

Länsförsäkringar AB

Annual Report

2020



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Länsförsäkringar AB's 2020 Annual Report contains information about the operations conducted within the Länsförsäkringar AB Group. Please note that from 30 December 2020, Länsförsäkringar AB's legal name is "Gamla Länsförsäkringar AB" but is referred to as "Länsförsäkringar AB" throughout this Annual Report. Länsförsäkringar AB's consolidated subsidiaries are: Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv. Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB. The Sustainability Report contains information about Länsförsäkringar AB's work on sustainability in its customer offering and operations and in terms of its social commitment. The scope of the sustainability report is described on page 19 and the statutory Sustainability Report according to the Swedish Annual Accounts Act (ÅRL) on page 148.

About Länsförsäkringar

Länsförsäkringar AB

Länsförsäkringar AB is wholly owned by the regional insurance companies, together with 15 local insurance companies. Through its distinct role in the Länsförsäkringar Alliance's value chain, Länsförsäkringar AB contributes to increasing competitiveness and reducing costs for joint development. In turn, this creates possibilities for the regional insurance companies to be successful in their respective markets. In addition to the Parent Company, Länsförsäkringar AB, the Group consists of Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv is not consolidated in the Group since the company is operated according to mutual principles.

Länsförsäkringar in brief

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete offering of 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 meeting customer needs and requirements is always the primary task. The Länsförsäkringar Alliance has 3.9 million customers and 7,500 employees.

3.9 million customers

23 local regional insurance companies

Länsförsäkringar AB

Länsförsäkringar Sak Försäkrings AB

Supports and supplements the regional insurance companies' non-life insurance offering with specialist products, serves as an engine for new business and is responsible for joint reinsurance.

Länsförsäkringar Bank AB

Offers a broad range of banking services to the regional insurance companies' customers through Länsförsäkringar Hypotek, Länsförsäkringar Fondförvaltning and Wasa Kredit.

Länsförsäkringar Fondliv Försäkrings AB

Offers pension savings with fund management and guarantee management and personal-risk insurance to the regional insurance companies' customers.

Länsförsäkringar Liv Försäkrings AB

Manages traditional life assurance taken out before September 2011 when the company was closed for new business.

Rating

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

¹⁾ Pertains to the company's covered bonds.

The 2020 fiscal year

Earnings 2020 *Figures in parentheses pertain to 2019*

- The Länsförsäkringar AB Group's operating profit was SEK 2,726 M (3,003). The return on equity amounted to 8% (10).
- The Länsförsäkringar Sak Group's operating profit was SEK 516 M (851). Premiums earned after ceded reinsurance rose 9% to SEK 6,781 M (6,211). The combined ratio was unchanged at 95.8% (95.8).
- The Länsförsäkringar Bank Group's operating profit amounted to SEK 1,844 M (1,893). Net interest income rose 5% to SEK 4,845 M (4,617).
- Länsförsäkringar Fondliv's operating profit amounted to SEK 702 M (738). Premium income increased to SEK 12,228 M (9,478). Commission and fee income increased to SEK 1,809 M (1,779).

Operating profit
Länsförsäkringar AB Group

SEK **2.7** bn

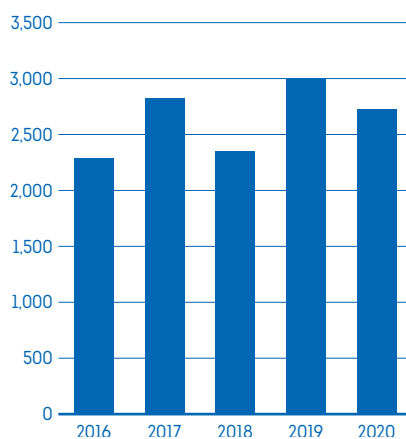
Combined ratio
non-life insurance

96%

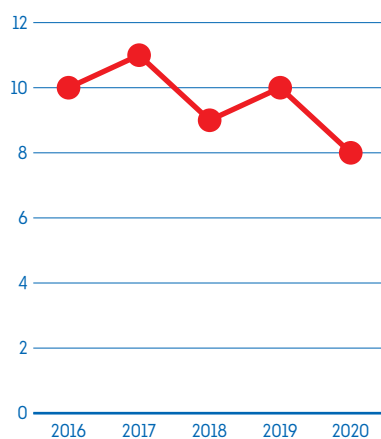
Operating profit
bank

SEK **1.8** bn

Operating profit 2016-2020
Länsförsäkringar AB Group
SEK M



Return on equity 2016-2020
Länsförsäkringar AB Group
%



Managed assets
unit-linked insurance

SEK **171** bn

Five-year summary

	2020	2019	2018	2017	2016
Länsförsäkringar AB, Group¹⁾					
Operating profit, SEK M	2,726	3,003	2,351	2,825	2,286
Equity per share, SEK	2,959	2,754	2,462	2,269	2,046
Total assets, SEK M	613,967	572,594	506,835	473,773	421,816
Return on equity, %	8	10	9	11	10
Own funds for the group (FRL) ²⁾ , SEK M	57,412	50,220	43,870	44,172	40,602
Solvency capital requirement for the group (FRL) ²⁾ , SEK M	39,186	37,966 ³⁾	33,874	33,441	30,121
Own funds for the financial conglomerate, SEK M	57,412	50,220	43,870	44,172	40,352
Capital requirement for the financial conglomerate, SEK M	39,186	37,966 ³⁾	33,874	33,441	30,121
Länsförsäkringar Sak, Group					
Premiums earned after ceded reinsurance, SEK M	6,781	6,211	5,891	5,623	5,342
Technical result for insurance operations, SEK M	297	283	402	977	435
Operating profit, SEK M	516	851	460	1,028	644
Solvency ratio, % (Länsförsäkringar Sak Försäkrings AB)	197	197 ³⁾	228	221	260
Länsförsäkringar Bank, Group					
Deposits from the public, SEK M	136,388	119,303	108,142	99,404	91,207
Loans to the public, SEK M	340,007	307,099	289,426	261,444	226,705
Operating profit, SEK M	1,844	1,893	1,510	1,599	1,467
Return on equity, %	8.5	9.5	8.3	10.0	10.1
Common Equity Tier 1 capital ratio, Bank Group, %	14.9	13.9	14.2	24.3 ⁴⁾	24.8 ⁴⁾
Tier 1 ratio, Bank Group, %	16.9	16.0	15.5	26.8 ⁴⁾	27.5 ⁴⁾
Länsförsäkringar Fondliv					
Premium income, SEK M	12,228	9,478	9,010	9,133	8,637
Operating profit, SEK M	702	738	673	600	512
Managed assets, SEK M	170,953	158,827	125,805	128,140	114,450
Solvency ratio, %	144	137	135	152	150
Länsförsäkringar Liv (not consolidated in Länsförsäkringar AB)					
Premium income, SEK M	1,191	1,539	1,684	1,533	1,720
Net profit for the year, SEK M	1,586	5,567	609	3,121	2,359
Collective consolidation ratio, New Trad, %	116 ⁵⁾	112	105	117	114
Collective consolidation ratio, Old Trad, %	113 ⁵⁾	131	124	123	125
Solvency ratio, %	195	211	200	207	195

¹⁾ Excluding Länsförsäkringar Liv Försäkrings AB, which is operated in accordance with mutual principles. As per 30 December 2020, Länsförsäkringar AB's legal name is "Gamla Länsförsäkringar AB" but is referred to as "Länsförsäkringar AB" throughout this Annual Report.

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

³⁾ Restated according to revised method from 31 December 2019 for risk absorption in deferred tax item when calculating capital requirements.

⁴⁾ Risk weight floor for mortgages in Pillar II.

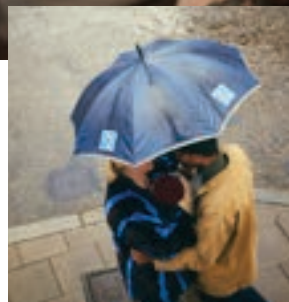
⁵⁾ According to the updated collective consolidation policy from 31 March 2020.

2020 in brief



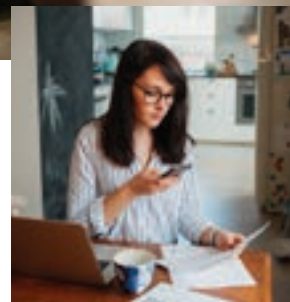
Länsförsäkringar and COVID-19

2020 was a year unlike any other. The COVID-19 pandemic has deeply affected many people. It is vitally important in this uncertain global situation that Länsförsäkringar remains available to its customers and meets its promise of making everyday life simpler for customers and contributing to a secure future. We believe in the strength of being part of something bigger than ourselves. Supporting each other and working together toward common goals – the importance of social responsibility was very clear in 2020. Länsförsäkringar has taken important initiatives across the country to support customers, local companies, clubs and associations and the health care sector, all of which have been severely affected by the COVID-19 pandemic.



Strong brand

Länsförsäkringar was named Sweden's strongest brand in insurance at the Swedish Brand Award for the seventh consecutive year. Länsförsäkringar also had the highest reputation in the insurance industry according to Kantar Sifo's 2020 reputation survey.



Most innovative company in the finance industry

According to the Swedish Innovation Index, Länsförsäkringar was the most innovative company in the finance industry in 2020. Overall, Länsförsäkringar's development activities are making a difference in customers' everyday lives.

Always

We believe in the strength of being part of something bigger than ourselves. Standing together and working toward common goals. With 23 local regional insurance companies we are always nearby – close to home. We are here so that your life can be as secure and enjoyable as possible. Call it care. We share the same earth and our aim is for everyone to live their lives here today, tomorrow and always.



Claims prevention

Preventing a claim is a win for the customers, society and the environment. To prevent natural catastrophe claims, Länsförsäkringar focused on long-term construction planning that incorporates climate change in its dialogue with municipalities and county administrative boards in 2020. Länsförsäkringar was involved in preparing better protection for water leaks in kitchens in the industry regulations to be introduced in 2021. Länsförsäkringar worked together with the National Electrical Safety Board and Swedish Consumers' Association to test electric products sold by major online retailers. The tests generated widespread media attention and led to Länsförsäkringar attending a meeting with the Minister for Digital Development Anders Ygeman to discuss the matter.

Fund range with a green sustainability rating

Länsförsäkringar's fund range enjoys a high sustainability ranking, for example, in the annual analyses of the major insurance brokers, in which we won a green rating and high scores in 2020. The exclusion criteria for investments in gambling, oil and gas companies were made stricter during the year. A Gröna Lövet (Green Leaf) label was also introduced for funds with a low climate risk. Customer interest in sustainability-focused equities funds and funds with low climate risk increased in 2020, and the share of this type of fund was 40% of total capital as of 31 December 2020.

Investments in social bonds

Länsförsäkringar invested SEK 1.2 billion in social bonds in spring 2020, which will be part of financing to combat the effects of the COVID-19 pandemic and increase access to health care. Through these investments, Länsförsäkringar has helped finance social projects in the Nordics, Europe, Africa and several other emerging markets.

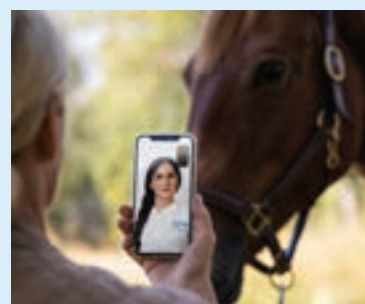


Global first with recycled plastic cards

Länsförsäkringar's customers were the first in the world to receive bank cards made of 100% recycled plastic, which reduces impact on the environment.

Agria Vårdguide

In September 2020, Agria launched Agria Vårdguide, an app that offers customers digital veterinary consultations. More smart solutions will be included in the app in the future.



Focus on development, efficiency and social responsibility

Statement by the President

The COVID-19 pandemic clearly highlighted the importance of our digital capabilities. The possibility of holding virtual customer and employee meetings meant that the business operations could continue without suffering any major impact. Länsförsäkringar AB's focus in 2020 was specifically targeted at IT development and efficiency so as to be able to continue to develop the customer service and offering of the regional insurance companies. The effects of the pandemic on Länsförsäkringar AB's earnings for 2020 were relatively limited – operating profit amounted to SEK 2.7 billion.

Year 2020 will long be remembered. The COVID-19 pandemic affected us all, and our thoughts go to all those who fell ill and experienced financial difficulties. That was why it was more important than ever during the year for Länsförsäkringar to continue simplifying customers' everyday lives and contributing to a secure future. Länsförsäkringar has successfully ensured that its business continues to operate well, by focusing on minimising the effects for our 3.9 million customers, being available and assuming our social responsibility.

Initiatives and social commitment

Social responsibility is a given for Länsförsäkringar. With our 23 regional insurance companies, we build up local expertise that can be combined with the power of our shared cooperation. We believe in the strength of being part of something bigger than ourselves. Standing together and working toward common goals. This very message was also the theme of Länsförsäkringar's new brand communication, launched in 2020 – which was entirely in line with the times considering the importance of the shared responsibility for preventing the spread of COVID-19.

Länsförsäkringar has taken important initiatives across the country to support customers, local companies, the health care sector and clubs and associations, all of which have been severely affected by the COVID-19 pandemic. Länsförsäkringar's Research Fund financed a study at Uppsala University that investigated the views of children and young people regarding COVID. The study, highlighted in the media including Swedish Television, led to many creative and stimulating ideas. The risk of contagion was minimised by offering more digital customer meetings, increasing telephone banking staff and employees working remotely, as well as through separate premises for the critical functions and duties of the operations. Länsförsäkringar invested SEK 1.2 billion in social bonds in 2020, which will be part of financing to combat the effects of the COVID-19 pandemic and increase access to health care. In Eurapco, an alliance of eight European mutual insurance companies, we benefited from sharing experiences about the pandemic to find solutions for handling challenges and helping customers and society as a whole.

Sustainability throughout the operations

Social responsibility also means that sustainability must be incorporated throughout our business. A responsible banking, insurance, pension and real-estate brokerage offering enhances value for customers and contributes to the sustainable development of society. Länsförsäkringar launched a county-specific sustainability database in 2020 that gives the 23 regional insurance companies information on county-specific sustainability challenges to best support their local communities.

In 2020, Länsförsäkringar AB continued to work together with the 23 regional insurance companies towards the UN Sustainable Development Goals, specifically the seven SDGs and 13 targets that have been identified as most relevant and clearly linked to Länsförsäkringar's business. UN initiatives such as the Global Compact, Principles for Responsible Investment and Principles for Sustainable Insurance continue to provide guidance in our day-to-day sustainability activities.

Länsförsäkringar AB has been pursuing a climate-smart vision since 2019, with the long-term aim of reducing impact on the climate and climate risks, and adapting investments to the climate targets of the Paris Agreement. During the year, we also prepared our operations ahead of the EU's new action plan on financing sustainable growth. We are pleased that the interest of our unit-linked insurance customers in sustainability-focused equities funds and funds with a low climate risk increased markedly in 2020. Our fund range has a high sustainability ranking – Länsförsäkringar came third in Morningstar's analysis of the ESG credentials of Europe's 100 largest fund companies.

Focus on development and efficiency

The COVID-19 pandemic highlighted the importance of having good digital capabilities. Digital customer and employee meetings meant that our business could continue to operate without any major impact. Länsförsäkringar AB's role is to be the best partner to the regional insurance companies, which means pursuing developments that generate the most efficiency when conducted jointly on a large scale. The majority of development activities are currently founded



” Local commitment more relevant than ever in 2020

on IT. Introducing the Lean Agile work method has enhanced the efficiency of development activities and made them more innovative, resulting in rapid product development and testing. I am very proud that we have succeeded in starting several Lean Agile release trains in 2020 despite the limitations caused by the pandemic.

Länsförsäkringar operates in a competitive market where our customers are imposing increasing demands on the customer experience, efficiency and value for money. In 2020, Länsförsäkringar AB launched an efficiency programme to ensure a long-term, sustainable cost level for its operations, which in turn benefits the regional insurance companies and their competitiveness. We are customer-owned and we want to not only meet customer expectations, but surpass them.

The Swedish Quality Index's 2020 customer satisfaction survey shows that customers continue to rank Länsförsäkringar first in corporate non-life insurance, private pensions (among ranked companies) and real-estate brokerage, and second in banking for both retail and corporate customers. Naturally, Länsförsäkringar's aim is to have the most satisfied customers in all of our business areas, encompassing non-life insurance, life assurance and pension insurance, banking and real-estate brokerage.

Strong earnings for 2020

The effects of the COVID-19 pandemic on Länsförsäkringar AB's earnings were relatively limited in 2020. The Länsförsäkringar AB Group reported operating profit of SEK 2.7 billion. The non-life insurance operations brought operating profit of SEK 0.5 billion with strong premium growth of 9% and a combined ratio of 96%. Agria's healthy growth continued, both in Sweden and in the international business.

The banking operations reported a stable operating profit of SEK 1.8 billion with continued healthy growth in business volumes –

deposits increased strongly by 14% and lending was up 11%. The Bank Group's credit losses increased in 2020 mainly as a result of higher loss allowances due to the gloomier macroeconomic forecasts resulting from COVID-19. However, the loss allowance gradually declined during the year, resulting in a continued low credit loss level of 0.09%.

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

Towards better times

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

We look forward to a year of continued development and efficiency that will enable us to surpass our customers' expectations!

Stockholm, March 2021

Fredrik Bergström
President and CEO of Länsförsäkringar AB

Success lies in the balance between local and shared

About Länsförsäkringar AB

Länsförsäkringar AB and its subsidiaries are commissioned by the regional insurance companies to conduct joint banking, non-life insurance, pension and life-assurance operations, strategic development activities and to provide service in areas that generate economies of scale and efficiency. All to create conditions for the regional insurance companies to develop the offering close to their customers.

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies, together with 15 local insurance companies. The regional insurance companies impose demands on effective capital use and a balanced, market-based return on equity set according to each subsidiary's operations and risk. In 2020, the return on equity was 8%. In addition to the Parent Company, Länsförsäkringar AB, the Group consists of Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv is not consolidated in the consolidated financial statements, since the company is operated in accordance with mutual principles and the earnings accrue in their entirety to the policyholders.

Mission

Länsförsäkringar AB's task as the partner of the regional insurance companies is to deliver business, development and service. This ensures that the regional insurance companies can offer their customers the right range of products and enables private individuals, companies and agricultural customers in Sweden to live with a sense



of security. The Länsförsäkringar Alliance's reinsurance cover is managed through a number of cover pool solutions and joint group insurance cover by Länsförsäkringar Sak.

Balance between local and shared

The Länsförsäkringar Alliance has developed a balance between the small- and the large-scale. Cooperation between the regional insurance companies through Länsförsäkringar AB has emerged from a decentralised perspective, not the other way round. The local companies decided to cooperate to achieve economies of scale and to concentrate on the most important issues: meetings with customers and developing close customer relationships.

Certain elements of the Länsförsäkringar Alliance are conducted on a large-scale to generate economies of scale, for example, product development and IT systems. Other areas are better suited to being conducted on a smaller scale, such as personal customer meetings. Success is found in balancing these elements. The basis for cooperation in the Länsförsäkringar Alliance is that as much of the operations as possible are conducted by the local companies and that essentially all customer contact is to take place at this level. For Länsförsäkringar, the core concept is to meet and know customers, and this is best achieved on a small scale. Economies of scale arise in the cooperation between the regional insurance companies that takes place through Länsförsäkringar AB and its subsidiaries. Experience shows that local decision-making authority combined with joint strength creates substantial added value for customers.

Governance of risk-taking and capital use

Länsförsäkringar AB's business activities are conducted to generate a profit so that the company can pay returns on equity at market levels. All capital that is not required for Länsförsäkringar AB's operations is returned, over time, to the owners in the form of dividends. Decisions on dividend payments are based on the Group's capital position in relation to its combined risks. Länsförsäkringar AB endeavours to maintain a balance between capital strength and risk-taking to justify a minimum credit rating of A.

The regional insurance companies are extremely well consolidated and thus are highly capable of contributing capital to the Group. Accordingly, the Länsförsäkringar AB Group's capital strength is assessed not only based on its own position but also includes the capital strength of the regional insurance companies. Rating agencies and other stakeholders take this approach.

Owner control

Länsförsäkringar AB is a limited liability company and also the Parent Company of a financial Group, which is individually owned in various holdings by the 23 regional insurance companies and 15 local insurance companies, which in turn are owned by a total of 3.9 million insurance customers. The Boards of Directors of the regional insurance companies are formally responsible for owner control. Based on the federal organisation and the purpose of the ownership of Länsförsäkringar AB, these companies have together created joint forms for owner control that comply both with the requirements usually imposed on owner control and with the federal conditions.

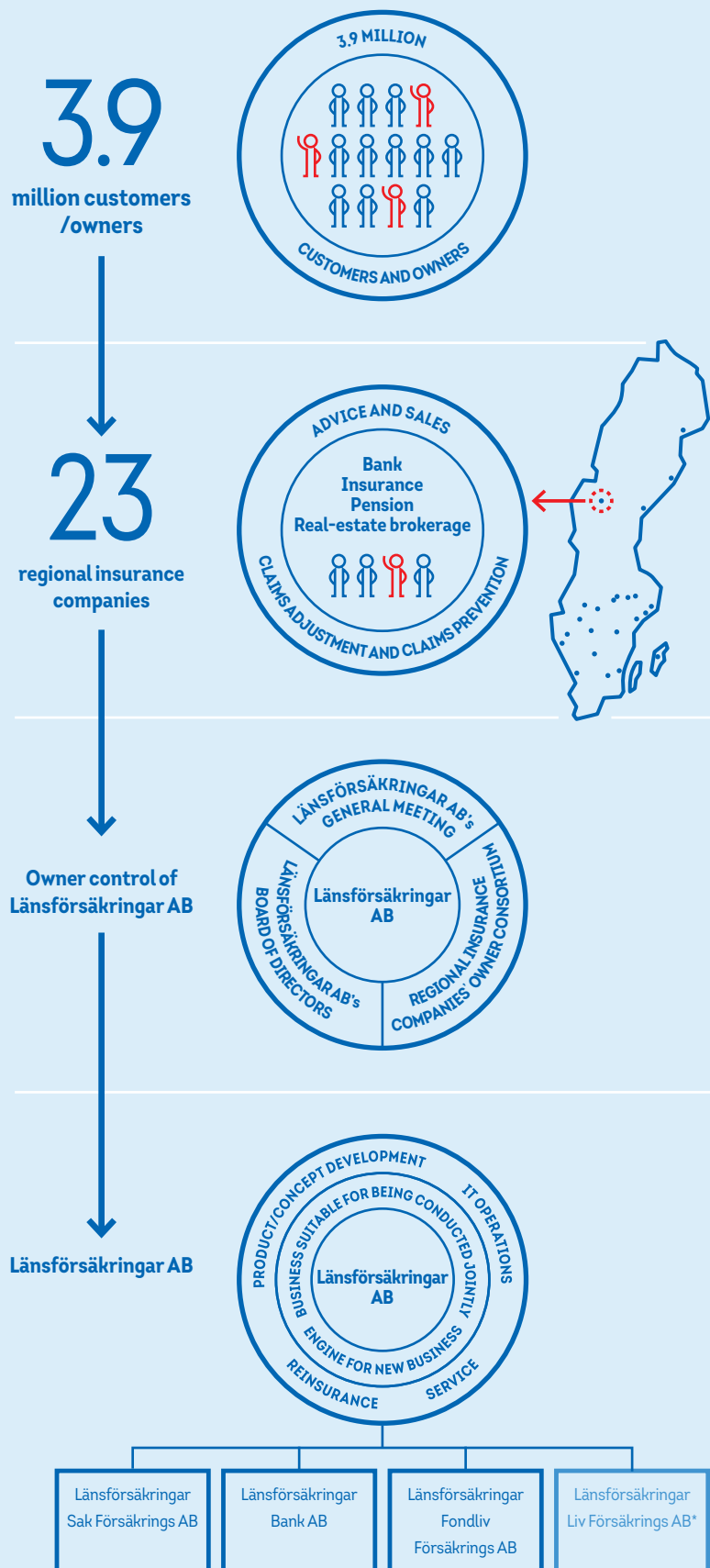
Owner control at Länsförsäkringar AB has clear advantages compared with the owner control of many larger financial groups. This is because all of the regional insurance companies have the same clear purpose for their ownership, are proactive and collectively hold sufficient financial capacity to safeguard long-term ownership.

Owner control logic

The logic behind owner control centres mainly on the relationship between the Länsförsäkringar AB Board of Directors, Länsförsäkringar AB's General Meeting and the regional insurance companies' owner consortium. Formal owner control takes place through the General Meeting, although the regional insurance companies' owner consortium and their representation on Länsförsäkringar AB's Board are also important components. The duties of the General Meeting are formally governed by law and the Articles of Association. The duties of the consortium are governed in the regional insurance companies' consortium agreement. The Chairman of the consortium is appointed by the regional insurance companies.

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

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



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

Joint business

Companies and offering

Länsförsäkringar Sak Group

Länsförsäkringar Sak is responsible for the non-life insurance operations, including pet, crop and personal-risk insurance, which have been assigned to Länsförsäkringar AB by the regional insurance companies. Its role is to complement the regional insurance companies' offering with specialist products to meet customer needs, and to start new business that can be channelled out to the regional insurance companies. Pet-insurance operations are conducted in the subsidiary Agria Djurförsäkring. Länsförsäkringar Sak manages the Länsförsäkringar Alliance's joint reinsurance cover and internal Alliance reinsurance with a number of pool solutions, and also underwrites some internationally assumed reinsurance.

Earnings 2020

Operating profit amounted to SEK 561 M (851). Of the Länsförsäkringar Alliance's total premiums earned of SEK 29.4 billion, premiums earned from Länsförsäkringar Sak accounted for SEK 6.8 billion.

Combined ratio

96%

Länsförsäkringar Bank Group

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

Earnings 2020

Operating profit amounted to SEK 1,844 M (1,893). Net interest income rose 5% to SEK 4,845 M (4,617).

Increase in business volumes to SEK 729 billion

+11%

How does your unit help make Länsförsäkringar AB be the best partner to the regional insurance companies?



Continued leading non-life insurance business

Together with the regional insurance companies we work every day on ensuring that the Länsförsäkringar Alliance will continue to be Sweden's leading non-life insurance group. Strong offerings supported by solid technical platforms – always with the customer's best interests in mind.

Björn Dalemo
President of Länsförsäkringar Sak

Local business combined with modern digital solutions.

Länsförsäkringar Bank ends 2020 with strong growth in all business lines. The local business of the regional insurance companies combined with modern digital solutions have proven to be a sustainable and successful business model, despite the pandemic.

Sven Eggefalk
President of Länsförsäkringar Bank



Länsförsäkringar Fondliv Försäkrings AB

Länsförsäkringar offers pension savings, primarily occupational pensions. Fund management, guarantee management and personal-risk insurance are offered through Länsförsäkringar Fondliv. Länsförsäkringar Fondliv is a market-leading player in the unit-linked insurance market for individual occupational pensions, commanding a market share of 20% measured in premium income. A high-quality, attractive fund range that generates favourable returns on customers' pension capital is a central part of the Länsförsäkringar offering. 18 new funds were launched in 2020, of which nine were sustainability-focused funds.

Earnings 2020

Operating profit amounted to SEK 702 M (738). Premium income rose 29% to SEK 12,228 M (9,478).

Managed assets

SEK **171** bn

Länsförsäkringar Liv Försäkrings AB

Länsförsäkringar Liv, which is closed for new business, manages traditional life assurance that was taken out before it was closed in 2011. Länsförsäkringar Liv conducts traditional life assurance for its customers divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. Customers with insurance policies under Old Trad have had the opportunity to transition their existing insurance to New Trad since 2013. Customers with New World and Insured Pension have also received the offer to transition to New Trad since 2018.

Earnings 2020

The technical result amounted to SEK 1,586 M (5,567). Länsförsäkringar Liv's earnings are not consolidated in Länsförsäkringar AB since the company is operated according to mutual principles.

Managed assets

SEK **113** bn



” The most attractive products and digital services in the market

Our skilled employees work every day to make sure that Länsförsäkringar's customers have the best possible pension. Together with the regional insurance companies, we offer the most attractive products and digital services in the market. That's why we're growing!

Mathias Collén
President of Länsförsäkringar Fondliv

” Creating conditions for broad offering and the best customer experience

Customer and Channel Support assists in creating the conditions for realising the potential of Länsförsäkringar's broad offering and contributing to customer-driven development for the best customer experience. All with the aim of providing regional insurance companies with the capacity for local, personal and innovative customer meetings.

Susanne Bergh
Head of Customer and Channel Support



Drivers and trends

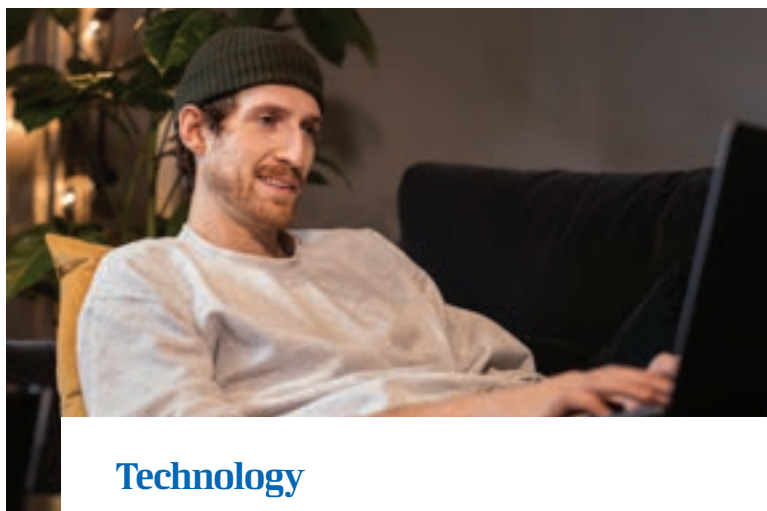
Our business environment

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

Customer needs in focus

More and more customers are seeking security from a supplier that they have confidence in, making the brand a key cornerstone of the customer experience. To deliver products and services that meet customer expectations, the supplier must understand customer needs and behaviour, and base development activities and customer contact on customer insight. Länsförsäkringar has favourable conditions to best meet customer needs – from cradle to grave – primarily founded on a broad customer base, local knowledge and a unique business model that supports both local and digital customer meetings. Länsförsäkringar's starting point is always the customer, with

all communication based on customer data. However, data-driven business development requires carefully balancing customer privacy with better services. The sharing economy that is emerging involves using resources sustainably and economically. There is also a desire to remove "the middle man" and technology is enabling new consumption models. These new arising needs present new business opportunities for banking and insurance. Länsförsäkringar must be innovative and collaborate within the Länsförsäkringar Alliance – the customer experience must always be local and close, whereas development can be carried out jointly.



Technology

Rapid technological progress brings with it new banking and insurance solutions and new business opportunities. Traditional competition is being continuously challenged by new and innovative companies. In addition, technological advances can lead to disruptive changes. Continuous development is needed to ensure lasting competitiveness.

Introducing the Lean Agile work method has enhanced the efficiency of Länsförsäkringar's development activities and made them more innovative, resulting in rapid product development and testing, so as to provide the new services demanded by customers. Länsförsäkringar's successful replacement of its core banking system in 2019 garnered international attention during the year, earning the Celent Model Bank Award and a study tour from the World Bank. New tools for selecting pension funds were launched, as were several pilot projects in customer service and claims prevention. Developments of automation, robotisation, AI and the Internet of Things is continuing and this is where Länsförsäkringar's has a major advantage with its broad customer base and product offering.



Länsförsäkringar and COVID-19

In this uncertain global situation, it is vitally important that Länsförsäkringar is available to its customers. Since the breakout of COVID-19 and in light of the spread of the pandemic, Länsförsäkringar has taken a number of measures to ensure the continuation of operations so that customers are affected as little as possible. The risk of contagion has been minimised by

expanding digital meetings with customers, increasing telephone banking staff and working remotely in line with official recommendations. Länsförsäkringar has taken important initiatives across the country to support customers, local companies, clubs and associations and the health care sector, all of which have been severely affected by the COVID-19 pandemic.

Customers

- Customers are offered a wide range of digital meetings.
- Customers are offered advice and personal counselling.
- Länsförsäkringar Bank grants temporary repayment holidays to its retail mortgage customers, as a result of COVID-19, following a decision by the Financial Supervisory Authority.
- Based on individual assessment, Länsförsäkringar Bank's corporate customers may also be granted a repayment holiday or receive other liquidity support.
- Several regional insurance companies brought forward dates of bonus payments to customers.

Social commitment

- Local companies are supported by bringing forward purchases of products and services.
- Länsförsäkringar supports locally owned media by buying more advertising than usual.
- Local clubs and associations are supported through continued sponsoring and grants to cover losses and additional costs caused by the pandemic.
- Länsförsäkringar financed a study into the views of children and young people regarding COVID.

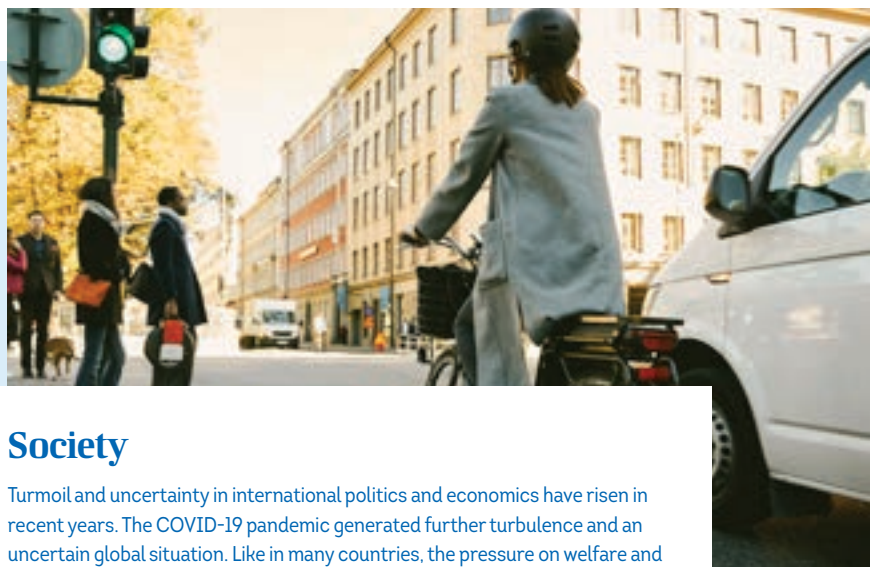
Health care

- Länsförsäkringar is investing in social bonds that will be part of financing to combat the pandemic and increase accessibility to health care.
- Länsförsäkringar donated personal protective equipment to health care services in the spring.
- Länsförsäkringar insured the volunteers of the GodHjälp and Hemmahjältar scheme for delivering food and medical supplies for those in risk groups.
- Länsförsäkringar worked together with tech companies on virtual meeting places at care homes to facilitate communication between loved ones.

Climate

Climate change – the result of higher carbon emissions – causes global warming. A warmer climate, resulting in extreme weather conditions such as hurricanes, torrential rain and drought, will have major socio-economic consequences. Climate change presents financial risks that can impact companies by altering market conditions and through physical climate change. Climate change leads to higher costs for insurance companies.

Länsförsäkringar works to prevent natural catastrophes by analysing the external environment and monitoring scientific and technological developments. Dialogue on climate change and construction planning is conducted with decision-makers in society. Länsförsäkringar AB has been pursuing a climate-smart vision since 2019, with the long-term aim of reducing impact on the climate and climate risks, and adapting investments to the climate targets of the Paris Agreement. Länsförsäkringar AB publishes a climate report following TCFD's guidelines, available on the website. Länsförsäkringar's Research Fund is providing SEK 21 M in financing for two climate research projects in 2020–2023. Länsförsäkringar also participates in a UN project on climate-risk scenarios.



Society

Turmoil and uncertainty in international politics and economics have risen in recent years. The COVID-19 pandemic generated further turbulence and an uncertain global situation. Like in many countries, the pressure on welfare and public resources is increasing in Sweden. An ageing population is challenging the health and social care sector. Continued urbanisation is intensifying demographic challenges, particularly in rural areas. The differences in quality of life are widening due to social and political polarisation, meaning that vulnerable groups are finding it difficult to enter the labour market, buy a home and get a mortgage. The nature of crime and criminality has changed, with organised crime and digital fraud on the rise. Cyberthreat is now one of the main perceived business risks.

Länsförsäkringar works both proactively and reactively to manage and analyse the effects of changes in society and how they impact customers. Measures include working together with municipalities and financing independent research projects studying social, economic and physical security for customers and society at large. Länsförsäkringar works every day to combat fraud, money laundering and terror financing.

Vision, values and targets

Vision, values and targets

Länsförsäkringar AB's activities are guided by a vision and value-based planning of operations. This serves as a guiding principle for all operations in the Group in order to achieve set targets. Länsförsäkringar AB helps to fulfil the Länsförsäkringar Alliance's shared brand promise of simplifying everyday life for customers and contributing to a secure future.

TARGETS

Länsförsäkringar AB's target is to be the best partner for its owners, the 23 regional insurance companies, so that they can realise the customer promise of simplifying everyday life for customers and creating a more secure future. To achieve this target Länsförsäkringar AB must:

Create the best customer experience together with the regional insurance companies.

Be a cost-efficient and fast implementer.

Incorporate sustainability throughout the operations.

Be the best employer with proud and dedicated employees.

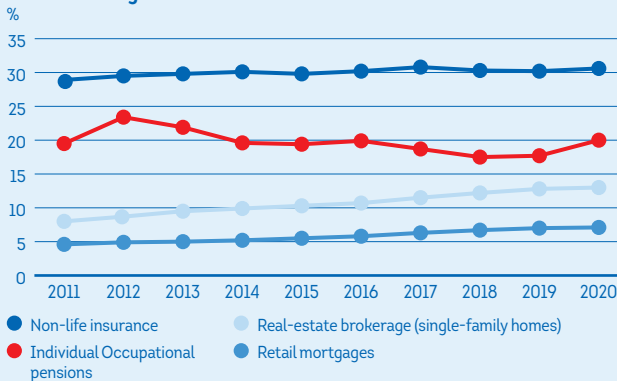
Create the best customer experience

To create the best customer experience and meet customer expectations and needs, Länsförsäkringar must offer its customers a high level of service, expertise, and a secure, total financial solution for banking, insurance, pensions and real-estate brokerage.

Outcome 2020

- According to the Swedish Quality Index's 2020 customer satisfaction surveys, Länsförsäkringar has Sweden's most satisfied customers in corporate non-life insurance, private pensions and real-estate brokerage.
- Länsförsäkringar was named Sweden's strongest brand in the insurance category at the Swedish Brand Award for the seventh consecutive year.
- Kantar Sifo's 2020 reputation survey showed that Länsförsäkringar has the highest reputation in the finance industry.
- Länsförsäkringar strengthened its market shares in all business areas in 2020.

Länsförsäkringar's market shares



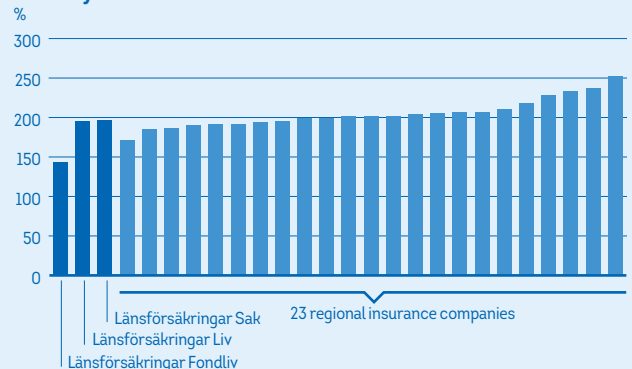
A cost-efficient and fast implementer

By being a cost-efficient and fast implementer of development, service and business, Länsförsäkringar can grow profitably, meet future challenges, assume its social responsibility and support sustainable development.

Outcome 2020

- Länsförsäkringar AB's Lean Agile work method brings more efficient and innovative development activities.
- Länsförsäkringar AB launched an efficiency programme to ensure a long-term, sustainable cost level.
- Based on 2020 earnings, the regional insurance companies will pay back a total of SEK 1.8 billion in bonuses and discounts to their owners - the customers.
- The regional insurance companies, the Länsförsäkringar AB Group and each subsidiary remained well-capitalised in 2020.

Solvency II ratio on 31 December 2020





VISION

Together we create security and opportunities

This vision must always be our key objective. The aim of all general and long-term work is that together we create security and opportunities for our customers and society in general.

CORE VALUES

Commitment, trust, openness and professionalism

These values form the basis of our corporate culture and describe how we are to treat each other, our customers and our stakeholders. They inspire us in our work and help us to enhance customer value every day.

Sustainability throughout the operations

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

Outcome 2020

- Investments in sustainability-focused bonds increased to just over SEK 17 billion. These investments support several UN SDGs.
- Launch of the Global klimatindex fund that blacklists fossil fuels and companies with high carbon emissions.
- Launch of investment proposals for sustainability-focused funds based on five risk levels.
- Launch of a partnership with energy company E.ON in which Wasa Kredit finances solar panels for E.ON's corporate customers.



The best employer with proud and dedicated employees

Proud and dedicated employees who drive and develop the operations are vital to achieving business objectives. By focusing on diversity, inclusion, skills development, health and a good work environment Länsförsäkringar can attract new and retain current employees.

Outcome 2020

- Länsförsäkringar AB's internal attractiveness as an employer and employee loyalty are measured according to an Employer Net Promoter Score, which increased to 37 in 2020 (31 in 2019).
- 87% of employees are proud to work at Länsförsäkringar AB and 86% say that they enjoy going to work.
- Länsförsäkringar won several awards as an attractive employer in 2020 - industry leader in Universum's Company and Career Barometer surveys, and best banking and insurance company according to Academic Works' Young Professional Attraction Index (YPAI).



TOP 100

by Business Professionals

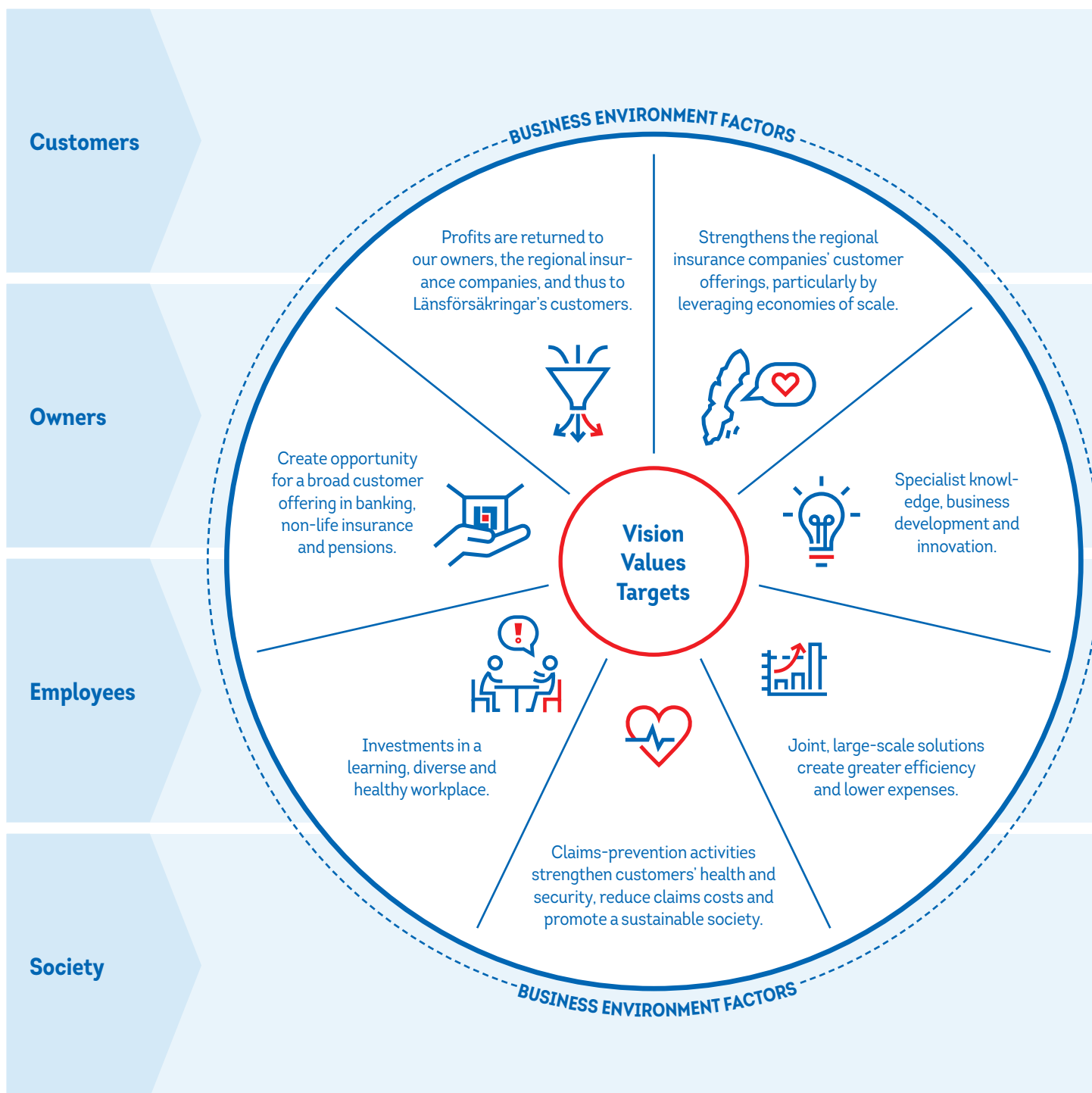
How we create value

How we create value

With a clear focus on giving our owners – the 23 regional insurance companies – the best conditions for developing locally, Länsförsäkringar AB creates value for both its own operations and for our stakeholders.

For our stakeholders →

...we create value →



... socially, environmentally →

Customers

- High service level and skills.
- Comprehensive offerings create security.
- Competitive prices and strong total return.
- Claims-prevention activities reduce claims.

Owners

- Create opportunity for regional insurance companies for a broad, comprehensive customer offering in banking, insurance, pensions and real-estate brokerage.
- Shared business solutions.
- Healthy dividend for owners.

Employees

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

Society

- Core business creates social benefit and strengthens customers' long-term financial security.
- Claims-prevention activities – a gain for the environment, the individual and society.
- Preventive efforts reduce illness and costs to society and employers.
- Support research into social challenges, mental illness and animal health.
- Sponsor organisations such as the Red Cross, BRIS and animal-owner associations.

... and financially

Regional insurance companies' bonuses and discounts to customers

SEK **1.8** bn

Claims payments to customers

SEK **4.6** bn

Salaries and pensions for employees

SEK **2.5** bn

Tax, social security contributions and bank fees

SEK **1.3** bn

Payments to suppliers

SEK **2.7** bn

Research grants

SEK **50** M

Sponsorship

SEK **1** M

Statement by the Head of Sustainability

Länsförsäkringar AB's sustainability work is based on the vision of "Together we create security and opportunities." Our focus in 2020 was on working on our climate-smart vision and preparations ahead of future regulations under the EU action plan on financing sustainable growth.

The year 2020 was a remarkable year in many ways. While we made important progress in our climate activities and our preparations ahead of future regulations under the EU action plan on financing sustainable growth, this year was dominated by the COVID-19 pandemic in many ways. We invested SEK 1.2 billion in social bonds in the spring to support those affected by COVID-19 in different countries.

Climate-smart vision – platform for reducing carbon footprint

Work on our climate-smart vision intensified during the year – this is a key goal for Länsförsäkringar AB that involves managing climate risks throughout the operations. For example, the investment portfolios are to align their investments with the Paris Agreement's goal of limiting global warming to 1.5°C and customers are to be offered more sustainability-focused funds.

Investments of slightly more than SEK 9 billion were made in green bonds and in listed forestry companies that make a positive climate contribution. New exclusion criteria for fossil companies were also produced. These activities will help reduce the carbon footprint of our investments. Our portfolio of sustainability-focused bonds is now one of the largest in Sweden in terms of share of assets under management. The bonds not only benefit the climate but also contribute to several of the UN Sustainable Development Goals (SDGs). The carbon footprint of our institutional investment portfolios fell by 17% in 2020 compared with 2019. The carbon footprint of our own funds declined in six funds and increased in five. The footprint was unchanged in six funds or no historical data for comparison was available.

Länsförsäkringar Bank's subsidiary Wasa Kredit initiated a partnership with energy company E.ON to finance solar panels for companies. The aim is to develop our environmental financing offer further.

Several climate risk workshops were held as part of implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We continued our work

on climate scenario analyses, and our Own Risk and Solvency Assessments (ORSA) were supplemented with physical climate risks and transition risks linked to climate change. A climate report following the TCFD's guidelines was prepared for the second consecutive year. Several Board and management group training courses on climate risk were held. Identifying and managing climate risk will remain focus areas for future years.

Developing digital services to increase availability

In 2020, Länsförsäkringar introduced additional options for customers to receive remote treatment via digital health services. One example is offering a wider range of doctor's appointments using video consultations. Another is the development of digital care services that allow customers to quickly and easily talk to both nurses and doctors using a chat function. Our hope is that through this channel we can help more customers digitally and thereby avoid unnecessary travel or expensive doctor's visits that can quickly and easily be carried out virtually instead.

The digital vet company VetHem was acquired during the year to offer customers free veterinary consultations arranged by Länsförsäkringar via the Agria Vårdguide app. The aim is to encourage more animal owners to discover how secure and simple it is to use a digital vet clinic for minor injuries and illnesses.

EU Action Plan on Financing Sustainable Growth

The EU action plan on financing sustainable growth impacts both financial and non-financial actors and aims to promote investments in sustainable projects and assets to support the transition to a green economy in line with the Paris Agreement. In 2020, we analysed requirements and prepared for future regulations under this plan, such as the Disclosure Regulation that will come into effect in March 2021. This Regulation entails, for example, that external information is to be provided on how sustainability risks are considered in investment decisions and throughout the investment process. The forthcoming taxonomy regulation will also affect which company activities can be clas-



”

We made important progress in our climate efforts.

sified as sustainable. We welcome the creation of a standardised taxonomy and believe that it will have a great impact not only on the finance market but also accelerate the integration of sustainability in many industries. During the year, we submitted opinions to the EU that sustainable forestry should be included in the taxonomy. Forestry has several positive effects on the climate and thus represents an important part of achieving the EU's climate targets.

In recent years we have seen increased demand for our sustainability-focused funds, and once all the regulations are in place our aim is to make it easier for customers to make a sustainable choice.

Looking ahead to 2021, our climate-smart vision and the new EU regulations remain key focal points.

Stockholm, March 2021

Christina Kusoffsky Hillesöy
Head of Sustainability at Länsförsäkringar AB

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Climate report in accordance with TCFD's recommendations

For the second consecutive year, Länsförsäkringar AB published a climate report on managing climate risks and opportunities.

lansforsakringar.se/klimatrapport2020



Read more on page 137.

Material sustainability topics and sustainable development goals

 Read more on pages 135 and 139.

Material sustainability topics	Target 2020
Manage climate risks in the operations	Board training and continued development of TCFD scenario analyses. Implement a climate-smart vision.
Responsible savings offering	<p>Increase the share of investments in green bonds in institutional portfolios to 13% of managed assets.</p> <p>Increase number of climate-smart and sustainable funds.</p> <p>Reduce carbon footprint in institutional portfolios compared with 2019.</p> <p>Measure the carbon footprint of all fixed-income portfolios.</p>
Responsible lending offering	<p>Continue to investigate possibility of issuing green loans and green bonds.</p> <p>Increase the share of environmental financing via Wasa Kredit.</p>
Responsible insurance offering	<p>Actively participate in UN projects on climate scenarios and analysis tools.</p> <p>Carry out claims-prevention activities and health-promoting activities.</p> <p>Continue analysis of sustainability aspects in product documentation.</p>
Responsible employer	<p>Implement skills-based diversity-promoting recruitment.</p> <p>Carry out training in diversity-promoting recruitment for existing managers.</p>
Business ethics	Carry out annual compulsory e-course on security, sustainability and the Code of Conduct.
Responsible purchasing	10% of existing suppliers to be analysed.
Environmental impact of the operations	20% reduction in carbon emissions from own operations compared with 2019.
Long-term environmental and social commitment	Finance research and communicate research results.

Eight priority sustainability topics have been identified based on the materiality analysis and stakeholder dialogue and with the guidance of the Global Reporting Initiative (GRI). They are grouped into three focus areas: responsible offering, responsible business conduct and long-term environmental and social commitment. In addition, the Board has identified climate risk as the most important sustainability topic.

