decision-making material. In a company directive, the Board has established the company's operational structure, clarified the allocation of responsibilities between the various units and executives in the company, and stated how the operations are to be governed and controlled.

In addition to the Board's formal work plan and the company directive, the Board establishes a directive at least once per year for the President, risk policy, insurance guidelines, investment guidelines and guidelines for managing conflicts of interest, outsourcing guidelines as well as a large number of governance documents for the operations.

The Board has established a Risk and Capital Committee, an Audit Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in its separate formal work plans for the Committees. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

The Board conducts annual strategic seminars and evaluates the President's work and terms of employment. The Board meets the company's auditors at least once per year, see also to the Audit Committee section below.

The dates of Board meetings are established at the first scheduled meeting following the Annual General Meeting for the next calendar year. A notice of each meeting, including a preliminary agenda, is sent out about 14 days prior to the meeting. Documentation for the meeting is normally distributed about one week prior to the meeting. All documents and materials presented at the meeting are saved electronically.

In 2017, the Board devoted much of its time to the strategy for the life-assurance operations. The Board also attended a risk workshop and received training in regulations and other current matters ahead of each scheduled Board meeting.

The number of Board meetings and members' attendance are presented in the table below.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. The 2017 evaluation was based on an electronic survey completed by the Board members. The results were compiled, reported to and discussed by the Board and submitted to the Nomination Committee.

Risk and Capital Committee

The Risk and Capital Committee is to support the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on Länsförsäkringar Liv's level of risk-taking and capital requirements. Prior to Board meetings, the Committee is to discuss and address issues relating to the following:

- asset management operations,
- risk policy,
- the methods, models and valuations of the company's partial internal model,
- internal risk and capital assessment, and
- follow-up of risk trends and potential deviations from risk limits.

At the first Board meeting held after the 2017 Annual General Meeting, Karl-Olof Hammarkvist was appointed Chairman, and Johan Agerman, Anna Söderblom and Gunnar Wetterberg were appointed members of the Risk and Capital Committee. The number of Risk and Capital Committee meetings and members' attendance are presented in the table on the right.

Audit Committee

The Audit Committee is responsible for preparing the Board's work in areas including:

- Monitoring the company's financial reporting
- Regarding the financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management
- Remaining informed of the audit of the Annual Report and consolidated financial statements
- Examining and monitoring auditors' impartiality and independence and, in this respect, particularly noting whether the auditors provide the company with any other services than auditing services
- Monitoring the efficiency of the company's corporate governance system and control of the operational risks

At the first scheduled Board meeting after the 2017 Annual General Meeting, Birgitta Carlander (Chairman), Ingemar Larsson and Marie-Louise Zetterström were appointed members of the Audit Committee. Sten Dunér was also appointed a Committee member at the Board meeting held in October. The number of Audit Committee meetings and members' attendance are presented in the table below.

Remuneration Committee

The Remuneration Committee is to prepare issues on remuneration of the President and other members of corporate management and employees with overall responsibility for any of the company's control functions. The Committee is also to prepare decisions on measures for following up the application of the Remuneration Policy.

At the first scheduled Board meeting after the 2017 Annual General Meeting, Karl-Olof Hammarkvist (Chairman), Gunnar Wetterberg and Johan Agerman were appointed members of the Remuneration Committee. The number of Remuneration Committee meetings and members' attendance are presented in the table below.

Board meetings and attendance

The table below shows the number of meetings held in each body since 2017 and the attendance of each Board member.

	Independent members	Board of Directors	Risk and Capital Committee	Audit Committee	Remuneration Committee
Total number of meetings		9	4	4	2
Johan Agerman		7	3		1
Birgitta Carlander	X	9	-	4	-
Sten Dunér		9	-	-	-
Bitte Franzén Molander		7	-	-	-
Eric Grimlund (Board member from AGM on 8 May 2017)		6			
Karl-Olof Hammarkvist	X	9	4	-	2
Ingemar Larsson	X	9	-	4	-
Susanne Lindberg (deputy)		5	-	-	-
Kristina Padel Roström		8	-	-	-
Henrik Perlmutter	X	9	-	-	-
Karin Starrin (Board member until AGM on 8 May 2017)		1	-	1	-
Örian Söderberg		9			
Anna Söderblom	X	8	4		
Gunnar Wetterberg	X	9	2	-	2
Marie-Louise Zetterström	X	7	-	4	-

President and corporate management

Jörgen Svensson has been the President of Länsförsäkringar Liv since May 2008. He was born in 1959.