Outcome 2020	Target 2021	Support UN SDGs
Board training and scenario analyses were completed. Work on the climate-smart vision continued.	Further develop methods for identifying and managing climate risks.	SDG 13
The share of sustainability-focused bonds increased to 13%, of which green bonds amounted to 12%. The focus shifted to social bonds during the year due to the COVID-19 pandemic.	Increase the share of sustainability-focused bonds in institutional portfolios to 15% of managed assets. 2022 goal: 17%, 2023: 19%	SDG 3, 7, 11, 13 and 15
Additional sustainability-focused funds in Länsförsäkringar's own range have been developed.	Increase the share of assets in sustainability-focused funds in Länsförsäkringar's own range of total managed assets compared with 2020.	SDG 3, 13 and 16
The carbon footprint of listed equities in the institutional portfolios declined an average of 17% compared with 2019, from 12 to 10 tonnes CO ₂ e per SEK M of income.	Reduce carbon footprint in institutional portfolios by an average of 7% per year to align with the 1.5°C goal by 2030.	SDG 13
Measuring was expanded to corporate bonds and selected mortgage bonds. New measuring of government bonds and bonds issued by supranational and intergovernmental organisations is planned for 2021.	Further develop measuring of carbon footprint for the fixed-income portfolios.	SDG 13
The investigation was underway but delayed by the pandemic.	Continue offering green mortgages and issuing a green bond.	SDG 13
Agreement signed with energy company E.ON for environmental financing of solar panels.	Increase the share of sustainability-related financing via Wasa Kredit.	SDG 13
The project entered the final stage at year-end.	Continue climate-risk action.	SDG 13
Claims-prevention and health-promoting activities were carried out by providing advice and tips to customers, digital health services and research activities. A project related to lameness among horses was initiated in Norway.	Develop claims prevention and health-promotion services for people, animals and society. Make use of research into human and animal health and security.	SDG 3, 12 and 13
Analysis completed.	Implement identified measures based on analysis.	SDG 3, 12 and 13
Process was delayed but will be carried out in 2021 when a new employee system is introduced.	Implement skills-based diversity-promoting recruitment.	SDG 5 and 10
Training completed.		SDG 5 and 10
Training courses on security, sustainability and the Code of Conduct were updated.	Carry out annual compulsory e-course on security, sustainability and the Code of Conduct for all employees.	SDG 8, 10, 12, 13 and 16
34% of the 100 largest suppliers were analysed. An assessment system was implemented in 2020 and the target was changed to cover the 100 largest suppliers.	The 100 largest suppliers and new suppliers with a purchase volume of more than SEK 5 M will be subject to a sustainability assessment.	SDG 8, 10, 12, 13 and 16
Emissions from own operations declined by 70% mainly due to cancelled travel during the pandemic.	20% reduction in carbon emissions from business travel per year compared with 2019. 2022-2023 goal 15% lower compared with preceding year.	SDG 13
Grants to Länsförsäkringar's Research Fund amounted to SEK 40 M. Research results were communicated through various forums such as seminars, webinars and podcasts.	Finance research and communicate research results about the security challenges of today and tomorrow.	SDG 3, 12 and 13

 Read more on pages 22-23.

Länsförsäkringar AB and the UN Sustainable Development Goals

Länsförsäkringar AB works on the SDGs in all parts of the company to make a difference and contribute to sustainable development – in the customer offering, business operations and the long-term environmental and social commitment.

3 Good health and well-being

Target:

- 3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being
- 3.6 Halve the number of global deaths and injuries from road-traffic accidents

Länsförsäkringar's contribution:

Research into mental illness and road-traffic accidents, preventive health services and rehabilitation, road safety claims-prevention measures and unprotected road-users. No investments in tobacco products or gambling companies.

5 Gender equality

Target:

- 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making

Länsförsäkringar's contribution:

Promoting gender equity in working groups and management groups, promote gender equity in the boards of companies we invest in.

7 Affordable and clean energy

Target:

- 7.2 Increase substantially the share of renewable energy in the global energy mix
- 7.3 Double the global rate of improvement in energy efficiency

Länsförsäkringar's contribution:

Investments in sustainability-focused bonds in projects that are earmarked for solar energy, hydropower and wind, and offering financing for solar panels through Wasa Kredit.

8 Decent work and economic growth

Target:

- 8.7 Eradicate forced labour, human trafficking and child labour
- 8.8 Protect labour rights and promote safe and secure working environments for all workers
- 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Länsförsäkringar's contribution:

Dialogue with suppliers on labour. Digital offerings that make financial services more available and information on the importance of equal private finances.

10 Reduced inequalities

Target:

- 10.2 Promote social, economic and political inclusion

Länsförsäkringar's contribution:

Promoting equality and diversity in recruitment processes and the business, through nomination committees in portfolio companies and in social commitment.

11 Sustainable cities and communities

Target:

- 11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all
- 11.6 Reduce the adverse per capita environmental impact of cities

Länsförsäkringar's contribution:

Investments in eco-labelled properties and in sustainability-focused bonds for water and waste management and sustainable transportation.

The Länsförsäkringar Alliance has identified SDGs **3, 8, 10, 12, 13, 16** and **17** as the most relevant to the business and those where Länsförsäkringar can make a positive contribution and reduce its negative impact. This process was based on Länsförsäkringar AB's material sustainability topics, level of engagement, identified risks and opportunities. Länsförsäkringar AB has supplemented the SDGs shared throughout the Länsförsäkringar Alliance with goals **5, 7, 11** and **15**, where Länsförsäkringar AB's operations help make a direct or partial contribution.



12 Responsible consumption and production



Target:

- 12.2 Sustainable management and efficient use of natural resources
- 12.4 Environmentally sound management of chemicals and all wastes
- 12.8 Ensure people everywhere have the relevant information and awareness for sustainable development

Länsförsäkringar's contribution:

Setting demands for materials, recycling and reuse for damage repairs, encouraging suppliers and portfolio companies to report on sustainability. Research into construction materials and sustainable car repairs.

13 Climate action



Target:

- 13.1 Strengthen resilience and adaptive capacity to climate-related hazards
- 13.3 Improve education, awareness-raising and capacity on climate change mitigation

Länsförsäkringar's contribution:

Reducing the climate impact of Länsförsäkringar's own operations. Making climate-smart investments, such as green bonds, and excluding a large number of fossil companies. Research into climate impact, dialogue with customers and policy-makers on climate issues.

15 Life on land




Target:

- 15.2 Promote sustainable management of all types of forests

Länsförsäkringar's contribution:

Investments in forest companies and sustainability-focused bonds earmarked for sustainable forest management and conservation.

16 Peace, justice and strong institutions




Target:

- 16.5 Substantially reduce corruption and bribery
- 16.6 Develop effective, accountable and transparent institutions

Länsförsäkringar's contribution:

Anti-money laundering and preventing terror financing in the banking and life-assurance operations. No investments in gambling companies.

17 Partnerships for the goals

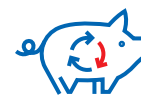


The SDGs can only be realised through global partnerships and cooperation

Länsförsäkringar's contribution:

Partnerships with the Länsförsäkringar Alliance and other external parties, such as research institutions, trade organisations and investors to address various sustainability challenges. Participates in UN project on climate risk.

Responsible savings offering



Responsible investments contribute to sustainable value creation. The aim is to create the highest possible value from managing customer savings and to align investment portfolios and own funds with the Paris Agreement by 2030.

Investments have an indirect impact on people, society and the environment through the operations of the portfolio companies. Climate change and sustainability challenges could present financial, physical, market and reputation risks that could affect companies and ultimately Länsförsäkringar AB's funds and investment portfolios. Conversely, there are investment opportunities in companies and players taking action to restrict climate change and develop solutions to the sustainability challenges of our times. Studies show that companies that integrate sustainability factors into their operations can reduce their risks.

Investments contributing to the sustainable development of society

Activities related to responsible investments and corporate governance are conducted in the framework of the overall objective of creating the highest possible value for customers. Länsförsäkringar Fondförvaltning ("the fund company") manages Länsförsäkringar's own funds. Asset Management administers institutional investment portfolios for Länsförsäkringar Liv (life), Fondliv (unit-linked life), Sak (non-life) and Agria (pet).

Länsförsäkringar AB pursues a climate-smart vision that stipulates that investments in sectors with significant direct and indirect carbon emissions are to be reduced. Companies that have started to transition away from fossil fuels and those that are climate effective in their business are rewarded. The aim is to adapt the level of emissions from own funds and investment portfolios to the 1.5°C goal of the Paris Agreement.

The policy on responsible investments and corporate governance, the UN Global Compact's principles and the UN Principles for Responsible Investment (PRI) form the basis of this work. Investment must also contribute to the UN SDGs – Goals 3, 7, 11, 13 and 15 are prioritised.

Länsförsäkringar AB's investments and corporate governance help bring about a more sustainable development of society and reduce the indirect impact on people, society and the environment. Activities in responsible investments are structured in five focus areas:

Investments in responsible companies and countries

The UN Global Compact's principles on responsible business conduct and international conventions in human rights, labour, environment and anti-corruption, together with the sustainability criteria and standpoints for specific sectors and classes of assets that Länsförsäkringar AB has produced, form the foundation of investments in responsible companies and countries. Länsförsäkringar AB can reduce risks and negative impact and prevent resistance to the UN SDGs by encouraging companies to follow the intentions of these principles, sustainability criteria and standpoints.

Existing and new investments are regularly audited to identify companies suspected of contravening the Global Compact's princi-

ples and Länsförsäkringar AB's current exclusion criteria. Exclusions are applied to direct investments, both in the investment portfolio and own funds. External fund managers are asked to follow the exclusion criteria. New exclusion criteria on conventional and unconventional fossil fuels, gambling companies and government bonds were introduced in 2020.

Promoting sustainable investments

Länsförsäkringar AB made significant progress towards more climate-smart and sustainable asset management in 2020. Asset Management implemented new analysis tools, increased access to sustainability data and recruited more sustainability experts, which are key steps in enabling more sustainable strategies in fund management to be applied. Once the strategies have been fully implemented, the carbon emissions of the portfolios will have been reduced considerably in line with the Paris Agreement goal, at the same time as investments in more sustainable companies and companies undergoing a climate transition will be promoted.

Investments in sustainability-focused bonds (including green, social and thematic) in the institutional portfolios amounted to SEK 17 billion, corresponding to slightly more than 13% (7) of total assets managed at year-end. Of this figure, four investments totalling SEK 1.2 billion were made in social bonds with funds earmarked for alleviating the health and economic consequences of COVID-19. These bonds contribute to several SDGs and specifically those prioritised by Länsförsäkringar. Refer to the website for more details. The goal for 2021 is to increase investments in sustainability-focused bonds to 15% of managed assets and also develop measurement of the sustainability effects.

Just over SEK 2.5 billion was invested in listed forestry companies that are considered climate positive and that contribute to a sustainable societal transformation. The carbon uptake of forests and the climate value of products from raw forest materials replacing fossil fuels and fossil-based products – known as the substitution effect – exceed the emissions generated by forest companies' operations.

The fund company launched a new fund during the year, Länsförsäkringar Global klimatindex, which grew from the FossilSmart fund after a change of name and investment orientation. The fund is managed against a new benchmark index with a climate orientation produced by MSCI for Länsförsäkringar. The fund blacklists fossil fuels and companies with high carbon emissions. The fund includes a higher share of companies that produce products and services that reduce carbon footprint, such as renewable energy and electric cars, than a traditional global index fund. Länsförsäkringar currently offers four funds in various categories that make investments based on specific sustainability criteria.

Company holdings in the fund company's internally managed funds undergo sustainability audits. The objective is for all fund hold-

ings to have a sustainability rating, with the majority being assigned the highest possible rating. The exclusion criteria for these funds were also expanded during the year as regards weapons and fossil fuels.

Five investment proposals were launched in 2020, each with sustainability-focused funds based on a variety of risk preferences and funds with low carbon risk. The investment proposals include Länsförsäkringar's own funds and external funds.

Nine new externally managed sustainability-focused funds were launched during the year on the fund platform, bringing the total number of sustainability-focused funds on the platform to 25.

Changes were made to the fund company's fund-of-funds whereby a lower-level fund with no sustainability orientation was replaced with a fund with a higher level of sustainability, meaning that SEK 1 billion was transferred to a more sustainable fund alternative.

Minimising climate risks in investments

Länsförsäkringar AB's target is to reduce the climate footprint of funds and investment portfolios so that by 2030 the aggregated level of their emissions is aligned with the goal of the Paris Agreement to limit global warming to 1.5°C. In practice, this involves selecting the most climate-effective companies in each sector and increasing climate-positive investments, avoiding the largest emitters of GHG emissions in the most relevant sectors, supporting companies that have started to transition their operations and engaging in dialogue with companies to discuss climate targets and action to reduce emissions.

Länsförsäkringar AB follows the recommendations of Insurance Sweden and the Swedish Investment Fund Association for measuring carbon footprints. The footprint of shareholdings in the institutional portfolios declined an average of 17% compared with 2019. The footprint for shareholdings in all portfolios was an average of 48% lower than the global benchmark index MSCI ACWI.

Calculations are made for the various classes of assets in the institutional portfolios, including carbon uptake via investments in forest companies and their underlying forestry assets. In 2020, the carbon footprint in six of the fund company's own funds fell and increased in five funds. The footprint was unchanged in six funds or no historical data for comparison was available. The footprint for four more funds than previously could be reported thanks to new methods for measuring the footprint of investments in smaller companies.

Climate scenario analyses are carried out in accordance with TCFD recommendations to enhance understanding of the forecast emissions and various climate risks of the portfolios. Forward-looking analyses of the carbon footprint are being carried out for parts of the portfolios up until 2030 and compared with the emission reductions at the portfolio and sector level required to meet the emissions scenario in line with the Paris Agreement goals.

Active corporate governance and engagement

The company pursues active corporate governance and engagement in cooperation with Asset Management and the fund company, and jointly with other investors. Corporate governance includes company dialogues on sustainability topics, active participation in nomination committees and voting at general meetings. One of the aims

of the nomination committees is to increase the diversity of company boards. The fund company votes at general meetings of the companies included in its own funds, and in which it has a substantial holding or where it is important to vote for other reasons. The fund company voted at 91 (67) general meetings in 2020. The percentage of women on the boards of the companies in which the fund company is a member of the nomination committee was 38% (33).


A reactive dialogue takes place when a company contravenes, or is suspected of contravening, the Global Compact's principles and international conventions, with the aim of stopping the company from committing breaches and taking measures to prevent similar incidents from being repeated. If this engagement does not achieve the desired results over time, the holdings in the company may be divested. A Chinese company was excluded during the year due to its lack of response to such engagement. The company was deemed to be complicit in ongoing violations of human rights in the Chinese province of Xinjiang.

Individual companies and selected sectors under various investor initiative frameworks are engaged in proactive dialogue to ensure that they are managing and are transparent regarding their material sustainability risks. Dialogue and initiative participation are selected based on prioritised SDGs and the investment universe. Länsförsäkringar AB took part in several investor initiatives in 2020, for example, Climate Action 100+, which engages with the 100 largest GHG emitters in the world, the Investor Mining & Tailings Safety Initiative, which seeks to engage the global mining sector, and FAIRR (Farm Animal Investment Risk & Return), which focuses on climate and water risks in the food sector.

Partnership with sustainability-focused external managers

The fund company's Swedish equities and fixed-income funds are managed internally, as are parts of the equity and fixed-income holdings and unlisted holdings in Asset Management. Other investments are managed by external managers through funds and discretionary mandates. Sustainability requirements are included in the procurement of new managers and their work is graded based on various criteria. The aim is to select managers that both generate high returns and integrate sustainability into their asset management and corporate governance. Managers are evaluated and rated every year to ensure that they continuously improve their work. Managers who receive a low sustainability rating are placed on a watch list and engaged in dialogue. The managers risk having their contract terminated if they do not improve. If the fund is recommended on Länsförsäkringar's fund platform and no improvement is made, the fund is moved or completely excluded from the fund range.

One recommended fund was replaced during the year due to shortcomings in its sustainability efforts, two funds were placed on the watch list due to sustainability shortcomings and one fund was removed from the watch list after the fund manager made significant sustainability improvements.

 [Read more about key figures and exclusion criteria for responsible savings offering on page 144.](#)

Responsible lending offering



Healthy lending is a key prerequisite for a stable financial situation for customers. Long-term respect for customers' security and finances is fundamental to Länsförsäkringar.

Most of Länsförsäkringar Bank's lending takes place using property as collateral. Climate change will probably affect the value of certain properties. Through its lending, the bank also finances various operations of small businesses and agriculture which may involve social and environmental risks, meaning that the bank has an indirect exposure to such risks. Opportunities also exist in lending to finance properties and operations that meet future sustainability requirements. Green mortgages, with interest rate discounts given if the energy performance requirements of the property are met, or green car loans for environmentally friendly cars are examples of lending opportunities that can help steer capital towards sustainable purposes.

Low sustainability risks in lending

Länsförsäkringar Bank's loans are granted in Sweden and in SEK. The bank's largest lending product is mortgages. The geographic spread of lending to both retail and corporate customers is diversified, with low average lending per customer. Lending to companies mainly comprises small businesses that are deemed to have limited environmental and social risks. The foundation of lending is the credit policy and the credit instructions, which include criteria for acceptable risk and identify high-risk areas in sustainability that require special consideration.

Environmental risks and environmental responsibility for agriculture and companies are regulated by law and monitored by various supervisory authorities. Environment-related risks are addressed in the loan application process based on, for example, licensable or non-licensable operations and a comprehensive assessment of the company's operations. More detailed guidelines and Q&As were prepared during the year to aid analyses and assessments of sustainability risks in lending. These are planned to be implemented in 2021.

Sustainability-focused offering

The bank's issuance of covered bonds presents opportunities for using green bonds to steer capital towards sustainable purposes. The option of offering green mortgages, and with this the possibility of issuing a green bond, continued to be investigated during the year but was delayed due to a change of priorities in the wake of due to COVID-19.

The wholly owned finance company Wasa Kredit offers lease and hire purchase financing to companies and loans and credit card loans to private individuals. The target group is mainly property owners, the agricultural sector, industries and medium-sized to large companies. A financing model has been tailored to products that reduce environmental impact and the model is being developed to include more sustainability areas.

Local knowledge reduces credit risk

Länsförsäkringar Bank's loans are based on standardised, centrally established credit regulations and most credit decisions are made locally. In the business model between Länsförsäkringar Bank and the regional insurance companies, there is a strong incentive to maintain high credit quality. The high credit quality of the loan portfolio is the result of a low risk appetite and credit regulations combined with credit scoring and advisors' local customer and market knowledge.

The credit regulations impose strict requirements on customers' repayment capacity and the quality of collateral. In connection with the loan application process, the repayment capacity of borrowers is tested using "left to live on" calculations. These calculations apply a significantly higher interest rate than the actual rate. Both the loan portfolio and value of the collateral are continuously monitored and quality assured.

Mortgage repayments are a key tool in ensuring that households have stable and secure finances. Länsförsäkringar encourages all customers to make repayments by presenting a recommended repayment plan at all customer meetings where mortgages are discussed. Even customers that do not fall under the repayment requirements are encouraged to pay off their mortgage.

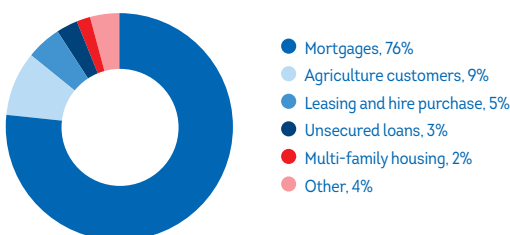
Funding at low credit risk

Länsförsäkringar Bank's main financing sources are deposits and funding through covered bonds. These covered bonds have the highest credit rating from Moody's and S&P Global Ratings, which indicates a low credit risk. The share of green bonds that the bank invested in increased to slightly more than SEK 3,200 M (2,700) on 31 December 2020.

Local branches and digital services

With the 23 regional insurance companies, Länsförsäkringar's customers have access to 128 branches throughout Sweden as well as digital banking services. 71% (67) of bank customers use Länsförsäkringar's app or Internet bank. Digitisation reduces the impact on the environment since fewer paper print-outs are sent to customers. The percentage of digitally distributed customer documents was 78% (76) in 2020.

Loan portfolio 31 December 2020





Climate risk analysis

Länsförsäkringar Bank updated a scenario analysis of its current mortgage portfolio in 2020 based on the TCFD recommendations. The long-term scenarios of the UN Intergovernmental Panel on Climate Change (IPCC) for 2100 were used to estimate the level of GHG emissions in the atmosphere and based on these scenarios produce an estimate for temperature increases and rises in sea levels. These estimates are based on the Swedish Meteorological and Hydrological Institute's (SMHI) forecasts and were prepared together with Länsförsäkringar AB's natural catastrophe specialists. Assumptions were made regarding the temperature increases and rises in sea levels having a certain impact on households' disposable income and thus their repayment capacity due to higher tax expenses and increased insurance premiums. Rises in sea levels were also assumed to affect the market value of properties and thus collateral for the bank. However, the results are highly uncertain since the models are based on many assumptions.



Wasa Kredit finances solar panels

During the year, Wasa Kredit initiated a partnership with energy company E.ON, which allows customers to install solar panel solutions from E.ON and obtain financing from Wasa Kredit. Customers can lease or hire the solution instead of paying in cash and the cost is distributed over a period of time. The target group is mainly corporate customers, for example, agricultural customers, industries and medium-sized to large companies. Financing solar panels is part of the financing model tailored to products that reduce environmental impact.



Launch of the first sustainable charge card in the world

Länsförsäkringar Bank transferred its charge card base to MasterCard in 2020. A new card was designed in connection with this that is manufactured from recycled PETG plastic, a material that cuts up to 75% of the carbon emissions usually associated with card production. This means that Länsförsäkringar's customers were the first in the world to receive bank cards made of 100% recycled plastic.

Responsible insurance offering



Minimising the risk of claims and alleviating the effects of claims incurred means creating security for customers. Every claim that can be avoided is a gain for the environment, the individual and society at large.

Global warming and the resulting extreme weather events, such as storms, torrential rain, flooding and drought, have huge socio-economic consequences and can lead to higher claims costs for insurance companies.

Urbanisation, digitisation, migration, an ageing population, a higher rate of mental illness and lifestyle diseases are challenging the welfare system while also fuelling demand for new insurance products for private individuals, companies and employers. Society, companies and individuals stand to gain great economic and social benefits by taking preventive measures to protect their health and taking early action in the event of an injury or a risk of long-term sick leave.

Integrating sustainability

Activities in this area is conducted in the Non-life Insurance business unit (reinsurance and special insurance, health) and the Agria business unit (pet and crop insurance), which complement the business of the regional insurance companies. The regional insurance companies can thus offer customers a broad range of insurance for people, animals and property and obtain effective reinsurance coverage.

Länsförsäkringar Sak is a signatory of the UN Principles for Sustainable Insurance (PSI). A sustainability-based analysis of all product documents, including insurance terms and conditions, was completed during the year. It was initiated to more closely connect the framework and sustainability initiatives to the daily work of the company, and was an important step in continuing to integrate PSI into the insurance business. The analysis resulted in a current status report and greater expertise among employees. The next step in this process is to implement identified measures in the operations.

Digitisation has led to efficiency enhancements in several areas of the business and a more digitalised customer process and claims adjustment are being developed. A specific example is the more than 200 agreements with health care providers for which the contracts, signing and ongoing price negotiations were entirely digital. The next stage will be initiated in 2020, which involves the entire invoicing process for health care costs taking place digitally and automatically. The development of digital services also leads to lower volumes of paper-based communication with customers, which reduces environmental impact while making information more available.

Claims prevention – a win for the environment

By providing information about common types of claims and claims-prevention measures, Länsförsäkringar AB together with the regional insurance companies can help customers to minimise the risk of claims themselves. This results in lower claims costs and insurance premiums.

A customised programme is being implemented for different product areas in Reinsurance and Special Insurance to improve profitability for customers and prevent various claims. Motor insurance has a programme featuring claims statistics, analysis and claims-prevention material. Surveyors are trained on a continuous

basis and estate agents are trained to prevent seller liability and real-estate broker claims. Activities are underway in cargo and liability insurance to analyse claims statistics in order to further develop claims prevention.

Natural catastrophe claims, water and fire damage claims, and motor insurance claims have the greatest impact on the environment. Claims-prevention activities help reduce the impact on the environment by reducing carbon emissions, waste, energy use, new materials, transportation and other resources – for both the claim incident itself and also for restoration and repairs. Länsförsäkringar's Research Fund finances studies into repair methods used for insurance claims so as to provide know-how and the right conditions for making repairs in a climate-smart and sustainable manner. Work on producing an internal calculation model for the carbon footprint of property repairs was carried out during the year.

Climate risks and natural catastrophes

Länsförsäkringar AB and the regional insurance companies take preventive measures and exchange know-how to reduce the risk of natural catastrophes.

Länsförsäkringar Sak participates in a UN project on climate risks, conducted by PSI and supporting the TCFD's recommendations, together with about 20 other insurance companies. The aim of the project is to find new methods and approaches for modelling the impact of climate change on the insurance industry and how to tackle it. During the year, the project tested models and attended seminars regarding scenario analyses. The project entered the final stage at year-end. Work will continue internally at Länsförsäkringar in 2021 with a focus on even better understanding and calculating climate risk.

Länsförsäkringar is exposed to extreme weather events and climate change on a global scale since it has reinsurance business with risk exposure in many different countries. Insurance companies need to protect their operations from costs for large individual claims and natural catastrophes and often turn to specialist reinsurance companies in the international market to insure some of their risks. The companies in the Länsförsäkringar Alliance can naturally share risk among themselves. The regional insurance companies pay an annual reinsurance premium to Länsförsäkringar Sak, which manages the Länsförsäkringar Alliance's internal and external reinsurance. This premium is based on, for example, risk exposure to natural catastrophes, claims history and the level of retention chosen by the company. This retention can be compared with the deductible that private individuals and companies pay for non-life insurance. As a result, most of the reinsurance premium is retained within the Länsförsäkringar Alliance and the costs for external reinsurance are thus lower and more stable, benefiting Länsförsäkringar's customers.

Health-promotion efforts for people

Länsförsäkringar is one of Sweden's leading players in health and health care insurance with the mission of creating a healthier

Sweden by contributing to a sustainable lifestyle, working life and society. The insurance policies supplement other employment security solutions to promote health and reduce sick leave. Mental illness is the most common cause of sick leave. Preventive and early measures at the workplace are key to breaking this trend. Länsförsäkringar actively participates in public debate about good health and a sustainable working life, and regularly carries out projects related to preventive measures to increase know-how and awareness of health drivers.

The Health Care and Bo Kvar insurance policies offer customers a digital Health Portal of preventive health-promotion services and personal counselling, as well as support tailored to employers for their work on the organisational and social work environment, including counselling for managers. Länsförsäkringar's health care insurance also includes effective work-oriented rehabilitation and treatment for addiction. The Health Portal was used by more than 87,000 unique visitors (40,000) during the year. Systematic data-driven customer communication takes place to ensure that customers make use of the Health Portal, giving them claims-prevention tips on well-being and health. The development of digital health services is a constant focus area.

Health-promotion efforts for animals

Agria Djurförsäkring, which operates in Sweden, Norway, Denmark, Finland, the UK and France, develops insurance products that provide security for animals and animal owners. It does this in close cooperation with animal-owner organisations. Claims-prevention information and health-promotion activities for animals are provided in Agria's own digital channels, the Pälspodden podcast, PR activities in external media and via digital vet consultations.

The digital vet company VetHem was acquired during the year to offer customers free veterinary consultations arranged by Läns-

försäkringar via the Agria Vårdguide app. The aim is to encourage more animal owners to discover how secure and simple it is to use a digital vet clinic for minor injuries and illnesses. The target for 2021 is for the number of users of the service and downloads of the Agria Vårdguide app to be 100,000.

Lameness is by the far the most common injury among horses. Agria is conducting the #stoppahältan project to prevent lameness and ultimately ensure more sustainable horses in the future. The project was also started in Norway in 2020. The target for 2021 is to develop the project further.

An important part of Agria's sustainability efforts is its research fund, which supports research into animal health and the relationship between animals and people. This contributes to a sustainable lifestyle for animals and animal owners and helps advance veterinary care. The Pälspodden podcast, produced together with researchers, brings research results to a wider audience. Free virtual research seminars, lectures and clinics were also arranged. A major focus area during the year was communicating and talking with customers about the importance of animals for human physical and mental health to provide support during the pandemic. Claims-prevention advice was offered to prevent passivity among pets during lockdown.

The Agria Breed Profile is a globally unique material that analyses dog and cat diseases and injuries using diagnoses from more than 300,000 dogs and 125,000 cats. Agria Breed Profiles contain breed-specific injury and disease statistics that could, for example, help promote continued sustainable breeding and healthy animals, and can be used by researchers, breeders and pedigree clubs.

Based on an analysis of Agria's product documentation, a complete action plan and priority list will be produced in 2021 with the aim of 60% of the activities being completed in 2022 and 100% in 2023.

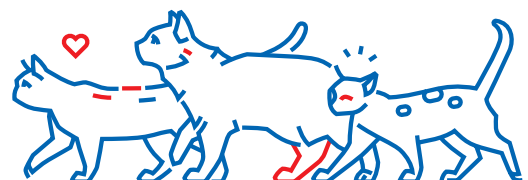


Digital care services

A service was launched during the year that allows customers to report their health claim digitally, at which time they are put in digital contact with a doctor, should such care be needed. This service is a step in offering more options for digital health care that increases customer value, for example, for those who live far away from health care facilities, and also helps reduce the impact on the environment.

Charity dog walk and cat parade

The Agria Dog Walk is a regular event for dog owners that allows them to walk their dogs together for a good cause. This year, the Dog Walk was held virtually with more than 10,000 teams taking part. The money raised was donated to Hundstallet which supports homeless dogs. The Agria Cat Parade – a virtual charity event for cats – was held for the first time this year. More than 12,000 cats took part in the parade and the funds were donated to selected cat shelters.



Responsible employer



Commitment, trust, openness and professionalism are the foundation of Länsförsäkringar AB's corporate culture. Skilled employees who drive and develop the operations are vital to achieving the business objectives.

Not being able to attract or retain the right skills is a business risk. Rapid technological advances and globalisation require an effective and active supply of skills.

Mental illness and stress-related illnesses are on the rise in society. This risks increased further during the COVID-19 pandemic due to remote working. Greater emphasis has been placed on the responsibility of employers as regards the work environment. Digital technology and flexible working hours increase the risk of never-ending work, which presents major risks and costs for individuals, employers and society. Taking preventive action and striking a healthy work/life balance is important to reducing such risks.

Diversity, inclusion and equality

Working on diversity, inclusion and equality is a matter of business value. It helps strengthen competitiveness and increases profitability. Diversity initiatives also play an important role in being an attractive and responsible employer and broadening the recruitment pool. The importance of an inclusive culture is critical for benefiting from diversity and welcoming different perspectives and approaches. Länsförsäkringar AB's diversity agenda reflects the law prohibiting discrimination and everything that makes people different and unique. The equality and diversity plan describes standpoints, promotion activities, active measures and action plans. Progress is monitored annually.

Tools for skills-based recruitment were prepared during the year, focusing on tests to measure personality, development potential and problem-solving capabilities, so as to avoid discrimination since all candidates will be evaluated on equal terms. A recruitment and diversity training course for managers and union representatives was arranged during the year. The aim of the recruitment process is to ensure a more even gender distribution in working groups and managerial positions. The share of working groups with a 40/60 ratio of men and women was 26% (29) in 2020.

The Qnet network develops and coaches women managers as part of structured equality measures. Employees have the option of receiving supplementary salary as a complement to the state parents' allowance.

The annual salary review and survey were pushed back to 2021. The insurance industry employers' organisation and the central trade unions jointly agreed to postpone the annual salary review for the insurance industry until the parties in the industry had agreed on a new index.

Länsförsäkringar AB has been a certified employer by the Swedish Migration Agency since 2019, which expedites work permit processing times, thus simplifying recruitment of people without permanent residence permits. Partnerships continued during the year with Swedish for professionals, which offers Swedish-language courses to English-speaking employees, Novare Potential, which aims to help new arrivals enter the Swedish labour market, and Diversity Charter, which aims to promote diversity in the business sector.

For the ninth consecutive year, university students were recruited to the internal Summer Graduates programme based on diversity.

Diversity and inclusion activities will continue and remain part of the business plan.

Skills development and learning

Länsförsäkringar AB endeavours to nurture the conditions for a learning culture focusing on development. The aim of the Group-wide plan is to ensure the organisation's future skills supply and support employees in continuously developing their skills. Recruiting IT and tech skills will be a focal area for 2021.

200 employees completed a digital training course on artificial intelligence during the year. A series of lectures on "learning to learn" was held for all employees to stimulate and motivate them in their everyday learning. In 2020, 4,396 (4,545) in-house training courses were organised for Länsförsäkringar AB employees. Employees also received training in the form of skills transfers, external courses, training programmes, online courses and seminars. Leadership training is offered as part of the in-house training operations to strengthen leadership.

Managers continuously discuss performance, skills, work environment and health with their employees.

A framework for an agile work method started to be implemented during the year to deliver more efficient, high-quality development services to the regional insurance companies.



Implementation of a new shared employee and training system began in 2020, which will create a platform for a meaningful work life featuring continual development, learning and self-leadership.

Health and work environment

Länsförsäkringar AB has applied a long-term approach to health and the organisational, social and physical work environment 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 our business targets.

The focus in 2020 was on ensuring the employees remained safe and engaged in their work during the COVID-19 pandemic. To limit the spread of the virus and ensure a safe and secure workplace, guidelines for employees, consultants, suppliers and visitors were prepared in early spring 2020. Strategic and operational crisis management teams have implemented safety measures based on the guidelines and recommendations of the Public Health Agency.

Toolboxes related to “working safely from home” and “the virtual workplace”, a health and well-being handbook for managers and a number of digital health programmes and lectures were produced to support employees in working from home. Employees were provided with the necessary office equipment in their home.

The five different indexes of the employee survey – commitment, leadership, efficiency, attractive employer and psychosocial work environment – all improved despite a long period of working from home.

Managers are responsible for addressing employee work environment and health according to the systematic work-environment process, as well as equality, diversity and discrimination. Employers, managers, employees and health and safety representatives work together on work-environment issues. The organisational and social work environment is regularly monitored to prevent stress and

unhealthy workloads in accordance with the Swedish Work Environment Authority’s provisions (AFS 2015:4).

The Work Environment and Equality Committee is responsible for overall monitoring of the equality and diversity plan, sickness absence, occupational injuries and rehabilitation, and the employee survey. Two occupational injuries were reported during the year in the form of accidents on the way to or from the workplace. No near-accidents were reported.

Cooperation with trade unions takes place through regular meetings and dialogue. Länsförsäkringar AB follows laws and agreements that govern the operations, including the Employment Protection Act, Discrimination Act, Work Environment Act and collective and co-determination agreements. Länsförsäkringar AB follows the rules of collective agreements when employees leave the company or resign. All employees, except for Group management, have collective agreements.

Occupational health care services provide support for rehabilitation, work-related ill health, as well as ergonomic advice, regular medical check-ups and counselling for managers in managerial matters. One hour of fitness activities during work hours is granted every week. A fitness subsidy was introduced during the year for all employees since there was limited access to the exercise facilities at Länsförsäkringar AB’s premises due to the pandemic.

Activity-based working continued to be rolled out in 2020, enabling employees to work in the way, with the technology and in the place that offer the best support for performing their work duties efficiently and sustainably. New insights into the workplace of the future resulting from the COVID-19 pandemic reinforced activity-based working.

 [Read more about personnel statistics and the results of the employee survey on pages 142-143.](#)



Länsförsäkringar received several awards for being an attractive employer in 2020.

- Industry leader in Universum’s Company and Career Barometer surveys
- Best banking and insurance company according to Academic Works’ Young Professional Attraction Index (YPAI)
- One of Sweden’s most attractive employers and a number-one ranking in the financial services category of Randstad’s Employer Brand Research survey



TOP 100

by Business Professionals

Proud and dedicated employees

Länsförsäkringar AB’s internal attractiveness as an employer and employee loyalty are measured according to an Employer Net Promoter Score (eNPS). The eNPS for 2020 was 37, up from 31 in 2019.

87%

are proud to work at Länsförsäkringar AB.

86%

say that they enjoy going to work.

Business ethics



A high level of business ethics is naturally inherent in all of Länsförsäkringar's operations in order to best protect its customers.

Non-ethical business behaviour, money laundering and terror financing are international problems that pose serious threats to the financial system and its institutions, and ultimately the real economy and national safety. Confidence in the financial system is quickly tarnished if financial institutions are associated with non-ethical business behaviour, illegal assets and money laundering or used to finance terrorism. The finance industry is subject to regulations that seek to prevent and counteract the financial system being utilised for money laundering and terror financing. Corruption risk, such as bribery, conflict of interest and abuse of power, is a risk found in all companies regardless of industry and country. Every day, Länsförsäkringar works on preventing this type of behaviour, which is vitally important for meeting regulatory requirements, contributing to a stable financial system and for Länsförsäkringar to uphold its good reputation.

Anti-money laundering and terror financing

Systematic work is conducted to reduce the risk of the banking and life-assurance operations being used for money laundering, terror financing and fraud, such as building up in-depth knowledge of customers and their businesses and active transaction monitoring. A central function for the banking and life-assurance operations monitors and checks compliance with procedures and guidelines. The Länsförsäkringar Alliance has a shared system for reporting deviations. All employees and contractors 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. Employees in the banking and life-assurance operations undergo mandatory anti-money laundering training and receive additional training. A new risk assessment is carried out when new products, services and distribution channels are introduced and re-organisations are implemented.

This work follows a structured, risk-based approach whereby risk assessments are performed to analyse whether major risks of money laundering and terror financing exist. Customer risk profiles are assessed based on customer knowledge data and ongoing business relationships or transactions are monitored to identify any deviations. If, after an examination, an activity or individual transaction is

suspected of involving money laundering or terror financing, it is immediately reported to the Financial Intelligence Unit of the police.

Risks associated with money laundering also occur in the non-life insurance operations. Länsförsäkringar AB takes preventive action to manage and minimise these risks.

It is vitally important to Länsförsäkringar AB that issued sanctions are followed. Sanctions that apply as Swedish law comprise the sanctions decided by the EU and/or UN and entail restrictions on freedom of action for a state, group or private individuals. This means that Länsförsäkringar AB is not to maintain a business relationship with the sanctioned parties and is to ensure, through internal guidelines and systems, that payments do not contravene applicable sanctions.

Anti-corruption

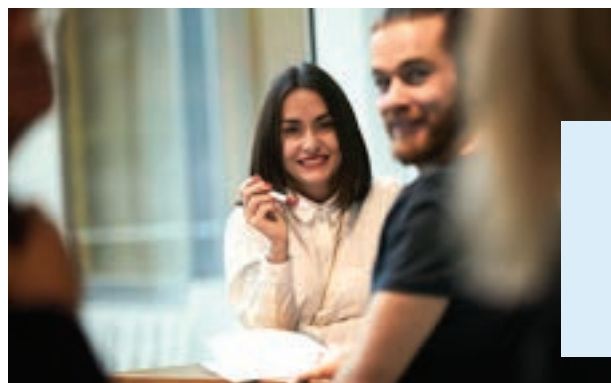
Länsförsäkringar AB takes a stand against all forms of corruption and improper benefits, which is stated in the Code of Conduct and the policy on improper benefits.

The overall aim of Länsförsäkringar AB's anti-corruption work is to guide employees in avoiding giving and receiving gifts and representation that could arouse suspicions of promoting private interests or those of a third party.

A risk and vulnerability analysis was performed during the year to evaluate the risk of bribery or other forms of improper influence. The results showed a low risk of Länsförsäkringar AB and its subsidiaries being exposed to bribery. These analyses take into consideration each company's operations, size and organisation, market, customers, distribution channels, partners, sponsoring and purchasing.

Whistle-blowing procedure

To counteract and stop crime in the business, employees can contact their immediate manager or their manager's manager if they suspect any improprieties or wish to make a whistle-blowing report. The informant has the right to anonymity and will not suffer any repercussions due to the report. The report is processed by Compliance and may be referred to internal or external investigators depending on its nature. The whistle-blowing procedure is an alternative to other reporting channels. The Code of Conduct and intranet contain information about the whistle-blowing procedure. No cases of whistle-blowing were reported in 2020.



Annual training for all employees

The annual e-courses in the Code of Conduct, sustainability and security were updated in 2020. The completion rate for the courses on the Code of Conduct and security was 79% and for security was 84%.

Responsible purchasing

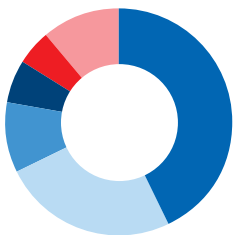


Länsförsäkringar AB can help its suppliers have a positive impact on the sustainable development of society by setting sustainability requirements.

By not considering sustainability in procurement, purchases could indirectly result in sustainability risks in the supply chain. The largest sustainability risk is deemed to be in the area of work conditions since Länsförsäkringar AB mainly makes purchases from service providers. Purchases are mainly made from suppliers in Sweden. IT purchases are made from suppliers operating in Sweden, but also other countries, such as India. Based on responsible procurement, Länsförsäkringar AB can positively influence suppliers in terms of work conditions, human rights, healthy competition and environment. Sustainability risks related to a specific country, industry and company are assessed in procurement processes and meetings with suppliers.

The task of the purchasing function is to create the best possible business value in close partnership with the operations through professional supplier relationships. This takes place by conducting business-critical procurement processes and supporting the operations through processes for simplified purchasing and offering active support across the entire lifecycle.

Purchases in 2020, %



- IT and telecommunications, 43%
- Consultancy services, 25%
- Health and medical care, 10%
- Finance, banking and investments, 6%
- Marketing and communication, 5%
- Other, 11%

Code of Conduct part of purchasing agreements

The Code of Conduct for Suppliers has been included in purchasing agreements with new suppliers since 2016. The Code is based on the ten principles of the UN Global Compact, and defines requirements regarding human rights, labour, environment and business ethics. The Code of Conduct for Suppliers also includes general and IT-specific security guidelines and guidelines for managing conflicts of interest. The Code was updated to improve clarity in 2020.

On 31 December 2020, 79% (74) of the 100 largest suppliers had signed the Code of Conduct. The 100 largest suppliers accounted for 82% (77) of total purchase volumes. Efforts are being made to ensure that all suppliers sign the Code.

Monitoring suppliers

An external assessment system was implemented during the year to assess Code of Conduct compliance among suppliers and identify any sustainability risks. 34% of the 100 largest suppliers started the assessment. The target for 2021 is that all 100 of the largest suppliers are to be assessed and the assessment will be expanded to include new suppliers with a purchase volume of more than SEK 5 M. The system will be used in procurement to assess the supplier's sustainability level before a contract is signed.

Sustainability activities and sustainability risks are considered in the procurement process.



The Code of Conduct for Suppliers is available in English and Swedish at lansforsakringar.se/code-of-conduct-suppliers.



Environmental impact of the operations



Länsförsäkringar AB works actively to reduce the impact on the environment from the company's operations, concentrating on business travel, energy efficiency and purchasing with a low environmental impact.

The environmental impact of the operations is relatively limited and primarily comprises business travel by air and road as well as electricity and heating in office premises. All business units and units have set activities and goals for reducing environmental impact in their 2020 and 2021 business plans.

Carbon emissions in 2020 amounted to 241 tonnes (812). The target for 2020 was to reduce emissions from the operations by 20% compared with 2019. The decline was 70% due to less business travel due to the pandemic. The target for 2021 is to reduce direct emissions from business travel by 20% compared with 2019. A specification of emissions is provided on page 143.

Double climate compensation for Länsförsäkringar AB's 2019 emissions was paid in 2020 via South Pole. Emissions for 2020 will be climate compensated.

Reducing air travel

The guidelines for business travel recommend that digital meetings be used in the first instance, and rail rather than air travel. Business travel that takes less than 3.25 hours must always be by rail. Eco-friendly taxis are to be used. Bikes and travel cards can be borrowed from the office to reduce the use of taxis. Naturally, travel declined drastically during the pandemic.

Reducing energy consumption

The office properties that Länsförsäkringar AB leases from Humlegården Fastigheter AB are environmentally classified as energy

efficient and have a rating of Very Good under the BREEAM certification system. Renewable electricity and district heating are used in these properties. Work methods are continuously reviewed to bring about more energy-efficient electricity consumption and heating. LED lighting and energy management methods are used as part of this. An extensive remodelling of the office is scheduled to take place next year when the company moves over to activity-based working. Choice of materials, reuse and energy enhancements are key elements of the project, which also includes rebuilding the ventilation system for more efficient energy use.

Purchasing and recycling

Continuous efforts are made to enhance efficiency in order to reduce the negative environmental impact of the office operations in several areas as regards materials, recycling and waste. Purchases of plastic items are being reduced, mainly in the staff restaurant.

The Länsförsäkringar Alliance partners with a company that reuses and recycles the computers used in the operations. 94% of obsolete computers were sold for reuse in 2020. 6% was destroyed and went to material recycling due to their condition or because the content could not be re-used.

Digital communication replacing paper

Paper-based communication is being reduced and customers are instead being offered digital solutions. Lower volumes of paper-based communication reduces environmental impact while making information more accessible to customers.



Climate compensation protects the rainforests

Through South Pole, Länsförsäkringar AB climate compensates to a project that conserves 39,300 hectares of rainforest in the Amazon. This project binds carbon dioxide and the important biodiversity is preserved. The project follows the international Gold Standard.

Long-term environmental and social commitment



Every year, Länsförsäkringar finances independent research projects studying social, economic and physical security for customers and society at large. The research results are made public and used widely in society.

Urbanisation, digitisation and the sharing economy are giving rise to both risks and opportunities in our growing society. Climate adaptation is an important research area where new expertise is needed to understand the changes taking place. Other priorities include research into home security and road safety. Refer to page 36 for a list of research projects.

Research focusing on security

In the 1970s, some of the regional insurance companies started to finance various research projects at Swedish colleges and universities. A joint research foundation, Länsförsäkringar's Research Fund, was formed in 1994 and is awarded funds by the Länsförsäkringar Alliance every year. The foundation investigates society's current and future security challenges by financing research. The research focuses on five areas: Secure Homes, Tomorrow's Society, Road Safety, Climate Change and Mutual Business Models.

Calls for proposals are distributed to researchers at Swedish universities, colleges and independent research institutions. Grants are awarded to projects at an advanced scientific level that are highly relevant to Länsförsäkringar. Länsförsäkringar's Research Fund also

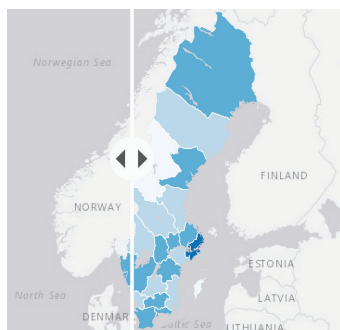
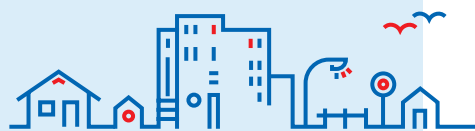
finances other scientific tests and pilot studies that aim to highlight and reduce risks and to advance the development of sustainable and beneficial products.

Research results used by society

The results of this research are used in Länsförsäkringar's own business development and in discussions with customers and other stakeholders in society, such as municipalities, county administrative boards, the Swedish Transport Administration and various industry organisations. One channel for spreading the results is the regular panel talk forum called "Framåtblick" which is organised together with the regional insurance companies in various locations in Sweden. Local organisations are also invited to participate. "Framåtblick Sverige" was arranged for the first time in 2020, with participation from decision makers at the regional, local and county council level from across Sweden. The forum serves as a bridge between research and practice by spreading know-how to strengthen the regions. By making the research results available in the public domain, Länsförsäkringar contributes to knowledge-based development of security in society.

Trust in local society falling

The Trust Barometer is a population survey carried out by Statistics Sweden on behalf of Ersta Sköndal Bräcke University College in 2009 and 2017, mainly financed by Länsförsäkringar's Research Fund. The survey is a broad study of trust among Swedish society. The most recent survey indicated that general trust levels remain stable, although they vary both geographically and demographically. However, trust in local society is in decline. The vast majority of municipalities that participated in the survey in 2009 and 2017 reported a downward trend. The next survey was awarded financing and started in 2020.



Interactive visualisation of development in Sweden's regions

"RegVis - Regional visualisation of development in Sweden" is a collaborative project between Lund University and Länsförsäkringar's Research Fund. The collaboration led to a platform that visualises key variables in regional development and how these change over time. The platform is the result of the "ReGrow - Regional Growth against All Odds" project and presents an overview of each variable and provides insight into its importance to regional development. RegVis was launched in November 2020.



Childrens' voices about corona

Together with Länsförsäkringar's Research Fund, researchers at Uppsala University conducted a study in which more than 1,000 children gave their opinion on the COVID-19 pandemic. The results showed that it was very common for children of all ages to be worried about the disease and dying. It was also clear that the most vulnerable children suffered the worst from a state crisis. The researchers concluded that society must be vigilant and increase cooperation concerning children and young people who risk falling behind in their development and learning.

Research projects

Länsförsäkringar's Research Fund

Research field	Ongoing research projects and tests	Start
Tomorrow's society: Digitisation, urbanisation and the sharing economy	▪ Regional Growth against All Odds: Driving forces for long-term growth in Nordic regions. Lund University	2017
	▪ Regional economic development and transformation in Sweden: Then, now and tomorrow. Lund University	2018
	▪ Continuous internal audit using artificial intelligence in insurance companies. University of Gävle	2018
	▪ Blockchains for dynamic pricing of innovative insurance products. University of Gothenburg	2018
	▪ Transparent algorithms in the insurance industry. RISE	2018
	▪ The insurance company in digital ecosystems. University of Gothenburg	2018
	▪ The geography of trust: Trust in local society in a changing Sweden. Ersta Sköndal Bräcke University College	2020
	▪ A polarised society? How national and local urbanisation are shaping Sweden. Linköping University	2020
	▪ Mobility, choice and flexibility: origin and prevention of financial, institutional and geographic changes and greater inequality in the Swedish labour market. University of Gothenburg	2020
	▪ Improved climate changes to residential areas. Linköping University	2020
Climate change	▪ Financial effects of climate policy. University of Gothenburg	2020
	▪ Secure homes for the elderly using smart technology. Dalarna University	2019
Secure homes	▪ Secure homes for the elderly using smart technology. Dalarna University	2019
Road safety	▪ Commuting actively - and safely! How do children get to school? VTI	2020
	▪ Why do bicycle accidents happen? VTI	2020
Tests and pilot studies	▪ Partial repairs of waterproof membrane systems. RISE	2019
	▪ Bicycle lights. VTI	2019
	▪ Methods for removing snow from rooftop solar panels. RISE	2019
	▪ Children and adolescents' voices about corona. Uppsala University	2020
	▪ The climate impact of a claims repair: A comparison between three ways of repairing a car. IVL	2020
	▪ Batteries for electric bicycles. Intertek	2020
	▪ Imported home electronics. Partnership with National Electrical Safety Board	2020

Agria's Research Fund

Research field	Selection of ongoing research projects	Start
The role of animals for humans and society	▪ Horses on the road. Nord University, Norway	2017
	▪ Stable yard cultures in cyberspace. Malmö University	2018
	▪ The influence of dogs on physical and mental health in humans. Norwegian University of Life Sciences	2018
	▪ Dogs, humans and society. University of Gothenburg	2019
	▪ New methods and tools for a better work environment in the equine industry. RISE	2019
	▪ Young riders' right to participation - a contingent right. Karin Redelius, Swedish School of Sport and Health Sciences GIH	2020
	▪ Equine-related sports and leisure activities among persons with intellectual disabilities. Marie Gustavsson Linköping University	2020
Veterinary Medicine, Animal Science and Technology	▪ Non-slip floors for preventing bovine injuries; Do grooves reduce the risk of slipping on concrete floors? Swedish University of Agricultural Sciences	2017
	▪ From colt to athlete - changes in movement symmetry over time in trotter and saddle horses. Swedish University of Agricultural Sciences	2017
	▪ Optimising antibiotic treatment times for cystitis in dogs. University of Copenhagen	2017
	▪ Epidemiology of knee joint illnesses in dogs. Swedish University of Agricultural Sciences	2017
	▪ Physical burdens in dog agility performances. Faculty of Veterinary Medicine, University of Helsinki	2019
	▪ Bile acid in faeces of cats with IBD or gastrointestinal cancer. University of Copenhagen	2019
	▪ Identification of genetic risk factors for hip dysplasia in dogs. University of Copenhagen	2020
	▪ QimmeqHealth: Health care for the declining population of Greenlandic sled dogs. Emilie Andersen-Ramberg, University of Copenhagen	2020

Board of Directors' Report

The Board of Directors and the President and CEO of Gamla Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, hereby submit the Annual Report and consolidated financial statements for the 2020 fiscal year.

Ownership and Group structure

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies and 15 local insurance companies.

Gamla Länsförsäkringar AB (referred to below as Länsförsäkringar AB) is the Parent Company of Länsförsäkringar Bank AB (referred to below as Länsförsäkringar Bank) and its subsidiaries, Länsförsäkringar Sak Försäkrings AB (referred to below as Länsförsäkringar Sak) and its subsidiaries and Länsförsäkringar Fondliv Försäkrings AB (referred to below as Länsförsäkringar Fondliv).

Länsförsäkringar Liv Försäkrings AB (referred to below as Länsförsäkringar Liv) is wholly owned by Länsförsäkringar AB but is not consolidated in the consolidated financial statements since the company is operated in accordance with mutual principles and its surplus accrues to the policyholders.

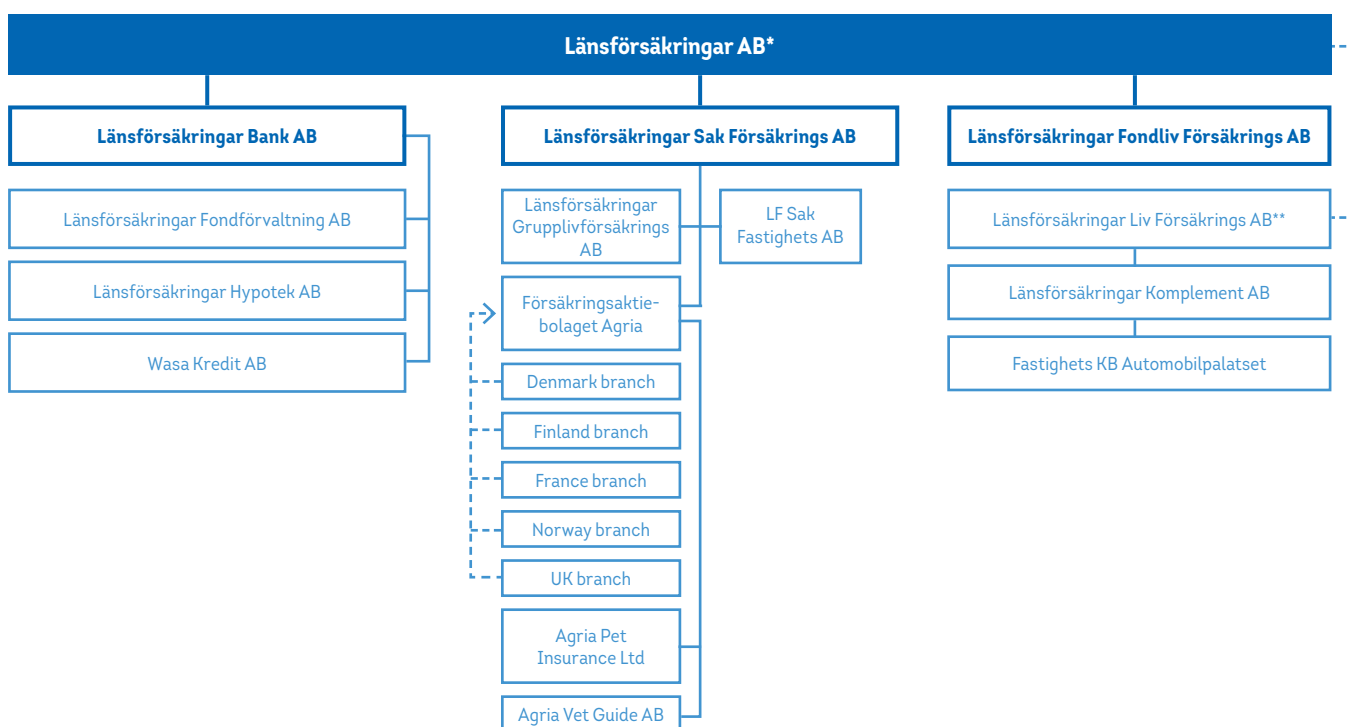
Focus of operations

Länsförsäkringar AB has three primary tasks: to conduct business activities in banking, non-life insurance and pensions; to provide business service to the regional insurance companies in areas in which economies of scale and efficiency arise, and to conduct Länsförsäkringar's joint strategic development activities.

The business activities are carried out in the Non-life Insurance, Agria, Banking, Life Assurance and Traditional Life Assurance business units, whose task is to conduct business and assume responsibility for direct product-related support for the regional insurance companies. Financial governance is primarily based on the owners' requirements for effective capital use and a balanced and market-based return on equity according to each subsidiary's operations and risk.

Business service and Länsförsäkringar's joint development activities for non-life insurance are conducted in the Non-life Insurance business unit. The Strategy and Change Management unit is responsible for pursuing and creating the conditions for Länsförsäkringar AB's change agenda to meet the requirements from the regional insurance companies and their customers. The accounting, capital planning and Group controller functions are part of the Economy and Finance unit. The Customer and Channel Support unit is responsible for ensuring that the regional insurance companies have the prerequisites for delivering high-quality digital and physical customer meetings. The IT unit is responsible for the IT operations conducted within the Länsförsäkringar AB Group and the IT operations that Länsförsäkringar AB outsources to external suppliers. The

Länsförsäkringar AB Group structure, 31 December 2020



* As per 30 December 2020, Länsförsäkringar AB's legal name is "Gamla Länsförsäkringar AB" but is referred to as "Länsförsäkringar AB" throughout this Annual Report.

** The company is operated in accordance with mutual principles and is not consolidated.

Group also includes the Legal Affairs unit and the control functions of Internal Audit, Compliance and Risk Management.

Significant events during the year

In 2020, Länsförsäkringar AB continued to work according to a long-term business plan aimed at defining how Länsförsäkringar AB can become even better at helping each regional insurance company to best leverage the strength of the entire Länsförsäkringar Alliance in an increasingly digitised world. By introducing the Lean Agile work method, Länsförsäkringar has enhanced the efficiency of development activities and made them more innovative, resulting in rapid product development and testing. This means more efficient deliveries of new services demanded by customers.

In 2020, the Länsförsäkringar AB Group launched an efficiency programme to ensure a long-term, sustainable cost level for its operations, which in turn benefits the regional insurance companies and their competitiveness.

On 1 February 2020, Mathias Collén became the President of Länsförsäkringar Fondliv.

The organisational affiliation of the Asset Management Unit of Länsförsäkringar AB was transferred to Länsförsäkringar Liv in May 2020 to enhance the efficiency of the operations and generate higher returns for Länsförsäkringar's customers.

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

On 30 December 2020, Länsförsäkringar AB changed its legal name to Gamla Länsförsäkringar AB. The change in name is part of the plans to legally restructure Länsförsäkringar AB and its subsidiaries so that the company name "Länsförsäkringar AB" can be reinstated after the restructuring has been completed. Gamla Länsförsäkringar AB is referred to as "Länsförsäkringar AB" throughout this annual report.

Impact of COVID-19

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

The risk of contagion was minimised by expanding customer meetings via digital channels, employees working remotely and using separate premises for the Länsförsäkringar AB Group's critical functions and tasks.

Regarding the effects of the pandemic, the Länsförsäkringar AB Group has identified a number of areas that are impacted. The consequences will vary based on the length of the pandemic, the efficiency of the vaccination programme and the scope of the protective measures decided by the authorities. The Länsförsäkringar AB Group and its subsidiaries have a strong capital position and are considered highly able to manage any additional effects brought about by the pandemic.

Availability

In the uncertain global situation, it is vitally important that Länsförsäkringar is available to its customers. Most of the regional insurance companies' branches remain available for customer meetings, but are following the recommendations of the authorities. The digital channels and digital communication are even more important in order to ensure that customers can continue to manage their bank-

ing and insurance with us. Digital interaction with customers is a natural contact point for Länsförsäkringar that creates a solid platform for the operations to continue without any major disruptions. Channels for digital customer meetings were expanded in 2020 and staffing for telephone banking was strengthened.

Initiatives and social commitment

Länsförsäkringar is taking initiatives across the country to support customers, local companies, the health care sector and clubs and associations that have been severely affected by the COVID-19 pandemic. The Länsförsäkringar AB Group is investing in social bonds that will be part of financing to combat the COVID-19 pandemic and increase accessibility to health care. Länsförsäkringar AB also donated personal protective equipment to health care services in the spring.

Non-life insurance operations

Continued high premium growth

The premium growth was relatively unaffected by the COVID-19 pandemic in 2020. Instead, the pandemic has highlighted the need for solutions in the area of personal-risk insurance. Agria reported strong new growth, partly due to increased interest in getting a pet. Depending on how the pandemic progresses, premium growth may be negatively affected due to increased bankruptcies or lower sales among corporate customers, higher unemployment and reduced economic activity.

Impact on claims costs

Claims costs were relatively unaffected by the COVID-19 pandemic in 2020. Claims costs for health care insurance fell slightly in March and April, but then returned to normal levels. Unemployment claims in the loan protection insurance of the Bo kvar product increased due to rising unemployment figures, but this insurance policy represents only a small share of total business volumes. Business interruption claims in assumed reinsurance were received due to the COVID-19 pandemic. However, there is continuing uncertainty in the reinsurance industry as to whether business interruption in property damage cover is to include pandemic claims.

Impact on investment results

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

Banking operations

Impact on business volumes

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

Temporary mortgage repayment relief

In line with the Swedish Financial Supervisory Authority's decision, Länsförsäkringar Bank granted temporary repayment holidays to its retail mortgage customers as a result of COVID-19. Based on individual assessment, corporate customers were also granted a repay-



ment holiday or received other liquidity support. The total volume of mortgages that were granted repayment holidays due to COVID-19 amounted to SEK 14.1 billion on 31 December 2020. New applications for mortgage repayment deferrals gradually declined to relatively low levels in the second half of the year.

Increased loss allowances

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

Impact on funding

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

Life assurance and pension insurance operations

Impact on managed assets and investment return

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

Continued strong net inflow

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

Sickness and mortality rates

Overall, sickness and mortality rates were not negatively affected by the COVID-19 pandemic in 2020. A greater spread with higher numbers of illness and death in lower age categories could have a material negative effect on earnings.

Events after year-end

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

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

Expectations regarding future development

Rapid technological advances are creating new conditions, while at the same time significant changes and innovation are needed to leverage the opportunities that are emerging. Expertise, the technical environment and the organisation must be adapted to support rapid developments so as to meet customers' evolving needs.

Customers demand relevance, flexibility and availability. Accordingly, developments are best driven forward with a high level of customer involvement. As digitisation increases so do opportunities for packaging the right products and services for customers – understanding the customer's situation and lifestyle choices and offering solutions that cater to these needs are, therefore, essential for winning customer trust and loyalty. For this reason, Länsförsäkringar is pursuing its activities towards achieving the target of being the industry leader in digital services.

Higher household debt and the gap between salary increases and benefits under the social security scheme mean that more and more people do not have sufficient personal insurance. Demands from companies and organisations for rapid and high-quality health care and proactive health services are continuing to rise. Länsförsäkringar is well-positioned for healthy growth in personal risk insurance given the market's need for supplementary, private security solutions, its satisfied customers and a large market share.

Länsförsäkringar AB is continuing to develop new and further develop existing insurance solutions to supplement the regional insurance companies' range of commercial insurance. Data protection insurance is deemed to have great potential and the ambition is to further develop the offering in insurance for cyber risks for small and medium-sized businesses. The aim is to meet new customer needs arising from an increasingly digitised world.

The Länsförsäkringar Alliance has a strong position in motor insurance. Länsförsäkringar's brand insurance and vehicle-damage guarantees for Toyota and Lexus cars in the Swedish market performed very well, which creates a platform for further strengthening the position in the motor insurance market.

As a market leader, Agria wants to exceed customer expectations and be at the forefront of products, distribution, communication and service. It is expected that there will be continuing interest in owning a pet in the years ahead, at the same time as a broader market of pet-related products and services is growing rapidly. Agria continued to grow in Europe. More animal owners will make use of digital vet consultations and the offering will be expanded to provide more support to animal owners in the event of illness or injury.

Länsförsäkringar strives to offer comprehensible pensions that are considered to be secure and personal. The offering is mainly directed to small and medium-sized businesses for which the majority of all new business is expected to continue to be pension solutions for companies that do not have collective agreements.

The banking operations intend to follow the strategic direction of profitable growth with high credit quality, by further refining existing products and on the basis of maintaining a favourable level of capitalisation. Growth in lending will take place by paying close attention to changes in the business environment, the financial situation and the prevailing circumstances in the capital market. Strong liquidity will be maintained. The continued market strategy is to conduct sales and customer marketing activities targeting the regional insurance companies' customers.

Sustainability is a fundamental element of future developments, and has played a part in Länsförsäkringar's operations since the very beginning when the first regional insurance company was founded more than 200 years ago. Länsförsäkringar's products and services must not only strengthen the business but must also contribute to the sustainable development of society.

The effects of the COVID-19 pandemic on the Länsförsäkringar AB Group's operations have not changed since year-end. The outlook for the economic recovery is improving as more vaccines are becoming available. How the global economy will perform now depends on the efficiency of the vaccination programmes that started at year-end.

Earnings and financial position

Group earnings

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

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

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

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

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

The Group's capital position

The Länsförsäkringar AB Group's equity increased SEK 2,144 M in 2020 to SEK 33,051 M.

The Länsförsäkringar AB Group is a financial conglomerate. The Group's companies are encompassed by group solvency regulations in accordance with legislation on financial conglomerates, legislation on insurance operations and legislation on banking operations. At 31 December 2020, surplus capital for the Länsförsäkringar AB Group under the rules on financial conglomerates was SEK 18.2 billion, up SEK 6.0 billion during the year. Some of the reasons for the increase were the removal of the countercyclical capital buffer in the banking operations during the year, the increase in surplus capital in unit-linked insurance after updated calculation assumptions and the strong recovery of the stock markets in the second half of the year. Own funds amounted to SEK 57.4 billion and the capital requirement to SEK 39.2 billion. The capital position under the rules on insurance operations was commensurate with the capital position under the rules on financial conglomerates on 31 December 2020.

The Common Equity Tier 1 capital ratio for consolidated situation* (the group encompassed by the group rules for banking operations) was 16.7% on 31 December 2020, up 1.3 percentage points for the year. The Swedish Financial Supervisory Authority has decided that, from the third quarter of 2020, Länsförsäkringar Bank and its subsidiaries are also to be consolidated at the sub-group level (sub-consolidated basis), meaning at the Bank Group level. An effect of this is that a larger portion of Länsförsäkringar Bank's externally issued capital instruments qualifies for inclusion in own funds in the consolidated situation. This strengthened the Tier 1 ratio and the total capital ratio in the consolidated situation.

The Board of Länsförsäkringar AB proposes that the General Meeting resolve to pay a dividend of SEK 698 M to the owners – the 23 regional insurance companies, together with the 15 local insurance companies.

* The Länsförsäkringar Bank Group consolidated with Länsförsäkringar AB.

The capital position of the Group and its insurance subsidiaries according to Solvency II is described in greater detail in the Länsförsäkringar AB Group's Solvency and Financial Condition Report. An updated report on the capital position on 31 December 2020 will be published on Länsförsäkringar's website in April 2021.

Parent Company earnings

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

Proposed appropriation of profit

According to the statement of financial position for Länsförsäkringar AB, non-restricted equity totalling SEK 15,082,709,225 is at the disposal of the Annual General Meeting.

	SEK
Share premium reserve	5,470,917,955
Fair value reserve	-506,205,605
Retained earnings	9,343,330,738
Net profit for the year	774,666,137
Non-restricted equity, 31 December 2020	15,082,709,225

The Parent Company's non-restricted equity comprises

The Board of Directors proposes that SEK 67 per share of the unappropriated earnings in the Parent Company be paid to the shareholders	698,446,994
To be carried forward	14,384,262,231
	15,082,709,225

The dividend is calculated on 10,424,582 shares.

Non-life insurance business operation



The Non-life Insurance business unit is responsible for the non-life insurance operations, which have been assigned to Länsförsäkringar AB by the regional insurance companies.

Its role is to support and complement the regional insurance companies' offering with specialist products to meet customer needs, to start new business that can be channelled through the regional insurance companies and to manage the Länsförsäkringar Alliance's total reinsurance cover.

Non-life insurance is divided into the following three business areas: Agria (pet insurance), Health and Reinsurance and Special Insurance, and business activities are conducted in Länsförsäkringar Sak and its subsidiaries. Länsförsäkringar Sak underwrites health care, accident and health and commercial special insurance and international reinsurance, and manages the Länsförsäkringar Alliance's overall reinsurance cover. Länsförsäkringar Sak also conducts annuities operations. Länsförsäkringar Sak's subsidiary Länsförsäkringar Grupplivförsäkringsaktiebolag underwrites group life assurance and occupational group life assurance. The subsidiary Försäkringsaktiebolaget Agria is specialised in pet and crop insurance. This specialisation involves a streamlined focus on and involvement with animals and their owners. Agria's international operations are conducted in branches in Denmark, Finland, France, Norway and the UK and in an administration company in the UK, Agria Pet Insurance Ltd. Agria's digital vet consultations are conducted in the subsidiary Agria Vet Guide AB. Asset management is handled within Länsförsäkringar Liv on assignment from Länsförsäkringar AB.

Earnings and financial position

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

The technical result increased to SEK 297 M (283), mainly due to lower operating expenses. The combined ratio was unchanged at 95.8% (95.8). Claims payments after ceded reinsurance amounted to SEK 5,148 M (4,553) and the claims ratio increased to 75.9% (73.3). Claims costs primarily increased in health care insurance and internationally assumed reinsurance. The expense ratio declined to 19.9% (22.5), partly as a result of reduced marketing activities due to the COVID-19 pandemic.

The Länsförsäkringar Sak Group's investment return amounted to 2.8% (8.4). Properties contributed 1.2 percentage points to investment income, driven by positive changes in market value. Equities contributed 0.8 of a percentage point following the strong recover of the stock markets in the second half of the year. The new forest class of asset in alternative investments generated high investment returns and contributed 0.6 of percentage point. The fixed-income portfolio, which has a short duration, contributed 0.2 of a percentage point, with the most positive contributions from US interest-rate durations and lower Swedish housing spreads. The return for each

class of asset is stated in SEK from 1 January 2020, which means that currency effects are included.

Agria

Agria's technical result increased to SEK 132 M (86). Strong business during the year contributed to record-breaking portfolio growth in all markets, partly due to increased interest in getting a pet during the COVID-19 pandemic. Investments in digital channels were also a contributing factor to the strong sales.

Premiums earned after ceded reinsurance increased 9% to SEK 4,143 M (3,788). Volumes increased in all business lines, with the largest growth in the international operations, which delivered a positive technical result, primarily in the UK operations.

The combination of a higher claims frequency and increasingly advanced veterinary care led to continuing high claims costs. There were no major claims in crop insurance in 2020, but cases of salmonella were more frequent than usual among farm animals. The claims ratio amounted to 76% (74).

The Agria Vårdguide app offering video calls with veterinarians was launched in Sweden in the autumn. The idea is to encourage more animal owners to discover how secure and simple it is to use a digital veterinary clinic for minor injuries and illnesses. Agria Vårdguide is based on the acquisition of Vethem Sweden AB and is now operated as the subsidiary Agria Vet Guide AB.

The transition period for EU rules applying in the UK ended on 1 January 2021. Agria has applied for a third-country branch, is closely following developments and taking the necessary actions regarding this transition, focusing on ensuring that the impact on the company's customers is as little as possible.

It is expected that there will be continuing interest in owning a pet in the years ahead, at the same time as a broader market of pet-related products and services is growing rapidly. Agria continues to grow in Europe with a new branch in Germany.

Health

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

The COVID-19 pandemic led to claims costs for health care insurance declining slightly in March and April, but then returned to normal levels. Unemployment claims in the loan protection insurance of the Bo kvar product increased due to rising unemployment figures, but this insurance policy represents only a small share of total business volumes.

Sales of the Bo Kvar product, which comprises an important part of Länsförsäkringar Bank's offering, performed strongly and the portfolio premium has grown steadily. This policy provides financial

protection in the event of death, illness or unemployment and is an important component in providing financial security to customers. The portfolio premium in health care insurance continued to increase in 2020, mainly due to strong digital sales. During the year, Länsförsäkringar became an eligible insurer with several insurance brokers. Talks were held with representatives of parliamentary parties during the year to increase knowledge and understanding of health care insurance and the role of the insurance industry in welfare. Länsförsäkringar has served as an important party in talks with authorities, health care representatives and employer and employee organisations for promoting a nuanced and forward-looking discussion on the interplay between publicly financed health care and private health care insurance.

Regular customer satisfaction surveys of incoming calls to the Customer Service Centre and claims adjustment departments have been carried out since 2015 and the outcomes have remained at high levels.

Reinsurance and Special Insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers through the Reinsurance and Special Insurance business area, which manages the Group's internal and external reinsurance, underwrites a diverse portfolio in assumed international reinsurance and offers specialised liability, cargo, motor, property and credit insurance solutions. This business area is competitive in all segments. Customer satisfaction as measured by Customer NPS remained at a high level, confirming that the focus on customer care and claims prevention is valued by customers.

The technical result for Reinsurance and Special Insurance increase to SEK 64 M (57). Earnings for the Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance, improved as a result of lower claims costs. Claims costs for 2019 were impacted by large fire-damage claims and storm Alfrida. Earnings for motor insurance improved, mainly due to run-off gains following the review of prior-year reserves for motor third-party liability insurance. In addition, claims costs for motor insurance declined as a result of less traffic on the road due to the COVID-19 pandemic. Earnings for cargo and liability insurance remained positive. However, earnings for internationally assumed reinsurance declined after higher claims costs due to events such as the explosion in Beirut, natural disasters in the US and run-off losses from claims in previous years.

In assumed reinsurance, both from the Länsförsäkringar Alliance and internationally assumed reinsurance, business interruption claims were received due to the COVID-19 pandemic. However, there is continuing uncertainty in the reinsurance industry as to whether business interruption in property damage cover is to include pandemic claims.

Länsförsäkringar's offering in cargo and liability insurance was strong compared with the competition, which resulted in both new business and renewed agreements. Sales of seller liability insurance, which provides cover for sellers of single-family homes for the ten years of liability for hidden faults, are increasing in line with the growth of Länsförsäkringar Fastighetsförmedling. At the end of 2020, an umbrella agreement was signed with an insurance broker that is expected to result in higher premium volumes in 2021. Länsförsäkringar's partnership with Toyota and Lexus in brand insurance and vehicle-damage guarantees has performed very strongly since the collaboration began in January 2019. A data protection insurance policy for small and medium-sized businesses in the rapidly growing area of cyber insurance was launched in 2018. The product gives

Länsförsäkringar Sak a strong position in the market for insurance protection against cyber risk.

Capital position

Länsförsäkringar AB and its insurance subsidiaries have had permission from the Swedish Financial Supervisory Authority since May 2016 to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks and non-life insurance risks in Länsförsäkringar Sak are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula. Länsförsäkringar Sak's capital position is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to risk-based capital requirements. Länsförsäkringar Sak's solvency ratio, calculated using the partial internal model, amounted to 197% (197*) on 31 December 2020. Länsförsäkringar Sak's capital requirement increased to SEK 1,944 M (1,762) in 2020, primarily driven by increased insurance risk in line with its business growing. Own funds increased during the year to SEK 3,825 M (3,479). At the same time, own funds were negatively impacted by a planned Group contribution of SEK 175 M to Länsförsäkringar AB for the 2020 fiscal year. In a change from the proposals in the 2019 Annual Report, Länsförsäkringar Sak decided in spring 2020 to pay a lower dividend of SEK 795 M for the 2019 fiscal year in 2020. Länsförsäkringar Sak has a strong capital position and is considered highly able to manage any additional effects brought about by the pandemic.

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

Market

The non-life insurance market is mature and premium income increased by slightly more than 3% in 2020 according to statistics from Insurance Sweden.

The pet-insurance market remains driven by an increasing number of animal owners becoming aware of the importance of reliable pet insurance, which is influenced by, for example, the greater emotional value of animals for their owners and developments in the veterinarian industry with new technology, new treatment methods and access to veterinary care.

The COVID-19 pandemic and its consequences in the form of long-term illness and unemployment have highlighted personal-risk insurance as an important supplement to public social security for increasing financial security in the event of illness, accident, unemployment and death. Companies are eager to prevent illness and sickness absence since sick leave has consequences for both profitability and delivery.

Health care insurance fulfils an important role as a means for promoting a positive work environment and good health so as to reduce the vulnerability of employees to illness or claims and helps companies to assume their responsibility as regards the work environment.

Competition remains fierce in cargo insurance and the share of business that is managed by insurance brokers continues to grow. In liability insurance, the trend of an increasing number of players showing interest in the small and medium-sized businesses segment is continuing.

The total reinsurance capacity in the international reinsurance market remained large. After several years of reinsurance prices falling, the trend was broken in 2019 with prices of reinsurance continuing to rise in 2020. A generally higher price scenario is necessary for the reinsurance industry, which has experienced profitability challenges in the past three years.

Bank business operation



The Bank Group consists of the Parent Company Länsförsäkringar Bank, and the wholly owned subsidiaries Länsförsäkringar Hypotek, Länsförsäkringar Fondförvaltning and Wasa Kredit. Länsförsäkringar Bank is the fifth largest retail bank in Sweden with business volumes of SEK 729 billion.

The banking operations are conducted only in Sweden and business volumes are continuing to grow in all product segments. The strategy is to offer banking services to the Länsförsäkringar Alliance's customers and leverage Länsförsäkringar's strong brand and local presence. The banking operations have a large potential customer base with the Länsförsäkringar Alliance's 3.9 million customers. One target group is the 3.2 million retail customers, of whom 2.4 million are home-insurance customers. Another target group is agricultural customers and small businesses. The aim is, based on low risk, to maintain healthy growth in volumes and profitability, have the most satisfied customers and more customers who have both banking and insurance with Länsförsäkringar.

According to the 2020 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank remains one of the players in the banking market with the most satisfied retail and corporate customers. The high customer satisfaction is confirmation of Länsförsäkringar's clear customer focus and high quality. With Länsförsäkringar's comprehensive banking and insurance offering, customers receive a total solution that creates security and added value.

Earnings

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

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

Expenses

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

Credit losses

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

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

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

Business volumes

Business volumes increased 11% to SEK 729 billion (656). Lending improved 11% to SEK 340 billion (307) with continued high credit quality. Lending amounted to SEK 55 billion (43) in Länsförsäkringar Bank, SEK 260 billion (240) in Länsförsäkringar Hypotek and SEK 25 billion (24) in Wasa Kredit. Deposits rose 14% to SEK 136 billion (119). The fund volume increased 10% to SEK 253 billion (230).

Customers

The number of customers with Länsförsäkringar as their primary bank increased 6% to 586,000 (553,000). Some 91% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of bank cards issued by Länsförsäkringar Bank rose 5% to 732,000 (694,000).

Deposits and savings

Deposits from the public rose 14% to SEK 136 billion (119). Deposits from businesses amounted to SEK 15 billion (13). The number of deposit accounts increased 5%. On 31 December 2020, the market share for household deposits was 5.3% (5.1) according to Statistics Sweden. Fund volumes increased 10% to SEK 253 billion (230) attributable to increased inflows in the fund business and changes in value. Fund volumes were adversely affected in the first quarter, but recovered during the year, driven by strong recovery of the stock markets. The fund business performed well and 68% of the funds managed under Länsförsäkringar's own brand performed better than their benchmark index in 2020.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 11% to SEK 340 billion (307) and maintained a high level of credit quality. Lending

in Länsförsäkringar Hypotek increased 8% to SEK 260 billion (240). The percentage of retail mortgages in relation to the total loan portfolio was at 76%. The weighted average loan-to-value ratio (LTV) of the mortgage portfolio amounted to 61% (61). On 31 December 2020, the market share of retail mortgages had strengthened to 7.1% (7.0) according to Statistics Sweden.

Agricultural lending increased 6% to SEK 32 billion (30). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.4 M (2.3). First-lien mortgages for agricultural properties increased to SEK 30 billion (29), corresponding to 96% (96) of agricultural lending. Lending in Wasa Kredit rose 4% to SEK 25 billion (24).

Funding

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

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

Liquidity

The liquidity position is strong and the liquidity reserve on 31 December 2020 was SEK 64.0 billion (60.5). The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. By utilising the liquidity reserve, contractual undertakings can be met for two years without needing to secure new funding in the capital market.

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

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

Capital adequacy, consolidated situation

In accordance with the capital adequacy rules, the consolidated situation includes the Bank Group and the parent mixed financial holding company Länsförsäkringar AB.

Capital ratio

Consolidated situation, SEK M	31 Dec 2020	31 Dec 2019
IRB Approach	38,685	38,640
retail exposures	30,352	29,951
exposures to corporates	8,334	8,689
Standardised Approach	20,565	19,566
Operational risks	14,814	13,543
Additional requirements according to Article 458 CRR	53,554	48,619
Total REA	128,603	121,827
Common Equity Tier 1 capital	21,475	18,740
Tier 1 capital	22,775	19,484
Total capital	24,519	20,252
Common Equity Tier 1 capital ratio, %	16.7	15.4
Tier 1 ratio, %	17.7	16.0
Total capital ratio, %	19.1	16.6

Life-assurance and pension insurance business operations



Länsförsäkringar offers pension savings, primarily occupational pensions. Fund management, guarantee management and personal-risk insurance are offered through Länsförsäkringar Fondliv. Länsförsäkringar Liv is closed for new business, but the company manages traditional life assurance that was taken out before September 2011. Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

Länsförsäkringar Fondliv is a market-leading player in the unit-linked insurance market for individual occupational pensions, commanding a market share of 20% measured in premium income. Länsförsäkringar Liv, which is closed for new business, conducts traditional life assurance for its customers.

Länsförsäkringar Fondliv

Earnings and financial position

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

Total premium income rose 29% to SEK 12,228 M (9,478), of which capital transferred to the company was SEK 3,758 M (1,510). Premium income after ceded reinsurance for insurance risk increased to SEK 262 M (204). Commission and fee income increased to SEK 1,809 M (1,779) due to higher managed assets and a strong premium inflow in 2020. Operating expenses rose to SEK 1,212 M (1,141), primarily due to higher distribution and administration expenses. The increased administration expenses were largely due to higher IT costs for development and personnel increases.

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

Capital position

Länsförsäkringar Fondliv's capital position is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to the risk-based capital requirement. Länsförsäkringar Fondliv's solvency ratio on 31 December 2020 was 144% (137). Own funds strengthened during the year as a result of a positive value growth trend, updated assumptions regarding future cash flows and a changed remuneration model with the regional insurance companies. At the same time, own funds were negatively impacted by planned dividends of SEK 1,200 M for the 2020 fiscal year to Länsförsäkringar AB. In a change from the proposals in the 2019 Annual Report, Länsförsäkringar Fondliv decided in spring 2020 not to pay any dividend for the 2019 fiscal year in 2020. Länsförsäkringar Fondliv

has a strong capital position and is considered highly able to manage any additional effects brought about by the pandemic.

Market and business volumes

Länsförsäkringar strives to offer comprehensible pensions that are considered to be secure and personal. The offering is mainly directed to small and medium-sized businesses and is distributed via the regional insurance companies and independent insurance brokers. The largest portion of Länsförsäkringar's new life-assurance sales is for pension solutions for companies that do not have collective agreements.

The individual occupational pension market for unit-linked insurance is Länsförsäkringar's main market. The sub-market accounted for 76% (74) of Länsförsäkringar Fondliv's total premium income. Premium income via pension selection centres accounted for 8% (7), private insurance for 4% (5), endowment insurance for 6% (7) and other occupational pensions for 6% (7).

Länsförsäkringar Fondliv's premium income for guarantee management amounted to SEK 696 M (641). Capital transferred strengthened premium income by SEK 141 M (136).

The life assurance market

Premium income in the total life assurance market amounted to SEK 356 billion (316) in 2020, up 13% compared with 2019. Länsförsäkringar Fondliv's market share of the total life-assurance market is 4% (4).

Occupational pensions - the largest market

The occupational pension market is the largest sub-market, comprising 64% (67) of the total life assurance market measured in premium income. The market increased 8% in 2020 to SEK 228 billion (211). Länsförsäkringar Fondliv holds a market share of 5.4% (4.6), making the company the seventh largest.

Individual occupational pensions with unit-linked insurance

Far from all workplaces have collective agreements and thus employees need to obtain a different occupational pension. This is the case for many small businesses, for example, in industries that do not traditionally have a strong link with trade unions. Länsförsäkringar Fondliv is one of the leading unit-linked insurance companies in this area. Premium income in this sub-market amounted to SEK 47 billion (39) in 2020, up 19% compared with 2019. Länsförsäkringar Fondliv's market share rose to 20.0% (17.7).

Transfer market

Mobility in the total transfer market increased again and a total of SEK 45 billion (42) was transferred. Länsförsäkringar Fondliv reported a positive net transfer of SEK 1,031 M (-1,449) for 2020. Capital transferred to the company increased 149%, while capital transferred from the company declined 9%, which is the reason for the improved net transfer amount in 2020.

Unit-linked insurance

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

A high-quality, attractive fund range that generates favourable returns on customers' pension capital is a central part of the Länsförsäkringar offering. All funds are carefully analysed and assessed based on criteria including management organisation, return and sustainability. All of the funds in the range have signed the UN Principles for Responsible Investment (PRI). Länsförsäkringar Fondliv was one of the first companies in the industry to introduce supplementary criteria for identifying and promoting companies in the transition to the climate targets of the Paris Agreement. 18 new funds were launched in 2020, of which nine were sustainability-focused funds. Five sustainability-focused investment proposals were also launched during the year as well as Gröna Lövet (Green Leaf), a label for funds with a low climate risk. Customer interest in sustainability-focused equities funds and funds with low climate risk is increasing and accounted for 40% of total assets in 2020.

Guarantee Management

Länsförsäkringar Fondliv offers guarantee management, which is a form of pension insurance for customers who want a guarantee in their savings and the lowest level on their future payments. Länsförsäkringar guarantees a portion of the customer's paid-in insurance capital with the possibility of additional returns.

On 31 December 2020, 49% of the investments comprised interest-bearing investments, 32% equities and 19% alternative investments.

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

Traditional life assurance in Länsförsäkringar Liv

Länsförsäkringar Liv, which is closed for new business, conducts traditional life assurance for its customers divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. Total managed assets amounted to SEK 113 billion (114) on 31 December 2020.

Earnings and financial position

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

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

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

Earnings were negatively impacted by Swedish long-term market interest rates falling during the year, which led to a lower discount rate for the liability during the year. Changes in market interest rates affect Länsförsäkringar Liv's earnings since future commitments are discounted with the market interest rate. However, the company can largely protect itself from interest-rate changes impacting earnings by matching assets and liabilities against each other. In addition to falling market interest rates, discounting of liabilities for terms of more than ten years was negatively affected by the 0.15 percentage

point reduction of the Ultimate Forward Rate (UFR) to 3.75%. Technical provisions declined SEK 1.7 billion (0.7) during the year. Operating expenses rose to SEK 438 M (430) due to higher depreciation of deferred acquisition costs. Administration expenses fell 12% to SEK 309 M (350).

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

Capital position

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

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

New Trad

Managed assets in New Trad amounted to SEK 26 billion (25). New Trad is a management form that customers with existing traditional insurance can choose to transition to. Transitions involve lower fees and a lower guaranteed rate. Länsförsäkringar Liv can thus invest the capital in assets with a higher expected return, which over time increases the possibility of higher bonuses.

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

Investment return amounted to 5.4% (14.9). The bonus rate on 31 December 2020 was 3% (4). The bonus rate was lowered from 4% to 0% on 1 April 2020 as a consequence of the turmoil in the financial markets caused by the COVID-19 pandemic. The bonus rate was raised from 0% to 2% on 1 October 2020 and again to 3% on 1 December 2020. The average bonus rate has been 6.4% per year since the start in 2013.

Old Trad

Managed assets in Old Trad amounted to SEK 76 billion (78). The primary aim of risk-taking in the Old Trad investment portfolio is to ensure that the guaranteed commitments can also be realised in the event of a negative market trend. At the same time, balanced risk-taking is applied to facilitate a reasonable return on customers' savings.

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

Investment return amounted to 3.4% (6.9). The bonus rate on 31 December 2020 was 2% (3). The bonus rate was lowered from 3% to 0% on 1 January 2020 as a consequence of the turmoil in the financial markets caused by the COVID-19 pandemic. The bonus rate was raised to 2% on 1 October 2020.

New World

Managed assets in New World amounted to SEK 9 billion (10). New World is a traditional insurance policy whereby customers benefit from changes in value in the equities market, while at the same time are guaranteed to recoup over time at least the premiums paid, after deductions for expenses and yield tax.

On 31 December 2020, 70% of the investments comprised equities and 30% interest-bearing investments.

Investment return amounted to 6.5% (17.6).

Insured Pension

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

Other information

Risks and uncertainty factors of the operations

The Länsförsäkringar AB Group's banking and insurance operations give rise to various types of risks, with the most prominent risks comprising credit risk in the Bank Group and insurance and market risks in the non-life and unit-linked insurance companies.

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

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

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

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

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

The day-to-day operations include a variety of process risks and the subsidiaries' products and services may be associated with different types of product risks. Security risks, for example, external crime and internal fraud cannot be completely avoided and as digitisation increases greater focus has been directed to cyber risks and IT risks. Compliance risks are continuously in focus, particularly risks associated with money laundering and terror financing.

It is a huge challenge to combat money laundering and economic crime, which are widespread problems in society with a major bearing on the financial sector. The risk of the life-assurance and banking operations being used to launder money, terror financing and for fraud is reduced through a systematic process of risk assessment, active monitoring of ongoing business relationships and deviating activities or transactions. If, after an examination, an activity or individual transaction is suspected of involving money laundering or terror financing, it is immediately reported to the Financial Intelligence Unit of the police. Resources for the bank's work on anti-money laun-

dering and measures to combat terror financing have been expanded. Part of this work involved establishing a new unit in 2020, Financial Crime Prevention, the head of which is a member of the bank's management team and reports directly to the President of the bank.

The COVID-19 pandemic and its effects led to greater uncertainty in the financial markets in 2020. The stock markets performed very negatively in the first quarter, but recovered strongly during the remainder of the year. Depending on the progress of the pandemic and the efficiency of the vaccination programmes, the Group could be negatively impacted by lower income and higher claims costs. Based on the expected macroeconomic trend resulting from the COVID-19 pandemic, Länsförsäkringar Banks increased its loss allowance in the spring. The macroeconomic forecasts in the autumn entailed a lower impact on the loss allowance. The pandemic also affects daily work since some employees are working remotely to minimise the risk of contagion. The effects of the COVID-19 pandemic on the Länsförsäkringar AB Group's operations, and how they are managed, are described in more detail on pages 38–39.

A more detailed description of the operations' risks, and how they are managed, is presented in Group note 2 Risk and capital management.

Employees

Commitment, trust, openness and professionalism are the foundation of the Länsförsäkringar AB Group's corporate culture. Skilled employees who drive and develop the operations are vital to achieving our business objectives. Attracting new and retaining existing employees is of the greatest importance. A focus on diversity, inclusion, equality, skills development, health and a good work environment are key factors in ensuring this. A more detailed description of how the Länsförsäkringar AB Group works as a responsible employer can be found on pages 30–31 and 142–143.

Sustainability

The Länsförsäkringar AB Group's sustainability activities are based on the vision of "Together we create security and opportunities." The Länsförsäkringar AB Group can reduce its sustainability risks, increase customer value and also contribute to the positive development of society and create business value by taking economic, social and environmental aspects into consideration in its business development and business decisions. Länsförsäkringar is a signatory to the principles of the UN Global Compact and works to contribute to the UN Sustainable Development Goals (SDGs). The Länsförsäkringar AB Group's statutory Sustainability Report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act can be found on the pages listed in the Index ÅRL Sustainability Report on page 148.

The results of the year's operations and the financial position of the Länsförsäkringar AB Group and the Parent Company at 31 December 2020 are presented in the following financial statements with accompanying notes for the Group and Parent Company.

Corporate Governance Report

Länsförsäkringar AB is wholly owned by the 23 customer-owned regional insurance companies, together with 15 local insurance companies. The Länsförsäkringar AB Group comprises the Parent Company Länsförsäkringar AB with a number of directly and indirectly owned subsidiaries. The business operations of the Länsförsäkringar AB Group are those deemed by the Länsförsäkringar Alliance as best suited to be run jointly. Most of the Länsförsäkringar Alliance's development and service activities are coordinated with Länsförsäkringar AB, with shared priorities.

Länsförsäkringar AB is a public limited liability company. Länsförsäkringar AB complies with the applicable parts of the Swedish Corporate Governance Code (the Code). The main reasons for the deviations are the limitations under the rules for financial companies, the federal structure of the Länsförsäkringar Alliance and that Länsförsäkringar AB is not a listed company. Deviations from the provisions of the Code and explanations for such deviations are presented in the Deviations from the Code section.

According to the Code, good corporate governance is assurance that companies are managed in a manner that optimises efficiency for their shareholders. However, good corporate governance is also significant for other company stakeholders, such as customers, bond investors and supervisory authorities.

Description of the corporate governance system

The Länsförsäkringar AB Group has a corporate governance system that aims to ensure healthy and responsible control of the Group, risk management and a high level of internal control in the operations. Because both insurance and banking operations are conducted in the Group, the Länsförsäkringar AB Group is a financial conglomerate and the Parent Company Länsförsäkringar AB is a mixed financial holding company. In this capacity, Länsförsäkringar AB is encompassed by the group rules for banking and insurance as well as the rules on special supervision of financial conglomerates. This means that Länsförsäkringar AB together with the Länsförsäkringar Bank Group comprises a "consolidated situation." Länsförsäkringar Bank is responsible for parts of the consolidated situation from a supervisory and reporting perspective. However, this has no effect on the control and supervisory responsibility that Länsförsäkringar AB has in its capacity as Parent Company towards the subsidiaries of the Group and, accordingly, Länsförsäkringar AB's governance of the Group. The corporate governance system is continuously adapted to changes in these regulations.

The corporate governance system is regulated in the Group's joint Group instructions, which comprise the basic governance documents pertaining to organisation governance and monitoring in the Länsförsäkringar AB Group.

Länsförsäkringar AB's corporate governance model can be described as the framework upon which the Länsförsäkringar Alliance's strategies and Länsförsäkringar AB's task from the shareholders, long-term direction and governance principles are con-

verted into business activities in the Länsförsäkringar AB Group and according to which Länsförsäkringar AB organises, governs and controls the operations, taking into account applicable internal and external regulatory frameworks. The foundations of the corporate governance system are:

- the Länsförsäkringar Alliance's strategies
- the task from the owners
- Länsförsäkringar AB's long-term direction
- the principles approved by Länsförsäkringar AB's Board for governing the Länsförsäkringar AB Group

The Länsförsäkringar Alliance's strategies comprise a number of strategy documents that describe such issues as the Alliance's core values and outline the direction and prerequisites for both the individual regional insurance companies and for the cooperation between the companies and Länsförsäkringar AB.

The assignment from the owners comprises the regional insurance companies' request for a coherent delivery of the activities within Länsförsäkringar AB and the Länsförsäkringar Alliance's joint strategies, as determined by Länsförsäkringar AB's shareholder consortium. Länsförsäkringar AB's long-term direction is determined by the Board of Länsförsäkringar AB by adopting a long-term plan and within the framework of the annual business planning process in accordance with the Guidelines for Financial and Capital Management and Control.

The Board of Länsförsäkringar AB has decided on five principles for the governance of the Länsförsäkringar AB Group to achieve integrated and efficient control of the Group. The principles are as follows:

- Governance of the Group is to be based on the Board of Länsförsäkringar AB.
- Governance is to be based on the market, risk and profitability.
- The organisation of the Group is to be efficient.
- The operations of Länsförsäkringar AB are to be conducted as if they were licensable, where appropriate.
- Internal rules are to be established within the framework of governance.

The risk-based performance management represents the basis of corporate governance. The foundation of the business is risk-taking and the governance of the Group is to be based on risk. The risk-based performance management is to ensure healthy and efficient governance of the Group's risks. As a result, risk-based performance management entails that the Länsförsäkringar AB Group's operations are to be governed and conducted based on conscientious risk-taking but without ever compromising the Group's long-term profitability and viability. Risk awareness is to permeate the organisational structure and governance of the Group. Risk-based performance management includes the internal-control system and the systems for such matters as regulatory compliance and risk management.

Based on these starting points for the corporate governance system and risk-based performance management, the corporate governance system comprises the following components:

- Organisation
- Internal regulatory framework
- Internal-control system, including:
 - Regulatory-compliance system
 - Risk-management system

A suitable and surveyable organisational structure and decision process, and a clear distribution of responsibility and work assignments

The basis of corporate governance is the operational organisational structure established by the Board, with an appropriate and transparent organisation a clear distribution of responsibility and duties between the various company bodies, and the so-called lines of defence, and a clear decision and reporting procedure (refer to Internal-control system below). Some of the areas to be guaranteed within the framework of the organisation are: economies of scale via Group-wide functions and outsourced operations, continuity management and business contingency plans, efficient systems for reporting and transferring information, information security, man-

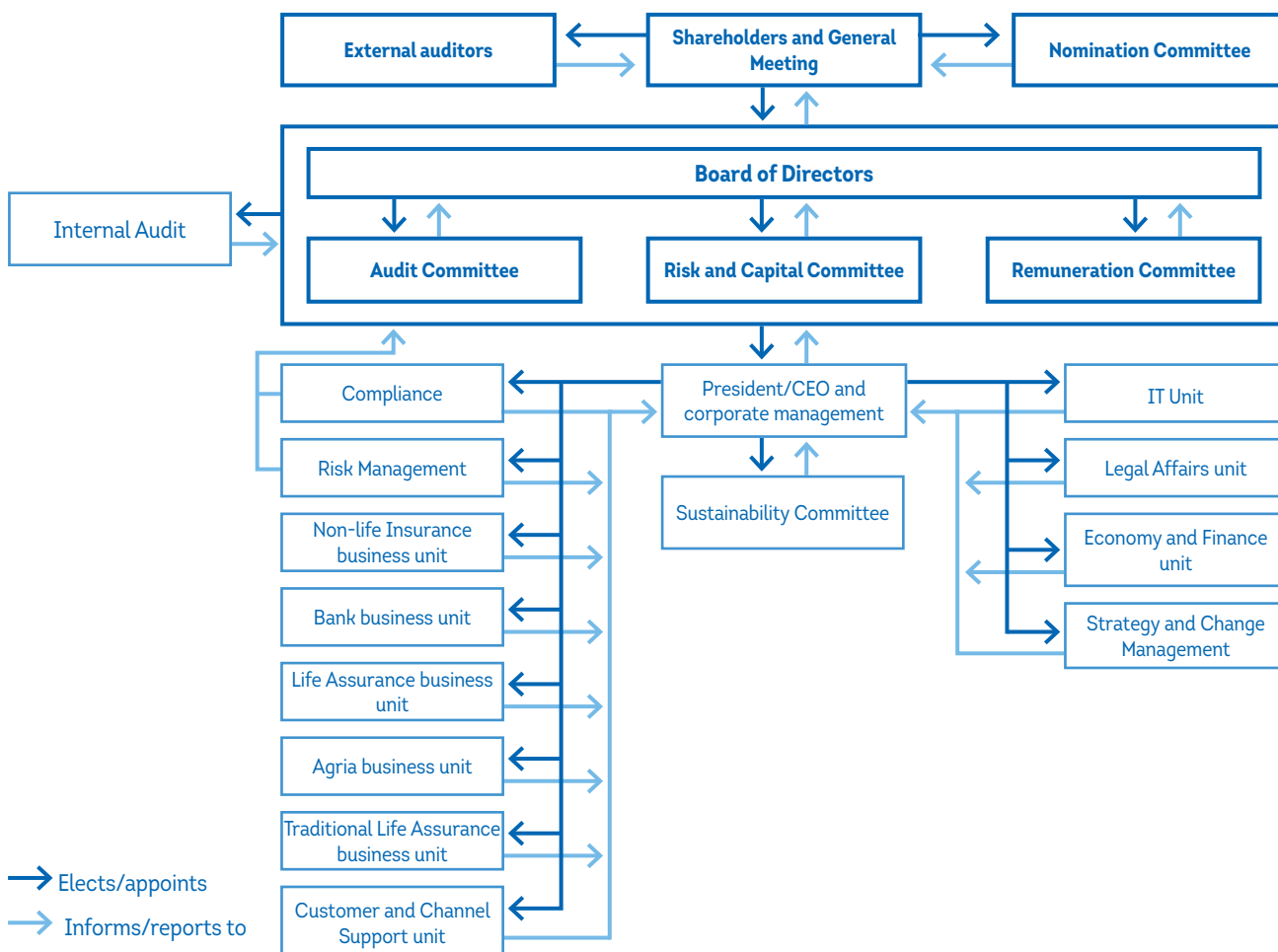
agement of conflicts of interest and ensuring that Board members and employees are suited to their tasks.

The corporate governance model thus comprises a description of the organisation, the decision process, how responsibilities are distributed, the working methods of the Board and the management, and the responsibilities of central senior executives and functions.

Group-wide functions and outsourced operations

The distribution of work in the Länsförsäkringar AB Group is a key tool for achieving economies of scale in terms of both finance and expertise. It is also a method of implementing effective and proactive governance within the Länsförsäkringar AB Group. The operational organisation, with the business activities conducted in the business units and Group-wide functions in the Parent Company, was established based on this approach. Outsourcing operations to external parties is also a key tool for achieving economies of scale in terms of both finance and expertise. Outsourcing takes place in both Länsförsäkringar AB and in the subsidiaries. For this reason, the Board of Länsförsäkringar AB has established a Group-wide policy for outsourcing operations that stipulates the overall principles for internally and externally outsourced operations.

Länsförsäkringar AB's governance structure



Continuity management and business contingency plans

The Länsförsäkringar AB Group has continuity management aimed at ensuring that important information is protected and that the operations can be maintained in the event of an interruption or major business disruption. Group-wide and company-specific business contingency plans have been prepared for this purpose.

Efficient systems for reporting and transferring information

The Länsförsäkringar AB Group has efficient information and reporting systems for ensuring that both external and internal information and operational reporting, for example, are reliable, correct, complete and published at the correct time.

Information security

The Länsförsäkringar AB Group has IT systems and procedures for ensuring the confidentiality and accessibility of important information.

Managing conflicts of interest

All of the companies in the Länsförsäkringar AB Group have internal rules regarding the identification and management of conflicts of interest.

Fit and proper requirements

All employees and Board members of the Group's companies must be suitable for the duties that they are intended to perform in terms of knowledge and experience (fit), good reputation and integrity (proper). A suitability assessment is carried out as part of the employment process and prior to election of Board members at General Meetings. Assessments of whether Board members, senior executives and individuals in other central functions are suitable ("fit and proper") take place following adopted governance documents.

Internal regulatory framework

In order to be surveyable and easily available, the Länsförsäkringar AB Group's internal regulatory framework is to be simple and clear. The aim is to limit the number of internal regulatory documents as far as possible. The internal regulatory framework in the Länsförsäkringar AB Group comprises the following governance documents:

- Policy – communicates a position of principle
- Guidelines – overall regulatory framework
- Instructions – detailed rules in a specific area

The governance documents can either be joint or company specific, that is to say they apply either to all companies within the Länsförsäkringar AB Group or to only one of the companies. The joint governance documents are adopted by the Länsförsäkringar AB Board or decided by the President/CEO. The joint governance documents are also to be approved by and incorporated in the other companies in the organisation. The company-specific governance documents are adopted by either the Board of each company or by the President of the subsidiaries.

Internal-control system

Internal control is part of the governance of the Länsförsäkringar AB Group. 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, that financial statements and reporting are reliable, that information systems are managed and operated efficiently and 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 operations, and must be an integral part of the operations. Internal control is based on a system with a strong culture of risk and regulation, with three lines of defence. The first line of defence is the operations. The first line of defence includes responsibility for the operation's risks and it is the responsibility of the operations to ensure that control processes for monitoring are in place, implemented and reported. To support the internal-control process, a Compliance function and a Risk Control function have been established and form the second line of defence. Compliance is responsible for independent monitoring and control to ensure that the operations are conducted in full regulatory compliance. Risk Management is responsible for independent risk control and ensuring that the operations are conducted with a high level of risk control. Internal Audit, the third line of defence, comprises the Board's support for quality assurance and evaluation of the organisation's risk management, governance and internal control.

Regulatory-compliance system

Länsförsäkringar AB Group has a system for regulatory compliance aimed at ensuring compliance with laws, regulations and other rules, monitoring and effective implementation of new and amended regulations, that the Boards and employees are trained and that the Group is continuously able to identify, measure, control, manage and report risks regarding compliance with external and internal regulations. The system helps minimise risks and aids the Group's operations in attaining a higher degree of certainty.

The first-line regulatory-compliance functions are the legal functions and the regulatory support functions in the subsidiaries. Länsförsäkringar AB Group's Legal Affairs unit has the overall responsibility for managing legal issues within the Länsförsäkringar AB Group, such as uniform interpretations and application of regulations, and is also responsible for matters related to corporate governance.

The subsidiaries' regulatory-support functions are to provide regulatory support for the specific operations, which includes providing support and advice to the company and assuming responsibility for regulatory compliance by, for example, ensuring implementation of regulations in the subsidiaries. Compliance is responsible for the second-line of regulatory work (for further details, refer also to the section on Control functions below).

A special Regulatory Group has been established with the task of ensuring that regulatory changes and new rules are identified at an early stage so as to perform impact assessments and decide on action. The Regulatory Group includes the Head of Legal Affairs at Länsförsäkringar AB, the heads of the legal departments at Länsförsäkringar AB, a representative for the CFO Group, CRO Group and the Head of Compliance. The Regulatory Group regularly reports on new and changed regulations to corporate management, Committees and the Board.

Risk-management system

The purpose of the risk-management system is to ensure that Länsförsäkringar AB is continuously able to identify, measure, monitor, manage and report risks and the dependencies between various risks. The system is an integral part of Länsförsäkringar AB's organisational structure and decision process and is designed with appropriate consideration for established organisational and decision processes.

The risk-management system contains the strategies, processes and reporting procedures that are necessary for continuously identifying, measuring, monitoring, managing and reporting risks. The risk-management system addresses the risks that the company is, or could be, exposed to and their mutual dependencies.

An overview of the corporate governance structure in Länsförsäkringar AB is illustrated in the figure on page 51.