The organisational structure of Länsförsäkringar Liv is divided into departments. In addition, there are four control functions: Risk Control, Compliance, Actuarial function and Internal Audit. Corporate management comprises the President and the heads of the departments. Corporate management serves as a forum for consultation and exchange of information between the company's senior executives. Management discusses and decides on matters pertaining to the company.

The President has also established an Investment Committee for preparing, deciding on and monitoring asset management issues. The President is the Chairman of this Committee.

Control functions

Internal Audit

Internal Audit is an independent review function that supports the Board in the evaluation of the corporate governance system, including the organisation's risk management, governance and controls. Based on its reviews, Internal Audit is to evaluate and assure that the operations' overall internal governance and control systems are conducted in an efficient manner and that the overall reporting to the Board provides a true and fair view of the operations, that the operations are conducted in accordance with applicable internal and external regulations, and in compliance with the Board's decisions. The Board has adopted a separate instruction for the internal audit function.

The results of the Internal Audit's review are reported in summary to the Board and in more detail to the Audit Committee.

Compliance

Compliance is an independent control function responsible for monitoring and controlling that operations are conducted in full regulatory compliance. The task of the function is to monitor and control regulatory compliance in the licensable operations, and identify and report on risks that may arise as a result of non-compliance with regulatory requirements. Compliance is to also provide support and advice to operations, to ensure that operations are informed about new and amended regulations and to take part in the implementation of training. Compliance risks and recommendations on courses of action are reported to the President, the Board and the Audit Committee.

Risk Control

Risk Control provides support to the Board, President, management and the rest of the operations for fulfilling their responsibility of ensuring that proper risk management and risk control have been carried out for all operations and for ensuring that risks are managed in line with the risk framework established by the Board. Risk Control is to carry out its activities independently from the business activities. Risk Control reports regularly to the President and the Board. Operational risk is also continuously reported to the Audit Committee and other risks to the Risk and Capital Committee.

Actuarial function

The Actuarial function has the overall responsibility for the quality of the company's actuarial calculations and reports to management and the Board on matters pertaining to methods, calculations and assessments of the technical provisions, the valuation of insurance risks and reinsurance cover. The function also contributes to the company's risk-management system, for example, through its participation in the company's Own Risk and Solvency Assessment.

Deviations from the Code

The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Nomination Committee, notice, publication of information prior to, and holding an Annual General Meeting.

Deviation from the provisions of the Code with respect to the fact that the company is not a stock-market company and only has one shareholder. For more information, see the sections entitled "Shareholders and General Meeting" and "Nomination Committee" on page 53.

Period of office for Board members

Deviation from the Code's provision of a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a Board member irrespective of their term. A mandate period of more than one year contributes to ensuring continuity and establishing competence within the Board.