Shareholders and General Meeting

The shareholders exercise their influence at the General Meeting, which is the company's highest decision-making body. A General Meeting is normally held once a year, known as the Annual General Meeting. No shareholder is entitled to own more than 9.8% of the capital or votes in the company.

Shareholders' power of decision

At General Meetings, no one may vote using their own or anyone else's shares for more than 99/1,000 votes represented at the Meeting. Motions are passed at General Meetings by a simple majority of votes unless the Swedish Companies Act prescribes another specific voting majority. Decisions are made at the Annual General Meeting pertaining to: the Annual Report, the election of members of the Board and auditors, remuneration of Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The remuneration proposal for Board members is specified for the Chairman, Deputy Chairman, other Board members and fees for committee work.

The 2020 Annual General Meeting approved the principles for remuneration and other terms of employment for corporate management.

Nomination Committee

The General Meeting of Länsförsäkringar AB appoints a Nomination Committee, which is charged with the duty of presenting proposals for members of the Board of Directors and auditors of Länsförsäkringar AB and its subsidiaries and certain other companies, and fees and other remuneration of these members and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. The Nomination Committee is responsible for assessing whether proposed Board members are fit and proper. New Board members are recruited in accordance with the Nomination Committee's instructions and established procedures and processes. The Nomination Committee is to assess whether the Board is appropriately composed, with respect to the company's operations, stage of development and other circumstances, so that 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, and educational and professional background that promotes independent opinions and critical questioning within the Board. See also the section Fit and proper assessment of the Board of Directors and President/CEO below.

Nomination Committee prior to 2021 Annual General Meeting

Since the 2020 Annual General Meeting, the Nomination Committee has comprised Otto Ramel as Chairman (Länsförsäkringar Skåne), Mikael Bergström (Länsförsäkringar Västernorrland), Ulrica Hedman (Länsförsäkringar Uppsala), Göran Trobro (Länsförsäkringar Göttinge-Kristianstad) and Karin Starrin (Länsförsäkringar Halland). Prior to 2021 Annual General Meeting, the Nomination Committee will:

- Study the evaluation of Board work.

- Listen to the Board Chairman's, Board members' and President's views on operations, the Board's work and requirements in relation to knowledge and experience.
- Review and discuss requirements for knowledge and experience with respect to the needs of the operations and regulatory requirements and succession planning.
- Evaluate the independence of candidates and any conflicts of interest.
- Nominate Board members, including the Chairman of the Board and, in certain cases, a Deputy Chairman.
- Perform fit and proper assessments of Board members.
- Propose fees and other remuneration of Board members, auditors and other bodies.

The Nomination Committee's proposals are presented in the notice to convene the Annual General Meeting. The Nomination Committee presents and motivates its proposals at the Annual General Meeting, and provides an account of how its work was conducted.

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 AB is to have between one and three auditors and between zero and two deputy auditors. The auditors are appointed for a mandate period of not more than four years. At the 2019 Annual General Meeting, KPMG AB was appointed audit firm with Mårten Asplund as auditor in charge for the period up to the 2022 Annual General Meeting.

The auditors examine Länsförsäkringar AB's Annual Report, Corporate Governance Report, the administration of the Board and the President/CEO and the Sustainability Report. At the Annual General Meeting, the auditor presents the auditor's report and describes the audit process. The auditor presented the audit results and observations to the Board once in 2020. The auditors also participate in meetings of the Audit Committee.

Board of Directors

The Board of Directors of Länsförsäkringar AB are appointed by the Annual General Meeting and, in accordance with the Articles of Association, is to comprise between eight and twelve Board members elected by the General Meeting, with or without deputies. In accordance with the Articles of Association, Board members are elected for a mandate period of two years by the Annual General Meeting. In addition, members and deputies appointed by the trade union organisations are members of the Board. The President is not a member of the Board. The company has no time limit for the length of time a member may sit on the Board and no upper age limit for Board members. The Chairman and Deputy Chairman of the Board are appointed by the Annual General Meeting. The President, Board Secretary, Head of Legal Affairs and Director of Corporate Communications 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 12 regular members and two deputies. Nine of the members were elected by the Annual General Meeting. Three members and two deputies were appointed by the trade unions. A presentation of the Board members can be found on pages 150–151.

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, dismisses and evaluates the President, adopts an appropriate operational organisation for Länsförsäkringar AB and the Länsförsäkringar AB Group as well as the goals and strategies of the operations, and ensures that efficient systems are in place for internal control and risk management.

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board and its Chairman, the number of Board meetings, procedures for operational and financial reporting as well as procedures for Board meetings, notices of meetings, presentation of material, delegation of work duties within the Board, 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 and a reporting manual, the Board has established that financial reporting is to take place regularly at Board meetings. The Board also regularly manages and evaluates the company's and the Group's risk development and risk management. During the year, the Board regularly reviews the earnings and sales trends, investment income, financial position, risk trends etc., in relation to the business plan and forecasts. The Board receives reports from Compliance, Risk Management and Internal Audit at least four times per year. 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 shall also ensure that the Board meets as required, is provided with the opportunity to participate in meetings and receives satisfactory information and documentation for decision-making, and applies an appropriate working methodology. On the basis of ongoing contact with the President, the Chairman shall also keep informed of significant events and developments within the company between Board meetings, and shall support the President in his work.

Work of the Board

In its formal work plan, the Board has established a standard for its agenda, annually recurring items of business and a standard for information and decision-making material. In an internal Group directive, the Board has established the company's and the Group's operational organisation and clarified the distribution of work duties between the various units and executives in the company and the Group. In addition to the internal Group directive, the Board establishes its formal work plan, directive for the President and a large number of governance documents for the operations at least once a year, regardless of whether any amendments are required.

The Board of Directors has established an Audit Committee, a Risk and Capital Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in its formal work plan or in separate formal work plans for each committee. 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 annual evaluations of the President's work and terms of employment. The Board

Meetings and attendance

The table below shows the number of meetings held in each body in 2020, and the attendance by each Board member:

	Board of Directors	Audit Committee	Risk and Capital Committee	Remuneration Committee
Total number of meetings	11	6	10	3
Maria Engholm	11	6	-	3
Susanne Bäck	11	-	10	-
Tomas Hansson, deputy ¹⁾	0	-	-	-
Bengt-Erik Jansson	11	6	-	-
Beatrice Kämpe Nikolausson ²⁾	6	3	-	-
Susanne Lindberg	11	-	-	-
Göran Lindell ³⁾	5	-	-	-
Hans Ljungkvist	11	-	10	-
Karin Mattsson ⁴⁾	6	-	-	-
Linnéa Niklasson	10	-	-	-
Jonas Rosman	11	-	9	3
Anna Sandqvist	10	-	-	-
Fredrik Sickling, deputy ⁵⁾	2	-	-	-
Mikael Sundquist ⁶⁾	4	3	-	-
Mirek Swartz, deputy	0	-	-	-
Maria Wallin Wällberg	11	6	-	-
Caesar Åfors ⁷⁾	11	4	10	3

¹⁾Deputy member until 8 Sep 2020.

²⁾Board member from AGM on 8 May 2020. Member of the Audit Committee from 8 May 2020.

³⁾Board member until AGM on 8 May 2020.

⁴⁾Board member from AGM on 8 May 2020.

⁵⁾Deputy member from 8 Sep 2020.

⁶⁾Board member until AGM on 8 May 2020. Member of the Audit Committee until 8 May 2020.

⁷⁾Co-opted to Audit Committee.

meets the company's auditors at least once per year (refer 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 18-month period. A notice of each meeting, including a preliminary agenda, is sent out 14 days prior to the meeting. Documentation for the meeting is normally distributed about one week prior to the meeting. All documents and presentation slides are saved electronically.

The Board held 11 meetings in 2020. In 2020, the Board devoted particular attention to issues including certain organisational matters, efficiency, sustainability, regulatory matters, risk and capital issues, IT, IT security and digitisation. During the year, the Board underwent several training courses in operational and regulatory issues.

The number of Board meetings and members' attendance at these meetings are presented in the table on page 54.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. A summary of the findings was presented to the Board for discussion.

Audit Committee

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

- 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.
- Assisting in the preparation of proposals to the Annual General Meeting's motions on election of auditors.

In addition, the Audit Committee is responsible for preparing the Board's work on monitoring the effectiveness of the company's:

- corporate governance system, which includes internal governance and control.
- internal control of the operational risks.

At the statutory Board meeting immediately following the 2020 Annual General Meeting, Maria Engholm (Chairman), Bengt-Erik Jansson, Beatrice Kämpe Nikolausson and Maria Wallin Wållberg were appointed members of the Audit Committee.

The number of Audit Committee meetings and members' attendance at these meetings are presented in the table on page 54.

Risk and Capital Committee

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

- Risk policy and capital policy.
- The Group's internal models and validation.
- Internal risk and capital planning for the Länsförsäkringar AB Group.

- Risk capital distributed internally to subsidiaries and targets for risk-adjusted returns and evaluations of earnings.
- Follow-up of risk trends and potential deviations from risk limits.

At the statutory Board meeting immediately following the 2020 Annual General Meeting, Caesar Åfors (Chairman), Susanne Bäck, Hans Ljungkvist and Jonas Rosman were appointed members of the Risk and Capital Committee.

The number of Risk and Capital Committee meetings and members' attendance at these meetings are presented in the table on page 54.

Remuneration Committee

The Remuneration Committee prepares issues on remuneration of corporate management, remuneration of employees with overall responsibility for any of the company's control functions, and prepares decisions for measures to monitor application of the remuneration policy.

At the statutory Board meeting immediately following the 2020 Annual General Meeting, Caesar Åfors (Chairman), Maria Engholm and Jonas Rosman were appointed members of the Remuneration Committee.

The number of Remuneration Committee meetings and members' attendance at these meetings are presented in the table on page 54.

President/CEO and corporate management

Fredrik Bergström has been the President and CEO of Länsförsäkringar AB since September 2018. Fredrik Bergström was born in 1970 and has served as the President of Länsförsäkringar Stockholm and previously held senior positions at companies including SBAB. To ensure that the operations of each subsidiary comply with the overall objective for Länsförsäkringar AB, the President and CEO of Länsförsäkringar AB, as a general rule, also serves as the Chairman of the Board of each subsidiary.

The Länsförsäkringar AB Group's operations are organised into five business units: Non-life Insurance, Banking, Life Assurance, Agraria and Traditional Life Assurance; the five Group-wide units: Economy & Finance, Customer and Channel Support, IT, Legal Affairs, Strategy and Change Management; and the control functions: Internal Audit, Compliance and Risk Control. The latter is part of the Risk Management unit. To ensure the coordination of the operations in each business unit, the head of the business unit is also the President of the unit's Parent Company. Furthermore, the heads of each business unit, as a general rule, also serve as the Chairmen of the Boards of the directly owned subsidiaries. Länsförsäkringar AB's corporate management comprises the Presidents and heads of the business units and heads of the Group-wide units Economy & Finance, Customer and Channel Support, IT, Legal Affairs, Strategy and Change Management. Corporate management comprises the management team for the entire Länsförsäkringar AB Group. Corporate management discusses and decides on issues concerning the Group's units and the Compliance and Risk Management functions.

Corporate management is presented on pages 152-153.

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 and advice, Internal Audit evaluates and

ensures that the operations' overall internal governance and control systems are pursued effectively, that the overall reporting to the Board provides a correct and comprehensive view of the operations, that the operations are conducted in accordance with applicable internal and external regulations, and that there is compliance with the Board's decisions. Internal Audit reports to the Länsförsäkringar AB Group's Board of Directors and to the Boards of each subsidiary but is organisationally affiliated under the Chairman of 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 also to 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 for action are regularly reported to the President and the Board of Länsförsäkringar AB and its licensable subsidiaries, and to the Group's Audit Committee.

Risk Control

Risk Management 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. The function reports regularly to the Board and President of each company and to the Risk and Capital Committee. Risk Management is also responsible for the independent risk control of the operations of Asset Management. Risk Management reports this work to the President and the Board of Länsförsäkringar AB. The Bank business unit has a separate risk control function that is under the President of the Bank business unit. Reporting is addressed to the respective Board and President of the business unit. The Head of Risk Management is appointed by the President and CEO of Länsförsäkringar AB. Risk Management reports regularly to both the Board and President and CEO.

Fit and proper assessment of Board and President/CEO

A suitability ("fit and proper") assessment is conducted in conjunction with the appointment of Board members and the President. An assessment is also conducted annually, and when necessary, to ensure that the individuals in the above-mentioned positions are, at any given time, suitable for their assignments. The fit and proper assessment is conducted following established guidelines and with regard to the person's qualifications, knowledge and experience as well as good repute and integrity.

Board members are assessed on the basis of inter alia material received from the person to whom the fit and proper assessment pertains and excerpts from government registers. Based on the company's operations, stage of development and other circumstances, the assessment also considers relevant training and experience, as well as professional experience in senior positions. In addition to the qualifications, knowledge and experience of individual members, the Board is assessed in its entirety to ensure that it possesses the competence required for leading and managing the company.

A person not considered suitable according to an assessment will not be appointed or employed. If an already appointed person is con-

sidered no longer suitable for his or her duties according to a fit and proper assessment, the company is to adopt measures to ensure that the person in question either meets the fit and proper criteria or is replaced.

The assessment is that all Board members and the President and CEO fully satisfy the fit and proper criteria.

Deviations from the Code

Länsförsäkringar AB complies with the Code, where applicable. The main reasons for the deviations are the limitations under the rules for financial companies, the federal structure of the Länsförsäkringar Alliance and that Länsförsäkringar AB is not a listed company. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Notice

Deviation regarding the notice and publication of information about and prior to an Annual General Meeting. These deviations from the provisions of the Code are due to the fact that the company is not a listed company and has only a limited number of shareholders.

Nomination Committee

A deviation from the provisions of the Code regards the independence of a majority of the members of the Nomination Committee in relation to the company. Another deviation from the provisions of the Code is the publication of information about and from the Nomination Committee on the company's website. These deviations are due to the fact that the company is not a listed company and has only a limited number of shareholders.

Composition of Board

A deviation from the provisions of the Code exists regarding independence of a majority of the Board members elected by the Annual General Meeting in relation to the company, corporate management and that not less than two Board members must be independent in relation to the company's large shareholders. According to the instruction for the Nomination Committee, the Board of Directors is to be appropriately composed, with respect to the company's operations, stage of development and other circumstances, and characterised by diversity and breadth in terms of the members' competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.

Mandate period for Board members

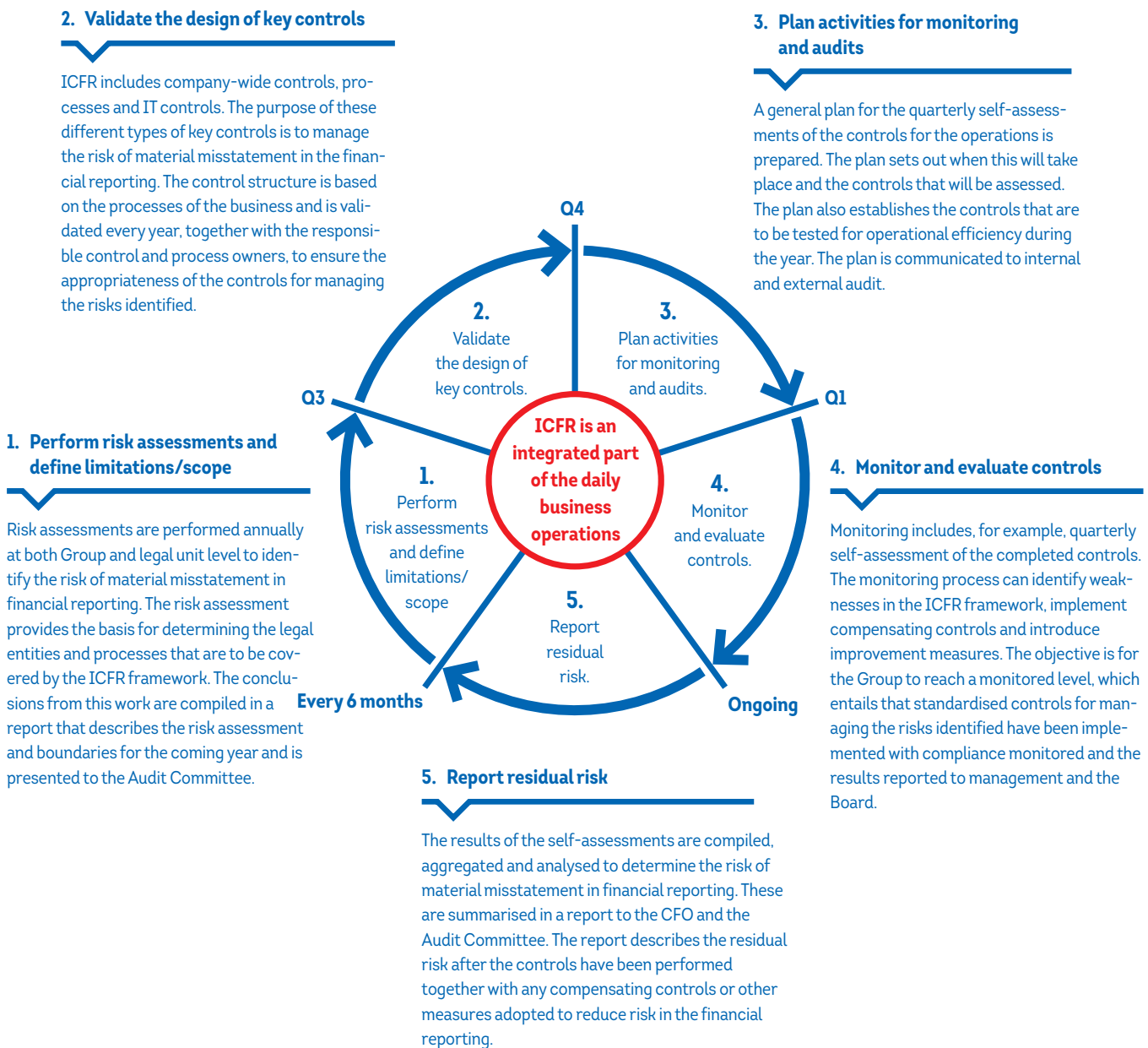
The mandate period for Board members is two years. The company deviates from the Code's provision of a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a Board member irrespective of their term. A mandate period of more than one year contributes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

Composition of Audit Committee and Remuneration Committee

A deviation from the provisions of the Code regards the independence of a majority of the members of the Committees in relation to the company and corporate management due to the federal structure, governance and working methods of the Länsförsäkringar Alliance. Refer also to the comments above on the deviation from the Code's provision on composition of the Board.

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 framework for providing reasonable assurance of the reliability of the financial reporting to management and Board. The ICFR is performed in an annual cycle as shown in the diagram below.



In addition to the 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.

Five-year summary

Länsförsäkringar AB Group. Amounts in SEK M unless otherwise stated.	2020	2019	2018	2017	2016
GROUP					
Operating profit	2,726	3,003	2,351	2,825	2,286
Net profit for the year	2,270	2,957	2,190	2,250	1,845
Return on equity, % ¹⁾	8	10	9	11	10
Total assets, SEK billion	614	573	507	474	422
Number of shares, 000s	10,425	10,425	10,425	10,425	10,425
Equity per share, SEK ²⁾	2,959	2,754	2,462	2,269	2,046
Solvency capital					
Equity	34,245	32,056	26,867	24,857	22,529
Tier 1 capital issued	-2,200	-2,200	-1,200	-1,200	-1,200
Subordinated debt	2,597	2,595	2,593	2,596	2,595
Deferred tax	797	753	1,313	1,486	1,320
Total solvency capital	35,439	32,056	29,573	27,740	25,244
Solvency margin, % ³⁾	461	488	479	467	452
Own funds for the group (FRL) ⁴⁾	57,412	50,220	43,870	44,172	40,602
Solvency capital requirement for the group (FRL) ⁴⁾	39,186	37,966	33,874	33,441	30,121
Own funds for the financial conglomerate ⁵⁾	57,412	50,220	43,870	44,172	40,352
Capital requirement for the financial conglomerate ⁵⁾	39,186	37,966	33,874	33,441	30,121
Average number of employees	2,271	2,125	1,972	1,915	1,786
INSURANCE OPERATIONS⁶⁾					
<i>Non-life insurance operations</i>					
Premiums earned (after ceded reinsurance)	6,481	5,928	5,623	5,353	5,090
Investment income transferred from financial operations	8	22	23	26	15
Claims payments (after ceded reinsurance) ⁷⁾	-4,529	-3,966	-3,666	-3,272	-3,336
Technical result for non-life insurance operations⁸⁾	221	218	344	916	390
<i>Premium income, non-life insurance</i>					
Premium income before ceded reinsurance	8,833	7,852	7,302	7,124	6,753
Premium income after ceded reinsurance	6,887	6,108	5,703	5,498	5,195
<i>Life-assurance operations</i>					
Premium income after ceded reinsurance	572	495	510	477	432
Fees pertaining to financial agreements	811	794	755	724	659
Investment income, net	237	512	-133	121	144
Claims payments (after ceded reinsurance)	-303	-254	-271	-266	-267
Technical result, life-assurance operations	927	802	734	700	541
Operating profit for insurance operations⁹⁾	1,219	1,670	1,130	1,628	1,194
<i>Key figures</i>					
Cost ratio ¹⁰⁾	27	30	29	27	27
Expense ratio ¹¹⁾	20	23	23	21	21
Claims ratio ¹²⁾	77	74	72	67	71
Combined ratio	97	97	94	88	93
Management cost ratio, life-assurance operations ¹³⁾	0.8	0.8	0.9	0.9	0.9
Direct yield, % ¹⁴⁾	1.0	9.6	1.1	-0.2	1.4
Total return, % ¹⁵⁾	3.2	10.1	1.5	4.3	4.2
<i>Financial position</i>					
Investment assets, SEK billion ¹⁶⁾	14	14	14	14	14
Unit-linked insurance assets for which the policyholder bears the risk, SEK billion	166	155	122	125	112
Technical provisions (after ceded reinsurance), SEK billion	9	9	9	8	8

Five-year summary, cont.

Länsförsäkringar AB Group	2020	2019	2018	2017	2016
BANKING OPERATIONS					
Net interest income	4,845	4,617	4,497	3,996	3,464
Operating profit	1,844	1,893	1,510	1,599	1,467
Net profit for the year	1,439	1,440	1,182	1,237	1,137
Return on equity, % ¹⁷⁾	8.5	9.5	8.3	10.0	10.1
Total assets, SEK billion	410	381	350	315	276
Equity	19,830	18,479	16,106	14,328	13,182
Cost/income ratio before credit losses ¹⁸⁾	0.49	0.48	0.58	0.49	0.48
Investment margin, % ¹⁹⁾	1.18	1.21	1.30	1.32	1.28
Core Tier 1 ratio, Bank Group	14.9	13.9	14.2	24.3 ²³⁾	24.8 ²³⁾
Tier 1 ratio, Bank Group, % ²⁰⁾	16.9	16.0	15.5	26.8 ²³⁾	27.5 ²³⁾
Capital adequacy ratio, Bank Group, % ²¹⁾	19.3	18.5	18.2	32.1 ²³⁾	33.4 ²³⁾
Core Tier 1 ratio, consolidated situation, %	16.7	15.4	15.7	23.3 ²³⁾	21.2 ²³⁾
Tier 1 ratio, consolidated situation, % ²⁰⁾	17.7	16.0	16.5	24.8 ²³⁾	23.2 ²³⁾
Capital adequacy ratio, consolidated situation, % ²¹⁾	19.0	16.6	18.3	28.1 ²³⁾	27.6 ²³⁾
Credit losses in relation to loans, % ²²⁾	0.09	0.06	0.04	0.02	0.02 ²⁴⁾

¹⁾ Operating profit and revaluations of owner-occupied property less standard tax at 21.4% (21.4) in relation to average equity, adjusted for items in equity recognised in other comprehensive income excluding revaluations of owner-occupied property, and adjusted for Additional Tier 1 Capital loans. The owner-occupied property was divested in 2019.

²⁾ Equity, adjusted for Additional Tier 1 Capital loans, per share.

³⁾ Solvency capital as a percentage of full-year premium income after ceded reinsurance.

⁴⁾ The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. Länsförsäkringar Liv Försäkrings AB is also included in the group, despite the company not being consolidated in the Länsförsäkringar AB Group. Effective 30 December 2020, Länsförsäkringar AB's legal name is "Gamla Länsförsäkringar AB" but is referred to as "Länsförsäkringar AB" throughout this Annual Report. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, but with Länsförsäkringar Liv included in accordance with the deduction and aggregation method as permitted by the Swedish Financial Supervisory Authority. The solvency requirement for the full-year 2019 has been restated according to revised method as per 31 December 2019 for risk absorption in deferred tax items when calculating capital requirements.

⁵⁾ The financial conglomerate comprises the same companies as the group according to the insurance-operation rules, see footnote 3). The calculations for the financial conglomerate are made using the same methods as for the group in accordance with the insurance-operation rules. Unlike the group under the insurance-operation rules, the transferability of profits for the financial conglomerate is to also be tested in other regulated companies than the group's insurance companies. The capital requirement for the full-year 2019 has been restated according to revised method as per 31 December 2019 for risk absorption in deferred tax items when calculating capital requirements.

⁶⁾ The earnings, financial position and key figures of the insurance operations are recognised in accordance with the Swedish Annual Accounts Act for Insurance Companies and FFFS 2019:23, the regulation of the Swedish Financial Supervisory Authority.

⁷⁾ Excluding claims adjustment costs.

⁸⁾ The Länsförsäkringar Sak Group's technical result amounted to SEK 297 M (283) in 2020. The Länsförsäkringar Sak Group includes Länsförsäkringar Gruppliv Försäkrings AB, which is recognised in the life-assurance operations. The technical result for Länsförsäkringar Gruppliv Försäkrings AB amounted to SEK 76 M (64) in 2020.

⁹⁾ Operating profit for the insurance operations includes the Länsförsäkringar Sak Group and Länsförsäkringar Fondliv's investment income and other non-technical income and expenses.

¹⁰⁾ Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.

¹¹⁾ Operating expenses as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Excluding claims adjustment costs in accordance with the regulations of the Swedish Financial Supervisory Authority.

¹²⁾ Claims payments as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Includes claims adjustment costs in accordance with the regulation of the Swedish Financial Supervisory Authority.

¹³⁾ Operating expenses and claims adjustment costs in relation to the average value of investment assets, investment assets for which the policyholder bears the investment risk and cash and cash equivalents.

¹⁴⁾ Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administration costs for asset management and operating expenses for properties in relation to the average value for the period of the insurance operations' investment assets and cash and cash equivalents.

¹⁵⁾ Total return is calculated as the sum of all direct yields and changes in the value of the investment portfolio in relation to the average value of the investment assets during the year. Refers to non-life insurance and life assurance.

¹⁶⁾ Investment assets comprise owner-occupied property, shares and participations in associated companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and cash equivalents, and interest-bearing liabilities.

¹⁷⁾ Operating profit plus less standard tax at 21.4% (21.4) in relation to average equity adjusted for changes in value of financial assets recognised in equity and for Additional Tier 1 Capital loan.

¹⁸⁾ Total expenses before credit losses in relation to total income.

¹⁹⁾ Net interest income in relation to average total assets.

²⁰⁾ Tier 1 capital at year-end in relation to the closing risk-weighted amount.

²¹⁾ Closing own funds as a percentage of the closing risk-weighted amount.

²²⁾ Credit losses, net, for loan receivables (on an annual basis) in relation to loans to the public and credit institutions after provisions at the end of the period.

²³⁾ The risk weight floor for mortgages in Pillar II.

²⁴⁾ Includes the dissolution of reserves.

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Consolidated income statement

SEK M	Note	2020	2019
Reinsurers' portion of premiums		8,877	7,968
Reinsurers' portion of premiums		-1,850	-1,573
Premiums after ceded reinsurance	4	7,026	6,396
Interest income	5	6,543	5,986
Interest expense	6	-1,692	-1,363
Net interest income		4,851	4,624
Change in unit-linked insurance assets policyholder bears the risk		7,096	30,453
Dividends in investment assets for which the policyholder bears the risk		14	13
Investment income, net	7	436	1,006
Commission income	8	3,417	3,250
Other operating income	9	2,285	2,407
Total operating income		25,126	48,150
Claims payments before ceded reinsurance		-6,869	-4,069
Reinsurers' portion of claims payments		2,060	-128
Claims payments after ceded reinsurance	10	-4,809	-4,197
Change in life-assurance reserve		-9	-8
Change in unit-linked insurance liabilities policyholder bears the risk		-7,359	-30,985
Commission expense	11	-3,324	-3,161
Staff costs	12	-2,484	-2,476
Other administration expenses	13, 14	-4,091	-4,112
Credit losses	15	-326	-207
Total expenses		-22,401	-45,146
Operating profit		2,726	3,003
Tax	16	-456	-46
Net profit for the year		2,270	2,957
Earnings per share before and after dilution, SEK	17	218	284

Consolidated statement of comprehensive income

SEK M	Note	2020	2019
Net profit for the year		2,270	2,957
Other comprehensive income	34		
Items that may subsequently be transferred to profit or loss			
Translation differences for the year from foreign operations		-35	31
Cash-flow hedges		-110	-22
of which change in value for the period		-553	5,341
of which reclassification to profit or loss		443	-5,364
Change in fair value of available-for-sale financial assets		94	2
of which change in value for the period		96	6
of which reclassification of realised securities to profit or loss		-2	-4
Tax attributable to items that may subsequently be transferred to profit or loss		1	3
Total		-51	14
Items that cannot be transferred to profit or loss			
Revaluation of owner-occupied property		-	148
Change in fair value of equity instruments measured at fair value		0	25
Tax attributable to items that cannot be reversed to profit or loss		0	-36
Total		0	138
Total other comprehensive income for the year, net after tax		-51	151
Comprehensive income for the year		2,219	3,109

Consolidated statement of financial position

SEK M	Note	2020-12-31	2019-12-31
ASSETS			
Goodwill	18	618	558
Other intangible assets	19	4,390	4,309
Deferred tax assets	38	148	128
Property and equipment	20	358	344
Owner-occupied property	21	1,022	1,161
Shares in Länsförsäkringar Liv Försäkrings AB	22	8	8
Shares and participations in associated companies	23	72	62
Reinsurers' portion of technical provisions	36	10,557	9,504
Loans to the public	24, 26	340,007	307,099
Unit-linked insurance assets for which the policyholder bears the risk	25	165,918	154,563
Shares and participations	27	5,233	4,634
Bonds and other interest-bearing securities	28	56,389	52,618
Treasury bills and other eligible bills	29	11,796	9,934
Derivatives	2, 49	5,515	8,290
Change in value of hedge portfolios	30	305	5
Other receivables	31	6,783	5,393
Prepaid expenses and accrued income	32	2,628	2,321
Cash and cash equivalents	33	2,221	11,661
Total assets		613,967	572,594
EQUITY AND LIABILITIES			
Equity	34		
Share capital		1,042	1,042
Other capital contributed		10,272	10,272
Additional Tier 1 instrument		2,200	2,200
Reserves		-626	-573
Retained earnings, including net profit for the year		20,163	17,965
Total equity		33,051	30,907
Subordinated liabilities	35	2,597	2,595
Technical provisions	36	19,613	18,860
Unit-linked insurance liabilities policyholder bears the risk	37	168,735	155,950
Deferred tax liabilities	38	945	882
Other provisions	39	146	125
Debt securities in issue	40	235,471	226,661
Deposits from the public	41	133,747	118,305
Due to credit institutions	42	7,403	6,565
Derivatives	2, 49	1,051	511
Change in value of hedge portfolios	30	1,809	1,241
Other liabilities	43	4,947	5,524
Accrued expenses and deferred income	44	4,451	4,468
Total equity and liabilities		613,967	572,594

For information about pledged assets and contingent liabilities, see note 45 Pledged assets and contingent liabilities.

Consolidated statement of changes in shareholders' equity

SEK M	Share capital	Other capital contributed	Additional Tier 1 instruments	Translation reserve	Revaluation reserve	Fair value reserve	Hedging reserve	Retained earnings, including net profit of the year	Total equity
Opening balance, 1 January 2019	1,042	10,272	1,200	-61	1,304	-397	-151	13,656	26,867
Comprehensive income for the year									
Net profit for the year	-	-	-	-	-	-	-	2,957	2,957
Other comprehensive income	-	-	-	31	117	22	-19	0	151
Comprehensive income for the year	-	-	-	31	117	22	-19	2,957	3,109
Divestment in owner-occupied property	-	-	-	-	-1,421	-	-	1,421	-
Tier 1 capital issued	-	-	1,000	-	-	-	-	-69	931
Closing equity, 31 December 2019	1,042	10,272	2,200	-30	-	-374	-170	17,965	30,907
Opening balance, 1 January 2020	1,042	10,272	2,200	-30	-	-374	-170	17,965	30,907
Comprehensive income for the year									
Net profit for the year	-	-	-	-	-	-	-	2,270	2,270
Other comprehensive income	-	-	-	-35	-	71	-89	2	-51
Comprehensive income for the year	-	-	-	-35	-	71	-89	2,273	2,219
Realised gain from sales of shares	-	-	-	-	-	-	-	0	0
Tier 1 capital issued	-	-	-	-	-	-	-	-75	-75
Closing equity, 31 December 2020	1,042	10,272	2,200	-65	-	-303	-259	20,163	33,051

Consolidated statement of cash flows

SEK M	Note	2020	2019
Operating activities			
Operating profit		2,726	3,003
Adjustment for non-cash items	52	5,673	1,936
Tax paid		-567	-658
Cash flow from operating activities before changes in working capital		7,832	4,282
Cash flow from changes in working capital			
Change in shares and participations, bonds and other interest-bearing securities and derivatives		-9,815	-10,830
Increase (-)/Decrease (+) in operating receivables		-34,451	-18,596
Change in debt securities in issue		12,009	14,682
Increase (+)/Decrease (-) in operating liabilities		15,909	12,315
Cash flow from operating activities ¹⁾		-8,515	1,853
Investing activities			
Change in shares and participations in associated companies		-	3
Purchase of intangible assets		-475	-483
Purchase of property and equipment		-26	-16
Investment in subsidiaries		-81	-
Divestment of property and equipment		6	6
Divestment of subsidiaries (incl. owner-occupied property)		-	3,385
Cash flow from investing activities		-577	2,895
Financing activities			
Amortization of lease liability		-252	-104
Distributions in Tier 1 Capital instruments		-75	-69
Additional Tier 1 instruments		-	1,000
Dividends paid		-	-
Cash flow from financing activities ¹⁾		-327	827
Net cash flow for the year		-9,419	5,574
Cash and cash equivalents, 1 January		11,661	6,075
Exchange-rate differences in cash and cash equivalents		-21	11
Cash and cash equivalents, 31 December		2,221	11,661

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

Notes to the consolidated financial statements

All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

Compliance with standards and legislation

The consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and the Swedish Financial Supervisory Authority's regulation and general guideline FFFS 2019:23 and its amendments were applied. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were applied as were the Board's statements.

The Parent Company applies the same accounting policies as the Group except for the cases described under the Parent Company's note 1 Accounting policies.

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

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. Accordingly, the financial statements are presented in SEK, rounded to the nearest million, unless otherwise stated.

Assets and liabilities are recognised at cost, with the exception of owner-occupied property and the Group's holding of financial instruments that are either measured at fair value or at amortised cost. The accounting policies for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated.

The statement of financial position has been presented based on liquidity.

Judgements and estimates

The preparation of accounts in accordance with IFRS requires that management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the carrying amounts of the income, expenses, assets, liabilities and contingent liabilities and provisions presented in the accounts. These judgements and estimates are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates. The estimates and judgements are reviewed regularly. Changes in 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 both current and future periods.

Significant judgements applied to the Group's accounting policies

Länsförsäkringar AB's holding in Länsförsäkringar Liv Försäkringsaktiebolag (publ) (referred to below as "Länsförsäkringar Liv") is not classified as a holding in a subsidiary in accordance with the definition in IFRS 10 Consolidated Financial Statements and thus is not consolidated. The company is wholly owned by the Länsförsäkringar AB. The life-assurance operations, which are conducted according to mutual principles through Länsförsäkringar Liv and whose earnings accrue in their entirety to the policyholders, are not recognised in accordance with the purchase method since Länsförsäkringar AB does not have control of the company, is not entitled to variable returns and cannot influence returns. Instead, Länsförsäkringar Liv is recognised and valued as unlisted shares.

Significant sources of estimation uncertainty

Estimation uncertainty arises in the valuation of expected credit losses since such valuations are based on complex models and assessments. The estimate of expected credit losses is primarily based on models, but an individual assessment is performed for cases in which significant information is available that is not incorporated in these models. Assessments of the effects of COVID-19 have a particularly high degree of uncertainty, due to the medical uncertainty over the duration of the pandemic and the economic conse-

quences, since the bank has no past history for similar events to fall back on and the assessment requires a high level of expertise.

One of the main areas in which important assessments are to be made is the identification of a significant increase in credit risk. Such an assessment of is performed at the end of every reporting period and determines the number of loans transferred from stage 1 to stage 2. An increase in loans in stage 2 entails an increase in the estimated reserves for credit losses ("loss allowances"), while a reduction in loans in stage 2 would have the opposite effect.

Important assessments are also carried out when considering forward-looking information and in the choice of macroeconomic scenarios for calculating expected credit losses. Expected credit losses are to be estimated in a manner that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The estimate is to include information about past events, current conditions and forecasts of future economic conditions. The forward-looking information used to estimate expected credit losses is based on the Group's internal macroeconomic forecasts. These macroeconomic forecasts take into account both internal and external information and correspond to the forward-looking information used for other purposes, such as forecasts and financial planning. At least three potential macroeconomic scenarios are considered when calculating expected credit losses: a base scenario, a more positive scenario and a more negative scenario. A deterioration in the forecast macro variables in each scenario or an increase in the probability of a negative scenario would generally entail an increase in the estimated loss allowance. An improvement in the forecast macro variables or an increase in the probability of a positive scenario would instead have the opposite effect on the estimated loss allowance. The loss allowance that would arise in the event of a negative and a positive scenario, assigned a probability of 100%, is presented in note 15 Credit losses.

When calculating the life-assurance reserve, assumptions are made regarding the discount rate, mortality, morbidity and expenses. When calculating technical provisions, an actuarial estimate of anticipated additional costs for claims incurred and expenses for claims that may be incurred during the remaining term of the insurance policy is made.

There is some uncertainty in the estimates for the depreciation period for deferred acquisition costs for unit-linked insurance contracts. The assumption for the depreciation period is based on statistics relating to the terms of the insurance contracts.

Application of accounting policies motivated by new transactions

Länsförsäkringar Bank started the process of changing its card supplier from Visa to Mastercard in spring 2020. Initially, the change results in increased charges. These have been recognised as Costs to fulfil a contract in accordance with IFRS 15 in the balance-sheet item Prepaid expenses and accrued income. Advance payments have been received that are recognised as Contract liabilities in the balance-sheet item Accrued expenses and deferred income. The contract liability will be reduced over time as the bank meets the previously set transaction volumes.

Changes to estimates and assessments

The Swedish Financial Supervisory Authority approved the revised definition of default in the final quarter of 2019. The new definition was implemented in the fourth quarter of 2020. The main change as regards the Group's new definition for default is that all of the companies in the Bank Group now apply the same definition, namely, that a past-due date of 90 days is now defined as being in default. The update also means that a creditor in default in one company is to be treated as in default across the entire Group.

The effect of the updated definition resulted in an increase in the loss allowance.

Amended accounting policies applied from 2020

No accounting standards, which have been published but not yet applied, came into effect during the period that have a material effect on the consolidated financial statements.

New IFRSs and interpretations that have not yet been applied

The new or revised standards and interpretations, as adopted by the IASB, described below come into effect for fiscal years beginning on or after 1 January 2021 and have not been applied in advance when preparing these financial statements. Other than those stated below, no other new or revised IFRSs and interpretations that had been adopted by the IASB on the closing date but that have not yet come into effect, are deemed to have any material effect on the financial statements.

Changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (phase 2)

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

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

A project is currently being conducted within the Länsförsäkringar AB Group to investigate the effects of the Interest Rate Benchmark Reform. Note 2 Risk and capital management provides disclosures on uncertainties as a result of the IBOR reform.

IFRS 17 Insurance Contracts

In June 2020, the updated standard IFRS 17 Insurance Contracts was published, which replaces IFRS 4 Insurance Contracts. IFRS 17 has not yet been adopted by the EU but is proposed to come into effect for fiscal years beginning on 1 January 2023. The standard provides a principle-based set of rules for recognising insurance contracts and more expanded disclosure requirements to increase comparability between different companies.

In October 2020, the Swedish Financial Supervisory Authority resolved on amendments to regulation FFFS 2019:23, revoking the obligatory application of IAS regulation (full IFRS) in consolidated financial statements for unlisted insurance companies, occupational pension companies and financial holding companies. This means that the regulations have been adapted according to the agreements on consolidated financial statements for unlisted companies in the Swedish Annual Accounts Act for Insurance Companies (1995:1560). The changes came into effect on 1 December 2020 and can be applied to consolidated financial statements prepared for the fiscal year ending on 31 December 2020. The Swedish Financial Supervisory Authority has not yet decided how references to IFRS 4 Insurance Contracts will be replaced in the regulations when IFRS 17 comes into effect and replaces IFRS 4.

Länsförsäkringar AB is analysing the possibility of not applying the IAS regulation (full IFRS) in preparing the consolidated financial statements when IFRS 17 comes into effect.

DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation principles

Subsidiaries

The consolidated financial statements encompass the Parent Company and the companies in which the Parent Company has a controlling influence. All of the following criteria must be fulfilled in order for a controlling influence in a company to exist and thus for consolidation to be relevant. The company has power over the investee, the company is exposed to or has rights to variable returns from its involvement, and the company has the ability to use its power over the investee to affect the amount of the investor's returns.

Associated companies

Associated companies are companies in which the Group has a significant, but not a controlling, influence over operational and financial control, usually through holdings of participations of between 20-50% of the number of votes. Participations in associated companies are recognised in the consolidated financial statements in accordance with the equity method from the date on which the significant influence was obtained. Dividends received from associated companies reduce the carrying amount of the investment.

Operating segments

The Group's division of operating segments corresponds to the structure of the internal reports that the company's chief operating decision maker uses to monitor the operations and allocate resources between operating segments. The Group identified Group management as the company's chief operating decision maker. Accordingly, for the Länsförsäkringar AB Group, the reports on the earnings of the various segments of the operations that are received by Group management form the basis of segment reporting. This means that the accounting policies in the operating segments may deviate from the policies applied in the consolidated financial statements. The following accounting policies applied in the operating segments differ from those in the consolidated financial statements. Changes in the fair value of owner-occupied property in segments in the Länsförsäkringar AB Group are recognised in operating profit instead of in other comprehensive income.

Pricing between the Group's segments is based on market conditions for the operating segments of Non-life Insurance, Unit-linked Insurance, Banking and Parent Company. Länsförsäkringar AB's Group management establishes the service level pertaining to intra-Group transactions involving goods and services. Decisions about prices to be applied to the forthcoming year are made during the annual business planning process.

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key. Länsförsäkringar AB's Group management arranges the service levels and costs for the sale of goods and services to intra-Group companies jointly with a service committee comprising representatives from the regional insurance companies. Based on these discussions, the Board of Länsförsäkringar AB makes decisions on external pricing.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated at the exchange rate on the transaction date.

Monetary assets and liabilities in foreign currency are translated by applying the exchange rates on the balance-sheet date. Exchange-rate differences arising due to translations in the statement of financial position in foreign currency are recognised in profit or loss as investment income, net.

Translation of the financial statements of foreign operations

The Group has small foreign operations in the form of branches in Denmark, Finland, Norway and France, one subsidiary and one branch in the UK, and one associated company in Switzerland. Assets and liabilities in branches, associated companies and subsidiaries are translated to SEK at the exchange rate on the balance-sheet date. Income and expenses are translated to the Group's presentation currency at an average exchange rate comprising an approximation of the exchange rate applicable on the date of the transaction. Translation differences arising in the translation of branches', associated companies' and subsidiaries' currencies are recognised in the Group in other comprehensive income as a translation reserve.

Impairment

The carrying amounts of the Group's assets are regularly tested to determine whether there are any indications of impairment.

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

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated. The recoverable amounts of goodwill and intangible assets are calculated annually, regardless of whether there is any

indication of an impairment requirement. If it is not possible to determine the significantly independent cash flows for an individual asset, the assets are to be grouped when testing for impairment at the lowest value where it is possible to identify the significantly independent cash flows, known as a cash-unit. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the fair value minus selling expenses and the value in use. The value in use is calculated as expected future cash flows discounted by the market-based yield requirements for the asset/cash-generating unit. Impairment is recognised in profit or loss. The impairment of assets attributable to a cash-generating unit is initially distributed to goodwill. Proportional impairment losses on the other assets included in the unit are subsequently recognised.

Reversal of impairment losses

Reversal of impairment losses on property and equipment and intangible assets and participations in subsidiaries and associated companies

Impairment losses on goodwill are not reversed. Other impairment losses are reversed when there is no longer any indication of impairment and a change has occurred in the assumptions that formed the basis for calculating 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, if no impairment had been applied.

Impairment of property and equipment and intangible assets is recognised as Other administration expenses. Impairment of investments in subsidiaries and associated companies is recognised as Investment income, net.

Commission income and other operating income

Income from contracts with customers is recognised in profit or loss when the following criteria has been fulfilled:

1. The contract with the customer has been identified
2. The performance obligations in the contract have been identified
3. The transaction price has been determined
4. The transaction price has been allocated to the performance obligations
5. Income is recognised as the performance obligations are satisfied

The Group applies the exemption entailing that disclosures on outstanding performance obligations attributable to contracts with a term of less than one year are not provided.

Payment mediation commission and card business

The Group's obligations for payment mediation partly comprise making it possible for customers to make secure and convenient payments and partly involve participating in the payments systems required for carrying out the payments. Income for payment mediation is settled in advance in the form of annual fees and continuously with the transactions being performed. The fees received in advance are recognised on settlement as a contract liability and income is subsequently recognised straight-line over the period during which the obligation is satisfied.

Continuous income is recognised after the transactions have been completed and is settled either immediately or following a slight delay.

Lending commission

Lending commission primarily refers to additional services (land registration certificates and mortgage deeds) that customers can choose when arranging their loans. Income is recognised when the customer receives the service. Arrangement fees are recognised as interest income according to the effective interest method.

Lending commission also includes notification and reminder fees for which the Group's obligation is to notify/remind the customer. These fees are recognised as income when the notification or reminder is sent to the customer. Penalty interest is recognised as interest income.

Securities commission

The Bank Group's securities commission is largely attributable to income in Länsförsäkringar Fondförvaltning. A small portion is attributable to Länsförsäkringar Bank. Commission is based on the following obligations:

The Bank Group receives a management fee from the funds that the subsidiary Länsförsäkringar Fondförvaltning has undertaken to manage. This management fee is based on the current assets in the funds. Income for this fee is recognised monthly since the obligations is deemed to be satisfied and settled in the following month.

The bank receives a fixed brokerage fee from the customer for each securities transaction. When the transaction has been completed, the obligation is deemed to be satisfied and the fee is recognised as income.

Länsförsäkringar Bank and Länsförsäkringar Fondförvaltning receive remuneration from the trading venues in which they operate. The obligation is to distribute and invest in the funds traded on these trading venues. Income is based on the current managed assets that were distributed and invested in the trading venue's funds. Income is recognised every month. Income for the current quarter is settled in the first month of the subsequent quarter.

Länsförsäkringar Fondförvaltning receives remuneration when the company's funds invest in other funds. This remuneration is based on the current managed assets and the obligation is satisfied when the investment in made in the fund. Income is recognised every month and the current quarter's income is settled in the first month of the subsequent quarter.

Rebating of commissions

Rebating of commissions is received from fund companies that Länsförsäkringar Fondliv has partnership agreements with in order to offer mutual funds to customers. This remuneration comprises commission for distributing the funds and is calculated every day on the brokered portfolio per fund.

Länsförsäkringar Fondliv's obligation is to broker and distribute funds. The obligation is deemed to be satisfied when the funds have been brokered.

Rebating of commissions is variable. Länsförsäkringar Fondliv believes that it is not possible to reliably determine future rebating of commissions due to such uncertainty factors as the amount of future capital since some funds have transfer options and future market trends. Income is recognised when Länsförsäkringar Fondliv receives the rebate and not when the transactions is brokered.

Fees pertaining to financial agreements - unit-linked insurance

Länsförsäkringar Fondliv's obligation is to continuously over time provide and manage the range of mutual funds that the customer can save in. Fees from financial agreements comprise a variable and a fixed annual fee. The variable fee is a percentage of the customer's insurance capital. The fee is calculated every day based on the closing amount and the fixed fee is charged monthly. The fees are recognised as income in line with Länsförsäkringar Fondliv Försäkrings AB providing the management services to the customer.

Commission expense

Remuneration to the regional insurance companies

Länsförsäkringar Bank pays regular commission to the regional insurance companies. The regional insurance companies receive remuneration for their work with Länsförsäkringar Bank's customer-related issues in each of the regional insurance companies' geographic areas. No customer acquisition costs are capitalised since they are deemed to comprise continuous remuneration to the regional insurance companies and thus do not satisfy the requirements for capitalisation of customer acquisition costs.

Deferred acquisition costs

Acquisition costs that have a clear connection to underwriting insurance contracts and financial agreements are recognised as deferred acquisition costs in the statement of financial position and are depreciated over their useful lives. 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 capitalised. These acquisition costs pertain to such costs as commission and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. Acquisition costs in Länsförsäkringar Fondliv are depreciated straight line over seven years. The assumption for the depreciation period is based on statistics relating to the terms of the insurance contracts. The asset is impairment tested every year. In the non-life insurance operations, the capitalised cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

Premiums

Premium income

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

The insurance component in the life-assurance operations is classified in the financial agreements as insurance contracts. Premium income is recognised on a cash basis, meaning that the premiums paid are recognised as income when they are received regardless of whether these wholly or partly refer to a later fiscal year.

Premiums earned

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

Interest income and interest expense

Interest income and interest expense presented in profit or loss comprise interest in the Bank Group calculated according to the effective interest method on financial assets and liabilities measured at amortised cost, and interest from financial assets classified as measured at fair value through other comprehensive income. The effective interest rate includes fees that are deemed to be an integrated part of the effective interest rate for a financial instrument (usually fees that are received as compensation for risk). The effective interest rate corresponds to the rate used to discount contractual future cash flows to the carrying amount of the financial asset or liability. Interest on derivatives that hedge interest-rate and foreign-currency risk is recognised as interest income if the derivative hedges an asset and as interest expense if the derivative hedges a liability. Interest compensation for early redemption of fixed-rate lending and deposits is recognised in Investment income, net.

For assets in stage 3, the interest income is calculated and recognised based on the net carrying amount, meaning after deductions for expected credit losses. For assets in stage 1 and 2, the interest income is calculated and recognised based on the gross carrying amount. See also the section on expected credit losses below.

Negative interest on assets is recognised as a decrease in interest income. Negative interest on liabilities is recognised as a decrease in interest expense.

Investment income, net

The following items are recognised under Investment income, net: gains/losses from investing activities in the Parent Company and insurance companies, the Bank Group's net gains/losses from financial items and effect of interest-rate revaluations on annuities in insurance operations.

Realised gains or losses are calculated as the difference between the purchase consideration received and the cost of the asset. Unrealised gains or losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised change in value is reversed as a realised gain or loss, except for shares and participations that we have decided to measure at fair value through other comprehensive income.

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

Claims payments

The expenses for claims incurred for the period, both those reported to the company and those not reported, are recognised as claims payments. Total claims payments include claims paid during the period and changes in provisions for claims outstanding and reinsurers' portion of provision for claims outstanding. Claims recoveries are recognised as a reduction of claims costs.

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. The anticipated cost of commission is recognised when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration after termination of employment

Pension plans

The Group has both defined-contribution and defined-benefit pension plans, some of which have assets in separate foundations. These plans are financed through payments from the respective Group company. The Group is generally covered by the FTP plan, which does not depend on any payments from employees.

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 largest pension plan of which the company's employees are part is the FTP plan, 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. Disclosures are also to be presented in the accounts according to the requirements for defined-benefit pension plans.

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

All pension plans in the Group's branches are defined-contribution and follow either collective agreements or, if there are no collective agreements, the recommended premium levels in the labour market.

Credit losses

Credit losses comprise expected credit losses, confirmed credit losses, recoveries of credit losses previously recognised as confirmed and reversals of expected credit losses no longer required. Confirmed credit losses could refer to the entire receivable or parts of it when there is no realistic possibility of recovery. A confirmed credit loss is recognised as a write-off of the gross carrying amount and an add-back of the portion of the allowance for expected credit losses that pertains to a written-off loan or portions of a loan. Recoveries comprise payments of loans that were previously recognised as confirmed credit losses. Expected credit losses are reversed when no impairment requirement is deemed to exist.

Taxes

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss, except when the underlying transaction is recognised in other comprehensive income or against equity with the related tax effect recognised in other comprehensive income or equity. Additional income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

Current tax

Current tax is tax that is to be paid or received in the current year, with the application of the tax rates that are decided or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior years.