Remuneration Committee

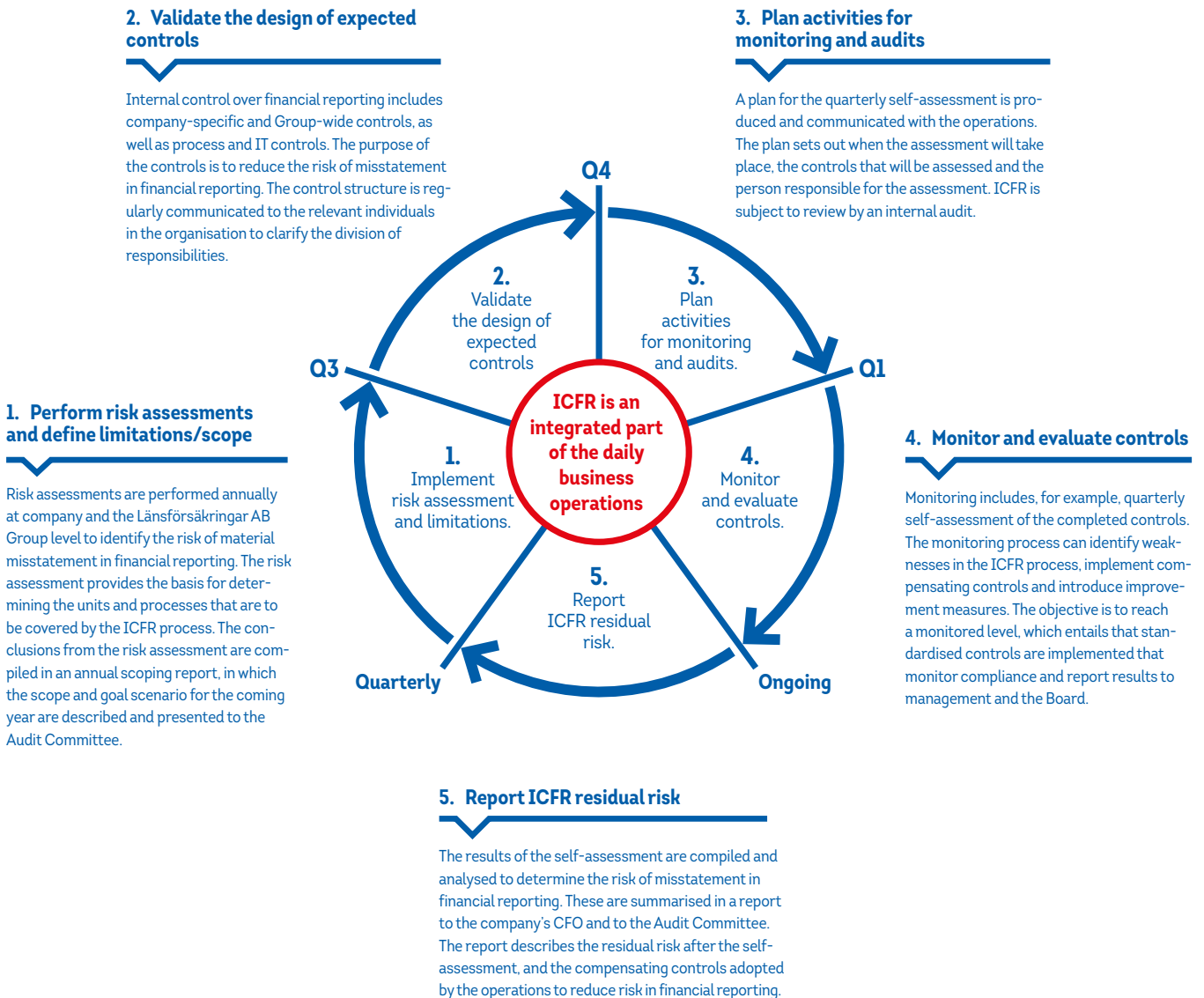
A deviation from the Code's requirements regards the independence of a majority of the members of the Committee in relation to the company and corporate management due to the federal structure, governance and working methods of the Länsförsäkringar Alliance.

Financial reporting

Länsförsäkringar Liv is not a listed company and thus does not follow the special requirements on financial reporting that apply to listed companies.

Internal control over financial reporting

The Board's responsibility is to ensure that efficient systems are in place to monitor and control the company's operations and financial position. Internal control over financial reporting (ICFR) is a process for providing reasonable assurance of the reliability of the financial reporting to management and Board. The process is performed in an annual cycle as shown in the diagram below.



In addition to the process described above, Internal Audit also performs an independent review of selected ICFR risks and controls, in accordance with the plan adopted by the Audit Committee. The results of Internal Audit's review, and recommendations, are reported regularly to the Audit Committee.

Board of Directors and auditors



1 Karl-Olof Hammarkvist

Chairman. Born 1945. Associate professor. **Elected:** 2006. **Education:** Doctor of Philosophy in Business and Economics, associate professor, also held position of adjunct professor. **Other Board appointments:** Deputy Chairman of Foundation for Financial Research. Previous experience: Member of management of Skandia International, Skandia and Nordbanken/Nordea, Vice-Chancellor President of the Stockholm School of Economics, Board member of Bertil Danielsson Foundation and Swedish-Spanish Foundation.