Deferred tax

Deferred tax is calculated based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled. Deferred tax is calculated with application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

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

Yield tax

Yield tax is a tax paid by Länsförsäkringar Fondliv Försäkrings AB on behalf of the policyholders. Tax objects comprise the market value of the net assets managed on behalf of the policyholders at the start of the fiscal year. The yield tax attributable to the period is recognised in the consolidated statement of income under change in provision for life assurance for which the policyholder bears the risk.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition of operations and the net of the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities.

Other intangible assets

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

The Group's proprietary intangible assets are recognised only if the expenses for the asset can be reliably calculated, it is technically and commercially usable and sufficient resources exist to complete development and thereafter use or sell the intangible asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses. Other development expenses are recognised as an expense when they arise.

The amortisation period is determined based on the expected useful life, commencing when the asset becomes available for use. Amortisation takes place through profit or loss according to the straight-line method. Impairment requirements are tested annually as described in the section on Impairment above.

Additional expenses for capitalised intangible assets are recognised as an asset in the statement of financial position only when these expenses increase the future financial economic benefits of the specific asset to which they pertain.

Property and equipment

Equipment

Equipment is recognised at cost less accumulated depreciation and accumulated impairment. Depreciation takes place according to the straight-line method over the asset's expected useful life, commencing when the asset becomes available for use. Depreciation and earnings from scrapping and divestments are recognised in profit or loss. The useful life for computer equipment is estimated to be three years and five years for office equipment and cars. The depreciation method and the residual values and useful lives of the assets are re-tested every year-end.

Impairment requirements are tested annually according to the principles described in the section on Impairment above.

Financial assets and liabilities

Recognition and derecognition in the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to the agreement in accordance

with the conditions of the instrument. A financial asset is derecognised from the statement of financial position when the rights in the contract are realised, expire or – when the assets are transferred – the company no longer has any significant risks or benefits from the assets and loses control of the assets. A financial liability is derecognised from the statement of financial position 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 statement of financial position on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date.

Loan receivables are recognised in the statement of financial position when the loan amount is paid to the borrower. Loan commitments are recognised as a commitment, see note on Pledged assets and contingent liabilities.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and recognised in the statement of financial position on a net basis only when there is a legally enforceable right to offset the carrying amounts and an intent to settle them with a net amount or to simultaneously realise the asset and settle the liability. The legally enforceable right should not be contingent on a future event and must be legally binding for the company and the counterparty in the normal course of business, and in the event of default, insolvency or bankruptcy.

Recognition of repurchase transactions

In genuine repurchase transactions (a sale of interest-bearing securities with an agreement for repurchase at a predetermined price), the asset continues to be recognised in the statement of financial position and payment received is recognised as Due to credit institutions. Sold securities are recognised as pledged assets. For a reversed repurchase transaction (a purchase of interest-bearing securities with an agreement for resale at a predetermined price), the securities are not recognised in the statement of financial position. The payment received is recognised instead in Loans to the public.

Classification and measurement

Financial assets and liabilities are measured at fair value upon initial recognition in the statement of financial position. Subsequent measurement and recognition take place depending on the measurement category to which the financial instrument belongs.

The Group's financial assets comprise:

- Debt instruments
- Derivative instruments
- Equity instruments

Debt instruments

The business model used to manage a debt instrument and its contractual cash flow characteristics determines the classification of a debt instrument.

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

The Group's holdings of units in UCITS (mutual funds) consist of holdings in debt instruments, since the funds must buy back fund units and are therefore liabilities from the issuer's perspective. The mutual funds are measured at fair value through profit or loss since the contractual cash flows are not collected in predetermined amounts at predetermined times and therefore do not comprise payment of the principal and outstanding interest on the principal. All remaining debt instruments held in the Group meet these cash flow characteristics. The Group regularly checks that cash flows for the debt instruments measured at amortised cost and fair value through other comprehensive income meet the cash flow requirements.

Amortised cost

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

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

Fair value through other comprehensive income

The Group manages its holdings of treasury bills and other eligible bills and bonds and other interest-bearing securities in the Bank Group in a business model whose objective is to realise the assets' cash flows by both receiving contractual cash flows and through sales. These assets are therefore measured at fair value through other comprehensive income. This recognition means that the assets are continuously measured at fair value through other comprehensive income with the accumulated unrealised changes in values recognised in the fair value reserve. Interest income is recognised in net interest income in profit or loss. If an asset in this category is sold, the previous unrealised gain/loss is reclassified from other comprehensive income to profit or loss and is recognised on the row net gains/losses from financial items.

Fair value through profit or loss

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

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

Derivative instruments

Derivative instruments are measured at fair value through profit or loss unless they are subject to the rules on hedge accounting. Derivatives with positive values are recognised as assets in the statement of financial position and derivatives with negative values are recognised as liabilities.

Equity instruments

An equity instrument is every form of agreement that entails a residual right to a company's assets after deductions for all its liabilities. All holdings of equity instruments that comprise holdings of a more strategic nature and that are not held for the purpose of generating investment income are measured at fair value through other comprehensive income. Gains/losses on the sale of equity instruments measured at fair value through other comprehensive income are recognised as a transfer in equity from the fair value reserve to retained earnings and thus do not impact profit or loss.

Financial liabilities

The Group measures all financial liabilities that are not derivatives at amortised cost.

Derivatives used in hedge accounting

The Group's derivatives, which comprise interest-rate and cross-currency swaps and purchased interest caps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. All derivatives are measured at fair value in the statement of financial position. Changes in value are recognised depending on whether the derivative is designated as a hedging instrument and the type of hedging relationship that the derivative is included in. The Group applies both cash flow hedges and fair value hedges. To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation has been prepared and that the effectiveness can be measured reliably. Hedge accounting can only be applied if the hedging relationship can be expected to be highly effective. In the event that the conditions for hedge accounting are no longer met, the

derivative instrument is measured at fair value together with the change in value through profit or loss. Hedging relationships are evaluated monthly. Each identified hedging relationship is expected to be effective over the entire lifetime of the relationship. Effectiveness is tested by applying a forward-looking (prospective) assessment and a retrospective evaluation. Ineffectiveness is recognised in profit or loss.

Cash flow hedges

The aim of cash flow hedges is to protect the Group from variations in future cash flows attributable to recognised assets and liabilities due to changed market factors. Interest and cross-currency interest rate swaps that are hedging instruments in cash flow hedging are measured at fair value. The change in value is recognised in other comprehensive income and accumulated in equity to the extent that the change in the value of the swap is effective and corresponds to future cash flows attributable to the hedged item. Changes in value recognised in equity impact profit or loss at the same time as the hedged item impacts profit or loss.

Fair value hedges

Fair value hedges entail hedging the risk of changes in fair value of a financial asset or a financial liability. When applying fair value hedges, the hedged item is measured at fair value regarding its hedged risk. The changes in value that arise are recognised in profit or loss and offset by the changes in value arising on the derivative (the hedging instrument).

Länsförsäkringar Bank applies the fair value hedge method to specific portfolios of funding, deposits and loans bearing fixed interest rates. Länsförsäkringar Bank also applies the fair value hedge method to assets in the liquidity portfolio that are classified in the measurement category of fair value through other comprehensive income. The change in the value of the derivative is recognised in profit or loss together with the change in the value of the hedged item in Investment income, net. Unrealised changes in the value of hedging instruments are also recognised in the item Investment income, net. Interest coupons, both unrealised and realised, are recognised as interest income if the hedged item is an asset or portfolio of assets, or as interest expense if the hedged item is a liability or portfolio of liabilities.

Expected credit losses

Reserves for expected credit losses ("loss allowance") are recognised for financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income, issued financial guarantees and loan commitments. The initial loss allowance is calculated and recognised on initial recognition and is subsequently continuously adjusted over the lifetime of the financial asset. Initial recognition is defined in the Group as the time of origination of the financial instrument, meaning when the original loan terms were set. In the calculation of loss allowance under IFRS 9, the Group takes into consideration several different future scenarios, including macro factors.

Model and definitions

The expected loss impairment model is based on dividing the financial assets into three different stages.

- **Stage 1** comprises assets for which the credit risk has not increased significantly since initial recognition.
- **Stage 2** comprises assets for which the credit risk has increased significantly since initial recognition, but the asset is not credit-impaired. The Group's method for assessing whether there has been a significant increase in credit risk for loans to the public, and issued financial guarantees and loan commitments, is to compare probability of default (PD) on the reporting date in question with PD from the initial reporting date. In addition, a credit risk is deemed to have increased significantly for assets that are more than 30 days past due.

The Group's method for assessing whether there has been a significant increase in credit risk for loans to credit institutions, and debt instruments measured at fair value through other comprehensive income, is to compare PD based on an external rating on the reporting date in question with PD based on an external rating on the initial reporting date.

When there is no longer any significant increase in credit risk since the initial reporting date, the financial asset is transferred back to stage 1.

- **Stage 3** comprises credit-impaired assets or assets that were credit-impaired on initial recognition. The definition of credit-impaired is consistent with the Group's regulatory definition of default. A counterparty is consid-

ered to be in default if a payment is more than 60 days past due. A counterparty is also considered to be in default if there are other reasons to expect that the counterparty cannot meet its undertakings. Assets that were credit-impaired on the initial reporting date are recognised in stage 3 for their entire term without being transferred to stage 1 or stage 2.

Estimating and recognising the loss allowance for stage 1 corresponds to the 12-month expected credit losses. For stages 2 and 3, estimating and recognising the loss allowance corresponds to the full lifetime expected credit losses.

The estimates of expected credit losses for loans to the public, and issued financial guarantees and loan commitments, are based on existing internal ratings-based models and take into account forward-looking information. The loss allowance is achieved by estimating the expected credit loss for the assets' contractual cash flows. The present value of the expected credit loss is calculated for every date in each cash flow by multiplying the remaining exposure with the probability of default (PD) and the loss given default (LGD). For stage 1, the loss allowance is estimated as the present value of the 12-month ECL, while the credit loss for stages 2 and 3 is estimated as the present value of the full lifetime expected credit losses. All estimates of the loss allowance including estimates of exposure, PD and LGD take into account forward-looking information and are based on a weighting of at least three different possible macroeconomic scenarios. A number of statistical macro models have been developed to determine how each macroeconomic scenario will affect the expected future exposure, PD and LGD. The regional insurance companies' share of the allowance for expected credit losses is not taken into account when determining LGD. The regional insurance companies' share is first considered after determining the total loss allowance for Länsförsäkringar Bank and Länsförsäkringar Hypotek. The estimates of expected credit losses for cash and cash equivalents, and debt instruments measured at fair value through other comprehensive income, start from PD based on the external rating and LGD based on the regulatory amounts under the capital adequacy rules, Regulation (EU) No 575/2013 (CRR). This is because these items are not encompassed by existing, internal ratings-based models.

For accounts receivable, the Group uses the simplified method, which entails that a loss allowance is always measured at an amount corresponding to the full lifetime of the expected credit losses.

Recognition of expected credit losses

Only the Bank Group's share of expected and confirmed credit losses are recognised. The regional insurance companies' share of expected and confirmed credit losses is settled against a buffer of accrued commission. A condition for the regional insurance companies to receive full payment of the distribution remuneration is that the loans generated by each company for the Bank Group (excluding Wasa Kredit AB) are of high quality. If this is not the case, up to 80% of any credit losses is off-set against the accrued commission. This settlement account is kept separate and is taken into consideration when the provisions are established.

The reserve for financial assets measured at amortised cost is recognised as a reduction of the recognised gross carrying amount of the asset.

For financial guarantees and loan commitments, the reserve is recognised as a provision.

The reserve for debt instruments measured at fair value through other comprehensive income is recognised as the fair value reserve in equity and does not impact the carrying amount of the asset. Derecognition reduces the recognised gross amount of the financial asset.

Loss allowance and derecognition of confirmed credit losses are presented in profit or loss as credit losses.

Confirmed losses

Confirmed credit losses are those losses whose amount is finally established through acceptance of a composition proposal, through other claim remissions or through bankruptcy and after all of the collateral has been realised and where the assessment is that the possibility of receiving additional payments is very small. The receivable is then derecognised from the statement of financial position and recognised as a confirmed loss in profit or loss on this date.

Modified loans

Modified loans are defined as loans for which the contractual terms have been changed and the change in terms impacts the time and/or the amount of the contractual cash flows of the receivable. Modified loans are derecognised from the statement of financial position if the terms of an existing contract

have materially changed. A new loan with the new contractual terms is then recognised in the statement of financial position. Gains or losses arising on a modification are calculated as the difference between the present value of the outstanding cash flows calculated under the changed terms and discounted by the original effective interest rate and the discounted present value of the outstanding original cash flows. The corresponding principles are applied to the recognition of modifications of the Group's financial liabilities.

Leases

Reporting as lessee

The Group recognises all leases (with certain exemptions) in the statement of financial position as follows: the obligation to make future fixed lease payments as a lease liability, and the right to use an underlying asset as a right-of-use asset. When a contract is signed, the Group assesses whether it includes a lease. A contract is, or contains, a lease if it conveys the right for the Group to control the use of an identified asset for a period of time in exchange for consideration. The Group has decided to only identify the lease components in the Group's leases and does not include non-lease components in its calculation of the lease liability.

Measurement of lease liabilities

Lease liabilities are recognised as the present value of the remaining lease payments in the statement of financial position. When recognised in the accounts, lease payments are divided between repayment of the lease liability and interest expense. The lease liability includes the following lease payments:

- fixed payments (including in-substance fixed payments)
- variable lease payments that depend on an index or rate, initially measured using the index or rates on the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and lease payments that will be paid for extension options that it is reasonably certain will be exercised are also included in the measurement of the liability.

The lease liability is remeasured when there is a change in future lease payments from a change in an index or a rate, amounts expected to be payable under expected residual-value guarantees, or if the Group changes its assessment of whether it will exercise an option to purchase the underlying asset or to extend or terminate the lease in advance. The Group is exposed to any future increases in the variable lease payments that depend on an index or a rate that are not included in the lease liability until they come into effect. When adjustments of lease payments that depend on an index or a rate come into effect, the lease liability is remeasured and adjusted against the right-of-use asset.

To calculate the lease liability, lease payments are discounted by the interest rate implicit in the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the lessee's incremental borrowing rate is to be used, which is the rate that an individual lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain the right-of-use asset in a similar economic environment.

Measurement of right-of-use assets

The right-of-use asset is measured at cost and recognised at an amount corresponding to what the lease liability was originally measured at after adjustments for prepaid lease payments and initial direct costs, and costs for restoring the asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis in subsequent periods over the shorter of the useful life and the term from the commencement date. If it is reasonably certain that the Group will exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Application of exemption rules

The Group has decided not to recognise leases in the statement of financial position for which the underlying asset has a low value or has a lease term (including periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option) of 12 months or less. The Group recognises lease payments for leases subject to exemption rules as a lease expense straight-line over the term.

Reclassification of leases

The Group recognises its leases in the statement of financial position as an underlying asset that would have been presented if they had been owned, either as tangible assets or as owner-occupied property.

Recognition of sale and leaseback transactions

When the Group assumes an asset from another company and then leases the asset back from the purchaser/lessor, the Group as seller/lessee recognises the transfer agreement and the lease as a sale and leaseback transaction. The sale of the asset is recognised when the performance obligations in the transfer agreement has been satisfied. If the transfer of an asset meets the requirements for recognition as a sale, the asset is recognised at the portion of the previous carrying amount retained by the Group as the seller/lessee. As seller/lessee, the Group thus only recognises a gain or loss attributable to the rights transferred to the purchaser/lessor.

Reporting as lessor

The lessor classifies leases in the consolidated financial statements as either finance or operating leases. A finance leases exist if the financial risks and rewards of ownership have substantially been transferred to the lessee. All other leases are operating leases.

The Bank Group's assets that are leased under finance leases are recognised as loans to the public since the risks associated with ownership are transferred to the lessee. Initially, an amount corresponding to the present value of all minimum lease payments to be paid by the lessee is recognised and any guaranteed residual value accrues to the lessor. Payments received from these leases are recognised in part as repayment of lease receivables and in part as interest income.

Issued equity instruments

Instruments in which the Group does not have a contractual obligation to make payment are recognised as equity instruments. Payment to holders of these instruments is recognised in equity. Accordingly, issued shares and Tier 1 instruments are recognised as equity instruments in the statement of financial position.

Share-based incentive programme

Share-based payment refers to remuneration of Agria Vet Guide AB employees according to the employee share option programme that the company allotted in March 2019. Staff costs are recognised for the value of services rendered, allocated over the programme's vesting periods, calculated as the fair value of the allotted equity instruments on the allotment date. The programme is settled using equity instruments and classified as equity-settled, and an amount equivalent to the recognised staff cost is recognised directly in equity.

The fair value of the allotted options are calculated by considering the market conditions and other conditions that are not vesting conditions and the prevailing conditions on the allotment date. The measured cost reflects the estimated fair value of the number of options expected to be vested, based on service and performance conditions that are not market conditions. This cost is adjusted in subsequent periods to ultimately reflect the actual number of options vested. However, it is not adjusted when forfeiture depends only on market conditions and/or unmet conditions (that are not vesting conditions).

The share option programme encompasses 6,236 options vested over 36 or 60 months. Each option grants the holder one share in Agria Vet Guide AB. The options are vested on the condition that the programme participant is an Agria Vårdguide AB employee on the exercise date.

When the options are exercised, social security contributions are paid on the value of the employee's benefits. An accrued cost and provision is recognised over the vesting period for the social security contributions. The provision for social security contributions is based on the number of options and their fair value on each reporting date.

Insurance contracts

Insurance contracts are contracts in which the insurance company undertakes a significant insurance risk for the policyholder by agreeing to compensate the policyholder if a predetermined, insured event were to occur. Insurance contracts are divided into insurance contracts or non-insurance contracts according to insurance risk. Insurance products without significant insurance risk are to be classified as non-insurance contracts. A review of all

contracts in the insurance companies was performed focusing on the insurance risk in these contracts and the financial impact of an insurance event on the financial statements. The financial impact must be significant to be considered an insurance contract. The Group's non-life insurance companies have classified all insurance contracts as with contracts containing insurance risk. Some insurance contracts of minor financial impact were identified for which the risk is not transferred to another party. Since these are of marginal value, all contracts have been classified according to the concept of materiality as insurance contracts.

The unit-linked insurance operations have insurance contracts with significant insurance risk and contracts with limited insurance risk. The insurance component of the financial agreements and pure risk insurance are classified as insurance contracts.

Financial agreements

Insurance contracts that contain limited insurance risk are classified as financial agreements in Länsförsäkringar Fondliv Försäkrings AB. In the reporting, these contracts are divided into a financial component and an insurance component. This method is known as unbundling. To provide more relevant information, the financial component and the insurance component are recognised separately for all contracts, both those classified as insurance contracts and those classified as financial agreements.

Premiums for the financial component are recognised as a deposit in the insurance operations through the statement of financial position. Correspondingly, payments of claims payments for insurance contracts with limited risk are recognised as withdrawals from the insurance operations in the statement of financial position. The fees paid by customers are recognised as income and the costs for insurance risk are recognised as expenses. The various types of fees charged to customers for the management of financial agreements are recognised as income in line with providing the management services to the policyholders. The provision of services is evenly distributed over the term of the contracts.

Reinsurance

Contracts signed between the Group's insurance companies and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. Assumed reinsurance is classified in the same manner when the company assumes risks from other companies' insurance contracts.

For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the reinsurers' portion of technical provisions and deposits with companies that have ceded reinsurance. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Liabilities in reinsurance primarily comprise settlements against regional insurance companies and premiums to be paid for reinsurance contracts.

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

Technical provisions

Technical provisions consist of Unearned premiums, Unexpired risks, Life-assurance reserves and Claims outstanding.

Changes in technical provisions for the period are recognised in profit or loss. Changes attributable to the translation of the provisions to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses in Investment income, net. The insurance companies in the Group perform a liability adequacy test of their technical provisions to ensure that the carrying amount of the provisions is sufficiently high in regard to expected future cash flows.

Unearned premiums

Provision for unearned premiums is intended to cover the expected claims and operating expenses during the remaining term of insurance contracts. The calculation includes an estimate of the expected costs for claims that may occur during the remaining term of the insurance policies and the administration costs during the period.

Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation.

The cost estimate is based on experience, but consideration is also given to both the observed and forecast trend in relevant costs.

Unexpired risks

Unexpired risks refers to the risk that the payment requirements of the insurance contracts and the costs will not be covered by unearned premiums and expected premiums after the end of the fiscal year. If the premium level of insurance contracts already entered into is deemed to be insufficient, a provision is made for unexpired risks.

Claims outstanding

The provision for claims outstanding in the unit-linked insurance operations comprises provision for annuities and disability annuities, established claims and non-established claims. The provision for annuities and disability annuities corresponds to the discounted capital value of commitments in accordance with the insurance contract. The provision for established claims corresponds to the discounted, expected capital value of future expenses due to the incurred health claim. This includes reported and approved claims that have not yet been paid, future operating expenses as well as the fixed-income operations. The discount rate is determined based on current market interest rates in accordance with satisfactory practice.

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. For disability annuities at fixed amounts, the nominal interest-rate assumption was determined based on the yield curve used for the life-assurance reserves. Similarly, a real yield curve was applied to index-linked disability annuities.

In the non-life insurance operations, these provisions should cover anticipated costs for claims for which final settlement has not been completed, including claims that have occurred but have not yet been reported to the company. The provision includes anticipated future cost increases plus all expenses for claims adjustment and is based on statistical methods for most claims. An individual assessment is made in the case of major claims and claims involving complex liability conditions. With the exception of annuities, the provision for claims outstanding is not discounted. The provision for annuities is estimated in line with customary life-assurance methods and discounted to market interest rates. The effect of interest-rate revaluations is recognised as a financial expense or income.

For motor third-party liability insurance, provisions are made for claims adjustment costs according to the unit cost principle. Provisions for claims adjustment costs for other insurance classes are made proportionally against the provision for claims incurred.

The provision for claims incurred but not reported (IBNR) encompasses costs for claims that have been incurred but are unknown to the company. The amount is an estimate based on historical experience and claims outcomes.

Changes in claims outstanding for the period are recognised in profit or loss. Changes attributable to the translation of the provisions to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under Investment income, net.

Life-assurance reserve

The life-assurance reserve, pertaining to contracted benefits for guarantee management in the unit-linked insurance operations, corresponds to the anticipated capital value of the company's guaranteed commitments. The life-assurance reserve is calculated per insurance policy in accordance with standard actuarial principles based on assumptions regarding interest rates, mortality, cancellations, expenses and yield tax. The discount rate is based on market rates on the measurement date and any future transaction is measured with consideration for the interest rate that corresponds to the duration of the transaction in relation to the calculation date. Mortality assumptions are based on statistical data representing the target group for which

Länsförsäkringar Fondliv offers insurance solutions. The statistical data is based on Länsförsäkringar's insurance portfolio, but generally available information has been taken into account for comparison with observations in Länsförsäkringar's portfolio. Cancellation assumptions are based on the historical outcome in Länsförsäkringar. Yield tax will be removed from current tax legislation.

Provisions for which the policyholder bears the risk

Financial liabilities in the unit-linked insurance operations whereby the liability has a direct link to the value of a financial asset for which the company does not have any risk in the change in value of the fair value of the asset. Provisions for life assurance for which the policyholder bears the investment risk correspond to the redemption value of the fund units held on the policyholders' behalf.

The unit-linked insurance operations have chosen to identify unit-linked insurance commitments in the measurement category of Financial liabilities measured at fair value through profit or loss. This means that the provision matches the linked assets measured at fair value.

Other provisions

A provision is recognised in the statement of financial position when the Group has an existing legal or informal obligation as a result of a past event and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of when a payment is made is significant, provisions are calculated by discounting the expected future cash flow at a pre-tax interest rate that reflects current market assessments of the time value of money and, where appropriate, the risks related to the liability.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from past events and whose existence is confirmed only by one or more uncertain future events, or when there is a commitment that is not recognised as a liability or provision because it is probable that an outflow of resources will be required, or cannot be measured with sufficient reliability. Contingent liabilities are measured at the amount corresponding to the best estimate of the amount required to settle the commitment on the balance-sheet date. The measurement accounts for the expected future date of settlement.

Loan commitments

A loan commitment can be a unilateral commitment by a company to issue a loan with predetermined terms and conditions in which borrowers can choose whether they want to accept the loan or not, or a loan agreement in which both the company and the borrower are subject to terms and conditions for a loan that begins at a certain point in the future.

Loan commitments are not recognised in the statement of financial position. Issued irrevocable loan commitments are valid for three months and are recognised as a commitment under the note entitled Pledged assets and contingent liabilities.

Financial guarantees

Guarantee agreements issued by the Group mainly comprise leasing and credit guarantees. These entail a commitment to compensate the holder when the holder incurs a loss due to a specific debtor not making due payments to the holder in accordance with applicable contractual terms.

Financial guarantee agreements are initially measured at fair value, which normally means the amount that the company received as compensation for the guarantee issued. In the subsequent measurement, the liability for the financial guarantee is recognised at the higher of the allocated premium, and the amount representing the expected cost of settling the commitment incurred by the guarantee.

Conducting insurance and banking operations involves risk-taking. Knowledge about risks is a core area of expertise in the banking and insurance industries. The ultimate owners of the Länsförsäkringar Alliance are also its customers and, accordingly, efforts to govern, manage and control risks as well as management of the Group's capital are of immediate importance to customers and provide clear customer value.

The Länsförsäkringar AB Group's operations include non-life insurance, life assurance and pension insurance and banking activities. The traditional life-assurance operations are found in a wholly owned subsidiary, Länsförsäkringar Liv Försäkrings AB (referred to below as "Länsförsäkringar Liv"), which is operated according to mutual principles. The company is not consolidated in the consolidated financial statements and thus the company's risks are not included in the description provided in this note. For more information, see Länsförsäkringar Liv's Annual Report.

RISKS AND RISK MANAGEMENT

The Länsförsäkringar AB Group has established a shared risk-management system, defined as the strategies, processes, procedures, internal rules, limits, controls and reporting procedures needed to ensure that the companies in the Group are able to continuously identify, measure, monitor, govern, manage, report and have control over the risks to which the companies are, or could be expected to become, exposed to, and the interdependence of these risks. Based on this Group-wide risk-management system, each subsidiary has prepared more detailed rules for managing company-specific risks. Coordinated risk control within the Group ensures that the risk-management system is consistently implemented in all of the companies in the Group and means that the targets for the operations can be achieved with a higher degree of certainty.

The Länsförsäkringar AB Group's risk strategy is an integrated component of operational governance that, given the business strategy, aims to control risk-taking. The overall risk strategy is that the operations are to be conducted following a conscious risk-taking approach. The Länsförsäkringar AB Group's mission is to conduct profitable business in non-life insurance, life assurance, unit-linked insurance and banking, which means that insurance risk, credit risk and market risk are consciously assumed as part of carrying out the business strategy. Liquidity risk is limited by robust handling of liquidity flows in the operations. The counterparty risks that arise from conducting the business activities are kept at a low level by selecting counterparties with high credit ratings. Concentration risks are kept at a low level by limiting exposure to individual counterparties, types of investment, etc. and by the Group conducting well-diversified operations encompassing non-life insurance, life assurance, health insurance and banking. Climate risks are limited by taking proactive measures regarding the climate impact of the company's own operations and climate risks in the management of the Group's investment assets. Operational risks are managed such that the customer confidence and that of other stakeholders in Länsförsäkringar AB and its subsidiaries remains high. The estimated risk level and the organisation's expertise in managing specific risks are taken into consideration in decisions on, for example, the products that the company offers, the customer groups to which sales are directed, the instruments that the company's assets are invested in and how the operations are otherwise conducted.

Prospective analyses in the form of own risk and solvency assessments, recovery plans and internal capital and internal liquidity adequacy assessment processes are performed every year. Ongoing activities include handling known risks and identifying new risks. Internal models are used in the first instance to quantitatively measure risks. Länsförsäkringar AB has developed a partial internal model to measure risk and has received approval from the Swedish Financial Supervisory Authority to use the model to calculate capital requirements under the Swedish Insurance Business Act for Länsförsäkringar AB and its insurance subsidiaries. The internal model measures risk as Value at Risk at a 99.5% confidence level over a 1-year time horizon, based on historical simulation. The model is used to manage and calculate capital requirements for all risks corresponding to the standard formula in Chapter 8 of the Insurance Business Act, of which market risk excluding concentration risk, premium risk, reserve risk and, to a certain extent, catastrophe risk are modelled internally. Risks not encompassed by the model, such as business risk and liquidity risk, are monitored following internally established policies. Länsförsäkringar Bank has developed an internal ratings-based model for measuring credit risk and has received approval from

the Financial Supervisory Authority to use the model to calculate capital requirements in accordance with the Swedish Special Supervision of Credit Institutions and Investment Firms Act.

The regulatory capital requirements are also supplemented with other risk measures and stress tests. Some risk types, such as operational risk and business risk, are mainly assessed on a qualitative basis. Qualitative risk measurement makes use of an overall assessment of the risk's potential consequences for the operations and the probability or frequency of the risk occurring. The management and monitoring of individual risks in the operating activities takes place within the frameworks established by the Board in governance documents and are broken down into more detailed regulations regarding authorisation to take risks and obligations to monitor risk. Control activities are performed regularly and incidents are continuously reported and monitored.

A complete report of all risks in the company's operations is submitted every quarter to, where appropriate, the Risk and Capital Committee, Audit Committee and Board.

Risk-management organisation

The risk-management system is a integrated part of the Länsförsäkringar AB Group's organisational structure and decision-making processes. In addition to risk management in the operations, it also encompasses the independent risk-management function.

The Board is ultimately responsible for ensuring that an effective risk-management system is in place and adopting frameworks for the Länsförsäkringar AB Group's risk-management system in the Group's risk policy. The risk policy defines the risks to which the Group's operations are exposed and how these risks are identified, measured, monitored, governed, managed and reported. The Board expresses its risk appetite in the risk policy by stating the risk levels and focus that can be accepted to achieve strategic targets. The Board also states in the risk policy the strategies that are to be applied for significant types of risk. Furthermore, the Board adopts an annual permissible level of capitalisation following recommendations from the Chief Risk Officer Group (CRO Group).

The President is responsible for incorporating the governance documents adopted by the Board into the operations. The CRO Group is responsible for the design of the risk-management system and coordination within the Länsförsäkringar AB Group, while each manager in the Länsförsäkringar AB Group is responsible for the risks in their own operations. All employees also have an individual responsibility for working towards a healthy risk culture by complying with internal rules on the Group's risk-management system.

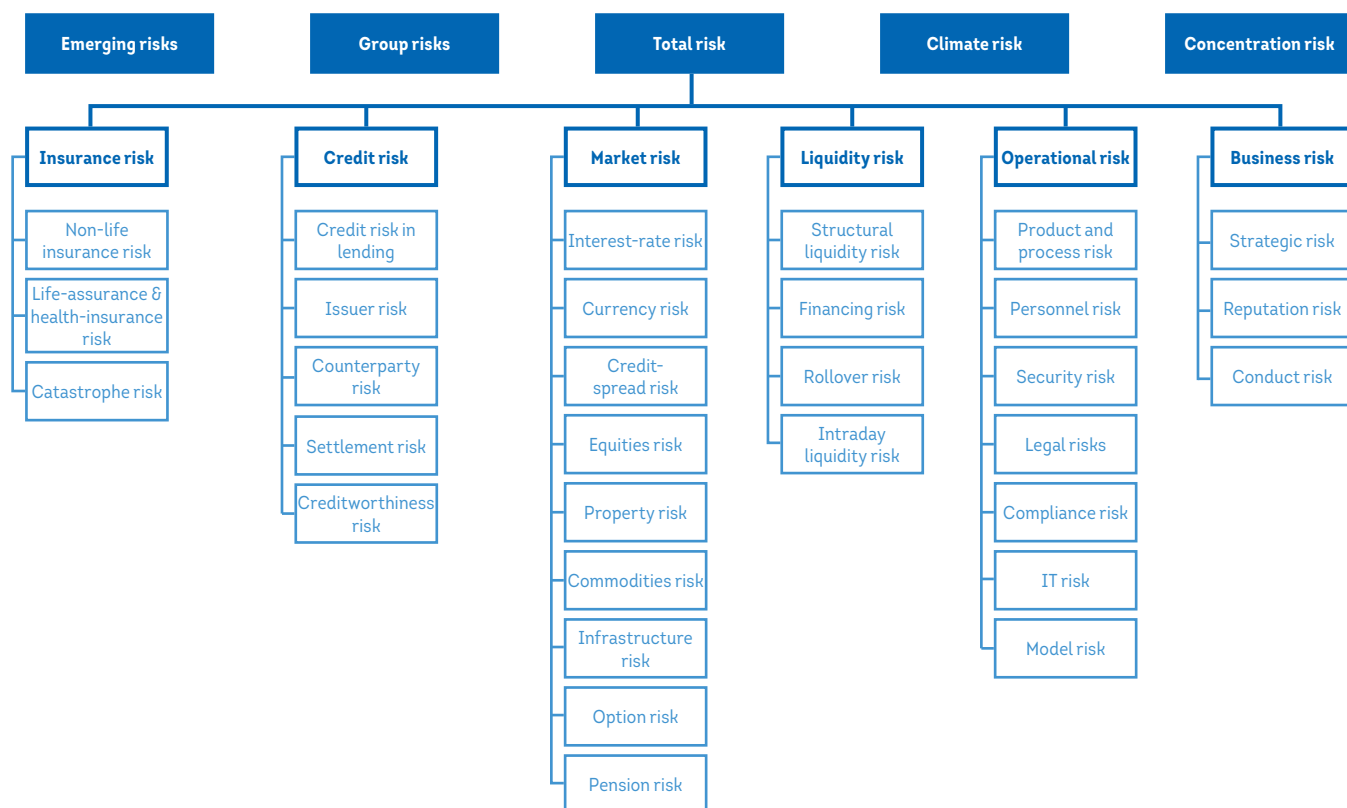
The risk management function has the operational responsibility for the independent risk control, which includes identifying, measuring, monitoring and reporting risks in the company's and the Group's operations. The function controls the risk management in the operations to ensure that they are conducted with satisfactory risk management and risk control, and reports the results of its controls directly to the President and, where appropriate, the Risk and Capital Committee, Audit Committee and the Board. This function is affiliated to Länsförsäkringar AB in the organisation and is independent from the operations that are controlled. The CRO Group reports directly to the President. Länsförsäkringar Bank has a separate Risk Management function, where the head of the function, CRO Bank, reports to the President.

The Actuarial function helps ensure the efficient operation of the risk-management system, for example, by ensuring that data for calculating capital requirements for insurance risks correctly reflects the operations. The Compliance function identifies and reports on risks that may arise as a result of non-compliance with regulations.

Risk profile

Länsförsäkringar AB's risk profile is dominated by the banking operations' credit risk from lending and the market risk in the unit-linked insurance operations. The unit-linked insurance operations also bring a certain level of life-assurance risk, while the non-life insurance risk deriving from the non-life insurance operations is moderate after applying reinsurance. Operational risk is inherent in all type of operations and specific group risks are also found in the Group's risk profile since Länsförsäkringar AB comprises a group that also includes both banking and insurance operations. Climate risk is a relatively new type of risk that has been added to the risk profile and the emergence of new types of risk, emerging risks, is continuously monitored.

Figure 1. Classification of risk in the Länsförsäkringar AB Group including Länsförsäkringar Liv



The following factors characterise the Länsförsäkringar AB Group's current risk-taking:

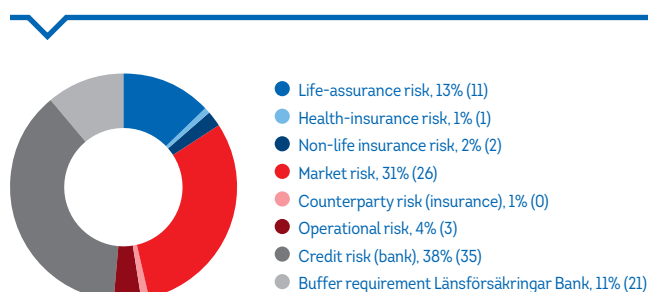
- The operations are conducted in Sweden, except for Agria, which has pet insurance business in the Nordic countries, UK and France. All 23 regional insurance companies broker the Group's products, which thereby creates a geographic distribution throughout Sweden. The operations primarily focus on private individuals and small and medium-sized businesses, directly or mediated by the regional insurance companies, and have few major commitments entailing risk with large companies.
- In the unit-linked insurance operations, the policyholders primarily bear the market risks, but since the trend in insurance capital is governed by the company's earnings, the company is also exposed to market risk. The risks inherent in the investment assets managed by the Group's companies for own account are kept at a low level.
- Loans in the banking operations primarily pertain to households and to a smaller extent to agriculture and businesses. Low loan-to-value ratios, combined with a well-diversified geographic spread and local presence, are the core pillars in ensuring that the loan portfolio maintains high credit quality. The regional insurance companies cover 80% of the provision requirement in the Bank Group (excluding Wasa Kredit) on the date when an impairment is identified, by means of an off-set against accrued distribution remuneration. For more information, refer to note 15, Credit losses.
- If unit-linked life assurance customers buy back or transfer their insurance policies to other companies, the long-term profitability of the unit-linked life assurance operations will be negatively affected.
- The non-life insurance operations are well-diversified, including pet insurance, health care, accident and health insurance, some commercial insurance and international reinsurance. The risks taken in non-life insurance are reinsured and extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance.
- Operational risk comprises a central part of the Group's risk profile. The day-to-day operations include a variety of process risks and the subsidiaries' products and services may be associated with different types of product risks. Security risks, for example, external crime and internal fraud cannot be completely avoided and as digitisation increases greater focus has been directed to cyber risks and IT risks. Compliance risks are continuously

in focus, particularly risks associated with money laundering and terror financing, which are the areas actively worked on by the banking operations and in part by the life-assurance operations.

- Climate risk represents a financial risk in the form of potential impact on the insurance business, lending and investments for the Länsförsäkringar AB Group. Länsförsäkringar AB works on climate risk based on both the impact of the operations on the climate and the climate's impact on the operations.

The risk profile for the Länsförsäkringar AB Group excluding Länsförsäkringar Liv, measured as a capital requirement in accordance with the Insurance Business Act and the Swedish Special Supervision of Financial Conglomerates Act are presented in figure 2. The capital requirement is calculated using the internal model:

Figure 2. Länsförsäkringar AB Group regulatory capital requirements per risk type including diversification on 31 December 2020. (Figures in parentheses pertain to 2019.)



Länsförsäkringar AB applies a joint risk division and definitions of risks to which the operations are exposed. An outline is provided in figure 1.

The following section describes the Länsförsäkringar AB Group's total risks and how they are controlled and managed. Information is provided on the size of the exposure for specific risks. The disclosures in this note refer to the Länsförsäkringar AB Group. The Parent Company has a separate note on risk and risk management found under the Parent Company's financial statements.

Insurance risk

Insurance risk (underwriting risk) refers to the risk of losses arising due to a negative deviation in technical provisions or the valuation of the insurance commitment. The Länsförsäkringar AB Group's insurance risk includes non-life insurance risk, life-assurance and health-insurance risks that arise in insurance subsidiaries.

- Non-life insurance risk refers to the risk of losses arising due to claims costs being higher than expected.
- Life-assurance risk and health-insurance risk refer to the risk of losses in connection with the insurance of a specific person's life and health.
- Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Risk exposure

The Group's non-life insurance risk arises in the Länsförsäkringar Sak Group. Premium risk is the largest risk in non-life insurance risk, followed by reserve risk. Catastrophe risk comprises minor exposure since the low retention of the reinsurance cover limits catastrophe exposure.

The exposure to life-assurance risks primarily derives from the operations in Länsförsäkringar Fondliv and to a lesser extent from group life assurance in Länsförsäkringar Gruppliv and annuities in Länsförsäkringar Sak. Länsförsäkringar Fondliv's product range has two different management forms: fund management that entails that customers decide the investment orientation and risk level themselves; and guarantee management which is traditional management whereby the company is responsible for the investment orientation and a portion of the customer's savings are guaranteed. Unit-linked insurance operations comprise 96% of total managed assets.

The dominating life-assurance risk derives from the unit-linked insurance operations and the risk of customers choosing to transfer their insurance capital. The ongoing legislative process on the conditions for transfers of insurance policies could result in a higher level of transfers in the unit-linked insurance market and thus have a material impact on the capital requirement for this life-assurance risk. Increased mobility in the labour market could entail an increase in the number of occupational pensions with paid-up policies, where premium payments cease.

The Länsförsäkringar AB Group's exposure to health-insurance risk derives from health care insurance and group health and group accident insurance in Länsförsäkringar Sak, and from health and premium exemption and accident and financial disability insurance in Länsförsäkringar Fondliv.

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

Risk concentrations

The Länsförsäkringar AB Group conducts diversified operations in non-life, life assurance and health insurance. The market for Länsförsäkringar AB's insurance subsidiaries is primarily Sweden, but Agria has branches and conducts sales in the Nordic region, France and UK.

The Länsförsäkringar Sak Group conducts well-diversified business, including pet insurance, health care, accident and health insurance, some commercial insurance and international reinsurance. The business is divided into 25 reporting classes that make the operations highly diverse with few or minor elements of risk concentration inherent in non-life insurance risk. The subsidiary Agria's business comprises insurance for pets (dogs, cats and other pets), horses, farm animals and crop insurance. Operations are conducted in Sweden, Denmark, Finland, Norway, France and the UK. Operations in the Länsförsäkringar Gruppliv subsidiary are concentrated to purely death benefit insurance that, with well-differentiated groups of policyholders, represents all of society. Länsförsäkringar Sak's main risk concentration in insurance risk comprises assumed reinsurance from individual regional insurance companies. Länsförsäkringar Sak assumes reinsurance from these individual companies in a number of pools and subsequently immediately retrocedes the risk back to the regional insurance companies. Examples of claims that are reinsured through pool arrangements are property damage, accidents and motor insurance.

Länsförsäkringar Fondliv conducts unit-linked insurance operations and offers various forms of pension savings and risk insurance that can be taken out together with savings insurance. Länsförsäkringar Fondliv primarily targets private individuals and small and medium-sized businesses. A geographic distribution throughout Sweden is created since all 23 regional insurance companies broker the company's products. As a result, Länsförsäkringar Fondliv's individual concentrations of life-assurance and health-insurance risk are considered to be limited.

Risk management and risk-reduction techniques

Reinsurance agreements with both internal reinsurers within the Länsförsäkringar Alliance and external reinsurers are used to cover the companies in the event of insurance claims. Länsförsäkringar AB's subsidiary Länsförsäkringar Sak manages the Länsförsäkringar Alliance's joint reinsurance cover and internal Alliance reinsurance via a number of pool solutions. The system ensures a stable solution at low cost by distributing risk within the Länsförsäkringar Alliance and procuring external cover for large claims. Reinsurance cover as regards retention and level of protection is adapted based on each subsidiary's reinsurance needs. The Länsförsäkringar Alliance has shared catastrophe reinsurance cover for accident and life assurance. Länsförsäkringar Sak has reinsurance for risk and disaster claims. Agria's reinsurance cover comprises an important tool in providing protection from large individual claim incidents and high total claims costs in the more volatile businesses in the company. Morbidity and mortality risks in Länsförsäkringar Fondliv are reinsured. The efficiency of reinsurance cover is monitored by the Actuarial function and reported to the Board every year. Other factors that affect risks are the product composition including diversification, structure of insurance terms and conditions, underwriting limits, risk selection rules and risk inspections.

Risk sensitivity

Table 1 shows the sensitivity in the Länsförsäkringar AB Group's profit before tax and equity to a number of actuarial assumptions. Table 2 shows the Länsförsäkringar Sak Group's estimated claims costs before reinsurance per claim year and table 3 shows the Länsförsäkringar Sak Group's estimated claims costs after ceded reinsurance.

Table 1. Sensitivity analysis, insurance risk

SEK M		31 Dec 2020		31 Dec 2019	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Länsförsäkringar Fondliv	10% increase in operating expenses	-65	-65	-58	-58
Länsförsäkringar Fondliv	10% lower mortality per year	-5	-5	-6	-6
Länsförsäkringar Fondliv	10% momentary external transfer	-270	-270	-158	-158
Länsförsäkringar Fondliv	10% increase in morbidity	-58	-58	-56	-56
Länsförsäkringar Fondliv	10% lower income	-186	-186	-184	-184
Länsförsäkringar Sak Group	10% lower premium level	-683	-537	-607	-477
Länsförsäkringar Sak Group	10% increased claims frequency/average claim	-498	-391	-438	-344
Länsförsäkringar Sak Group	1% higher annual claims inflation	-165	-130	-153	-120
Länsförsäkringar Sak Group	10% higher mortality per year	-13	-10	-11	-9

Table 2. Estimated claims costs before reinsurance for the Länsförsäkringar Sak Group, per claim year

SEK M	2013	2014	2015	2016	2017	2018	2019	2020	Total
At end of claim year	3,683	4,198	3,765	3,809	4,031	4,722	5,032	6,366	
One year later	3,629	4,097	3,599	3,567	3,939	4,408	4,939		
Two years later	3,666	4,015	3,564	3,471	3,834	4,362	-		
Three years later	3,605	3,947	3,575	3,404	3,795	-	-		
Four years later	3,532	3,964	3,528	3,388	-	-	-		
Five years later	3,526	3,735	3,522	-	-	-	-		
Six years later	3,502	3,684	-	-	-	-	-		
Estimated claims costs	3,477	3,684	3,522	3,388	3,795	4,362	4,939	6,366	
Accumulated claims payments	3,147	3,123	3,110	2,933	3,305	3,799	4,172	3,609	
Provision for claims payments	330	561	412	456	490	563	767	2,757	6,336
Provision for claims payments, older year classes	-	-	-	-	-	-	-	-	4,453
Provision for claims payments for assumed reinsurance, gross	-	-	-	-	-	-	-	-	1,064
Total provision for claims payments, gross	-	-	-	-	-	-	-	-	11,853
Annuity reserve, gross	-	-	-	-	-	-	-	-	1,518
Claims adjustment reserve, gross	-	-	-	-	-	-	-	-	231
Provision for claims outstanding, gross	-	-	-	-	-	-	-	-	13,602

Table 3. Estimated claims costs after ceded reinsurance for the Länsförsäkringar Sak Group, per claim year

SEK M	2013	2014	2015	2016	2017	2018	2019	2020	Total
At end of claim year	2,424	2,590	2,790	3,041	3,187	3,513	3,740	4,214	
One year later	2,287	2,418	2,620	2,779	3,131	3,392	3,662		
Two years later	2,318	2,520	2,585	2,785	3,110	3,358	-		
Three years later	2,330	2,437	2,605	2,757	3,095	-	-		
Four years later	2,287	2,441	2,606	2,746	-	-	-		
Five years later	2,285	2,436	2,806	-	-	-	-		
Six years later	2,284	2,414	-	-	-	-	-		
Estimated claims costs	2,266	2,414	2,806	2,746	3,095	3,358	3,662	4,214	
Accumulated claims payments	2,224	2,344	2,535	2,656	2,987	3,206	3,389	3,336	
Provision for claims payments	41	70	69	90	107	152	273	878	1,680
Provision for claims payments, older year classes	-	-	-	-	-	-	-	-	587
Provision for claims payments for assumed reinsurance, gross	-	-	-	-	-	-	-	-	790
Total provision for claims payments after ceded reinsurance	-	-	-	-	-	-	-	-	3,057
Annuity reserve	-	-	-	-	-	-	-	-	248
Claims adjustment reserve	-	-	-	-	-	-	-	-	231
Provision for claims outstanding after ceded reinsurance	-	-	-	-	-	-	-	-	3,536

For a more detailed description of premium and reserve risk, mortality risk, longevity risk, disability and morbidity risk, expenses risk, cancellation risk and catastrophe risk, refer to the annual reports of the subsidiaries.

Market risk

Market risk pertains to the risk of loss arising that is directly or indirectly caused by changes in the level or volatility in the market price of assets, liabilities and financial instruments, including losses caused by shortcomings in the matching between assets and liabilities.

Risk exposure

Market risk arises in the Länsförsäkringar AB Group due to investment decisions made concerning management of the insurance companies' and the Parent Company's investment assets. Market risk also arises in the Länsförsäkringar Bank Group's operations to a certain extent in the form of differences in fixed-interest periods between assets and liabilities, although such market risks comprise a small portion of the Länsförsäkringar AB Group's total market risks.

Market risks in the Länsförsäkringar AB Group's investment assets for own account are moderately high and derive from Länsförsäkringar Sak's and the Parent Company's investments in mainly bonds and equities funds. Länsförsäkringar Fondliv is also exposed to market risk form the fund units that the company holds to facilitate customer fund trading in the trading book, and there is also a sensitivity to market risk since earnings in the unit-linked insurance operations and in Länsförsäkringar Fondförvaltning's operations are sensitive to trends in fund values that are largely affected by the perfor-

mance of equity indexes. Market risk is also inherent in insurance liabilities by provisions being discounted by the market interest rate. However, in the following, only the market risk that occurs through direct exposures in the Group's assets and liabilities is quantified. This exposure is recognised in the Consolidated statement of financial position for the Group above, with accompanying notes.

Risk concentrations

The dominating portion of the Group's market risk is found in the insurance subsidiaries' investment assets. Market risks can also be found to a lesser extent in the Parent Company's investment assets and in the Länsförsäkringar Bank Group. The main asset classes in portfolio management are interest-bearing securities, equities, property and alternative investments. Concentration risk in market risk is deemed to be low in relation to other market risks.

However, from time to time, there may be individual investments that may comprise a certain concentration of market risk.

Risk management and risk-reduction techniques

Insurance assets are invested in the best interests of the policyholders and the management of the companies' own assets is conducted in the best interests of the owners, meaning ultimately the interests of the customers of the local regional insurance companies. In turn, this imposes demands on ensuring adequate expertise and following clear, structured and documented processes that take into account prudence, risk diversification and the situation in the financial markets.

Investments are made only in assets that can be fairly valued and whose risks can be identified, measured, managed, monitored and reported. Investment assets that are not traded on a regulated market, that contain a significant element of model valuation or that show a lack of liquidity or transparency are kept at prudent levels. The main asset classes are interest-bearing securities, equities, alternative investments, property and a large portion of the holdings are owned indirectly via funds.

The main risk-reduction technique applied to the management of assets is diversification. The companies' investments are spread over several classes of assets and segment in these classes, leading to exposure to various risk factors that react in different ways to fluctuations in the financial markets. This means that as a whole the portfolio is less sensitive to market fluctuations than its portfolio components.

Insurance contracts in Länsförsäkringar Fondliv's guarantee management form extend over long periods and provisions are thus less sensitive to interest-rate fluctuations. The degree of matching between assets and commitments together with forecasts of the insurance operations' performance are therefore taken into account and assets are invested with respect to the nature and term of the commitments.

The Länsförsäkringar Bank Group has established a limit for the highest permissible interest-rate risk, which is relatively low compared with the normal total interest-rate risk in the entire Group. Firstly, fixed-interest periods are matched and secondly interest-rate derivatives are used.

Use of derivative instruments

Derivative instruments are utilised in the management of investment assets in order to reduce risks or enhance management efficiency. Each new type of derivative instrument undergoes an approval process before it can be used in management. In connection with this, assurances are made that there is understanding of the characteristics of the instruments in the relevant parts of the organisation, that valuations, risk measurement and follow-ups are satisfactory and that risks are adequately identified.

Fixed-income futures and interest-rate swaps are used in management to reduce interest-rate risk. Using these instruments helps to enhance the efficiency of portfolio management by reducing the interest-rate sensitivity without selling the underlying bonds, and thus any coupons and excess returns can be kept. The effect of these derivative strategies is continuously monitored by measuring the interest-rate duration and interest-rate sensitivity of the portfolio.

Management uses equity index forward contracts when it needs to temporarily reduce equities risk. In this way, the portfolio is protected from sharp price drops in the equities market without needing to sell the underlying equities and equities fund holdings, which improves the efficiency of the portfolio management. The effect of this risk-reducing strategy is measured by equities allocation (including derivatives) being reconciled on a daily basis.

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. Currency exposure (total and to individual currencies) is monitored on a daily basis.

Hedge accounting

In the Group, the Länsförsäkringar Bank Group applies hedge accounting. A description of the content of the Bank Group's hedge accounting is provided below. The Bank Group's hedge accounting is presented in tables 19 and 20 at the end of this note.

Risks and hedging instruments

The risks hedged and for which hedge accounting is applied are:

- Interest-rate risk, excluding credit-spread risk
- Currency risk

The hedged items are hedged in their entirety for the above risk components.

The Bank Group's derivatives, which comprise interest and cross-currency interest rate swaps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. Interest-rate swaps are used to swap fixed interest in SEK to variable interest in SEK. Cross-currency interest rate swaps are used to swap foreign currencies to SEK and fixed foreign interest to variable interest in SEK.

Fair value hedges of interest-rate risk

The Bank Group applies the fair value hedge method to specific portfolios of funding, deposits and loans bearing fixed interest rates. The Bank Group also applies the fair value hedge method to assets in the liquidity portfolio that are recognised in the category of Fair value through other comprehensive income. The following terms have been identified as critical in a fair value hedge of interest-rate risk:

- Nominal amount
- Currency
- Maturity date
- Coupon rate of interest

If the terms correspond, an economic relationship is deemed to exist between the hedged item and the hedging instrument, meaning that the hedging instrument and the hedged item have values that normally develop in opposite directions as a result of changes in the benchmark rate risk. Effectiveness is assessed by comparing the change in value of the swap's fixed legs with the change in value of the hedged item.