2 Sören Westin

Born 1953. Employed 2008. President and CEO of Länsförsäkringar AB. **Education:** Licentiate of Science in Business and Economics, Umeå University. **Other Board appointments:** Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv. Board member of Länsförsäkringar Liv, Länsförsäkringar Fastighetsförmedling, Foundation for Regional Insurance Companies' Research Fund and Swedish Motor Insurers. **Previous experience:** President of Länsförsäkringar Jämtland, President AB Länstidningen, member of Samhall AB's corporate management.

3 Birgitta Carlander¹⁾

Born 1952. Master of Science in Agriculture, Master of Science in Business and Economics. Elected: 2011. **Education:** Master of Science in Agriculture and Economics, adjunct training. **Other Board appointments:** Board member of Skaraborg County nursing home, Skaraborgsgrisen ek. för. **Previous experience:** Chairman of Lantmännens Research Foundation, Lantmännens Audit Committee, Cerealia Foundation, VL Foundation, Board appointments in ODAL, Lantmännens, SW, Cerealias and LM Group.

4 Sten Dunér

Born 1951. Elected: 2009. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Board member of Fastighets AB Balder. **Previous experience:** President and CEO of Länsförsäkringar AB, Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv, Board member of Insurance Sweden, Swedish Insurance Employers' Association (FAO) and European Alliance Partners Company AG, CFO and other senior positions at Länsförsäkringar AB.

5 Ingemar Larsson

Born: 1949. Self-employed. Elected: 2015. **Education:** Master of Science in Engineering. **Other Board appointments:** IngemarL AB, Chairman of Bygg Göta holding AB. **Previous experience:** President of Länsförsäkringar Göteborg och Bohuslän. **Previous Board appointments:** Platzer Property Holding, Wasa Kredit AB, Länsförsäkringar Sak Försäkrings AB and Länsförsäkringar Bank AB.

6 Henrik Perlmutter¹⁾

Born 1950. Master of Science in Engineering, MBA. Elected: 2013. **Education:** KTH Royal Institute of Technology, INSEAD. **Other Board appointments:** Chairman of Fjord Advisors AB, Board member of Managent AB. **Previous experience:** Chairman of Exini Diagnostics AB, Ponsus Pharma AB, Länsförsäkringar Liv's Policyholders' Association, Board member of Biolin Scientific AB.

7 Eric Grimlund

Born 1967. Lawyer Elected: 2017. **Education:** Bachelor of Arts in Legal Science. **Other Board appointments:** Chairman of Länsförsäkringar Skaraborg.

Auditors: Gunilla Wernelind. Elected by the Annual General Meeting: Authorised Public Accountant, KPMG. Auditor of the company since 2016. Deputy: Anders Tagde. Authorised Public Accountant, KPMG. Auditor of the company since 2015.

¹⁾ Birgitta Carlander and Henrik Perlmutter are the policyholder representatives on the Board and are appointed by Länsförsäkringar Liv's Policyholders' Association

8 Örian Söderberg

Born 1952. President of Länsförsäkringar Älvsborg. Elected: 2015.
Education: Bachelor of Arts in Legal Science. **Previous experience:** President of Länsförsäkringar Jönköping, President of Länsförsäkringsbolagens Fondförvaltning AB, Länsförsäkringar Bank AB, Länsförsäkringar Wasa Fonder, Executive Vice President of Länsförsäkringar Stockholm, member of Insurance Industry's Pension Fund FPK.

9 Anna Söderblom

Born: 1963. Doctor of Philosophy in Business and Economics. Lecturer and researcher at Stockholm School of Economics. Elected: 2015.
Education: University degree in mathematics from Lund University. Doctor of Philosophy in Business and Economics from Stockholm School of Economics. **Other Board appointments:** Chairman of Adventica AB (publ), Board member of Poolia AB (publ), BTS Group AB (publ), Excanto AB and Almi Företagspartner. **Previous experience:** Technical Support Manager and Marketing Director at Microsoft Norden, Marketing Director at Posten Brev and Investment Manager Industrifonden.