For hedging relationships to which portfolio hedging is applied, each portfolio and the hedging instruments that hedge the portfolio are divided into time brackets. The volume in the hedged item (the portfolio) and the volume in the hedging instrument are compared in each time bracket.

If the current volume of the hedged item is less than the volume of the hedging instrument, the difference is removed from the hedging relationship. If the current volume of the hedged item exceeds the volume of the hedging instrument, the surplus portion is not included in the hedging relationship and thus is not remeasured. Hedging relationships are reconciled monthly.

For hedging relationships whereby a one-to-one hedge is applied, the volume in the hedged item always corresponds to the volume in the hedging instrument. The hedge ratio (the ratio in a nominal amount between the hedged item and the hedging instrument) is 1:1 and corresponds to the actual risk management.

The derivative counterparties all have a high credit rating (normally AA) and, as long as this does not change, the credit risk is not deemed to dominate the change in the value of the hedging instrument.

Cash flow hedging of currency risk

The Bank Group applies cash flow hedges for hedging currency risk in the Bank Group's debt securities issued in foreign currency. The following terms have been identified as critical in a cash flow hedge of currency risk:

- Nominal amount
- Maturity date
- Benchmark interest rate
- Interest reset date
- The swap swaps the hedged item's currency flows to the Group's functional currency.

If the terms correspond, an economic relationship is expected to exist between the hedged item and the hedging instrument.

The nominal amount of the hypothetical derivative and the hedging instrument are to be the same (a hedge ratio of 1:1). The hedge ratio corresponds to the actual risk management. The derivative counterparties all have a high credit rating (normally AA) and, as long as this does not change, the credit risk is not deemed to dominate the change in the value.

Sources of ineffectiveness

The ineffectiveness arising in a hedging relationship is recognised in profit or loss. Sources of ineffectiveness in the Group's hedging relationships are described below.

- Fair value hedges of interest-rate risk: The variable leg of the swap does not have a counterpart in the hedged item.
- Cash flow hedging of currency risk: Ineffectiveness arises if the terms of the hypothetical derivative deviate from the hedging instrument at the same time as the change in the value of the hedging instrument exceeds the change in the value of the hypothetical derivative.

IBOR and Interest Rate Benchmark Reform

After the financial crisis, global supervisory authorities have focused on interbank offered rates (IBORs) and an international trend is that IBORs are being replaced by or supplemented with alternative risk-free rates (RFRs) to improve the function of the financial market. Currently, there is uncertainty about the timing and exact nature of these changes. The insurance operations

have Euribor, Stibor and USD Libor as reference rates in contracts for interest-bearing securities with viable interest rates and interest-rate derivatives. The banking operations' primary exposure to IBORs currently comprises contracts that refer to Stibor and Euribor. There are also relationships with CHF-Libor, USD Libor, GBP Libor and Nibor. The exposures to international IBORs refer to the banking operations' funding and liquidity reserve and associated derivative hedging contracts.

Länsförsäkringar expects that it may be necessary to review systems and processes in order to manage the changes to contracts including IBORs, including any tax and accounting consequences as well as the impact on the discount rate for measuring technical provisions. On 20 April 2020, administration of Stibor was transferred from the Swedish Bankers' Association's wholly owned subsidiary Financial Benchmark Sweden to Swedish Financial Benchmark Facility (SFBF). SFBF is a newly founded, wholly owned Swedish subsidiary of Global Rate Set Systems (GRSS), which actively administers and calculates reference rates according to the Benchmarks Regulation (BMR). SFBF has taken over the task of adjusting Stibor to the BMR.

In January 2021, the Riksbank started a trial period under which a transaction based alternative reference rate for the shortest maturity was published. The structure of the rate, which was preceded by a consultation round, is similar to international examples of alternative reference rates. The rate may not be used in financial contracts during the trial period.

Risk sensitivity

Table 5. Sensitivity analysis, market risks

SEK M		31 Dec 2020		31 Dec 2019	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Interest-rate risk assets and liabilities net ¹⁾	100 bp higher nominal market interest rates	-74	-84	-90	-82
Credit-spread risk ²⁾	100 bp increased credit spread	-125	-125	-242	-242
Equities risk	10% lower share prices including hedge funds	-506	-523	-448	-463
Property risk	10% lower property prices	-	-	-	-
Currency risk ³⁾	10% strengthening of SEK	-149	-149	-152	-152

¹⁾ Interest-rate risk refers to both cash-flow risk and price risk. Bond holdings are stressed including accrued interest.

²⁾ Credit-spread risk in the Group's insurance companies and Länsförsäkringar AB Parent Company. For credit risk exposure in the Bank Group, refer to table 9.

³⁾ Currency risk is presented including indirect exposure via a look-through approach of funds.

Interest-rate risk

The interest-bearing asset portfolio includes interest-rate risk from covered bonds, government bonds, sustainability-focused bonds, fixed-income funds and derivative instruments. Interest-rate risk is also inherent in insurance liabilities by provisions being discounted. The interest-rate risk presented in table 5 does not include any assumptions regarding the effects of future changes in reference interest rates.

Credit-spread risk

The Group has exposure to credit-spread risk through its holdings in interest-bearing instruments, for example, Swedish mortgage bonds, sustainability-focused bonds of primarily investment grade quality, and public and private loan funds.

Tables 7 and 10 show that vast majority of the Group's interest-bearing holding have an AAA rating.

Equities risk

The Group's primary equities exposure is to Swedish, European and US equities but also Japanese equities and equities in emerging markets. Länsförsäkringar Fondliv's exposure regarding directly owned assets derives from the guarantee management form and fund units in the trading book. Since about 82% of the unit-linked insurance capital is exposed to equities risk, Länsförsäkringar Fondliv is also exposed to equities risk in future earnings.

Property risk

The Group is exposed to property risk mainly through Länsförsäkringar Sak and Länsförsäkringar Fondliv's units in Humlegården Fastigheter AB.

Currency risk

The Group faces currency exposure from insurance liabilities and investment assets as well as from the Länsförsäkringar Bank Group's funding in other currencies. Currency risk is managed using currency and cross-currency interest rate swaps.

Regarding developments internationally, the Group has no significant exposure to any of the rates that will disappear in the near future and more long-term developments are being monitored. It currently appears that Euribor will continue to exist. USD Libor will also continue to be published until 30 June 2023.

The IASB has published amendments to IAS 39 and IFRS 9 due to the accounting consequences that may arise at the time of the changes in contracts with an IBOR. A project is currently being conducted within the Länsförsäkringar AB Group to investigate the effects of the Interest Rate Benchmark Reform.

Table 4. Exposure to IBORs in the Group's hedge accounting on 31 December 2020

SEK M	31 Dec 2020			Total nominal amount	31 Dec 2019 Total nominal amount
	Stibor	Euribor	CHF Libor		
Cash flow hedge					
<i>Currency risk</i>					
Cross-currency interest rate swaps	-	47,134	4,645	51,779	51,843
Fair value hedge					
<i>Interest-rate risk</i>					
Interest-rate swaps	337,095	49,329	4,645	391,069	342,157

Option risk

Option risk refers to the risk of losses arising due to opportunities to change the level and timing of cash flows. Option risk is included as part of other market risks.

Pension risk

Pension risk refers to the risk of losses arising due to fluctuations in the market value of defined-benefit pension plans.

Table 6. Impact on earnings in Länsförsäkringar AB Group on 31 December 2020 of SEK strengthening 10% against foreign currencies.

Currency	Impact on earnings before tax, SEK M ¹⁾	
	2020	2019
AUD	1	0
CHF	-3	-6
CNY	1	1
DKK	-7	-7
EUR	-25	-19
GBP	-30	-20
INR	1	-1
JPY	-4	2
KRW	2	-1
NOK	-4	-4
PLN	1	1
USD	-85	-91
ZAR	1	-1
Other currencies	3	-8
Total	-149	-152

¹⁾ The table presents the earnings impact including indirect exposure via a look-through approach of funds.

Credit risk in the Parent Company and insurance subsidiaries

Credit risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and of any collateral provided not covering the receivable. The Parent Company and insurance subsidiaries are exposed to credit risk from ceded reinsurance, counterparties in financial derivatives and from bank balances and issuers of securities.

Risk exposure

The Parent Company's and insurance subsidiaries' exposure to credit risk primarily arises through holdings of bonds in the investment portfolios that, in the same way as for credit-spread risk, are mainly attributable to holdings in Swedish mortgage bonds, sustainability-focused bonds of primarily investment grade quality and, to a certain extent, global and US investment grade funds as well as public and private loan funds with mainly high yield ratings.

The insurance subsidiaries are also exposed to credit risk from reinsurers. The insurance subsidiaries take out reinsurance to avoid assuming greater individual liability than that stated in the insurance guidelines and reinsurance policy of each subsidiary. Reinsured risks instead become the responsibility of the reinsurers. However, there is the risk that the reinsurer is unable to fulfil its obligations, which in such a case revert to become a liability for the company to meet.

In addition, counterparty risk arises through the use of financial derivatives in the insurance subsidiaries' investment portfolios. Derivatives are purchased to enhance the efficiency of the portfolio management in the investment portfolio and 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. Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and that part of the receivable can thus not be paid.

Länsförsäkringar AB's and the insurance subsidiaries' holdings of bonds and other interest-bearing securities and financial derivatives per credit quality step are presented in table 7.

Table 7. Parent Company's and insurance subsidiaries' interest-bearing securities per credit quality step

Bonds and other interest-bearing securities ¹⁾	31 Dec 2020	31 Dec 2019
AAA - Swedish Government	36	31
AAA - other	8,654	9,058
AA	178	112
A	0	263
BBB	52	432
BB or lower	440	467
No rating available	873	534
Total	10,233	10,896

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

On 31 December, the Parent Company and insurance subsidiaries had joint commitments of SEK 979,908 M in amounts outstanding to invest in investment assets, but otherwise had no pledged assets for bonds, derivatives or repurchase agreements and had not pledged any securities.

Risk management and risk-reduction techniques

The credit risk that arises through counterparties in financial derivatives is primarily reduced by diversifying the counterparties that the company used for trading in financial derivatives, and is managed by applying limits to derivative exposures per counterparty and by signing standardised collateral agreements with all counterparties for OTC derivatives. The size of the permitted exposure depends on the credit rating of the counterparty.

Credit risk from counterparties in ceded reinsurance is limited in the first instance by selecting counterparties with high credit ratings and by applying limits for maximum exposure to each counterparty.

Risk sensitivity

Table 8 presents the exposure of the Parent Company and insurance subsidiaries to credit risk from counterparties in financial derivatives and ceded

reinsurance both excluding and including collateral received. Exposure to credit risk in other receivables is not deemed to be material since the past history of these receivables shows a low incidence of default receivables and no losses have been confirmed. The method for calculating expected credit losses is described in note 1 Accounting policies.

Table 8. Parent Company and insurance subsidiaries' counterparty-related credit risks with respect to collateral received¹⁾

Financial derivatives and cash	Maximum credit risk exposure	31 Dec 2020			31 Dec 2019	
		Collateral			Net exposure	Net exposure
		Cash and cash equivalents	Securities	Other		
AA	26	-	-	-	26	23
A	3,978	78	-	-	3,900	2,568
BBB or lower	129	-	-	-	129	87
Total	4,133	78	-	-	4,056	2,678
Reinsurance						
Regional insurance companies	5,984	-	-	-	5,984	5,593
AA	680	-	-	-	680	374
A	791	-	-	-	791	395
BBB or lower	168	-	-	-	168	91
Total	7,622	-	-	-	7,622	6,453

¹⁾ The table does not include exposure to mortgage funds in which the value of collateral received far exceeds exposure.

Credit risks in the Länsförsäkringar Bank Group

Credit risk is defined as the risk of losses arising due to a counterparty not being able to fulfil its commitments to entities in the consolidated situation and the risk that the counterparty's collateral provided will not cover the company's receivables, leading to a loss. Credit risk in the lending operations pertains only to the Bank Group.

The lending operations of the Bank Group are conducted only with borrowers in Sweden and mainly comprise mortgages, loans to agricultural customers, hire purchase and leasing operations. The vast majority of the Bank Group's loan portfolio comprises loans for residential properties in the form of single-family homes and tenant-owned apartments. First-lien mortgages with loan-to-value ratios up to 75% of the market value at the time the mortgage is granted account for the largest percentage of retail mortgages. Low loan-to-value ratios, combined with a well-diversified geographic spread and local presence, are the core pillars in ensuring that the loan portfolio maintains high credit quality. Various collateral is used to protect the Bank Group's loan receivables, depending on the type of credit. The collateral largely comprises mortgages in residential properties as security for household lending. For companies, the collateral primarily comprises mortgages in agricultural properties, commercial properties, industrial properties, multi-family housing and floating charges. Collateral is taken on the item, mainly vehicles and machinery, that is financed. The Bank Group requires sureties for certain customers and types of credits. Collateral is valued on the lending date and regularly updated over the lifetime of the credit.

The banking operations carry out balanced and consistent lending, with advanced system support. The maximum lending levels for various types of loans and limits for the local regional insurance companies' lending are stipulated in the guidelines of the bank's Board of Directors. The credit regulations and credit process, combined with local customer and market knowledge, create a loan portfolio that maintains high credit quality.

The Bank Group calculates all retail exposures in accordance with the advanced Internal Ratings-based Approach (IRB), which corresponds to predominant proportion of the Bank Group's loan portfolio. This means that a considerable portion of its credit risk exposure is calculated using a method that aims to identify and classify risk for each individual counterparty. The Länsförsäkringar Bank Group's credit risk exposure is shown in table 9.

Table 9. Bank Group's credit risk exposure

Credit risk exposure SEK M	31 Dec 2020	31 Dec 2019
<i>Credit risk exposure for items recognised in the balance sheet</i>		
Cash and balances with central banks	53	9,831
Treasury bills and other eligible bills, etc.	11,796	9,934
Loans to credit institutions	2,557	408
of which collateral in repurchase agreements	1,935	-
Loans to the public	340,788	307,668
of which collateral in properties and tenant-owned apartments	300,883	278,454
Bonds and other interest-bearing securities	46,823	42,673
Derivative instruments	5,414	8,224
Other assets	551	559
<i>Credit risk exposure for memorandum items</i>		
Guarantees	34	28
Loan commitments and other credit commitments	25,274	21,846
Total	433,290	401,171

Table 10. Credit risk exposure in the Bank Group by external risk classification

SEK M	Gross carrying amount	
	31 Dec 2020	31 Dec 2019
Treasury bills and other eligible bills		
AAA-AA	11,796	9,934
Total	11,796	9,934
Bonds and other interest-bearing securities		
AAA-AA	46,823	42,673
Total	46,823	42,673
Loans to credit institutions		
AAA-AA	100	131
A	523	277
Total	623	408
Derivatives		
AAA-AA	1,250	2,443
A	2,718	4,884
BBB-BB	-	64
Note risk classified ¹⁾	1,447	834
Total	5,414	8,224

¹⁾ Exposure to central counterparties is recognised without any rating. The entire exposure to central counterparties and banks on 31 December 2019 comprised exposure to Nasdaq Clearing AB. Nasdaq Clearing AB does not have any rating but is a very strong counterparty due to the strict statutory regulations that apply to Nasdaq Clearing AB and other central counterparties. Nasdaq Clearing AB has been certified by the Swedish Financial Supervisory Authority as an EMIR counterparty and is subject to the supervision of the Authority.

Table 11. Credit risk exposure in the Bank Group by internal risk classification

SEK M	31 Dec 2020			
	Note credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
Internal rating 1-3	196,986	5	8	196,999
Internal rating 4-6	116,118	194	31	116,342
Internal rating 7-9	6,184	5,191	21	11,396
Internal rating 10-11	53	1,428	10	1,492
Defaulted	-	-	1,003	1,003
Note risk classified	12,755	723	77	13,555
Total	332,096	7,541	1,151	340,788
Loan commitments and other credit commitments	Credit risk exposure	Credit risk exposure	Credit risk exposure	Credit risk exposure
Internal rating 1-3	11,523	2	0	11,525
Internal rating 4-6	8,588	16	0	8,604
Internal rating 7-9	1,049	251	0	1,301
Internal rating 10-11	3	29	0	32
Defaulted	-	-	10	10
Note risk classified	3,719	81	2	3,802
Total	24,883	379	12	25,274

Credit risk exposure by internal risk classification

SEK M	31 Dec 2019			
	Note credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
Internal rating 1-3	177,126	5	14	177,145
Internal rating 4-6	112,372	185	17	112,574
Internal rating 7-9	6,365	5,451	41	11,858
Internal rating 10-11	112	1,491	16	1,618
Defaulted	-	-	784	784
Note risk classified	2,895	734	59	3,689
Total	298,869	7,867	932	307,668
Loan commitments and other credit commitments	Credit risk exposure	Credit risk exposure	Credit risk exposure	Credit risk exposure
Internal rating 1-3	9,775	0	0	9,775
Internal rating 4-6	7,427	15	-	7,442
Internal rating 7-9	856	168	0	1,025
Internal rating 10-11	8	22	0	30
Defaulted	-	-	3	3
Note risk classified	3,476	95	0	3,572
Total	21,542	301	3	21,846

The Bank Group's credit portfolio largely comprises mortgages to private individuals and in other respects primarily comprises other loans to private individuals and agricultural customers. Concentration risk primarily comprises the lending segment and geographic distribution. Most exposures are relatively small, with a well-diversified geographic spread, meaning that the Bank Group does not have any significant exposure to concentration risk.

Figure 3. Bank Group loans by segment

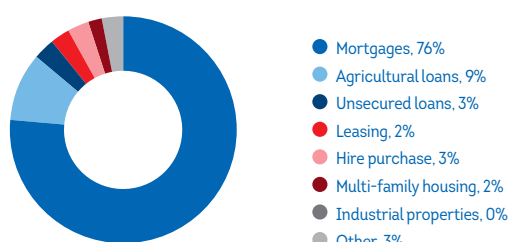
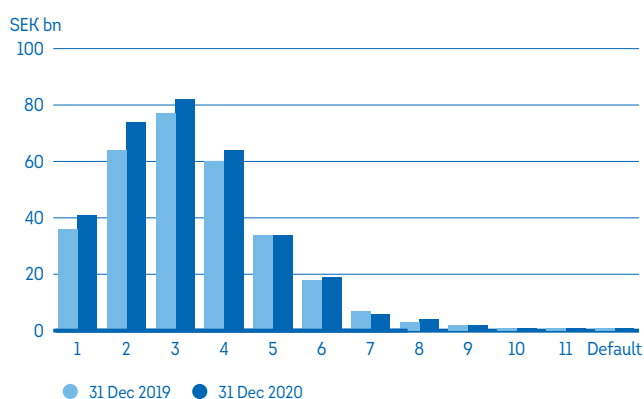


Figure 4 presents the Group's credit exposure according to risk class. The results show a distribution of exposure, with 80% (78) found in the lowest grades 1-4.

Figure 4. Credit exposure by risk class



In addition to the above credit exposure, SEK 13,111 M (4,279) is included in loans to the public which are not graded under the IRB Approach, and which include a time-limited exemption that pertains to exposure in Wasa Kredit.

The average loan commitment for each borrower is low and the relationship between the loan portfolio and the underlying assets expressed as the weighted average loan-to-value (LTV) ratio was 61% (61).

Credit losses and non-performing loan receivables

Credit-impaired loan receivables (stage 3) by type of collateral are presented below. A non-performing loan receivable has a non-performing payment that is more than nine days past due and that is not classified as credit-impaired. Table 13 shows non-performing receivables by the number of days past due.

Table 12. Bank Group's credit-impaired loan receivables by collateral

SEK M	31 Dec 2020	31 Dec 2019
Residential properties, including tenant-owned apartments	193	168
Commercial immovable property	230	243
Other physical collateral	210	134
Guarantees	13	8
Unsecured loans	506	378
Total credit-impaired loan receivables	1,151	932

Table 13. Bank Group's non-performing loan receivables that are not credit-impaired

SEK M	31 Dec 2020	31 Dec 2019
Receivables 1-30 days past due	20	36
Receivables 31-60 days past due	294	458
Receivables 61-90 days past due	64	77
Receivables >90 days past due	29	-
Total	407	571

A condition for full payment of the regional insurance companies' distribution remuneration by the Bank Group is that the loans generated by each company for the Bank Group (excluding Wasa Kredit) are of high quality. If this is not the case, up to 80% of any credit losses is off-set against the accrued commission. This model for settlement of credit losses is kept separate and is taken into consideration by Länsförsäkringar Bank when the provisions are established.

The contractual amounts outstanding for financial assets that were written off during the year and that are still encompassed by compliance measures amount to SEK 245.9 M (188.0) as per 31 December 2020.

Temporary mortgage repayment relief

Länsförsäkringar Bank granted temporary mortgage repayment holidays following a decision by the Financial Supervisory Authority. Based on individual assessment, corporate customers were also granted a repayment holiday or received other liquidity support to manage their temporary liquidity problems. The total volume of mortgages that were granted repayment holidays due to COVID-19 amounted to SEK 14.1 billion on 31 December 2020. Granted repayment holidays did not entail an automatic transfer to stage 2 in the calculation of expected credit losses.

Sensitivity in calculation of loss allowances

The assessment of what constitutes a significant increase in credit risk is an important factor in calculating the loss allowance. The Bank Group's assessment is based on the PD change compared with the initial reporting date. The criteria includes a relative threshold of 200% combined with an absolute threshold of 100 basis points and an independent absolute threshold of 500 basis points. In addition, a credit risk is deemed to have increased significantly for assets that are more than 30 days past due. If the relative threshold had been set at 150% instead, the loss allowance would have increased by 0.7%. If the relative threshold had been set at 250% instead, the loss allowance would have declined by 0.6%. The sensitivity analysis includes loss allowance for loans to the public, commitments and guarantees.

Expected credit losses are to be estimated in a manner that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The estimate is to include information about past events, current conditions and forecasts of future economic conditions. The forward-looking information used to estimate expected credit losses is based on the Group's internal macroeconomic forecasts. These macroeconomic forecasts take into account both internal and external information and correspond to the forward-looking information used for other purposes, such as forecasts and financial planning. Three different macroeconomic scenarios are considered when calculating expected credit losses: a base scenario that is currently weighted at 60%, and a more positive scenario and a more negative scenario that are both weighted at 20%. New macroeconomic scenarios are continuously evaluated due to COVID-19. A deterioration in the forecast macro variables in each scenario or an increase in the probability of a negative scenario would generally entail an increase in the estimated loss allowance. An improvement in the forecast macro variables or an increase in the probability of a positive scenario would instead have the opposite effect on the estimated loss allowance. Table 14 shows the loss allowances that would have been recognised on 31 December 2020 if a positive or a negative macroeconomic scenario assigned a probability of 100% had been used. The sensitivity analysis includes loss allowance for loans to the public, commitments and guarantees.

Table 14. Sensitivity analysis of loss allowance in a 100% weight positive and negative scenario

Recognised probability-weighted loss allowance, SEK M	Scenario	Loss allowance according to sensitivity analysis, SEK M	Change compared with probability-weighted loss allowance, %
824	Positive scenario	783	-5%
	Negative scenario	877	6%

Counterparty risk

Counterparty risk in derivative transactions and repurchase agreements is managed by the company having a number of swap counterparties, all with high ratings and with whom collateral agreements have been signed. Each counterparty is also assigned a maximum exposure amount. Table 15 shows the Bank Group's counterparty risk with respect to collateral received.

Table 15. Credit risk exposure for derivatives regarding collateral received and other forms of credit enhancement

SEK M	Maximum credit risk exposure	31 Dec 2020 Collateral			Net exposure	31 Dec 2019 Net exposure
		Cash and cash equivalents	Securities	Other		
AAA-AA	1,250	264	-	-	1,561	1,159
A	2,717	2,369	-	-	1,066	213
Note risk classified	1,447	1,478	-	-	725	-
Total	5,414	4,111	-	-	3,352	1,371

The Bank Group's derivatives, which comprise interest and cross-currency interest rate swaps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. Interest-rate swaps are used to swap fixed interest in SEK to variable interest in SEK. Cross-currency interest rate swaps are used to swap foreign currencies to SEK and fixed foreign interest to variable interest in SEK.

Liquidity risk including financing risk

Liquidity risk is defined as the risk that payment commitments cannot be fulfilled due to insufficient cash funds.

Risk exposure

For the Länsförsäkringar AB Group's companies, the lack of liquidity could lead to the companies not being able to fulfil their commitments to customers and stakeholders or that these commitments can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets below their market value. The Länsförsäkringar Bank Group's cash flow is characterised by small flows where the customers are primarily retail customers together with well-known, larger flows in the financing activities. The Bank Group's management of liquidity risk is based on highly diversified funding regarding investor base, instruments, currencies and maturities, and a satisfactory liquidity reserve comprising securities with very high liquidity and credit quality, and deposits with the Riksbank and the Swedish National Debt

Office. The business activities of the insurance companies are based on premiums being paid in advance and being managed until insurance compensation is to be paid out. The liquidity risk in the insurance subsidiaries is closely related to the investment assets in the companies' investment portfolios, including liquidity requirements for signed derivative agreements.

Risk management and risk-reduction techniques

Management of liquidity risk is based on management taking place in each subsidiary and in the Parent Company, rather than at group level. The nature of the operations differs between the banking and insurance operations and there are legal restrictions on for the scope of internal loans. The subsidiaries also clear rules regarding how assets are to be deposited to ensure that they are readily available to the company and can thus be realised as needed. In practice, liquidity risk is primarily an issue for the Länsförsäkringar Bank Group.

Länsförsäkringar Sak's liquidity risks are low since premiums are received in advance and large individual claims and payouts outside normal cash flows are known well in advance of when they fall due.

Länsförsäkringar Fondliv's liquidity is relatively stable, since fund units are divested in line with payments being made to policyholders. The company's liquidity was primarily affected by fund changes and costs for sale. Liquidity risk is managed by continuously adjusting 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. The majority of the funds in the trading book are liquid in the short term and purchases on behalf of the insured are not performed until payment has been received for the sales transaction.

The Länsförsäkringar Bank Group conducts active liquidity risk management to ensure that the Group's commitments can be fulfilled under both normal and stressed market conditions. The aim is to attain a favourable spread of financing sources. Liquidity is continuously planned and a satisfactory liquidity reserve ensures that sufficient liquidity is always available. The liquidity reserve is invested in securities with very high credit quality, the vast majority of which are eligible for transactions with the Riksbank and, where appropriate, with the ECB or the Federal Reserve. All in all, this means that the reserve can be quickly converted to cash and cash equivalents. On 31 December 2020, the liquidity reserve amounted to SEK 64.0 billion (60.4) and 47% (48) of the reserve comprised Swedish covered bonds.

The Länsförsäkringar Bank Group's funding takes place in a manner that creates a sound maturity profile and avoids maturity concentrations. The refinancing activities are based on broad diversification in terms of a variety of investors and markets. Diversification is achieved, for example, through proactive work on creating long-term investor relations. Funding takes place primarily with covered bonds, primarily in SEK, EUR, CHF and NOK, since the majority of the Bank Group's assets comprise Swedish mortgages. The Bank Group endeavours to regularly launch issuances in these markets to create long-term confidence in the international capital markets.

The Parent Company's liquidity is mainly affected by dividends and Group contributions from subsidiaries, any requirements for contributions to be made to subsidiaries and dividends to owners. To meet liquidity requirements, the Parent Company's maintained cash and cash equivalents, which at year-end amounted to SEK 220 M (221).

Table 16. Maturity analysis for financial assets and liabilities and insurance undertakings

The table shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. The amounts presented in maturities are undiscounted cash flows.

SEK M	2020						2019					
	On demand	<3 months	3 months-1 year	1-5 years	> 5 years	Total	On demand	<3 months	3 months-1 year	1-5 years	> 5 years	Total
Assets												
Loans to the public	-	14,030	11,077	38,468	276,431	340,007	-	4,027	10,167	35,934	256,971	307,099
Bonds and other interest-bearing securities ¹⁾	-	3,050	13,320	36,690	2,300	55,359	-	1,542	12,955	32,158	923	47,579
Treasury bills and other eligible bills	-	5,160	-	3,771	2,424	11,355	-	3,783	1,356	4,006	300	9,445
Other assets	-	1,216	1,042	3,032	6,047	11,336	-	1,570	790	2,631	6,649	11,640
Cash and balances with central banks	53	-	-	-	-	53	9,831	-	-	-	-	9,831
Liabilities												
Subordinated liabilities	-	62	47	18	2,602	2,729	-	-	-	-	2,600	2,600
Technical provisions ²⁾	-	1,804	3,709	5,077	8,893	19,483	-	1,684	3,415	4,916	8,844	18,860
Debt securities in issue	-	7,631	21,124	165,394	36,656	230,806	-	3,812	27,077	153,819	37,757	222,465
Deposits from the public	126,310	6,052	804	580	-	133,747	109,737	6,623	1,435	510	0	118,305
Lease liabilities	-	63	188	851	317	1,418	-	63	185	871	434	1,552
Due to credit institutions	0	4,610	-	2,000	-	6,610	-	6,565	-	-	-	6,565
Other liabilities	-	1,686	722	10	-	2,418	-	1,298	3	8	-	1,309
Total cash flows, net	-126,257	1,547	-1,156	-91,968	238,734	20,900	-99,906	-9,122	-6,847	-85,395	215,209	13,938
Loans approved but not disbursed	-	25,274	-	-	-	25,274	-	21,807	-	-	-	21,807
Derivatives, in and outflows, net	-	704	650	3,499	262	5,115	-	123	1,710	6,496	926	9,255
Total cash flows for financial assets and liabilities and insurance undertakings	-126,257	27,525	-506	-88,469	238,996	51,288	-99,906	-12,807	-5,137	-78,899	216,135	45,000

¹⁾Bonds and other interest-bearing securities in the statement of financial position include fixed-income funds. These have no contractual maturities and have been excluded from the table.

²⁾Technical provisions are recognised gross, before ceded reinsurance.

Table 16 shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. The amounts presented in maturities are undiscounted cash flows.

Operational risk

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

Risk exposure

Operational risk comprises a central part of the Group's risk profile. The day-to-day operations include a variety of process risks and the subsidiaries' products and services may be associated with different types of product risks. Security risks, for example, external crime and internal fraud cannot be completely avoided and as digitisation increases greater focus has been directed to cyber risks and IT risks. Compliance risks are continuously in focus, particularly risks associated with money laundering and terror financing, mainly in the banking operations but also in the insurance operations, which requires active management.

Risk management and risk-reduction techniques

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. All employees are responsible for actively managing operational risk within their individual operations. The department that takes the risk owns the risk, which means that the daily management of operational risk primarily takes place in the business operations. Risks are minimised by proactive preventive measures and awareness of operational risk in every decision-making situation.

The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting. Business-critical processes and risks have been analysed and documented. Controls of process risks are performed every quarter and reported to each company Board. Operational risk analyses are performed annually. Operational risks are identified, the potential consequences evaluated and probability of the risk occurring assessed. Action plans are prepared for material risks, which are followed up every quarter at management level.

The Länsförsäkringar AB Group has a shared framework for identifying, measure and documenting risks in the decision-making process for decisions

that could be expected to have a material impact on profitability, risk profile, organisation or brand. The purpose is to ensure efficient decision-making through proactive and appropriate management of the risks so as to thereby achieve established targets with a higher degree of certainty, to ensure compliance with applicable laws and regulations and to create customer value. Furthermore, the organisation applies a special process for the approval of new investment assets that aims to highlight and manage potential risks prior to investments in a new class of asset, type of instrument or fund.

The Group's continuity management involves ensuring the organisation's ability to manage critical operations at an acceptable level, regardless of what disruptions occur, with the aim of protecting customers, confidence in the company and the brand. Preparing business continuity plans and procedures creates contingency and the capability to manage incidents before, during and after a disruption or 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 activities are conducted in accordance with the information security standards SS-ISO/IEC 27001:2014 and 27002:2014 and the normative standard in business continuity management SS-ISO/IEC 22301.

The companies in the Länsförsäkringar AB Group may, from time to time, outsource parts of the operations to external contractors, for example, to enhance the efficiency of operations. In order to maintain a high level of control, the companies' guidelines address issues including the procurement skills of the companies, suitability assessment, impact analysis and realisation plans.

Risk sensitivity

The Group and subsidiaries regularly carry out exercises to ensure that every company is highly capable of managing crisis situations. Exercises and testing comprise both manual response procedures and automated IT support. Desktop and technological testing of applications and administration objects are carried out annually. Large-scale crisis management exercises are conducted at least every three years. Desktop and technological testing of applications and administration objects were performed during the year according to plan. The result of the tests showed that the companies can improve certain processes and procedures but that they have a sound overall ability and business contingency plans to manage crises that arise.

Other material risks

In addition to the risks described above, the Länsförsäkringar AB Group is also exposed to business risks, emerging risks, climate risks and group risks.

- Business risk pertains to the risk of lower earnings, higher expenses or loss of confidence from customers or other stakeholders.
- Emerging risks refers to new or changed behaviour patterns, situations or trends that may have a material impact on the company's financial situation, market position or brand in a negative direction within the company's business planning horizon.
- Climate risk refers to the risks that the consequences of climate change may have on the company's business activities. Climate risks can materialise either through physical risks, such as more cases of extreme weather and gradually rising sea levels, or through transition risks, such as regulatory, political and market changes related to the transition to a low-carbon society.
- Group risk refers to the risks associated with the complexity of conducting both banking operations and life-assurance and non-life insurance operations in the same group.
- Concentration risk refers to the risk of a single exposure, homogeneous group of exposures or a specific market event resulting in widespread losses even if the operations were to be well-diversified. Concentration risk may derive from concentrations of both assets and liabilities as well as sources of income and suppliers, including suppliers of outsourced services.

Risk exposure

The Länsförsäkringar AB Group'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 managing challenges associated with harmonising the subsidiaries' strategies and objectives with each other at Group level. Due to the strong brand connection between the companies in the Group, diminished confidence in one of the companies could entail a reputation risk that damages the brand and thus other companies in the Länsförsäkringar AB Group as well as the entire Länsförsäkringar Alliance.

Exposure to group risks arises by the Group conducting both insurance and banking operations that are subject to different regulations. Simultaneously operating under rules for financial conglomerates, capital adequacy rules for banks (CRR/CRDIV) and regulations for insurance companies (Solvency II) leads to higher costs and could affect the Länsförsäkringar AB Group's competitiveness in relation to its competitors that do not have the same group structure.

Climate risk represents a direct financial risk in the form of potential impact on the insurance business, lending and investments for the Länsförsäkringar AB Group. These areas are likely to be affected simultaneously, which makes the risk both complex and significant. Länsförsäkringar AB identifies climate risks in the business as both physical risks and transition risks.

New risks, emerging risks, can arise over time due to changes in the external business environment or internal circumstances. This could be a brand new behaviour pattern that presents a new risk or a risk that changes its nature and thus should be managed in a new way, but could also be a risk that has previously been deemed to be immaterial that has become material. Examples could be the emergence of new economies, technological advances and social-political changes, etc.

Given that the Länsförsäkringar AB Group conducts well-diversified operations in non-life insurance, traditional life assurance, unit-linked insurance and banking operations with a geographic spread throughout Sweden, concentration risk, except for investment assets, is deemed to be low.

Risk management and risk-reduction techniques

Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations. Business risk analyses are carried out in the annual business planning process, but can also be performed in the interim if required due to changes in the external environment or in connection with business decisions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Group risks are identified and managed as part of the continuous risk-management activities and in the Länsförsäkringar AB Group's annual Own Risk and Solvency Assessment (ORSA) and in the Group's recovery plan. Continuous monitoring of regulatory developments and efficient processes

for identifying, measuring and reporting risks are key tools for keeping group risks at a low level.

Länsförsäkringar AB has a climate-smart vision that entails that the Länsförsäkringar AB Group is to work actively to reduce climate impact and the climate risks throughout its operations and to encourage climate adaptation to reduce the damaging impact of climate change. By 2030, the Länsförsäkringar AB Group's investments in institutional investment portfolios and own managed funds are to be in line with the Paris Agreement, meaning limiting climate change to 1.5 °C. The Länsförsäkringar AB Group supports the Task Force on Climate Related Financial Disclosures (TCFD), which are recommendations on the reporting of climate-related risks and opportunities that are expected to be developed into a standard for climate reporting in the future. The Länsförsäkringar AB Group has used the TCFD recommendations for reporting since 2019.

Emerging risks are identified and managed as part of the continuous risk-management activities, in the Länsförsäkringar AB Group's annual Own Risk and Solvency Assessment (ORSA) and in the internal capital and liquidity adequacy assessment process (ICAAP and ILAAP) for the consolidated situation. The materiality of the risk determines whether action is to be taken and the nature of the risk governs the appropriate course of action.

CAPITAL MANAGEMENT

It is of central importance that the Länsförsäkringar AB Group and its separate licensable legal entities have a sufficient amount of capital in relation to the level of the Group's risks, regulatory capital requirements and stakeholder expectations.

Targets and guidelines

The business activities of the companies consolidated in the Länsförsäkringar AB Group are conducted for profit-making purposes to enable Länsförsäkringar AB to pay returns through value growth and dividends to the owners. All capital that is not required for operations that the Group is commissioned to conduct by the regional insurance companies is to be paid as a dividend over time, on the condition that a credit rating of A for the Group's credit-rated units can be justified.

Länsförsäkringar Liv is a subsidiary that is operated according to mutual principles and is not consolidated in the Länsförsäkringar AB Group. For this reason, specific considerations apply to capital management for this company and are described in Länsförsäkringar Liv's annual report.

Quantitative capital targets are set at both Group level and for each subsidiary Group and legal entity. These capital targets are decided every year by each Board and, for subsidiaries directly under Länsförsäkringar AB, the Board of Länsförsäkringar AB. For the Länsförsäkringar AB Group and its insurance companies, these capital targets are expressed so that the solvency ratio is to be at a certain level but with a tolerance down to a limit for acceptable capitalisation. This limit clearly exceeds the regulatory requirement. The solvency ratio refers to own funds divided by the solvency capital requirement, as defined in the Insurance Business Act. At the Länsförsäkringar AB Group level, the capital target is set based on the contributions to own funds and capital requirements made by the operations in Länsförsäkringar Bank and its subsidiaries. Capital targets are also set for the groups of companies encompassed by the group rules for banking operations. For several years, these have applied for Länsförsäkringar AB and the companies in the Länsförsäkringar Bank Group ("Consolidated Situation"). Following a decision from the Financial Supervisory Authority, sub-group supervision is also applied according to the bank rules from the third quarter of 2020, which means that the group rules are also applied at the level of Länsförsäkringar Bank and its subsidiaries.

The Länsförsäkringar AB Group applies Guidelines for Financial and Capital Management and Control that apply to all the Group's companies.

Process

The Group's capital planning is conducted annually and is integrated into the business planning. These plans include the current year and three years in the future, and are prepared during the autumn. The process analyses the level of the capital requirement and the access to capital based on sales and profitability forecasts.

The purpose of the Group's capital planning is to ensure that own funds are sufficient for bearing the risks associated with realising the business plan in every subsidiary and at Group level. The analysis is based on the business plan activities and its base scenario, but also includes a demanding but realistic

negative scenario and stress tests. The capital position of the entire Länsförsäkringar AB Group can be highlighted by performing analyses of shared scenarios and stress tests. In addition, unit-specific stress tests are performed in the Group's insurance companies and in the banking operations to provide supplementary data on the capital position of each subsidiary. The analysis is to be performed in such a manner that the Board and management of each subsidiary – and for the Group, the Board of the Parent Company – gain greater joint understanding of issues relating to capital structure, capital requirement and business contingency to reduce risks and acquire new capital.

Capital planning results in, for example, forecasts for the income statement and balance sheets at Group and subsidiary level, and the capital position in relation to regulatory requirements. Capital is allocated internally within the Group based on plans for the business activities and forecasts for risk-based capital requirements. The process also creates a plan for dividends and contributions within the Group, and a plan for capital transactions between the Parent Company and its owners and issues of capital instruments to external investors.

After the capital planning has been documented and adopted by each subsidiary Board for its company, and the Parent Company's Board for the Group, the plans are regularly monitored throughout the year in quarterly reports. The plans are continuously updated during the fiscal year as required.

Capital position under group solvency rules

The Länsförsäkringar AB Group and its units are subject to regulatory requirements for the minimum permitted amount of capital in accordance with rules for banks, rules for insurance companies and rules for financial conglomerates. As the holding company for operations in both the banking sector and the insurance sector – known as a mixed financial holding company – Länsförsäkringar AB is, along with its licensable subsidiaries, encompassed by the abovementioned rules on minimum permitted capital in groups.

The capital requirement rules for financial conglomerates and the rules on capital requirements for groups in the insurance sector are based on a joint approach that can be said to be adapted to a financial group with both banking and insurance operations. Both of these sets of rules entail that combined own funds in the group are to cover the total of the capital requirement for the banking operations and the capital requirement for the insurance operations. All companies in the Länsförsäkringar AB Group, including Länsförsäkringar Liv, are included in the group defined by these regulations.

The rules of capital requirements for groups in the banking sector primarily entails that the value of shares in companies in the insurance sector are to be deducted from own funds and the remaining net amount is to cover the capital requirements for the banking operations. These rules can be said to disregard the surplus capital found in the group's insurance companies. The (main) group formed under the rules for groups in the banking sector thus includes Länsförsäkringar Bank and its subsidiaries together with the Parent Company Länsförsäkringar AB, but does not include the insurance companies in the Länsförsäkringar AB Group.

Capital position under rules on financial conglomerates and rules on groups in insurance sector

Under the rules for financial conglomerates, the insurance sector is considered to be the largest sector in the Länsförsäkringar AB Group. A measure is calculated using information on total assets and capital requirements that shows that the insurance sector is larger than the banking sector by a small margin, which is important to, for example, the calculation of the capital requirements at group level for the Parent Company's operations. The banking operations have grown faster than the Group's insurance operations in recent years. Sector shares are measured using total assets and capital requirements. The lowering of the countercyclical capital buffer for banking operations during the year entailed a decrease in the measured portion for the banking sector. If the previous trend continues, the banking sector will be the largest sector within the next few years.

Own funds and capital requirements are calculated for both financial conglomerates and for groups in the insurance sector by using the rules of each sector, the insurance and banking sectors.

In calculating capital requirements, an aggregate capital requirement is calculated for the parts of the Länsförsäkringar AB Group's insurance operations that are consolidated, meaning the Länsförsäkringar Sak Group's companies, Länsförsäkringar Fondliv and Länsförsäkringar AB. The total capital requirement for the companies in the Länsförsäkringar Bank Group is added. The capital requirement for Länsförsäkringar Liv is also added. Länsförsäkringar Liv, which is operated according to mutual principles, is included in the calculations in accordance with the deduction and aggregation method, with the consent of the Financial Supervisory Authority. Länsförsäkringar Liv's surplus capital is not included in the surplus capital at group level; only the amount of the company's own funds that corresponds to its capital requirement is included in the calculation of own funds on a consolidated basis.

There is no obstacle to transferability of surplus capital between legal entities that entails deductions from group own funds.

The result of the calculations according to the rules on financial conglomerates and rules on groups in the insurance sector are presented in table 17.

Table 17. Financial conglomerate and Group under the insurance rules: Solvency situation on 31 December 2020

SEK M	31 Dec 2020	31 Dec 2019
Own funds	57,412	50,220
<i>of which own funds included from Länsförsäkringar Liv</i>	<i>14,639</i>	<i>13,243</i>
Capital requirement	39,186	37,966
<i>of which capital requirement Länsförsäkringar Liv</i>	<i>14,639</i>	<i>13,243</i>
Surplus capital	18,226	12,254

Surplus capital compared with regulatory requirements under the rules on financial conglomerates, and according to the group rules in the insurance sector, increased relatively sharply during the year. Some of the reasons for the increase were the removal of the countercyclical capital buffer in the banking operations during the year, the increase in surplus capital in unit-linked insurance after updating calculation assumptions and the strong recovery of the stock markets in the second half of the year.

Capital position under bank group rules

The outcome of the capital position for the Consolidated Situation is presented in table 18.

Table 18. Capital adequacy, Consolidated Situation on 31 December 2020

SEK M	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 capital	21,475	18,740
Tier 1 capital	22,775	19,484
Own funds (total capital)	24,519	20,252
Risk Exposure Amount	128,603	121,827
Common Equity Tier 1 capital ratio, %	16.7	15.4
Tier 1 ratio, %	17.7	16.0
Capital adequacy ratio, %	19.1	16.6
Total capital requirement ¹⁾	15,435	17,801
Surplus of total capital	9,084	2,451

¹⁾ Minimum capital requirement, Pillar II requirement and buffer requirement.

The surplus of Common Equity Tier 1 capital in the Consolidated Situation increased in 2020 primarily due to the elimination of the countercyclical capital buffer. The surplus of total capital increased more during the year as a result of the inclusion of Tier 1 instruments and Tier 2 instruments at a significantly higher extent than on 31 December 2019. On this date, a lower share of such instruments was included as result of an interpretation on qualifying own funds published by the European Banking Authority (EBA) in November 2019. After the Swedish Financial Supervisory Authority's decision that subgroup supervision, which applied to Länsförsäkringar Bank and its subsidiaries, applied from the third quarter of 2020, a higher share of such instruments is again eligible to be included in the Consolidated Situation's own funds.

Table 19. Hedge accounting in the Länsförsäkringar Bank Group

SEK M	Derivatives		Assets		Liabilities		Hedge accounting			
	Nominal amount		Carrying amount		Carrying amount		Change in value for the year		Accumulated changes in value	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	2020	2019	31 Dec 2020	31 Dec 2019
Fair value hedges										
<i>Interest-rate contracts</i>										
Hedged items ²⁾										
Treasury bills and other eligible bills	-	-	6,045	5,263	-	-	16	-3	9	12
Bonds and other interest-bearing securities	-	-	27,534	33,855	-	-	149	-59	369	132
Debt securities in issue	-	-	-	-	-	-	-	-	-	-
Hedging instruments										
Interest-rate swaps	40,901	37,819	25	52	267	125	-164	63	-	-
Ineffectiveness ¹⁾	-	-	-	-	-	-	1	1	-	-
<i>Currency contracts</i>										
Hedged items ²⁾										
Treasury bills and other eligible bills	-	-	841	888	-	-	-8	16	-15	26
Bonds and other interest-bearing securities	-	-	2,537	2,249	-	-	14	4	-132	1,088
Debt securities in issue	-	-	-	-	53,378	50,998	-13	-434	-817	1,278
Hedging instruments										
Cross-currency interest rate swaps	54,154	52,963	1,680	1,566	15	164	19	430	-	-
Ineffectiveness ¹⁾	-	-	-	-	-	-	12	16	-	-
Portfolio of fair value hedges										
<i>Interest-rate contracts</i>										
Hedged items										
Loans to the public	-	-	147,560	105,555	-	-	457	-278	305	-152
Deposits and funding from the public	-	-	-	-	0	500	-1	0	0	-1
Debt securities in issue	-	-	-	-	148,809	137,482	-716	-10	1,806	1,090
Hedging instruments										
Interest-rate swaps	296,014	251,375	2,215	1,830	546	353	247	289	-	-
Ineffectiveness ¹⁾	-	-	-	-	-	-	-13	3	-	-
Cash flow hedges⁵⁾										
<i>Currency Contracts</i>										
Hedged items ³⁾										
-	-	-	-	-	-	-	44	-25	-	-
Hedging instruments										
Cross-currency interest rate swaps ⁴⁾	51,779	51,843	2,078	5,059	766	81	-44	25	-	-
Ineffectiveness ¹⁾	-	-	-	-	-	-	-	-	-	-
Total hedged item	-	-	184,516	147,810	202,186	188,980	-58	-	1,524	3,473
Total hedging instruments	442,848	394,000	5,999	8,507	1,594	722	57	-	-	-
Total ineffectiveness	-	-	-	-	-	-	-0	20	-	-

¹⁾The ineffectiveness of all hedging relationships is recognised in the line item "Net gains/losses from financial items" in profit or loss.

²⁾For terminated fair value hedges and cash flow hedges, no accumulated changes in value remain in the balance sheet.

³⁾The change in value of the hedged item pertains to a perfectly effective hypothetical hedging instrument. Such an instrument is used to determine the effective portion of the hedging instrument, which is recognised in other comprehensive income, and the ineffective portion, which is recognised in the line item "Net gains/losses from financial items" in profit or loss.

⁴⁾Of changes in value for the year, SEK 0 M pertains to amounts reclassified to profit or loss. Amounts reclassified to profit or loss for terminated hedging relationships amounted to SEK 0 M.

⁵⁾Amounts recognised in the hedging reserve are presented in the "Statement of changes in equity." Amounts pertaining to cash flow hedges recognised through other comprehensive income are presented in the "Statement of comprehensive income."

Hedging instruments with positive fair values are recognised in the balance sheet as assets on the line item "derivatives" and hedging instruments with negative fair values are recognised in the balance sheet as liabilities on the line item "derivatives."

The average fixed interest on outstanding derivatives on 31 December 2020 was 0.4% (0.5).

The Statement of comprehensive income presents the changes in value of hedging instruments in cash flow hedges for the period and the amount that has been reclassified from equity to profit or loss.

Table 20. Länsförsäkringar Bank Group – Maturity profile for nominal amounts in hedging instruments

SEK M	31 Dec 2020			31 Dec 2019		
	Remaining contractual term			Remaining contractual term		
	< 1 year	1-5 years	> 5 years	< 1 year	1-5 years	> 5 years
Currency risk						
Nominal amount	5,194	37,421	6,896	4,375	32,535	11,928

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

2019	Non-life insurance	Unit-linked insurance	Bank	Parent company	Eliminations and adjustments	Total
Premiums after ceded reinsurance	6,211	204	-	-	-18	6,396
Net interest income	-	-	4,617	-	6	4,624
Change in unit-linked insurance assets, policyholder bears the risk	-	30,453	-	-	-	30,453
Dividends in unit-linked insurance assets, policyholder bears the risk	-	13	-	-	-	13
Investment income, net	22	76	20	1,248	-360	1,006
Commission income	24	1,765	1,457	-	4	3,250
Other operating income	314	147	26	3,576	-1,656	2,407
Total operating income	6,571	32,658	6,121	4,824	-2,024	48,150
Claims payments after ceded reinsurance	-4,553	-85	-	-	442	-4,197
Change in life assurance provision	-	-	-	-	-8	-8
Change in unit-linked insurance liabilities, policyholder bears the risk	-	-30,985	-	-	-	-30,985
Commission expense	-343	-739	-2,094	-	15	-3,161
Staff costs	-553	-210	-640	-1,091	18	-2,476
Other administration expenses	-838	99	-1,286	-2,862	776	-4,112
Credit losses	-	-	-207	-	-	-207
Total expenses	-6,288	-31,920	-4,227	-3,953	1,242	-45,146
Technical result	283	738	-	-	-1,021	-
Non-technical income/expenses	569	0	-	-	-569	-
Operating profit	851	738	1,893	871	-1,351	3,003
Tax						-46
Net profit for the year						2,957
Income distribution						
External income	6,421	32,184	6,617	2,602	327	48,150
Internal income	150	475	-496	2,222	-2,350	-
Total operating income	6,571	32,658	6,121	4,824	-2,024	48,150

Note 3 Earnings per operating segment, cont.

The distribution into operating segments matches how the Group is organised and is monitored by Group management. The technical result is presented for Non-life Insurance and Unit-linked Life Assurance since the result is followed up by Group management.

Income is primarily attributable to Sweden, with a small portion from Denmark, Finland, France, Norway and the UK.

The Non-life Insurance operating segment pertains to non-life and group life assurance; group life assurance comprises a minor portion only. The Länsförsäkringar Alliance's internal and external reinsurance are also included. The Non-life Insurance operating segment comprises non-life insurance with income from external customers totalling SEK 6,505 M (6,130) and group life assurance with income from external customers totalling SEK 307 M (291).

The Unit-linked Life Assurance operating segment pertains to life assurance with links to mutual funds. The Unit-linked Life Assurance operating segment comprises life assurance linked to mutual funds with income from external customers totalling SEK 8,966 M (32,184).

The Banking operating segment pertains to deposits and lending operations. For the Banking operating segment, the product offering to external customers is in line with the legal structure within the Länsförsäkringar Bank Group. Income from external customers pertains to bank products totalling SEK 2,543 M (2,183), for mortgage products totalling SEK 1,684 M (1,906), for leasing and installment totalling SEK 1,336 M (1,308) and for fund products totalling SEK 1,370 M (1,220).

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

Depreciation of property and equipment and amortisation of intangible assets in Non-life Insurance is included in Other administration expenses. Amortisation pertaining to acquired intangible assets under Unit-linked Life Assurance is included in eliminations and adjustments of administration expenses.

Impairment of goodwill and intangible assets is included in other administration expenses and amounted to SEK - M (-2). Impairment is distributed between the operating segments as follows: Non-life Insurance SEK - (-) M, Bank SEK - (-) M and the Parent Company SEK - (-2) M.

Investment income transferred from financial operations to insurance operations is recognised Investment income, net in the Non-life Insurance operating segment.