10 Gunnar Wetterberg

Born 1953. Historian, author. Elected: 2004. **Education:** Bachelor of Arts, honorary Doctor of Philosophy. **Other Board appointments:** SNS, Centre for Business and Policy Studies, Radio Sweden, Ackum & Wetterberg AB, member of Lund University Board. **Previous experience:** Diplomat, Director at Ministry of Finance, director of Association of Local Authorities, Head of Social Policy at Swedish Confederation of Professional Associations (SACO).

11 Marie-Louise Zetterström

Born 1959. President of Patient Insurance LÖF. Elected: 2013.
Education: Law, specialising in insurance law. **Other Board appointments:** Personförsäkringsföreningen (PFF). **Previous experience:** President of Förenade Liv, Marketing Manager at Folksam, Board member of Folksam Fond försäkring, Folksam LO Fond försäkring, Folksam LO Fond, TreKronor försäkring and Patientförsäkring Löf.

Employee representatives

12 Bitte Franzén Molander

Born: 1961. System specialist, Administration manager. Elected: 2009 as deputy, regular member 2016. **Education:** Degree in behavioural science. **Other Board appointments:** Länsförsäkringar Fondliv AB. **Previous experience:** Many years of experience in the life assurance and pension insurance industries, Board member of Länsförsäkringar Fondförvaltning AB.

13 Kristina Padel Roström

Born: 1963. Product specialist. Elected: 2015. **Previous experience:** Accountant at Skandia International, Life and pension administrator at Länsförsäkringar Liv, Business developer at Swedbank Försäkring, Board member of Länsförsäkringar Fondliv AB.

Deputy: Susanne Lindberg.



Management

Jörgen Svensson

Born 1959.

President.

Previous experience: President of Länsförsäkringar Blekinge.

Board member of Länsförsäkringar Liv AB and Wasa Run Off AB.

Various executive positions at Skandia and If.

Erling Andersson

Born 1955.

Head of Actuarial function.

Employed since 2001.

Previous experience: Corporate Senior Actuary at Länsförsäkringar Liv.

Actuary Skandia Liv.

Jakob Carlsson

Born 1967.

CFO.

Employed since 2007.

Previous experience: Head controller at SPP and Handelsbanken Liv.

Group controller at Alecta.

Definitions

Direct yield

Calculated as the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administration costs for asset management and operating expenses for properties in relation to the average value of the investment assets during the year.

Management cost ratio

Operating expenses according to the income statement and claims adjustment costs according to note 8 as a percentage of average managed assets.

Own funds

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

Solvency ratio

Own funds in relation to the solvency capital requirement.

Collective consolidation ratio

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

Veronika Engstrand

Born 1976.

Head of Legal Affairs.

Employed since 2015.

Previous experience: County administrative court clerk, insurance lawyer at Financial Supervisory Authority, Head of insurance and pension law at Financial Supervisory Authority.

Roger Lidberg

Born 1960.

Business Manager.

Employed since 1995.

Previous experience: Various senior positions at Länsförsäkringar and Skandia.

Elizabeth Äng

Born 1963.

Corporate Senior Actuary.

Employed since 2012.

Previous experience: Corporate Senior Actuary at Skandia, CRO Swedbank Försäkring.

Collective consolidation capital

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

Solvency capital

Equity, untaxed reserves (including deferred tax), as well as surplus values on assets.

Minimum capital requirement

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

Solvency rate

The market value of the company's total net assets in relation to guaranteed commitments to policyholders (technical provisions according to the balance sheet).

Solvency capital requirement

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

Total return

Total return on assets in traditional management prepared in accordance with Insurance Sweden's recommendation for annual reporting of total return. The total return table is found in the Board of Directors' Report. Other assets and administration costs are not included in the calculation of the total return.

Address

Länsförsäkringar Liv

SE-106 50 Stockholm

Visit: Tegeluddsvägen 11-13

Tel: +46 8 588 400 00

E-mail: info@lansforsakringar.se

Production: Länsförsäkringar Liv in partnership with Intellecta.
Photos: Länsförsäkringar's image bank, Jimmy Eriksson. Print: Göteborgsstryckeriet. We print on environmentally friendly paper.