Note 4	Premiums after ceded reinsurance	
	2020	2019
Non-life insurance		
Premium income, direct insurance, Sweden	4,699	4,239 ¹⁾
Premium income, direct insurance, other EEA	1,828	1,569 ¹⁾
Premium income, received reinsurance	2,272	2,010
Change in provision for unearned premiums	-503	-377
Change in provision for unexpired risks	-26	-
Total premiums earned before ceded reinsurance	8,269	7,441
Premiums for ceded reinsurance	-1,946	-1,744
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	124	198
Total reinsurers' portion of premiums earned	-1,822	-1,547
Total premiums earned after ceded reinsurance	6,447	5,894
Life assurance		
Premium income, group insurance, direct life assurance in Sweden	607	527
Total premium income before ceded reinsurance	607	527
Premiums for ceded reinsurance	-28	-26
Total premiums after ceded reinsurance	579	502
Total premiums after ceded reinsurance	7,026	6,396

¹⁾ Comparative figures have been adjusted.

Note 5	Interest income	
	2020	2019
Loans to credit institutions	1 ¹⁾	-10 ¹⁾
Loans to the public	6,526	6,197
Interest-bearing securities	156 ¹⁾	130 ¹⁾
Derivatives	-140	-330
Other interest income	-	0
Total interest income	6,543	5,986
Average interest rate on loans to the public during the year, %	2.1	2.1

¹⁾ Of which negative interest on Loans to credit institutions of SEK 0 M (0) and Interest-bearing securities of SEK -5 M (-6).

Interest income calculated according to the effective interest method amounted to SEK 6,545 M (5,986).

Note 6	Interest expense	
	2020	2019
Due to credit institutions	2 ¹⁾	26 ¹⁾
Deposits and borrowing from the public	-138 ¹⁾	-125 ¹⁾
Interest-bearing securities	-2,052 ²⁾	-2,181 ²⁾
Subordinated liabilities	-57	-53
Derivatives	714	1,181
Other interest expense	-161	-210
Total interest expense	-1,692	-1,363
Average interest rate on deposits from the public during the year, %	0.1	0.1

¹⁾ Of which negative interest on Liabilities to credit institutions of SEK 3 M (3).

²⁾ Of which interest expense attributable to senior non-preferred debt amounted to SEK -6 M (-7).

Note 7	Investment income, net	
	2020	2019
Interest income	45 ¹⁾	37 ¹⁾
Dividends	13	17
Realised profit, net		
Interest compensation	38	31
Shares and participations	15	83
Interest-bearing securities	-899	-38
Derivatives	1,002	143
Change in claims annuities reserve	-1	-4
Divestment subsidiaries	-	-20
Total realised profit, net	154	195
Unrealised profit, net		
Shares and participations	348	796
Interest-bearing securities	-159	678
Derivatives	106	-623
Total unrealised profit, net	295	851
Exchange-rate gains/losses, net	-2	-10
Interest expense	-39	-52
Participations in associated companies	10	7
Asset management expenses	-39	-38
Investment income, net	436	1,006
Investment income, net, by valuation category		
Financial assets measured at fair value through profit or loss	449	1,043
Financial assets measured at amortised cost	37	29
Financial liabilities measured at amortised cost	-81	-47
Financial assets measured at fair value through other comprehensive income	-1	6
Hedge accounting at fair value		
Hedge accounting at fair value	0	20
Non-financial items included in investment income, net		
Translation, non-life annuity reserve	-1	-6
Value-preserving interest rates claims annuities reserve	-1	-4
Dividends from group and associated companies	0	4
Asset management expenses	-23	-13
Other non-financial items	56	-26
Total investment income, net	436	1,006

¹⁾ Of which negative interest on Cash and Bank of SEK -0.7 M (-4) and also Interest-bearing securities of SEK -0.6 M (-5).

Note 8	Commission income	
	2020	2019
Payment mediation commission	125	119
Lending commission	236	245
Deposit commission	5	8
Securities commission	1,472	1,294
Card operations	261	272
Fees pertaining to financial agreements unit-linked insurance	811	794
Rebating of commission	460	476
Other commission	34	33
Commission and profit shares in ceded reinsurance	12	8
Total commission income	3,417	3,250

Total commission income primarily refers to income from contracts with customers in the unit-linked insurance and banking segment. Rebating of commissions includes fund discounts of SEK -29 M (-20). Commission and profit shares in ceded reinsurance comprise income attributable to insurance contracts in the non-life insurance segment.

Note 9	Other operating income	
	2020	2019
Service income, regional insurance companies	1,871	1,761
Other service income	314	414
Other income	101	232
Total other operating income	2,285	2,407

Other operating income primarily refers to income from contracts with customers. However, SEK 57 M (91) comprises income attributable to insurance contracts in the unit-linked insurance segment. SEK 105 M (87) comprises rental income in the Parent Company operating segment. The gain from the sale of owner-occupied property is included in Other income 2019.

Note 10		Claims payments					
	2020			2019			
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	
Non-life insurance							
Claims paid	-5,435	1,121	-4,314	-5,128	1,118	-4,010	
Claims annuities paid	-52	-	-52	-49	-	-49	
Change in provision for claims incurred and reported	-816	898	82	22	-86	-64	
Change in provision for claims incurred but not reported	-301	56	-245	1,341	-1,184	156	
Total	-6,604	2,075	-4,529	-3,813	-153	-3,966	
Life assurance							
Claims paid	-219	4	-215	-215	7	-207	
Change in provision for claims outstanding	-46	-19	-65	-41	18	-24	
Total	-265	-15	-280	-256	25	-231	
Total non-life insurance and life assurance	-6,869	2,060	-4,809	-4,069	-128	-4,197	

Note 11		Commission expense	
	2020	2019	
Total commission expense	-141	-132	
Management costs	-95	-86	
Securities commission	-116	-97	
Card operations	-153	-150	
Remuneration to the regional insurance companies	-2,405	-2,379	
Commission, direct insurance	-206	-175	
Commission, assumed reinsurance	-85	-92	
Other commission	-122	-48	
Total commission expense	-3,324	-3,161	

Note 12 Employees, staff costs and remuneration to senior executives

Average number of employees	2020	2019
Sweden		
Men	889	836
Women	1,187	1,096
Total Sweden	2,076	1,932
Denmark		
Men	1	1
Women	17	16
Total Denmark	18	17
Finland		
Men	1	1
Women	9	8
Total Finland	10	9
France		
Men	2	2
Women	4	4
Total France	6	6
Norway		
Men	7	9
Women	42	39
Total Norway	49	48
UK		
Men	40	40
Women	72	73
Total UK	112	113
Total number of employees		
Men	940	889
Women	1,331	1,236
Total	2,271	2,125

Salaries, other remuneration and social security expenses

Other employees	2020	2019
Salaries and remuneration	1,553	1,419
of which variable remuneration	-	-
Social security expenses	832	822
of which pension costs	290	311
Total	2,385	2,242

Board of Directors and senior executives, 33 (31)	2020	2019
Salaries and remuneration	59	52
of which variable remuneration	-	-
Social security expenses	44	39
of which pension costs	20	18
Total	102	91

Total salaries, other remuneration and social security expenses	2020	2019
Salaries and remuneration	1,612	1,472
of which variable remuneration	-	-
Social security expenses	875	862
of which pension costs	310	329
Total	2,487	2,333

Länsförsäkringar Bank has about 1,600 individuals who are also employed at Länsförsäkringar Bank and the regional insurance companies. The regional insurance companies pay the entire remuneration of their respective employees.

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. For remuneration of specific senior executives, refer to note 6 Employees, staff costs and remuneration of senior executives in the Parent Company.

Severance pay

A mutual period of notice of six months applies for the President and other senior executives. If termination of employment is issued by the company, severance pay corresponding to 12 monthly salaries will be paid, in addition to the period of notice. Alternatively, a mutual period of notice of three or six months is applied for other senior executives, and if termination of employment is issued by the company, severance pay corresponding to 12 or 18 monthly salaries will be paid in addition to the period of notice.

Pensions

The retirement age for the President is 65 years. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for one Executive Vice President is 60 years. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

The retirement age for other senior executives is 62 or 65 years. If the retirement age is 65, the pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. If the retirement age is 62, the pensions between 62 or 65 and 65 are defined-contribution pensions and are expected to be paid at approximately 70% of the pensionable salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

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

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

Composition and mandate of Remuneration Committee

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

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

The pension solution for senior executives shall be premium-based with a premium provision of 35% of the monthly salary.

Other benefits

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

Note 12 Employees, staff costs and remuneration to senior executives, cont.

Loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	31 Dec 2020	31 Dec 2019
Board members	54	63
President and Executive Vice President	25	20
Other senior executives	64	45
Total loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	143	128

Loans granted comprise personnel loans and other loans. Personnel loans are maximised at SEK 500,000 and carry loan terms comparable to what applies to other employees in the Group. The interest rate for employees is the repo rate less 0.5 percentage points, but can never be lower than 0.5%. The interest benefit is calculated in accordance with the Swedish Tax Agency's rules and is included in the amount for other benefits as above. The terms and conditions of other loans are market-based.

Number of women among senior executives, %	31 Dec 2020	31 Dec 2019
Board members	34	43
Other senior executives	47	51

Note 13 Fees and remuneration to auditors

	2020	2019
KPMG AB		
- Audit assignments	-15	-14
- Audit operations in addition to the audit assignment	-1	-4
- Tax consulting	-	0
- Other assignments	-1	-2
Total fees and cost reimbursements to auditors	-17	-20

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Associations, regulations or agreements that result in reports and certificates. Other assignments pertain to activities that are not included in the above-mentioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

Note 14 Other administration expenses

	2020	2019
Other administration expenses		
Costs for premises	-76	-95
Depreciation/amortisation and impairment	-386	-382
IT costs	-2,254	-2,148
Consultant costs	-459	-557
Marketing	-259	-290
Telephone and postage	-124	-129
Other administration expenses	-532	-510
Total other administration expenses	-4,091	-4,112

Note 15 Credit losses

SEK M	2020	2019
Change in loss allowance for loan receivables		
Stage 1 (not credit-impaired)	-76	-24
Stage 2 (not credit-impaired)	-54	-39
Stage 3 (credit-impaired)	-83	-80
Total change in loss allowance for loan receivables	-213	-143
Expense for confirmed credit losses	-193	-146
Payment received for prior confirmed credit losses	105	91
Net expense for the period for credit losses for loan receivables	-300	-199
Change in loss allowance for commitments	-21	-6
Net expense for other credit losses	-4	-2
Net expense of the modification result	0	0
Net expense for credit losses	-326	-207

A condition for full payment of the regional insurance companies' distribution remuneration by Länsförsäkringar Bank is that the loans generated by each company for Länsförsäkringar Bank (excluding Wasa Kredit) are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued commission. This settlement account is kept separate and is taken into consideration by Länsförsäkringar Bank when the provisions are established. In 2020, total credit losses amounted to SEK -370 M (-234), of which the Bank Group's recognised credit losses amounted to SEK -326 M (-207) and the remainder of SEK -45 M (-27) was offset against remuneration to the regional insurance companies.

Loss allowance SEK M	31 Dec 2020	31 Dec 2019
Financial assets measured at amortised cost		
Cash and balances at central banks	-	-
Loans to credit institutions	0	0
Loans to the public	782	569
Other assets	-	-
Financial assets measured at fair value through other comprehensive income		
Treasury bills and other eligible bills	0	0
Bonds and other interest-bearing securities	1	1
Provisions		
Commitments	43	22
Guarantees	0	0
Total loss allowance	826	592

All exposures are in stage 1 except for loans to the public and commitments which have exposure in all three stages. For more information about the change in loss allowance for loans to the public and commitments, refer to notes 24 and 45.

Note 16	Tax	
	2020	2019
Current tax		
Tax expenses for the period	-386	-376
Adjustment of tax expense pertaining to prior years	-5	-253
Total current tax	-391	-629
Deferred tax		
Deferred tax pertaining to temporary differences	-67	572
Deferred tax pertaining to capitalised tax value in loss carryforwards	3	11
Total deferred tax	-64	583
Total recognised tax expense	-456	-46
Reconciliation of effective tax rate		
Profit before tax	2,726	3,003
Tax in accordance with applicable tax rate for Parent Company	-583	-643
Effect of other tax rates for foreign companies	3	-1
Tax on non-deductible costs	-76	-172
Tax on non-taxable income	199	595
Tax attributable to earlier years	-5	-253
Tax attributable to changed tax rates	-	-8
Resolution of deferred tax	7	436 ¹⁾
Recognised effective tax on profit for the year	-456	-46
Applicable tax rate, %	21.4	21.4
Effective tax rate, %	16.7	1.5
Tax attributable to other comprehensive income		
Cash-flow hedges	21	4
Financial Assets measured at fair value through other comprehensive income	-20	-5
Revaluation of owner-occupied property	-	-32
Total tax attributable to other comprehensive income	1	-33

¹⁾ Deferred tax was reversed in connection with the divestment of holdings for business purposes. Including owner-occupied property.

The tax rate will change to 20.6% in 2021.

Note 17	Earnings per share	
	2020	2019
Net profit/loss attributable to Parent Company's shareholders, SEK M	2,270	2,957
Number of shares with a quotient value of SEK 100	10,424,582	10,424,582
Earnings per share before and after dilution, SEK	218	284

Earnings per share has been calculated as net profit for the year attributable to the Parent Company's shareholders divided by the average number of shares. No previous or future dilution exists since potential ordinary shares did not occur in reported periods nor were in existence on the balance-sheet date.

Note 18	Goodwill	
	2020	2019
Cost		
Opening cost, 1 January ¹⁾	558	542
Acquisitions	78	-
Exchange-rate differences	-18	17
Closing cost, 31 December	618	558

¹⁾ Accumulated impairments amounts to SEK -179 M (-179).

	2020	2019
Agria Pet Insurance Ltd	169	187
Agria Vet Guide AB	78	-
Länsförsäkringar Fondliv Försäkrings AB	372	372
Closing cost, 31 December	618	558

Assumptions for testing of value	2020	2019
Non-life insurance		
Long-term growth, %	2.0	2.0
Discount rate after tax, %	6.3	5.1

Goodwill testing is based on the value in use or the fair value less selling expenses.

Non-life insurance operations

Non-life insurance operations when calculating the value in use for both of the goodwill items for Agria Pet Insurance and Agria Vet Guide, measurement is based on future cash flows of expected gains, less capital requirements from the cash-generating unit. For Agria Pet Insurance, this cash-generating unit comprises the entire operations in the UK, meaning Agria Pet Insurance (API) and Agria's British branch. For Agria Vet Guide, the cash-generating unit comprises Agria Vet Guide and the Swedish business in Försäkring-saktiebolaget Agria.

The combined ratio in the sensitivity analysis has been increased by 2 percentage points every year and 2% growth in premiums earned has been assumed from 2022-2024. The results in a lower value of SEK 417 M for API and SEK 1,063 M for Agria Vet Guide.

Unit-linked insurance operations

For Länsförsäkringar Fondliv, the fair value is calculated on the flows from future profit on existing insurance contracts over their residual maturity.

The risk-free yield curve defined by EIOPA according to Solvency II is used as the return assumption and for discounting future cash flows. The present value of expected future gains is calculated based on discounted costs and income. The cash-flow calculation is based on a number of assumptions, such as cancellation, life expectancy, fee levels, rebating of commissions and expenses, which are continuously adjusted. The assumptions regarding expenses and policy holder behaviour are based on the company's historically observed outcomes. Income assumptions are based on the company's historically observed outcomes for contracted levels on the measurement date. Deductions are made for a risk adjustment that is calculated according to the cost of capital methods under Solvency II at 6%.

Note 19 Other intangible assets

Capitalised expenditure for development and acquired intangible assets

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Cost				
Opening cost, 1 January 2019	3,611	264	4,247	8,123
Acquisitions	484	-	-	484
Divestments/disposals	-90	-5	-	-95
Reclassification	146	-174	-	-28
Exchange-rate differences	4	-	-	4
Closing cost, 31 December 2019	4,155	86	4,247	8,488
Opening cost, 1 January 2020	4,155	86	4,247	8,488
Acquisitions	458	17	-	475
Acquisitions through investments in subsidiaries	7	-	-	7
Divestments/disposals	-287	-24	-	-311
Exchange-rate differences	-4	-	-	-4
Closing cost, 31 December 2020	4,329	79	4,247	8,655
Amortisation				
Opening accumulated amortisation, 1 January 2019	-1,318	-137	-1,641	-3,097
Amortisation	-231	-1	-143	-375
Divestments/disposals	80	-25	-22	33
Reclassification	-63	90	-	28
Exchange-rate differences	-2	-	-	-2
Closing accumulated amortisation, 31 December 2019	-1,536	-72	-1,806	-3,414
Opening accumulated amortisation, 1 January 2020	-1,536	-72	-1,806	-3,414
Amortisation through investments in subsidiaries	-2	-	-	-2
Amortisation	-252	-2	-143	-397
Divestments/disposals	258	24	-	281
Exchange-rate differences	3	-	-	3
Closing accumulated amortisation, 31 December 2020	-1,529	-50	-1,949	-3,529
Impairment				
Opening accumulated impairment, 1 January 2019	-719	-107	-	-826
Impairment	-2	-	-	-2
Divestments/disposals	20	42	-	62
Reclassification	-54	54	-	-
Closing accumulated impairment, 31 December 2019	-755	-11	-	-766
Opening accumulated impairment, 1 January 2020	-755	-11	-	-766
Divestments/disposals	29	-	-	29
Closing accumulated impairment, 31 December 2020	-726	-11	-	-736
Carrying amount, 31 December				
2019	1,864	2,845	2,441	4,309
2020	2,074	18	2,298	4,390

The periods of amortisation for internally developed and acquired IT systems are determined based on a useful life that varies between 3 and 20 years. Acquired customer-based assets are depreciated over a period of 8 or 25 years. Straight-line depreciation is applied consistently and all amortisation and impairment losses are recognised in profit or loss as Other administration expenses.

Note 20	Property and equipment	
	2020	2019
Cost		
Opening cost, 1 January	306	219
Reclassification	60	163
Acquisitions	20	18
Divestments/disposals	-14	-96
Exchange-rate differences	-3	3
Closing cost, 31 December	369	306
Depreciation and impairment		
Opening accumulated depreciation, 1 January	-237	-164
Reclassification	-60	-131
Depreciation	-26	-31
Divestments/disposals	10	90
Exchange-rate differences	2	-1
Closing accumulated depreciation, 31 December	-311	-237
Right-of-use assets (excluding owner-occupied property)	283	262
Inventories, market items	17	12
Carrying amount, 31 December	358	344

The Group as lessee

Property and equipment comprises both owned and leased assets that do not meet the definition of owner-occupied property. The Group's rents for premises are recognised as owner-occupied property in the statement of financial position. The Group is the lessee of underlying assets in the form of leases for premises, vehicles, IT hardware and other types of equipment.

Right-of-use assets 2020	Premises	Vehicles	IT hardware	Equipment	Total
Depreciation for the period	-138	-7	-85	-4	-234
Carrying amount, 31 December	1,022	6	273	3	1,304

Right-of-use assets 2019	Premises	Vehicles	IT hardware	Equipment	Total
Depreciation for the period	-27	-7	-50	-7	-93
Carrying amount, 31 December	1,161	7	249	7	1,423

Lease liabilities

The Group's lease liabilities are recognised under other liabilities in the statement of financial position and are presented in the Group's note 43 Other liabilities. Future lease payments paid by the Group over the remaining contracted term are presented in the maturity analysis for disclosures to the Group's liquidity risk in note 2 Risk and capital management.

Amounts recognised in statement of comprehensive income	2020	2019
Interest expense for lease liabilities	-19	-4
Variable fees not included in calculation of lease liability	-8	-11
Costs for low-value leases (excluding short-term leases of low-value assets)	-8	-3

Variable fees within the Group refer to leasing fees for internal premises which change over time based on the area used by the number of employees.

Amounts recognised in cash-flow statement	2020	2019
Total cash outflow for leases	-269	-118

Note 21	Owner-occupied property	
	2020	2019
Revalued depreciated cost		
Opening balance, 1 January	-	3 232
Capitalised improvements	-	3
Depreciation for the year according to plan before revaluation	-	-63
Revaluation of owner-occupied property	-	148
Divestment of owner-occupied property	-	-3 320
Closing balance, 31 December	-	-
Right-of-use assets (facilities)	1 022	1 161
Carrying amount, 31 December	1 022	1 161

The Group applies the revaluation technique to the Group's owner-occupied properties which was sold during 2019. The properties were valued externally by appraiser CBRE Sweden AB on 30 June and 31 December. Fair value was calculated by applying the location-price method, based on reported purchases of comparable properties and an income approach. The income approach is based on a ten-year calculation of the present value of future cash flows in the form of operating net, which has been successively adjusted to market. A residual value was added, which was calculated by performing a constant capitalisation of an estimated market-adjusted operating net in year 11. The Group has no borrowing costs for owner-occupied property. For information on fair value valuation techniques, refer to note 48.

For disclosures on right-of-use assets and earnings-related disclosures, refer to note 20 Property and equipment.

Note 22	Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ)							
	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Equity	Earnings	Carrying amount 31 Dec 2020	Carrying amount 31 Dec 2019
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	28,518	1,586	8	8

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) (Länsförsäkringar Liv) but this company is not consolidated. The holding in Länsförsäkringar Liv is not classified as a holding in a subsidiary in accordance with the definition in IFRS 10 Consolidated Financial Statements and thus is not consolidated.

The life-assurance operations, which are conducted according to mutual principles through Länsförsäkringar Liv and whose earnings accrue in their entirety to the policy-

holders, are not recognised in accordance with the purchase method since Länsförsäkringar AB does not have control of the company, is not entitled to variable returns and cannot influence returns. Länsförsäkringar Liv is recognised and valued as unquoted shares in accordance with IFRS 9 Financial Instruments.

Note 23 Shares and participations in associated companies

	31 Dec 2020	31 Dec 2019
Carrying amount at beginning of the year	62	54
Profit shares in the associated company	10	7
Other changes in the associated company's equity	0	0
Acquisition of shares in associated companies	-	1
Total shares and participations in associated companies	72	62

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Carrying amount 31 Dec 2020	Carrying amount 31 Dec 2019
CAB Group AB	556131-2223	Örebro	1,582	28.8	58	49
European Alliance Partners Company AG	CH-0203026423-1	Zürich, Schweiz	9,248	12.5	11	12
FörsäkringsGirof Sverige AB	556482-4471	Solna	5,000,000	25.0	-	-
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	-	0
Svenska Andelshästar AB	556536-9633	Uppsala	450	45.0	2	1
Total					72	62

The amounts presented above refer only to the Group's participating interests in associated companies. The shares and participations are unlisted. All associated companies apply the calendar year as the fiscal year. The share of profit in all associated companies is included in the Non-life insurance and in the Unit-linked insurance operating segments. Länsförsäkringar Sak Försäkrings AB (publ) is considered to have a significant influence in the European Alliance Partners Company AG despite owning a participating

interest of less than 20%. The reason is because Länsförsäkringar Sak Försäkrings AB (publ) is represented in the company's Board and, thereby, has the right (but not a duty) to participate in all decisions made in the company, including strategic issues and issues regarding guidelines, budget, business plans and similar matters. Furthermore, a large amount of information is exchanged with the company.

Note 24 Loans to the public

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 Dec 2020	31 Dec 2019
Public sector	9,967	161
Corporate sector	20,885	19,620
Retail sector	309,936	287,887
Other	-	0
Loan to the public before reserves	340,788	307,668
Reserves	-782	-569
Loans to the public	340,007	307,099
Fixed-interest period		
Remaining term of not more than 3 months	191,834	194,600
Remaining term of more than 3 months but not more than 1 year	39,116	18,398
Remaining term of more than 1 year but not more than 5 years	107,467	91,635
Remaining term of more than 5 years	1,590	2,466
Loans to the public	340,007	307,099

Remaining term is defined as the remaining fixed-income period if the loan has periodically restricted conditions.

31 Dec 2020	Gross carrying amount				Loss allowance				Net carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total loans to the public
Distribution by stage, SEK M									
Länsförsäkringar Hypotek AB	257,183	2,134	190	259,507	-4	-2	-1	-7	259,500
Länsförsäkringar Bank AB	53,376	1,658	294	55,328	-7	-7	-12	-26	55,302
Wasa Kredit AB	21,537	3,749	667	25,953	-156	-201	-392	-749	25,205
Total	332,096	7,541	1,151	340,788	-167	-210	-405	-782	340,007

31 Dec 2019	Gross carrying amount				Loss allowance				Net carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total loans to the public
Distribution by stage, SEK M									
Länsförsäkringar Hypotek AB	237,570	2,335	162	240,067	-2	-2	-2	-6	240,062
Länsförsäkringar Bank AB	40,776	1,754	290	42,820	-3	-6	-11	-20	42,800
Wasa Kredit AB	20,524	3,777	480	24,781	-86	-148	-309	-543	24,238
Total	298,869	7,867	932	307,668	-91	-156	-322	-569	307,099

A condition for full payment of the regional insurance companies' distribution remuneration by the Bank Group is that the loans generated by each company for the Bank Group (excluding Wasa Kredit) are of high quality. If this is not the case, up to 80% of any credit losses is off-set against the accrued commission. This model for settlement of credit losses is kept separate and is taken into consideration by Länsförsäkringar Bank when the provisions are established.

The recognised loss allowance increased SEK 213 M (143) during the year. The increase was primarily attributable to the subsidiary Wasa Kredit. Portfolio growth and a decline in credit risk parameters increased the loss allowance. Some of the reasons for the decline in the credit risk parameters were the macroeconomic trend and the macroeconomic forecasts used for calculating the loss allowance. The decline in credit risk parameters was also driven by migration of credits to stage 2 and to stage 3, which contributed to the increase for the year.

Note 24 Loans to the public, cont.

The contractual amounts outstanding for financial assets that were written off during the year and that are still encompassed by compliance measures amount to SEK 246 M (188) as per 31 December 2020.

The table below shows the forward-looking macroeconomic scenarios used for calculating the loss allowance. The macroeconomic scenarios applied in the model calculations were updated in the fourth quarter to reflect the current macroeconomic situation.

SEK M	Base scenario			Negative scenario			Positive scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Housing prices, annual change in %	4,03%	4,03%	4,03%	3,63%	4,03%	4,03%	4,03%	4,03%	4,03%
GDP, annual change in %	3,49%	3,14%	2,26%	1,95%	3,10%	2,26%	4,70%	3,16%	2,26%
Unemployment, level in %	9,28%	8,24%	7,36%	9,83%	8,68%	7,74%	8,79%	7,78%	7,09%

Modified loan receivables in loans to the public, SEK M	31 Dec 2020	31 Dec 2019
Loan receivables modified during the period that were in stages 2 and 3 when they were modified		
Amortised cost before modification	918	159
Modification gain/loss	0	0
Gross carrying amount for loan receivables that have been modified since initial recognition and on the modification date were in stage 2 or 3 and that were transferred to stage 1 during the period	276	51

Note 25 Unit-linked insurance assets, policyholder bears the risk	31 Dec 2020	31 Dec 2019
Equity funds	150,258	140,029
Fixed-income funds	15,660	14,534
Total unit-linked insurance assets	165,918	154,563
Amortised cost	115,101	106,030

Note 26 Financial leasing				
31 Dec 2020	Up to 1 year	1-5 years	More than 5 years	Total
Present value of future minimum lease fees	2,490	4,185	873	7,547
Unearned financial income ¹⁾	603	857	128	1,588
Gross investment	3,092	5,042	1,001	9,135
31 Dec 2019	Up to 1 year	1-5 years	More than 5 years	Total
Present value of future minimum lease fees	2,559 ²⁾	4,226	853	7,638
Unearned financial income ¹⁾	537	742	102	1,382
Gross investment	3,096	4,968	955	9,020

¹⁾ Attributable to present value calculation.

²⁾ Comparative figures have been adjusted.

	2020	2019
Provision for impaired loans pertaining to minimum lease fees	308	182
Variable portion of leasing fees included in net profit for the year	7	7

Minimum lease fees are payments, excluding variable fees, service charges and taxes that are made by the lessee to the lessor over the leasing period, with additions for any amount that is guaranteed by the lessee or a related party to the lessee.

Variable fees comprise the portion of leasing fees that are not fixed and that are calculated based on factors other than only the passage of time.

Financial leasing is included in loans to the public.

The updated macroeconomic scenarios implemented in the model calculations in December entail only minor changes compared with the preceding quarter. Three potential macroeconomic scenarios are considered when calculating expected credit losses: a base scenario that is currently weighted at 60%, and a more positive scenario and a more negative scenario that are both weighted at 20%.

Note 27 Shares and participations	31 Dec 2020	31 Dec 2019
Carrying amount		
Listed shares and participations	3,119	2,802
Unlisted shares and participations	2,114	1,832
Total shares and participations	5,233	4,634
	31 Dec 2020	31 Dec 2019
Fair value	5,233	4,634
Cost	3,245	2,991

In 2020, the Group divested shares and participations measured at fair value through other comprehensive income, and accordingly accumulated profit of SEK 2.2 M was transferred from the fair value reserve to retained earnings. No divestments took place in the 2019 fiscal year.

Note 28	Bonds and other interest-bearing securities	
Carrying amounts	31 Dec 2020	31 Dec 2019
Swedish government	36	30
Swedish mortgage institutions	37,267	36,438
Other Swedish issuers	6,880	7,502
Foreign states	2,052	1,522
Other issuers	10,154	7,126
Total bonds and other interest-bearing securities	56,389	52,618
Fair value	56,389	52,618
Amortised cost	55,752	51,916
Nominal value	53,915	49,785
Listed securities	55,779	52,263
Unlisted securities	610	355
Carrying amounts of the securities compared with their nominal amounts		
Total fixed income funds	1,123	1,642
Total surplus	1,362	1,203
Total deficit	-10	-12

For loss allowance, see note 15 Credit losses.

Note 29	Treasury bills and other eligible bills	
Carrying amount	31 Dec 2020	31 Dec 2019
Swedish government	11,409	9,467
Finnish government	129	190
German government	258	278
Total treasury bills and other eligible bills	11,796	9,934
Fair value	11,796	9,934
Amortised cost	11,750	9,821
Nominal value	11,355	9,445

For loss allowance, see note 15 Credit losses.

Note 30	Fair value adjustment of interest-rate-risk hedged items in portfolio hedge	
	2020	2019
Assets		
Carrying amount, 1 January	5	125
Changes during the year pertaining to lending	300	-125
Changes during the year pertaining to funding	-	3
Changes during the year pertaining to deposits	-	1
Carrying amount, 31 December	305	5
Liabilities		
Carrying amount, 1 January	1,241	1,058
Changes during the year pertaining to deposits	0	0
Changes during the year pertaining to funding	568	30
Changes during the year pertaining to lending	-	153
Carrying amount, 31 December	1,809	1,241

Note 31	Other receivables	
	31 Dec 2020	31 Dec 2019
Receivables pertaining to direct insurance	2,512	2,154
Accounts receivable	357	324
Receivables pertaining to reinsurance	428	751
Deposits with companies that have ceded reinsurance	125	83
Other receivables	3,361	2,080
Total other receivables	6,783	5,393

Accounts receivable related to contracts with customers amounted to SEK 166 M (33) in the Parent Company and SEK 2 M (2) in Länsförsäkringar Fondliv. Accounts receivable pertaining to leases amounted to SEK 161 M (226).

Other receivables related to contracts with customers amounted to SEK 2 M (8) in the Parent Company, SEK 9 M (4) in the Länsförsäkringar Sak Group and SEK 613 M (635) in Länsförsäkringar Fondliv.

In its calculation of loss allowance for other financial assets, the Group uses the simplified method that is described in more detail in note 1 Accounting policies. For loss allowance, see note 15 Credit losses.

Note 32	Prepaid expenses and accrued income	
	31 Dec 2020	31 Dec 2019
Accrued interest and rental income	38	42
Deferred acquisition costs	1,831	1,568
Other accrued income	227	300
Recognised assets from expenses for completing an agreement	23	-
Other prepaid expenses	508	411
Total prepaid expenses and accrued income	2,628	2,321
Opening balance Deferred acquisition costs 1 January	1,568	1,390
Capitalised acquisition costs	1,110	1,010
Depreciation	-846	-804
Impairment	-1	-28
Closing balance Deferred acquisition costs 31 December	1,831	1,568

Recognised assets from expenses for completing an agreement refer to adjusting LB Bank's card system from Visa to Mastercard, including expenses for replacement cards. The period of depreciation is eight years for system adjustments and about 2.5 years for the replacement cards.

Note 33	Cash and cash equivalents	
	31 Dec 2020	31 Dec 2019
Cash and balances with central banks	53	9,831
Balances with other banks	2,168	1,830
Total cash and cash equivalents	2,221	11,661

For loss allowance, see note 15 Credit losses.

	Restricted equity		Non-restricted equity including comprehensive income for the year	Total equity
	Share capital	Restricted reserves		
Opening equity, 1 January 2019	1,042	5,345 ¹⁾	20,480 ¹⁾	26,867
Net profit for the year	-	-	2,957	2,957
Change in translation reserve	-	21	10	31
Change in revaluation reserve	-	-	148	148
Change in fair value reserve	-	-	28	28
Change in hedging reserve	-	-	-22	-22
Tax on items recognised in other comprehensive income	-	-	-33	-33
Total other comprehensive income	0	21	131	151
Comprehensive income for the year	0	21	3,088	3,109
Tier 1 capital issued	-	- ¹⁾	931 ¹⁾	931
Transfer between restricted and non-restricted equity	-	9	-9	-
Closing equity, 31 December 2019	1,042	5,375¹⁾	24,489¹⁾	30,907
Opening equity, 1 January 2020	1,042	5,375 ¹⁾	24,489 ¹⁾	30,907
Net profit for the year	-	-	2,270	2,270
Change in translation reserve	-	-22	-13	-35
Change in revaluation reserve	-	-	-	-
Change in fair value reserve	-	-	94	94
Change in hedging reserve	-	-	-110	-110
Tax on items recognised in other comprehensive income	-	-	1	1
Total other comprehensive income	-	-22	-29	-51
Comprehensive income for the year	-	-22	2,241	2,219
Tier 1 capital issued	-	-	-75	-75
Transfer between restricted and non-restricted equity	-	7	-7	-
Relised gain from sales of shares	-	-	0	0
Closing equity, 31 December 2020	1,042	5,360	26,649	33,051

¹⁾ Comparative figures were reclassified from Restricted Equity to Non-restricted Equity.

The quotient value per share is SEK 100. All shares are ordinary shares. Of the shares issued on 31 December 2020, 1,532,678 were Series A shares (carrying ten votes each), 8,885,949 were Series B shares and 5,955 were Series C shares (carrying one vote each).

Specification of the capital item Reserves in the statement of financial position

Changes in these reserves are included in comprehensive income for the year.

	2020	2019
Translation reserve		
Opening translation reserve, 1 January	-30	-61
Translation differences for the year	-35	31
Closing translation reserve, 31 December	-65	-30
Revaluation reserve		
Opening revaluation reserve, 1 January	-	1,304
Revaluation of owner-occupied property	-	148
Revaluation of defined-benefit pension plans	-	-1,421
Tax attributable to revaluation for the year	-	-32
Closing revaluation reserve, 31 December	-	-
Fair value reserve		
Opening fair value reserve, 1 January	-374	-397
Change for the year in fair value of available-for-sale financial assets	94	28
Tax attributable to change for the year	-20	-5
Closing fair value reserve, 31 December	-300	-374
Hedging reserve		
Opening hedging reserve, 1 January	-170	-151
Change for the year in cash-flow hedges	-110	-22
Tax attributable to change for the year	21	4
Closing hedging reserve, 31 December	-259	-170

Translation reserve

The translation reserve includes all exchange-rate differences arising on the translation of the financial statements from foreign operations that have prepared their financial statements in a different currency to the currency in which the consolidated financial statements are presented. The Parent Company and Group present their financial statements in Swedish kronor (SEK).

Revaluation reserve

The revaluation reserve includes changes in value attributable to owner-occupied property and a provision for defined-benefit pensions.

Fair value reserve

The fair value reserve comprises the accumulated net change in financial assets measured at fair value through other comprehensive income until the asset is derecognised from the statement of financial position.

Hedging reserve

The hedging reserve comprises hedges of variable interest rates against fixed interest rates pertaining to the Parent Company's debt securities in issue and hedges of exchange rate risks in future cash flows pertaining to the Bank Group's debt securities in issue in foreign currency.

Other capital contributed

Refers to equity that has been provided by the owners. The item includes surpluses paid in conjunction with issues.

Restricted reserves

Restricted reserves may not be reduced through profit distribution. The statement of changes in equity for the Group includes some restricted reserves in other contributed equity and the remainder in retained earnings.

Retained earnings, including net profit for the year

Retained earnings, including net profit for the year, includes profit in the Parent Company, subsidiaries and associated companies.

Dividends

A dividend of SEK 698 M is proposed for 2020. All capital that is not required for Länsförsäkringar AB's operations is returned over time to the shareholders in the form of dividends. A prerequisite for the payment of dividends is that a credit rating of A can be justified for the Group's credit-rated companies.

Note 35	Subordinated liabilities
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	31 Dec 2020	31 Dec 2019
Subordinated debts with three-month floating interest rates	1,699	1,697
Subordinated debts with a fixed interest rate	898	898
Total subordinated liabilities	2,597	2,595

The subordinated loans listed and can be redeemed on 26 April 2021 and 1 March 2023 at the earliest. These loans fall due on 26 April 2026 and 1 March 2028. Interest on the variable loans was 2.3% and 1.1% on 31 December 2020. The interest rate on fixed loans is 2.7% and 1.8%.

Note 36	Technical provisions
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	2020			2019		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance, 1 January	2,715	288	2,427	2,315	124	2,191
Provisions during the period	503	98	406	342	162	180
Exchange-rate changes	-102	-2	-100	57	1	56
Closing balance, 31 December	3,117	383	2,733	2,715	288	2,427
of which non-life insurance	986	383	603	2,715	288	2,427
Unexpired risk						
Opening balance, 1 January	35	35	-	1	-	1
Provisions during the period	26	26	-	35	35	-1
Closing balance, 31 December	62	62	-	35	35	-
of which non-life insurance				35	35	-
Life-assurance provision						
Opening balance, 1 January	3,091	-	3,091	2,846	-	2,846
Provisions during the period	-1,072	-	-1,072	8	-	8
Deposits	457	-	457	473	-	473
Payments	-67	-	-67	-105	-	-105
Difference between premiums paid and provisions for new operation	-138	-	-138	-97	-	-97
Costs withdrawn	-11	-	-11	-17	-	-17
Change in provision due to change in interest-rate assumption	61	-	61	2	-	2
Change due to changed cost assumption	-49	-	-49	-49	-	-49
Change due to amended transfer assumption	43	-	43	22	-	22
Other changes	8	-	8	8	-	8
Closing balance, 31 December	2,323	-	2,323	3,091	-	3,091
of which life assurance	2,323	-	2,323	3,091	-	3,091
Claims outstanding						
Claims incurred and reported	4,985	4,411	574	4,910	4,481	429
Claims incurred but not reported	6,247	4,770	1,476	7,624	5,948	1,676
Claims annuities	1,564	-	1,564	1,546	-	1,546
Claims adjustment costs	223	-	223	223	-	223
Total opening balance, 1 January	13,018	9,181	3,837	14,303	10,429	3,874
Provisions for the period	1,158	935	223	-1,314	-1,253	-61
Interest-rate translation of provision for claim annuities	2	-	2	10	-	10
Transferred insurance portfolio	-	-	-	-17	-	-17
Exchange-rate changes	-67	-5	-62	36	5	31
Closing balance, 31 December	14,111	10,111	4,000	13,018	9,181	3,837
of which non-life insurance	13,602	10,066	3,536	12,550	9,117	3,433
of which life assurance	509	45	464	469	64	404
Specification of closing balance claims outstanding						
Claims incurred and reported	5,783	5,287	497	4,985	4,411	574
Claims incurred but not reported	6,575	4,825	1,750	6,247	4,770	1,476
Claims annuities	1,518	-	1,518	1,564	-	1,564
Claims adjustment costs	236	-	236	223	-	223
Total closing balance, 31 December	14,111	10,111	4,000	13,018	9,181	3,837
Carrying amount at year-end	19,613	10,557	9,056	18,860	9,504	9,356
of which non-life insurance	14,650	10,512	4,139	15,300	9,440	5,860
of which life assurance	2,832	45	2,787	3,560	64	3,496
Run-off profit/loss, non-life insurance	439	-238	201	1,852	-1,558	294

The discount rate curve defined by the EIOPA is used to calculate annuities, the life-assurance reserve and disability annuities. This curve has been produced to correspond to a risk-free interest rate term structure and is based on market data for Swedish swap rates. A macroeconomic assumption of a long-term interest rate of 3.90% is also included. Other non-life insurance is not discounted.

Note 37 Unit-linked insurance liabilities, policyholder bears the risk

Unit-linked insurance commitments	31 Dec 2020	31 Dec 2019
Opening balance	154,927	122,693
Payments	11,517	8,821
Migrations, repurchases and cancellations	-3,246	-3,432
Paid remuneration	-3,020	-2,766
Costs withdrawn	-789	-773
Change in value	7,140	30,487
Yield tax	-134	-110
Other changes	17	8
Closed balance, unit-linked insurance commitments	166,411	154,927
Conditional bonus	2,323	1,023
Total	168,735	155,950

Note 38 Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities		Net	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Intangible assets	-31	-42	-	-	-31	-42
Financial assets	1	0	-	-	1	0
Receivables	-8	-6	-	-	-8	-6
Other assets	-	-	1	1	1	1
Liabilities	-12	-7	0	0	-12	-7
Loss carryforwards	-30	-27	-	-	-30	-27
Untaxed reserves	-	-	944	881	944	881
Cash-flow hedges	-67	-46	-	-	-67	-46
Deferred tax asset (-) /deferred tax liability (+)	-148	-128	945	882	797	753
Offset	-	-	-	-	-	-
Net deferred tax asset (-) /deferred tax liability (+)	-148	-128	945	882	797	753

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

Deferred tax assets have been recognised for tax loss carryforwards. It is anticipated that the loss will be utilised within one year.

Change in deferred tax in temporary differences and loss carryforwards

2020	Amount at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Amount at 31 December
Intangible assets	-42	11	-	-31
Financial assets	0	1	0	1
Receivables	-6	-2	-	-8
Other assets	1	0	0	1
Liabilities	-7	-5	-	-12
Loss carryforwards	-27	-3	-	-30
Untaxed reserves	881	63	-	944
Cash-flow hedges	-46	-	-21	-67
Deferred tax assets (-) /deferred tax liabilities (+)	753	64	-21	797

2019	Amount at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Amount at 31 December
Intangible assets	-46	4	-	-42
Property	403	-434	32	-
Financial assets	1	-1	0	0
Receivables	-5	0	-	-6
Other assets	1	0	-	1
Liabilities	-7	0	0	-7
Loss carryforwards	-16	-11	-	-27
Untaxed reserves	1,025	-140	-4	881
Cash-flow hedges	-43	-	-4	-46
Deferred tax assets (-) /deferred tax liabilities (+)	1,313	-583	24	753

Note 39	Other provisions	
	31 Dec 2020	31 Dec 2019
Provision for pensions being paid	51	51
Other provisions	96	74
Total other provisions	146	125

Defined-benefit pension plans

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 Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, the main rule under this pension plan entails that a company recognises 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 plan. FPK is unable to provide necessary information which is why the pension plans above are recognised as defined-contribution plans in accordance of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

FTP plan contributions for 2020 are expected to total SEK 117 M.

	2020	2019
Expenses for defined-contribution plans	273	291

Note 40	Debt securities in issue	
	31 Dec 2020	31 Dec 2019
Commercial papers	476	1,451
Bond loans ¹⁾	234,966	225,167
Cashier's cheques issued	29	42
Total debt securities in issue	235,471	226,661

¹⁾ Covered bonds in the Group amount to SEK 195,861 M (188,501).

Note 41	Deposits from the public	
	31 Dec 2020	31 Dec 2019
Deposits from insurance companies	1,249	2,865
Deposits from households	114,958	101,528
Deposits from other Swedish public	17,540	13,912
Total deposits from the public	133,747	118,305

Note 42	Due to credit institutions	
	31 Dec 2020	31 Dec 2019
Swedish banks	5,403	6,332
Other Swedish credit institutions	2,000	233
Total liabilities due to credit institutions	7,403	6,565

Payable on demand	43	43
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Genuine repurchase transactions amounted to SEK M1,935 (-).

Note 43	Other liabilities	
	31 Dec 2020	31 Dec 2019
Liabilities pertaining to direct insurance	981	681
Due to Länsförsäkringar Liv Försäkrings AB	29	19
Liabilities, assumed reinsurance	182	449
Liabilities, reinsurance	153	331
Accounts payable	405	221
Tax liabilities	191	290
Deposits from reinsurers	66	69
Lease liabilities	1,344	1,461
Other liabilities	1,596	2,004
Total other liabilities	4,947	5,524

Note 44	Accrued expenses and deferred income	
	31 Dec 2020	31 Dec 2019
Accrued interest expense	977	1,083
Other accrued expenses	2,090	2,232
Prepaid rent	243	247
Contract liabilities	27	-
Other deferred income	1,114	906
Total accrued expenses and deferred income	4,451	4,468

Contract liabilities refer to advance payments that Länsförsäkringar Bank received when its card provider was replaced. The contract liabilities will be reduced over time in line with the bank meeting the pre-established transactions volumes.

Note 45 Pledged assets and contingent liabilities

	31 Dec 2020	31 Dec 2019
Pledged assets		
Total registered investment assets on behalf of policyholders	185,276	171,374
Pledged securities in the Riksbank	4,590	2,549
Pledged securities in Euroclear	2,519	2,090
Loan receivables, covered bonds	248,609	230,388
Loan receivables, substitute collaterals	10,390	10,040
Collateral paid due to repurchase agreement	1,935	-
Securities collateral paid, derivatives	2,256	2,076
Other collateral for securities	62	15
Chattel mortgages, associated companies	-	0
Total pledged assets	455,636	418,532
Contingent liabilities		
Guarantees	34	462
Total contingent liabilities	34	462
Other commitments		
Loans approved but not disbursed	20,629	17,369
Unutilised portion of overdraft facilities	2,823	2,624
Remaining amount to invest in investment assets	980	-
Unutilised portion of credit card facilities	1,821	1,853
Total other commitments	26,253	21,846

Registered assets follow the regulations stipulated in the Swedish Insurance Business Act. In the event of insolvency, the policyholders have preferential rights to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance commitments are covered for liabilities in accordance with the Insurance Business Act.

Loans to the public were provided as collateral for the issuance of covered bonds and mortgage bonds. In the event of the company's insolvency, bond holders have preferential rights to the assets that are registered as cover pool.

Other pledged securities will be transferred to the pledgee in the event of bankruptcy.

Länsförsäkringar AB, Länsförsäkringar Sak and Länsförsäkringar Fondliv have signed a service agreement with Länsförsäkringar Liv due to Länsförsäkringar Liv's run-off. Länsförsäkringar AB, Länsförsäkringar Sak and Länsförsäkringar Fondliv undertake to deliver services at a predetermined price per year. The remuneration levels in the agreement reflect these companies' plans to gradually reduce the costs for the services rendered. The agreement includes a renegotiation clause that entails that the parties can review the remuneration level every 36 months if the circumstances have significantly changed. The agreement leads to a marginal impact on the solvency ratio for the Länsförsäkringar AB Group, primarily as a result of the agreement's effect on Länsförsäkringar Fondliv's assumption regarding operating expense cash flow.

Reconciliation of reported gross carrying amount and loss allowance for commitments

	Note credit-impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3		Credit risk exposure	Loss allowance
	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance		
SEK M								
Opening balance, 1 Jan 2019	20,497	-10	337	-6	8	0	20,842	-17
New loan commitments and increase in existing loan commitments	60,929	-16	85	-3	6	0	61,020	-19
Changes:								
Change in loss allowance model or method	-	0	-	0	-	-	-	0
Net change in existing loan commitments and credit commitments (utilised and repaid)	-20,631	3	-85	1	-8	0	-20,724	4
Change in risk parameters	-	-2	-	2	-	0	-	0
Transfer of loan commitments and credit commitments:								
Transfer from stage 1 to stage 2	-573	3	573	-6	-	-	-	-3
Transfer from stage 2 to stage 1	141	-1	-141	2	-	-	-	1
Transfer to stage 3	-4	0	-1	0	5	0	-	0
Transfer from stage 3	1	0	1	0	-2	0	-	0
Expired loan commitments	-38,818	8	-469	4	-5	0	-39,292	12
Closing balance, 31 Dec 2019	21,542	-15	301	-7	3	0	21,846	-22
Opening balance, 1 Jan 2020	21,542	-15	301	-7	3	-0	21,846	-22
New loan commitments and increase in existing loan commitments	74,097	-31	90	-3	4	0	74,191	-35
Changes:								
Change in loss allowance model or method	-	0	-	0	-	0	-	0
Net change in existing loan commitments and credit commitments (utilised and repaid)	-23,932	4	-87	1	-1	0	-24,019	5
Change in risk parameters	-	-7	-	2	-	0	-	-5
Transfer of loan commitments and credit commitments:								
Transfer from stage 1 to stage 2	-630	6	630	-9	-	-	-	-3
Transfer from stage 2 to stage 1	133	-1	-133	1	-	-	-	1
Transfer to stage 3	-9	1	-3	0	12	-1	-	0
Transfer from stage 3	2	0	1	0	-3	0	-	0
Expired loan commitments	-46,319	11	-420	5	-4	0	-46,744	16
Closing balance, 31 Dec 2020	24,883	-32	379	-9	12	-1	25,274	-43

The loss allowance increased by SEK 21 M (5) during the year. This was due to new loan commitments and an impairment in credit risk parameters.

On 31 December 2020, the total loss allowance for commitments amounted to SEK 53 M (26), of which the Group's recognised loss allowance amounted to SEK 43 M (22) and

the remainder of SEK 10 (4) M was settled against remuneration to the regional insurance companies. For more information on the distribution remuneration model, refer to note 24 Loans to the public.

Note 46 Anticipated recovery and settlement periods for assets and liabilities

Amount expected to be recovered	31 Dec 2020			31 Dec 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Goodwill	-	618	618	-	558	558
Other intangible assets	306	4,084	4,390	284	4,025	4,309
Deferred tax assets	119	29	148	91	37	128
Property and equipment	41	316	358	40	304	344
Owner-occupied property	-	1,022	1,022	-	1,161	1,161
Shares in Länsförsäkringar Liv Försäkrings AB	-	8	8	-	8	8
Shares and participations in associated companies	-	72	72	-	62	62
Reinsurers' portion of technical provisions	1,480	9,077	10,557	1,098	8,406	9,504
Loans to the public	25,107	314,899	340,007	56,994	250,106	307,099
Unit-linked insurance assets, policyholder bears the risk	10,285	155,634	165,918	9,513	145,051	154,563
Shares and participations	-	5,233	5,233	8	4,626	4,634
Bonds and other interest-bearing securities	16,210	40,179	56,389	15,877	36,741	52,618
Treasury bills and other eligible bills	5,167	6,629	11,796	5,209	4,726	9,934
Derivatives	885	4,630	5,515	1,301	6,989	8,290
Change in value of hedge portfolios	305	-	305	5	-	5
Other receivables	6,779	4	6,783	5,387	5	5,393
Prepaid expenses and accrued income	1,373	1,254	2,628	1,261	1,061	2,321
Cash and cash equivalents	2,221	-	2,221	11,661	-	11,661
Total assets	70,278	543,689	613,967	108,727	463,866	572,594

Amount expected to be settled	31 Dec 2020			31 Dec 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities						
Subordinated liabilities	-	2,597	2,597	-	2,595	2,595
Technical provisions	5,623	13,991	19,613	5,099	13,761	18,860
Unit-linked insurance liabilities, policyholder bears the risk	10,459	158,275	168,735	9,598	146,352	155,950
Deferred tax liabilities	1	944	945	-	882	882
Other provisions	5	141	146	-	125	125
Debt securities in issue	28,899	206,572	235,471	30,124	196,536	226,661
Deposits from the public	133,167	580	133,747	117,795	510	118,305
Due to credit institutions	5,403	2,000	7,403	6,565	-	6,565
Derivatives	165	885	1,051	196	315	511
Change in value of hedge portfolios	1,809	-	1,809	1,241	-	1,241
Other liabilities	3,814	1,133	4,947	4,246	1,278	5,524
Accrued expenses and deferred income	4,225	226	4,451	4,145	323	4,468
Total liabilities	193,571	387,345	580,915	179,010	362,677	541,687

Note 47 Classification of financial assets and liabilities

31 Dec 2020, SEK M	Financial assets measured at fair value in profit or loss			Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income		Total	Fair value
	Financial assets measured according to fair value option	Derivatives used in hedge accounting	Equity instruments		Debt instruments measured at fair value through other comprehensive income	Equity instruments		
Assets								
Shares in Länsförsäkringar Liv Försäkrings AB	-	-	-	-	-	8	8	8
Loans to the public	-	-	-	340,007	-	-	340,007	340,889
Unit-linked insurance assets, policyholder bears the risk	165,918	-	-	-	-	-	165,918	165,918
Shares and participations	4,041	-	1,022	-	-	169	5,233	5,233
Bonds and other interest-bearing securities	9,566	-	-	-	46,823	-	56,389	56,389
Treasury bills and other eligible bills	-	-	-	-	11,796	-	11,796	11,796
Derivatives	101	5,414	-	-	-	-	5,515	5,515
Other receivables	-	-	-	3,218	-	-	3,218	3,277
Prepaid expenses and accrued income	-	-	-	155	-	-	155	155
Cash and cash equivalents	-	-	-	2,221	-	-	2,221	2,221
Total assets	179,626	5,414	1,022	345,600	58,618	177	590,459	591,400

31 Dec 2020, SEK M	Financial liabilities measured at fair value in profit or loss			Financial liabilities measured at amortized cost	Total	Fair value
	Financial liabilities measured according to fair value option	Identified at fair value in profit and loss	Derivatives used in hedge accounting			
Liabilities						
Subordinated debt	-	-	-	2,597	2,597	2,639
Debt securities issued	-	-	-	235,471	235,471	243,414
Liabilities for unit-linked life insurance commitment	-	166,411	-	-	166,411	166,411
Deposits from the public	-	-	-	133,747	133,747	137,055
Due to credit institutions	-	-	-	7,403	7,403	7,403
Derivatives	41	-	1,009	-	1,051	1,051
Other liabilities	-	-	-	2,645	2,645	2,649
Accrued expenses and deferred income	-	-	-	1,268	1,268	1,268
Total liabilities	41	166,411	1,009	383,132	550,593	561,890

Note 47 Classification of financial assets and liabilities, cont.

31 Dec 2019, SEK M	Financial assets measured at fair value in profit or loss			Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income		Total	Fair value
	Financial assets measured according to fair value option	Derivatives used in hedge accounting	Equity instruments		Debt instruments measured at fair value through other comprehensive income	Equity instruments		
Assets								
Shares in Länsförsäkringar Liv Försäkrings AB	-	-	-	-	-	8	8	8
Loans to the public	-	-	-	307,099	-	-	307,099	308,209
Unit-linked insurance assets, policyholders bears the risk	154,563	-	-	-	-	-	154,563	154,563
Shares and participations	3,221	-	931	343	-	140	4,634	4,292
Bonds and other interest-bearing securities	9,945	-	-	-	42,673	-	52,618	52,618
Treasury bills and other eligible bills	-	-	-	-	9,934	-	9,934	9,934
Derivatives	68	8,222	-	-	-	-	8,290	8,290
Other receivables	-	-	-	1,051	-	-	1,051	1,063
Prepaid expenses and accrued income	-	-	-	152	-	-	152	152
Cash and cash equivalents	-	-	-	11,661	-	-	11,661	11,661
Total assets	167,797	8,222	931	320,306	52,608	148	550,012	550,790

31 Dec 2019, SEK M	Financial liabilities measured at fair value in profit or loss			Financial liabilities measured at amortized cost	Total
	Financial liabilities measured according to fair value option	Identified at fair value in profit and loss	Derivatives used in hedge accounting		
Liabilities					
Subordinated debt	-	-	-	2,595	2,595
Debt securities issued	-	-	-	226,661	226,661
Liabilities for unit-linked life insurance commitment	-	154,563	-	-	154,563
Deposits from the public	-	-	-	118,308	118,305
Due to credit institutions	-	-	-	6,565	6,565
Derivatives	74	-	437	-	511
Other liabilities	-	-	-	2,389	2,389
Accrued expenses and deferred income	-	-	-	1,721	1,721
Total liabilities	74	154,563	437	358,237	513,310

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

The carrying amount of other receivables, cash and cash equivalents, due to credit institutions and other liabilities is deemed to comprise a reasonable approximation of their fair value since these assets and liabilities have short terms.

Note 48 Fair value valuation techniques

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

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

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

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

	31 Dec 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Shares in Länsförsäkringar Liv Försäkrings AB	-	-	8	8	-	-	8	8
Unit-linked insurance assets, policyholder bears the risk	165,918	-	-	165,918	154,563	-	-	154,563
Shares and participations	3,119	59	2,054	5,233	2,802	63	1,769	4,634
Bonds and other interest-bearing securities	55,779	-	610	56,389	52,263	-	355	52,618
Treasury bills and other eligible bills	11,796	-	-	11,796	9,934	-	-	9,934
Derivatives	0	5,515	-	5,515	1	8,289	-	8,290
Liabilities								
Derivatives	0	1,050	-	1,051	-	511	-	511

Change level 3	Owner-occupied property	Shares in Länsförsäkringar Liv Försäkrings AB	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2020	-	8	1,769	355	2,132
Acquisitions	-	-	116	322	438
Divestments	-	-	-	-51	-51
Recognised in net profit/loss for the year	-	-	170	-16	154
Recognised in other comprehensive income	-	-	-1	-	-1
Closing balance, 31 December 2020	-	8	2,054	610	2,672
Opening balance, 1 January 2019	3,232	8	1,103	250	4,593
Acquisitions	3	-	341	100	444
Divestments	-3,320	-	-	-2	-3,323
Recognised in net profit/loss for the year	-63	-	324	7	268
Recognised in other comprehensive income	148	-	-	-	148
Closing balance, 31 December 2019	-	8	1,769	355	2,132

There were no significant transfers between Level 1 and Level 2 during 2020 or during 2019. There were no transfers from Level 3 in 2020 or 2019.

Normally, there are no active markets for owner-occupied property within Level 3, which is why fair value is estimated using models based on discounted cash flows. The method applied to the calculation of fair value is a combination of the location-price method, based on reported purchases of comparable properties, and a return-based cash-flow method. During 2019, owner-occupied property were sold as of 1 November.

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 fair value at equity per share based on the most recent company reports. Delisted, insolvent companies are measured at zero, if no other listing can be found. Länsförsäkringar Bank AB holds shares and participations are measured at amortized cost when not possible to be reliably measured base on listing in an active market. Instead, regular valuations are performed based on, for example, recent company reports and forecast results. Shares and participations in Länsförsäkringar Liv are measured based on the companies share capital. Länsförsäkringar Liv is conducted based on mutual principles and the result can not be handed out the owners but accrues in full to the policyholders.

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

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

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

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

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

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

Note 49 Information about offsetting

The table shows financial assets and liabilities covered by a legally binding master netting agreement or similar agreements, together with related collaterals.

The Group has ISDA agreements and CSA agreements with counterparts for OTC derivatives which are not covered by central counterparty clearing. There is corresponding netting agreements for reverse repurchase agreements, meaning that all exposures

are covered by these types of agreements. The agreements entitle the parties to offset assets and liabilities in the event of default or insolvency. The net amount is the amount that, in the event of default or insolvency, would be obtained, if the amount is an asset, or paid, if the amount is a liability.

31 Dec 2020	Gross amount	Offset in the balance sheet	Amount recognised in the balance sheet	Related amounts that are not offset in the balance sheet		Net amount
				Master netting agreements	Collaterals Received (-) / Pledged (+)	
Assets						
Derivatives	5,893	-378	5,515	-378	-4,188	949
Repurchase agreement	1,935	-	1,935	-	-1,935	0
Liabilities						
Derivatives	-1,429	378	-1,051	378	206	-467
Repurchase agreement	-1,935	-	-1,935	-	1,935	0
Total	4,464	0	4,464	0	-3,982	482

31 Dec 2019	Gross amount	Offset in the balance sheet	Amount recognised in the balance sheet	Related amounts that are not offset in the balance sheet		Net amount
				Master netting agreements	Collaterals Received (-) / Pledged (+)	
Assets						
Derivatives	8,575	-285	8,290	-206	-6,445	1,639
Liabilities						
Derivatives	-796	285	-511	206	31	-274
Total	7,779	-	7,779	-	-6,413	1,365

The Group uses derivative instruments to reduce risks or enhance management efficiency and, when used, these are recognised according to the policies for hedge accounting. Disclosures on the Group's derivative instruments are provided in table 19 in note 2 Risk and capital management.

Note 50 Disclosures on related parties

The 23 regional insurance companies have been chosen to organise joint operations in the Länsförsäkringar AB Group. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, are produced and provided jointly within the Länsförsäkringar Alliance.

The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 23 regional insurance companies, with subsidiaries, and 15 local insurance companies in other related parties, which together own 100% of Länsförsäkringar AB. Other related parties also include Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, Humlegården Fastigheter AB and Hällefors & Tierp Skogar AB since these companies are wholly owned in the Länsförsäkringar Alliance. Länsförsäkringar Liv Försäkrings AB and all associated companies are also considered to be legal entities closely related to the Länsförsäkringar AB Group. Related key persons are Board members, senior executives and their close family members.

Policies for transactions

Transactions between closely related parties occur both as transactions of a nonrecurring nature and transactions on a continuous basis.

Transactions of a nonrecurring nature comprise the acquisitions and divestments of assets and similar transactions. They occur in limited scope. In nonrecurring transactions, the transactions are based on written agreements that comply with market standards and terms.

Transactions of a continuous nature include goods and services provided for the companies within the Länsförsäkringar AB Group and to the Länsförsäkringar Alliance for carrying out development projects and services. Transactions of this nature shall follow established routines as below.

Pricing

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

Process and decisions

Corporate management within Länsförsäkringar AB, jointly with a service committee with representatives from the insurance companies, prepare the service levels and price

lists for the sale of goods and services to related companies. Based on these discussions, the Board of Länsförsäkringar AB decides on the service levels and price lists to related parties.

Related-party transactions in the Group 2020**Regional insurance companies and local insurance companies**

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies, together with 15 local insurance companies. A large portion of the Group's customer contact takes place through the regional insurance companies and the local insurance companies. Remuneration for the mediation of the Länsförsäkringar AB Group's insurance products is regulated in commission agreements between these parties. Commission is also paid to regional insurance companies for their work with Länsförsäkringar Bank's, Länsförsäkringar Hypotek's and Länsförsäkringar Fondförvaltning's customer-related operations. The assignment and remuneration are regulated in partnership agreements signed by the parties. This solution creates a unique local presence and market awareness.

Länsförsäkringar AB Group manages and reconciles the Länsförsäkringar Alliance's internal and external reinsurance. The Group also carries out development projects and service for the regional insurance companies in a number of areas, such as individual claims adjustment, legal affairs and actuarial services, product and concept development and the development of IT support and other IT services.

Länsförsäkringar Mäklarservice AB

Länsförsäkringar Mäklarservice AB is jointly owned by the regional insurance companies and Länsförsäkringar Sak. The company works on behalf of the regional insurance companies and Länsförsäkringar Sak Försäkrings AB within non-life insurance, and on behalf of the regional insurance companies within life assurance.

Länsförsäkringar Liv Försäkrings AB

Länsförsäkringar Liv Försäkrings AB is wholly owned by Länsförsäkringar AB. The operations are conducted in accordance with mutual policies and, accordingly, are not consolidated in the Länsförsäkringar AB Group.

Länsförsäkringar Liv Försäkrings AB purchases development and service from Länsförsäkringar AB. The primary task of the service operations is to provide service mainly within the areas of business analysis, accounting, office services, HR and communication.

Note 50 Disclosures on related parties, cont.

Related-party transactions 2020

	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	0	-	-	-	-
Länsförsäkringar Liv	289	139	261	883	-
Owners					
Regional insurance companies	2,069	3,271	7,708	12,715	59
Other related parties					
Länsförsäkringar Mäklarservice AB	22	9	5	47	7
Länsförsäkringar Fastighetsförmedling AB	2	0	2	0	1
Humlegården Fastigheter AB (publ)	-	-	-	-	-
Other	9	156	49	19	1
Total other related parties	33	165	56	66	9

Interest income and interest expense 2020

	Interest income	Interest expense
Regional insurance companies	-	3
Länsförsäkringar Liv Försäkrings AB	-	-
Other	2	-

Related-party transactions 2019

	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	4	-	-	-	-
Länsförsäkringar Liv	303	25	188	820	-
Owners					
Regional insurance companies	2,117	2,465	7,587	12,276	62
Other related parties					
Länsförsäkringar Mäklarservice AB	24	12	3	34	5
Länsförsäkringar Fastighetsförmedling AB	2	0	1	0	1
Humlegården Fastigheter AB (publ)	67	-	-	-	-
Other	3	-	18	1	2
Total other related parties	96	12	22	34	7

Interest income and interest expense 2019

	Interest income	Interest expense
Regional insurance companies	-	5
Länsförsäkringar Liv Försäkrings AB	-	-
Other	1	-

Receivables from and liabilities to regional insurance companies include technical provisions.

Agreements

Länsförsäkringar Liv has a run-off agreement with Länsförsäkringar AB, Länsförsäkringar Sak and with Länsförsäkringar Fondliv for Länsförsäkringar Liv's run off. Note 45 Pledged assets and contingent liabilities provides additional information about this agreement.

Significant agreements for the Länsförsäkringar AB Group primarily comprise agreements with the 23 regional insurance companies regarding commission agreements, claims adjustment agreements, and development and management agreement.

Another significant agreement for the Länsförsäkringar AB Group is the sales agreement with Länsförsäkringar Mäklarservice AB. There was an agreement with Humlegården Fastigheter AB for the management of Utile Dulci 2 HB until 31 October 2019. Holdings for business purposes and owner-occupied property were divested on 1 November 2019. New sale and leaseback leases were signed in connection with the divestment. An earn-out may be payable.

Transactions between the Länsförsäkringar AB Group and its Board and management

For information regarding remuneration of closely related key persons such as Board members and senior executives see Note 12 Employees, staff costs and remuneration of senior executives. In all other respects, no transactions took place between these individual and their related parties apart from normal customer transactions.

For the Länsförsäkringar Liv transactions with related parties, see the Länsförsäkringar Liv Försäkrings AB's 2020 Annual Report.

Note 51 Group Companies

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in %	
		31 Dec 2020	31 Dec 2019
Agria Pet Insurance Ltd	UK	100	100
Försäkringsaktiebolaget Agria (publ)	Sweden	100	100
LF Sak Fastighets AB	Sweden	100	100
Länsförsäkringar Bank AB (publ)	Sweden	100	100
Länsförsäkringar Fondförvaltning AB	Sweden	100	100
Länsförsäkringar Fondliv Försäkringsaktiebolag (publ)	Sweden	100	100
Länsförsäkringar Grupplivförsäkringsaktiebolag	Sweden	100	100
Länsförsäkringar Hypotek AB (publ)	Sweden	100	100
Länsförsäkringar Sak Försäkringsaktiebolag (publ)	Sweden	100	100
Agria Vet Guide AB	Sweden	100	-
Wasa Kredit AB	Sweden	100	100

Participating interest refers to the share of capital, which corresponds to the number of votes for the total number of shares.

Note 52 Supplementary information to statement of cash flows

	2020	2019
Interest paid and dividends received		
Dividends received	13	17
Interest received	6,880	6,226
Interest paid	-1,804	-1,497
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	386	382
Unrealised gains/losses on investment assets	-7,454	-31,571
Technical provisions after ceded reinsurance	12,497	33,258
Pension provisions	0	-14
Other provisions	22	20
Other items not affecting liquidity	222	-138 ¹⁾
Total	5,673	1,936

¹⁾ Includes gain on sale of subsidiaries including owner-occupied property.

Note 53 Events after balance-sheet date

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

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

The effects of the pandemic on the Group's operations have not changed since the end of the period. The outlook for the economic recovery is improving as more vaccines are becoming available. How the global economy will perform now depends on the efficiency of the vaccination programmes that started at year-end.

Note 54 Information regarding the Parent Company

Effective 30 December 2020, Länsförsäkringar AB's legal name is Gamla Länsförsäkringar AB but is referred to as Länsförsäkringar AB throughout this Annual Report.

Gamla Länsförsäkringar AB is a limited liability company registered in Sweden with its registered offices in Stockholm.

Corporate Registration Number 556549-7020.

The office address is Tegeluddsvägen 11-13, Stockholm, Sweden.

The postal address is SE-106 50 Stockholm.

The 2020 consolidated financial statements comprise the Parent Company and its subsidiaries. The Länsförsäkringar AB Group also included participations owned in associated companies. Länsförsäkringar AB (publ) is wholly owned by the 23 regional insurance companies and the 15 local insurance companies.

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Income statement for the Parent Company

SEK M	Not	2020	2019
Net sales	3	3,539	3,577
Operating expenses			
External expenses	4, 5, 7	-2,598	-2,814
Staff costs	6	-1,080	-1,071
Depreciation/amortisation and impairment of property and equipment and intangible assets	12, 13	-58	-69
Operating loss		-198	-376
Profit/loss from financial items			
Profit from participations in Group companies	8	970	1,251
Interest income and similar profit/loss items	9	7	-1
Interest expense and similar profit/loss items	10	-1	-3
Profit/loss after financial items		778	871
Tax	11	-3	-5
Net profit for the year		775	866

Statement of comprehensive income for the Parent Company

SEK M	2020	2019
Net profit for the year	775	866
Other comprehensive income		
Items that cannot be transferred to profit or loss		
Change in fair value of equity instruments measured at fair value through other comprehensive income	-1	-1
Total other comprehensive income for the year, net after tax	-1	-1
Comprehensive income for the year	774	865

Balance sheet for the Parent Company

SEK M	Not	31-Dec-2020	31-Dec-2019
ASSETS			
Fixed assets			
Intangible assets	12	456	345
Property and equipment	13	25	30
<i>Financial assets</i>			
Shares and participations in Group companies	14	17,741	17,741
Deferred tax assets	16	12	7
Other financial assets	15	2,936	2,524
Total financial assets		20,689	20,272
Total fixed assets		21,170	20,647
Current assets			
<i>Current receivables</i>			
Receivables from Group companies	26	597	543
Receivables from other related parties	26	229	36
Other receivables		8	52
Prepaid expenses and accrued income	17	199	195
Total current receivables		1,033	827
Cash and bank balances		220	221
Total current assets		1,254	1,047
Total assets	23	22,424	21,696

Balance sheet for the Parent Company, cont.

SEK M	Not	31-Dec-2020	31-Dec-2019
EQUITY, PROVISIONS AND LIABILITIES			
Equity	18		
<i>Restricted equity</i>			
Share capital		1,042	1,042
Statutory reserve		5,147	5,017
Total restricted equity		6,189	6,059
<i>Non-restricted equity</i>			
Share premium reserve		5,471	5,471
Fair value reserve		-506	-504
Retained earnings		9,343	8,606
Net profit for the year		775	866
Total non-restricted equity		15,083	14,439
Total equity		21,272	20,498
Provisions			
Provisions for pensions and similar commitments	19	20	20
Other provisions	20	28	26
Total provisions		48	46
Long-term liabilities			
Liabilities to other related parties		226	258
Total long-term liabilities		226	258
Current liabilities			
Accounts payable		197	147
Liabilities to Group companies	26	200	208
Liabilities to other related parties	26	29	69
Other liabilities		31	35
Accrued expenses and deferred income	21	422	434
Total current liabilities		878	894
Total equity, provisions and liabilities	23	22,424	21,696

For information on pledged assets and contingent liabilities, see note 22.

Statement of changes in equity for the Parent Company

SEK M	Restricted equity			Fair value reserves	Non-restricted equity			Total equity
	Share capital	Development expenditures fund	Statutory reserve	Fair value reserve	Appropriation of profit	Retained earnings	Net profit/loss for the year	
Opening equity, 1 January 2019	1,042	224	4,801	-503	5,471	7,276	1,322	19,633
Comprehensive income for the year								
Net profit for the year	-	-	-	-	-	-	866	866
Other comprehensive income	-	-	-	-1	-	-	-	-1
Comprehensive income for the year	-	-	-	-1	-	-	866	865
Appropriation of profit	-	-	-	-	-	1,322	-1,322	-
Capitalised proprietary development expenditures	-	-8	-	-	-	8	-	-
Closing equity, 31 December 2019	1,042	216	4,801	-504	5,471	8,606	866	20,498
Opening equity, 1 January 2020	1,042	216	4,801	-504	5,471	8,606	866	20,498
Comprehensive income for the year								
Net profit for the year	-	-	-	-	-	-	775	775
Realised gain sales from shares	-	-	-	-	-	0	-	0
Other comprehensive income	-	-	-	-2	-	2	-	-1
Comprehensive income for the year	-	-	-	-2	-	2	775	775
Appropriation of profit	-	-	-	-	-	866	-866	-
Capitalised proprietary development expenditures	-	130	-	-	-	-130	-	-
Closing equity, 31 December 2020	1,042	346	4,801	-506	5,471	9,343	775	21,272

Cash flow statement for the Parent Company

SEK M	Not	2020	2019
Operating activities			
Profit after financial items		778	871
Adjustment for non-cash items	27	-120	-886
Income tax paid		-8	-15
Cash flow from operating activities before changes in working capital		650	-30
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-438	-1,304
Increase (+)/Decrease (-) in operating liabilities		-48	-236
Cash flow from operating activities		164	-1,570
Investing activities			
Change in shares in Group company		-	1,608
Acquisition of intangible assets		-156	-23
Acquisition of property and equipment		-9	-5
Divestment of property and equipment		-	2
Cash flow from investing activities		-165	1,582
Financing activities			
Dividends paid		-	-
Cash flow from financing activities		-	-
Net cash flow for the year		-1	12
Cash and cash equivalents, 1 January		221	209
Cash and cash equivalents, 31 December		220	221

Notes to the Parent Company's financial statements

All figures in SEK M unless otherwise stated.

Not 1 Accounting policies

Company information

The Annual Report for Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, pertains to the fiscal year 1 January–31 December 2020. Länsförsäkringar AB (publ) is a limited liability company registered in Sweden with its registered offices in Stockholm. The company's address is Tegeluddsvägen 11–13, SE-106 50 Stockholm, Sweden. The company is wholly owned by the 23 regional insurance companies and 15 local insurance companies.

Compliance with standards and legislation

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) as well as recommendation RFR 2 Accounting for Legal Entities and the statements regarding listed companies by the Swedish Financial Reporting Board. The regulations in RFR 2 stipulate that the Parent Company, in the annual accounts for the legal entity, is to apply all IFRSs adopted by the EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS.

New IFRSs and interpretations that have not yet been applied

The new or revised IFRSs and interpretations not yet in force and that have not been applied in advance are not deemed to have any material effect on the financial statements when they enter force.

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

The deviations arising between the Group's and the Parent Company's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act and with respect to the relationship between accounting and taxation.

The Parent Company applies the same accounting policies as the Group except in the following cases.

Classification and presentation format

The income statement and the balance sheet for the Parent Company are presented following the format of the Swedish Annual Accounts Act, as

opposed to the consolidated statement of income and statement of financial position, which are based on IAS 1 Presentation of Financial Statements. The differences that apply in the Parent Company's income statement and balance sheet compared with the consolidated financial statements primarily comprise the classification of financial income and expenses, the specification of current assets and fixed assets, the specification of non-restricted and restricted equity, as well as the presence of provisions as a separate heading in the balance sheet.

Shares and participations in Group companies

Shares and participations in Group companies are recognised at cost.

Group contributions

Group contributions are recognised in accordance with the main rule of RFR 2. Group contributions received by the company from a Group company are thus recognised according to the same policies as financial income. Group contributions paid to a Group company are recognised as an increase in shares and participations in Group companies.

Leased assets

IFRS 16 replaced IAS 17 Leases on 1 January 2019. The main requirement of the standard is that the lessee is to recognise leases, which were previously classified as operating leases, in the balance sheet. Länsförsäkringar AB has made use of the option in RFR 2 to not apply IFRS 16 in legal entities due to the relationship between accounting and taxation. Lease payments for which the Parent Company is the lessee are recognised as expenses straight-line over the term and thus no right-of-use assets or lease liabilities are recognised in the balance sheet.

Borrowing costs

Borrowing costs in the Parent Company are charged to earnings for the period to which they are attributable.

Not 2	Risks and risk management
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In addition to shares in and receivables from Group companies, the Parent Company also has other securities held as non-current assets. However, these holdings are limited in size relative to the investment assets of the Group's insurance companies. At year-end 2020, the Parent Company's holdings amounted to SEK 3 M (3), participations in tenant-owned apartments to SEK - M (5), shares in Länsförsäkringar Liv Försäkrings AB (publ) to SEK 8 M (8) and interest-bearing bonds to SEK 2,925 M (2,508). In addition, bank balances amounted to SEK 220 M (221). In addition to the above mentioned assets and liabilities, the Parent Company's risks derive from the operations of the subsidiaries. Refer also to the Board of Directors' Report and the Group's note 2 Risk and capital management.

Not 3	Net sales
--------------	------------------

	2020	2019
Income from contracts with customers		
Income from companies in the Länsförsäkringar AB Group	1,262	1,434
Income from Länsförsäkringar Liv	158	200
Income from the regional insurance companies	1,871	1,730
Income from other related parties	21	23
Income from external customers	122	103
Total income from contracts with customers	3,434	3,490
Rental income	105	87
Net sales	3,539	3,577

Not 4	External expenses
--------------	--------------------------

	2020	2019
Cost of premises, note 5	-159	-131
Other cost of premises	-37	-54
Marketing	-54	-58
Consultants	-263	-433
Fees to auditors, note 7	-6	-8
IT costs	-1,842	-1,452
Printed matter, telephony and postage	-96	-99
Other expenses	-141	-578
Total	-2,598	-2,814

Costs for premises refers primarily to rent for premises used by the Group for its operations. Länsförsäkringar AB in turn leases premises to Group companies.

Not 5	Leasing
--------------	----------------

Lease agreements in which the company is the lessee

Irrevocable lease payments pertaining to rent for premises amount to:

	2020	2019
Within one year	-236	-151
Later than one year but within five years	-833	-570
Over five years	-314	-542
Total	-1,382	-1,263

A rental charge of SEK -24 M (-135) was recognised in profit for 2020.

Lease contracts are valid between five to ten years which is 31 October 2024 and 2029. Every time that lease contracts are renewed, a basic rent level is established that is subsequently index-linked to the consumer price index.

Not 5 Leasing, cont.

Lease agreements in which the company is the lessor

Irrevocable lease payments pertaining to rent for premises amount to:

	2020	2019
Within one year	128	88
Later than one year but within five years	-	-
Total	128	88

In 2020, rental income amounting to SEK 105 M (87) was recognised. The company leases premises to Group companies.

Not 6	Employees, staff costs and remuneration to senior executives
--------------	---

	2020	2019
Average number of employees, Sweden		
Men	390	375
Women	420	378
Total number of employees	810	753
Salaries, other remuneration and social security expenses		
<i>Other employees</i>		
Salaries and remuneration	639	592
Social security expenses	372	382
of which pension costs	135	155
Total	1,010	973
<i>Board of Directors and senior executives, 18 (18)</i>		
Salaries and remuneration	24	20
of which, fixed salary to the President and Executive Vice President	6	6
of which fixed salary to other senior executives	14	11
Social security expenses	17	14
of which pension costs	7	6
Total	41	34
<i>Total salaries, other remuneration and social security expenses</i>		
Salaries and remuneration	663	612
Social security expenses	389	395
of which pension costs	142	161
Total	1,052	1,007

Variable remuneration

Variable remuneration is a rarely utilised form of remuneration at the Länsförsäkringar AB Group.

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. No fee is payable to employee representatives and to Board members from the Länsförsäkringar AB Group.

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. Senior executives are the individuals who, together with the President, comprise of corporate management.

Not 6 Employees, staff costs and remuneration to senior executives, cont.

Remuneration for senior executives

2020	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %	
					Defined-contribution	
Fredrik Bergström, President	6.1	-	2.3	8.4		35
Ann Sommer, Executive Vice President	3.8	-	1.0	4.9		26
Cesar Åfors, Chairman of the Board	0.8	-	-	0.8		-
Maria Engholm, Deputy Chairman of the Board	0.5	-	-	0.5		-
Hans Ljungkvist, Board member	0.4	-	-	0.4		-
Jonas Rosman, Board member	0.4	-	-	0.4		-
Susanne Bäck, Board member	0.4	-	-	0.4		-
Bengt-Erik Jansson, Board member	0.4	-	-	0.4		-
Maria Wallin Wällberg, Board member	0.4	-	-	0.4		-
Beatrice Kämpe Nikolausson, Board member	0.2	-	-	0.2		-
Karin Mattsson, Board member	0.2	-	-	0.2		-
Göran Lindell, Former Board member	0.1	-	-	0.1		-
Mikael Sundquist, Former Board member	0.1	-	-	0.1		-
Other senior executives						
Parent Company (6 people)	14.1	0.3	5.1	19.5		37
Subsidiaries (3 people)	8.3	0.3	2.9	11.4		35
Total 2020	36.2	0.5	11.4	48.1		
Total remuneration from Parent Company	24.1	0.3	7.4	31.8		
Total remuneration from subsidiaries	12.1	0.3	3.9	16.3		

2019	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %	
					Defined-contribution	
Fredrik Bergström, President	5.7	0.0	2.0	7.7		35
Ann Sommer, Executive Vice President	3.8	0.0	1.1	4.9		30
Cesar Åfors, Chairman of the Board	0.9	-	-	0.9		-
Maria Engholm, Deputy Chairman of the Board	0.5	-	-	0.5		-
Mikael Sundquist, Board member	0.3	-	-	0.3		-
Hans Ljungkvist, Board member	0.2	-	-	0.2		-
Jonas Rosman, Board member	0.3	-	-	0.3		-
Göran Lindell, Board member	0.3	-	-	0.3		-
Susanne Bäck, Board member	0.3	-	-	0.3		-
Bengt-Erik Jansson, Board member	0.4	-	-	0.4		-
Maria Wallin Wällberg, Board member	0.4	-	-	0.4		-
Christer Villard, Former Board member	0.1	-	-	0.1		-
Other senior executives						
Parent Company (6 people)	10.6	0.2	3.7	14.5		38
Subsidiaries (2 people)	6.1	0.0	2.2	8.3		36
Total 2019	30.0	0.2	9.1	39.3		
Total remuneration from Parent Company	20.1	0.2	5.8	26.0		
Total remuneration from subsidiaries	9.9	0.0	3.3	13.2		

The cost refers to pension cost that effected the profit/loss.

Not 6 Employees, staff costs and remuneration to senior executives, cont.

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium is to amount to 18% of pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FORENA) and the Swedish Confederation of Professional Associations (SACO).

The retirement age for other senior executives is 62 or 65. If the retirement age is 65, the pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. If the retirement age is 62, the pension between the age of 62 and 65, is a defined-contribution plan. Pension amounting to about 70% of the pensionable salary will be paid. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FORENA) and the Swedish Confederation of Professional Associations (SACO).

Severance pay

A mutual period of notice of six months applies to the President. If the company terminates employment, severance pay corresponding to 12 months' salary is paid during the period of notice. A mutual period of notice of three months applies to the Executive Vice President. If the company terminates employment, severance pay corresponding to 24 months' salary is paid during the period of notice. A mutual period of notice of three or six months applies for other senior executives. If the company terminates employment, severance pay corresponding to 12 or 18 months' salary is paid during the period of notice.

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

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

Composition and mandate of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and 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 be harmonised with the company's values, meaning that it should be reasonable, moderate and well-balanced, contribute to good ethics and organisational culture, and be characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

The pension solution shall be solely premium-based with a premium provision of 35% of the monthly salary.

Other benefits

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

Loans to senior executives	31-Dec-20	31-Dec-19
Board members	9	13
President and Executive Vice President	8	6
Other senior executives	12	9
Total	29	28

Loans granted comprise personnel loans and other loans. Personnel loans are maximised at SEK 500,000 and carry loan terms comparable to what applies to other employees in the Group. The interest rate for employees is the repo rate less 0.5 percentage points, but can never be lower than 0.5%. The interest benefit is calculated in accordance with the Swedish Tax Agency's rules and is included in other benefits as above. The terms and conditions of other loans are market-based.

Number of women among senior executives, %	31-Dec-20	31-Dec-19
Board members	67	50
Other senior executives	44	50

Not 7	Fees and remuneration to auditors	
	2020	2019
KPMG AB		
- audit assignments	-5	-4
- audit operations in addition to the audit assignment	0	-1
- tax consulting	-	0
- other assignment	-1	-3
Total	-6	-8

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit operations other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the above-mentioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

Not 8	Profit from participations in group companies	
	2020	2019
Dividends from subsidiaries	795	295
Group contributions received	175	365
Share of profit in partnership	-	591
Total	970	1251

Not 9	Interest income and similar profit/loss items	
	2020	2019
Interest income, other ¹⁾	0	0
Interest income, bonds and interest-bearing securities ²⁾	2	-1
Capital gains, currencies	0	0
Capital gains, shares and participations	-	0
Capital gains, interest-bearing securities Group companies	-	0
Unrealised gain, interest-bearing securities	5	-
Unrealised gain, shares and participations	-	0
Total	7	-1

¹⁾ Of which negative interest on Cash and bank of SEK 0.0 M (0.3).

²⁾ Of which negative interest on Bonds and other interest-bearing securities of SEK 0.3 M (0.9).

Not 10	Interest expense and similar profit/loss items	
	2020	2019
Interest expenses, other	-1	0
Capital losses, currencies	0	0
Unrealised losses, interest-bearing securities	-	-3
Unrealised losses, shares and participations	-	0
Realised losses, interest-bearing securities	0	-
Total	-1	-3

Not 11	Tax		
		2020	2019
Current tax			
Tax income for the period		-7	-6
Adjustment of tax expense pertaining to prior years		-1	-1
Deferred tax income (+) / tax expense (-)			
Deferred tax pertaining to temporary differences		5	1
Total recognised tax income (+) / tax expense (-)		-3	-5
Reconciliation of effective tax rate			
Profit before tax		778	871
Tax at applicable tax rate		-166	-186
Tax on non-deductible costs		-14	-12
Tax on non-taxable income		174	193
Tax attributable to prior year		-2	-1
Resolution of deferred tax		5	1
Recognised effective tax		-3	-5
Applicable tax rate, %		21.4	21.4
Effective tax rate, %		0.4	0.6

Not 12	Intangible assets		
		2020	2019
Capitalised IT costs			
Cost			
Opening cost, 1 January		648	701
Acquisitions		156	23
Disposals		-2	-76
Closing cost, 31 December		802	648
Amortisation			
Opening accumulated amortisation, 1 January		-148	-134
Amortisation		-45	-49
Disposals		0	34
Closing accumulated amortisation, 31 December		-193	-148
Impairment			
Opening accumulated impairment, 1 January		-155	-195
Impairment		-	-2
Disposals		2	42
Closing accumulated impairment, 31 December		-153	-155
Carrying amount, 31 December		456	345

Other intangible assets are amortised over a period of 5 to 10 years.

Not 13	Property and equipment		
		2020	2019
Improvement to third-party properties			
Cost			
Opening cost, 1 January		253	253
Divestments/disposals		5	-
Closing cost, 31 December		258	253
Depreciation			
Opening accumulated depreciation, 1 January		-178	-163
Depreciation		-10	-15
Closing accumulated depreciation, 31 December		-188	-177
Impairment			
Opening accumulated impairment, 1 January		-57	-57
Closing accumulated impairment, 31 December		-57	-57
Carrying amount, 31 December		13	18

		2020	2019
Equipment			
Cost			
Opening cost, 1 January		24	84
Acquisitions		4	5
Divestments/disposals		-5	-65
Closing cost, 31 December		23	24
Depreciation			
Opening accumulated depreciation, 1 January		-9	-69
Depreciation		-4	-4
Divestments/disposals		5	64
Closing accumulated depreciation, 31 December		-8	-9
Impairment			
Opening accumulated impairment, 1 January		-3	-3
Closing accumulated impairment, 31 December		-3	-3
Carrying amount, 31 December		12	12

	2020	2019
Total carrying amount, 31 December	25	30

Equipment includes SEK 4 M (4) representing works of art that are not depreciated. Accumulated impairment of art amounting to SEK 2 M (2) has been made.

Not 14	Shares and participations in Group companies	
	2020	2019
Cost		
Opening cost, 1 January	21,300	22,316
Disposals	-	-997
Withdrawal	-	-63
Capital gains from partnerships	-	44
Closing cost, 31 December	21,300	21,300
Impairment		
Opening accumulated impairment, 1 January	-3,559	-3,559
Closing accumulated impairment, 31 December	-3,559	-3,559
Carrying amount, 31 December	17,741	17,741

Specification of the company's holding of shares and participations in Group companies

Company name	Corporate Registration Number	Number of shares and participations	Participating interest 2020, %	Participating interest 2019, %	Carrying amount 31 Dec 2020	Carrying amount 31 Dec 2019
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	100	9,230	9,230
Länsförsäkringar Fondliv Försäkrings AB (publ)	516401-8219	10,000	100	100	5,305	5,305
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	2,000,000	100	100	3,206	3,206
Shares and participations in Group companies					17,741	17,741

All subsidiaries have their registered offices in Stockholm.

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ). This company is operated in accordance with mutual principles and may not pay dividends according to its current Articles of Association. As a result, the majority of the risks and rewards associated with ownership do not accrue to the owner Länsförsäkringar AB but to the life-assurance policyholders. Accordingly, this shareholding cannot be classified as a holding in a subsidiary under the definition provided in IAS 27 Consolidated and Separate Financial Statements.

Not 15	Other financial assets	
	2020	2019
Opening balance, 1 January	2,524	907
Revaluation tenant owned apartments	0	0
Divestment tenant owned apartments	-5	-
Acquisition of bonds and interest-bearing securities	1,408	2,510
Divestment of bonds and interest-bearing securities	-950	-873
Allocation of premiums and discounts	-34	-31
Change in value of bonds and interest-bearing securities	-7	11
Carrying amount, 31 December	2,936	2,524

Company name	Number of shares and participations	Carrying amount 31 Dec 2020	Carrying amount 31 Dec 2019
Länsförsäkringar Liv Försäkrings AB (publ)	8,000	8	8
Brf Mässen		-	5
Länsförsäkringar Fastighetsförmedling AB	930	3	3
Listed bonds issued by other Swedish issuers		2,925	2,508
Total		2,936	2,524

	Not 16 Deferred tax assets and liabilities					
	Deferred tax assets		Deferred tax liabilities		Net	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Property and equipment	-	-	-	-	-	-
Financial assets	1	0	-	-	1	0
Pension provisions	-13	-7	-	-	-13	-7
Deferred tax assets (-)/deferred tax liabilities (+)	-12	-7	-	-	-12	-7
Net deferred tax asset (-)/deferred tax liability (+)	-12	-7	-	-	-12	-7

Change in deferred tax in temporary differences and loss carryforwards 2020

	Amount at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Amount at 31 December
Property and equipment	0	-	-	-
Financial assets	0	1	0	1
Pension provisions	-7	-6	-	-13
Deferred tax assets (-)/deferred tax liability (+)	-7	-5	0	-12

Change in deferred tax in temporary differences and loss carryforwards 2019

	Amount at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Amount at 31 December
Property and equipment	1	-1	-	0
Financial assets	1	-1	-	0
Pension provisions	-7	-	-	-7
Deferred tax assets (-)/deferred tax liability (+)	-5	-2	-	-7

	Not 17 Prepaid expenses and accrued income	
	31-Dec-20	31-Dec-19
Other accrued income	-	-
Prepaid expenses	199	195
Total	199	195

Not 18 Equity

A specification of changes in shareholders' equity is provided after in the statement of changes in equity.

Shares at a quotient value of SEK 100	Number of votes per share	31 Dec 2020 Number	31 Dec 2019 Number
Series A	10	1,532,678	1,532,678
Series B	1	8,885,949	8,885,949
Series C	1	5,955	5,955
Number of shares outstanding		10,424,582	10,424,582

Restricted reserves

Restricted reserves may not be reduced through profit distribution.

Statutory reserve

The aim of the statutory reserve is to save a portion of the net profit that is not utilised to cover losses brought forward. The statutory reserve comprises restricted equity. No new transfers to the statutory reserve are required, although transfers can be made voluntarily. The statutory reserve also includes the amount of SEK 4,801 M that was included in the share premium reserve prior to 1 January 2006.

Non-restricted equity**Fair value fund***Fair value reserve*

The fair value reserve comprises the accumulated net change in fair value of available-for-sale financial assets until the asset is derecognised from the balance sheet.

Share premium reserve

When shares are issued at a premium, meaning that a higher amount than the quotient value is paid for the share, an amount corresponding to the surplus of the quotient value of the share is recognised in the share premium reserve.

Retained earnings

Retained earnings comprises profit brought forward from the preceding year after deductions for any dividends paid during the year.

**Share ownership in
Länsförsäkringar AB****Number of shares**

Company	Number of shares			Share capital, %
	A	B	C	
Länsförsäkringar Skåne	141,849	882,046	-	9.8%
Länsförsäkringar Stockholm	129,212	802,382	-	8.9%
Länsförsäkringar Östgöta	114,155	663,463	-	7.5%
Dalarnas Försäkringsbolag	104,708	609,639	-	6.9%
Länsförsäkringar Göteborg and Bohuslän	87,010	605,143	821	6.6%
Länsförsäkringar Älvsborg	100,176	581,374	-	6.5%
Länsförsäkringar Bergslagen	86,351	495,089	-	5.6%
Länsförsäkringar Jönköping	82,812	474,021	-	5.3%
Länsförsäkringar Uppsala	73,298	424,791	-	4.8%
Länsförsäkringar Västerbotten	57,195	330,919	-	3.7%
Länsförsäkringar Halland	56,785	329,857	-	3.7%
Länsförsäkringar Södermanland	58,117	323,139	-	3.7%
Länsförsäkringar Göinge-Kristianstad	49,982	322,347	-	3.6%
Länsförsäkringar Kalmar län	56,717	295,878	-	3.4%
Länsförsäkringar Gävleborg	60,058	281,083	-	3.3%
Länsförsäkringar Skaraborg	64,058	253,172	-	3.0%
Länsförsäkringar Västernorrland	50,186	257,122	-	2.9%
Länsförsäkringar Jämtland	35,795	226,453	-	2.5%
Länsförsäkring Kronoberg	36,701	203,130	-	2.3%
Länsförsäkringar Värmland	31,160	202,208	-	2.2%
LF Norrbotten	16,960	127,878	-	1.4%
Länsförsäkringar Blekinge	23,088	120,500	-	1.4%
Länsförsäkringar Gotland	16,305	74,315	-	0.9%
15 local insurance companies	-	-	5,134	0.0%
Total number of shares	1,532,678	8,885,949	5,955	100.0%

Not 19	Provisions for pensions and similar commitments	
	31-Dec-20	31-Dec-19
Pension provisions	11	12
Other provisions	9	8
Total provisions for pensions	20	20

Pension provisions of SEK 11 M (12) are encompassed by the Pension Obligations Vesting Act.

Defined-benefit pension plans

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 Parent Company follows the norms applied by the Insurance Industry's Pension Fund (FPK).

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 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 Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that, as a rule, a company is 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 currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with IAS 19. Nor is any information available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

FTP plan contributions for 2021 are expected to total SEK 52 M.

	2020	2019
Expenses for defined-contribution plans	128	143

Not 20	Other provisions	
	31-Dec-20	31-Dec-19
Provision for interest subsidies for personnel loans to former employees who have retired.	18	16
Other provisions	10	10
Total	28	26

Not 21	Accrued expenses and deferred income	
	31-Dec-20	31-Dec-19
Holiday pay liability	66	61
Social security expenses	22	24
Special employer's contribution	33	36
Provisions for staff costs	35	7
Other accrued expenses	266	307
Total	422	434

Not 22	Pledged assets and contingent liabilities	
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Länsförsäkringar AB, Länsförsäkringar Sak AB and Länsförsäkringar Fondliv have signed a service agreement with Länsförsäkringar Liv due to Länsförsäkringar Liv's run off. For additional information the Group's note 45 Pledged assets and contingent liabilities.

Amount expected to be recovered	31-Dec-20			31-Dec-19		
	within 12 months	after 12 months	Total	within 12 months	after 12 months	Total
Fixed assets						
Intangible assets ¹⁾	44	412	456	49	295	345
Property and equipment ¹⁾	14	11	25	18	12	30
Shares and participations in Group companies	-	17,741	17,741	-	17,741	17,741
Participating interests in other companies	-	8	8	-	8	8
Deferred tax assets	12	-	12	7	-	7
Other financial assets	2,925	3	2,928	975	1,541	2,515
Total fixed assets	2,995	18,175	21,170	1,049	19,597	20,646
Current assets						
Receivables from Group companies	597	-	597	542	-	542
Other receivables	229	-	229	87	-	87
Prepaid expenses and accrued income	208	-	208	198	-	198
Cash and bank balances	220	-	220	221	-	221
Total current assets	1,254	-	1,254	1,048	-	1,048
Total assets	4,249	18,175	22,424	2,097	19,597	21,696

¹⁾The amount that is expected to be recovered within 12 months corresponds to depreciation for the year.

Amount expected to be settled	31-Dec-20			31-Dec-19		
	within 12 months	after 12 months	Total	within 12 months	after 12 months	Total
Provisions						
Provisions for pensions and similar commitments	-	-	-	-	-	-
Other provisions	-	48	48	-	46	46
Total provisions	-	48	48	-	46	46
Long-term liabilities						
Liabilities to other related parties	-	226	226	-	258	258
Total long-term liabilities	-	226	226	-	258	258
Current liabilities						
Accounts payable	197	-	197	147	-	147
Liabilities to Group companies	200	-	200	208	-	208
Liabilities to other related parties	29	-	29	69	-	69
Other liabilities	31	-	31	35	-	35
Accrued expenses and deferred income	422	-	422	434	-	434
Total current liabilities	878	-	878	893	-	893
Total liabilities and provisions	878	274	1,152	893	304	1,197

Not 24 Classification of financial assets and liabilities

31-Dec-20	Financial assets measured at fair value in profit or loss		Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income		Total	Fair value
	Measured at fair value in profit or loss	Equity instruments		Debt instruments	Equity instruments		
Assets							
Other financial assets	2,925	-	-	-	-	2,925	2,925
Shares and participations	-	-	-	-	3	3	3
Shares in Länsförsäkringar Liv Försäkrings AB	-	-	-	-	8	8	8
Receivables from Group companies	-	-	388	-	-	388	388
Other receivables including other related parties	-	-	185	-	-	185	185
Prepaid expenses and accrued income	-	-	42	-	-	42	42
Cash and bank balances	-	-	220	-	-	220	220
Summa	2,925	-	836	-	11	3,772	3,772

31-Dec-20	Financial liabilities measured at fair value in profit or loss	Financial liabilities measured at amortised cost	Total	Fair value
Liabilities				
Liabilities to Group companies	-	201	-	201
Other liabilities and accounts payable	-	199	-	199
Accrued expenses and deferred income	-	224	-	224
Total		625	-	625

31-Dec-19	Financial assets measured at fair value in profit or loss		Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income		Total	Fair value
	Measured at fair value in profit or loss	Equity instruments		Debt instruments	Equity instruments		
Assets							
Other financial assets	2,508	-	-	-	-	2,508	2,508
Shares and participations ¹⁾	-	-	-	-	8	8	8
Shares in Länsförsäkringar Liv Försäkrings AB	-	-	-	-	8	8	8
Receivables from Group companies ¹⁾	-	-	542	-	-	542	542
Other receivables	-	-	42	-	-	42	42
Prepaid expenses and accrued income ¹⁾	-	-	3	-	-	3	3
Cash and bank balances	-	-	221	-	-	221	221
Summa	2,508	-	807	-	16	3,332	3,332

¹⁾Comparative figures have been adjusted.

31-Dec-19	Financial liabilities measured at fair value in profit or loss	Financial liabilities measured at amortised cost	Total	Fair value
Liabilities				
Liabilities to Group companies	-	207	-	207
Other liabilities and accounts payable	-	152	-	152
Accrued expenses and deferred income	-	579	-	579
Total	-	938	-	938

The fair value of assets classified as Loan receivables and accounts 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.

The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at year-end or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, a standard method or valuation technique based on the estimated or original issue spread is utilised.

Not 25 Fair value valuation techniques

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

Level 1 – Financial instruments whose fair value is based on quoted prices in an active market. 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. No additions are made for transaction costs (for example, brokerage commission) or future transaction costs in connection with a divestment. 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.

Level 2 – Financial instruments measured using valuation techniques that are essentially based on market data are categorised as Level 2. This Level primarily includes interest-rate and currency derivatives.

Level 3 – Financial instruments whose measurement is significantly influenced by inputs that cannot be verified by external market data are categorised as Level 3. This Level mainly includes properties and unquoted shares and participations.

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Shares and participations	-	0	11	11	-	5	12	16
Bonds and other interest-bearing securities	2,925	-	-	2,925	2,508	-	-	2,508

There were no significant transfers between Level 1 and Level 2 during 2020 or during 2019. There were no transfers from Level 3 in 2020 or 2019.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Shares in Länsförsäkringar Liv Försäkrings AB are valued at the company's share capital. The life-assurance operations are conducted in accordance with mutual principles through Länsförsäkringar Liv Försäkrings AB, whose earn-

ings are not distributed to the owner; instead they accrue in their entirety to the policyholders. Delisted, insolvent companies are measured at zero, if no other listing can be found.

Profits and losses are recognised in Interest income and similar profit/loss items or Interest expense and similar profit/loss items.

Change level 3

	Shares and participations	Total
Opening balance 1 January 2019	12	12
Recognised in other comprehensive income	0	0
Closing balance 31 December 2019	11	11

	Shares and participations	Total
Opening balance 1 January 2020	11	11
Disposals	0	0
Recognised in other comprehensive income	-1	-1
Closing balance 31 December 2020	11	11

Not 26 Disclosures on related parties

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the target process. Overall, pricing is intended to distribute costs within the Länsförsäkringar Alliance based on con-

sumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Related-party transactions 2020		Group companies	Länsförsäkringar Liv	Regional insurance companies	Other related parties	Total
Income	Services sold	1,256	164	1871	21	3,312
	Rent, premises	105	-	-	-	105
	Financial income	970	-	-	-	970
Expenses	Services purchased	-22	-38	-24	-156	-240
	Rent, premises	-24	-	-	-	-24
Receivables	Cash and cash equivalents with Länsförsäkringar Bank	366	-	-	-	366
	Other receivables	231	24	164	41	460
Liabilities	Other liabilities	200	2	27	0	229

Related-party transactions 2019		Group companies	Länsförsäkringar Liv	Regional insurance companies	Other related parties	Total
Income	Services sold	1,475	203	1,726	570	3,975
	Rent, premises	87	-	-	-	87
	Financial income	660	-	-	-	660
Expenses	Services purchased	-52	-	-27	0	-79
	Rent, premises	-104	-	-	-	-104
Receivables	Cash and cash equivalents with Länsförsäkringar Bank	124	-	-	-	124
	Other receivables	419	-	31	4	454
Liabilities	Other liabilities	208	3	66	-	277

Länsförsäkringar AB is owned by the 23 regional insurance companies and 15 local insurance companies. In terms of operations, Länsförsäkringar AB with subsidiaries are organised into four business units: Non-life Insurance, Unit-linked Life Assurance, Traditional Life Assurance and Bank, as well as support functions Business Support, IT and Customer and Channel Support. The President's staff includes the shared units of Accounting and Finance, Legal Affairs, Asset Management, Corporate Communication, HR, Compliance and Risk Management.

Länsförsäkringar AB purchases and owns equipment that is subsequently leased to Group companies and Länsförsäkringar Liv.

Länsförsäkringar AB leases its office premises from property owner Utile Dulci 2 HB. Länsförsäkringar Bank manages subsidised loans to employees on behalf of the Parent Company Länsförsäkringar AB, issued after the bank performs standard credit rating checks.

For information regarding remuneration of related key persons, such as Board members and senior executives, see note 6 Employees, staff costs and remuneration of senior executives.

Länsförsäkringar AB, Länsförsäkringar Sak AB and Länsförsäkringar Fondliv have signed a service agreement with Länsförsäkringar Liv due to Länsförsäkringar Liv's run-off. The Group's note 45 Pledged assets and contingent liabilities provides additional information about this agreement.

Related subsidiaries are specified in note 14 Shares and participations in Group companies.

Not 27 Supplementary information to the cash-flow statement

	2020	2019
Interest paid and dividends received		
Dividends received from subsidiaries	795	295
Withdrawal subsidiaries	0	63
Interest received	38	31
Interest paid	0	0
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	58	69
Realised gains and losses	0	-547
Unrealised gains and losses	-5	2
Provisions	2	0
Group contributions received that are regulated in the following fiscal year	-175	-365
Profit participation subsidiaries	-	-44
Total	-120	-886

Cash and cash equivalents comprise bank balances.

Not 28 Financial transactions not recognised in the balance sheet

Länsförsäkringar AB has external suppliers of IT operations at a cost of SEK 733 M (625). The costs also include machinery equipment for computer operations. Some regional insurance companies and Länsförsäkringar Liv are also included in the arrangement. Their remuneration to Länsförsäkringar AB is included in service revenue.

Not 29 Events after balance-sheet date

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

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

The effects of the pandemic on the Parent Company's operations have not changed since the end of the period. The outlook for economic recovery is improving as more vaccines are becoming available. How the global economy will perform now depends on the efficiency of the vaccination programmes that started at year-end.

Not 30 Proposed appropriation of profit

According to the statement of financial position for Länsförsäkringar AB, non-restricted equity totalling SEK 15,082,709,225 is at the disposal of the Annual General Meeting.

The Parent Company's non-restricted equity comprises (SEK)

Share premium reserve	5,470,917,955
Fair value reserve	-506,205,605
Retained earnings	9,343,330,738
Net profit for the year	774,666,137
Non-restricted equity, 31 December 2020	15,082,709,225

The Board of Directors propose that of the unappropriated earnings in

the Parent Company SEK 67 per share be paid to the shareholders	698,446,994
To be carried forward	14,384,262,231
	15,082,709,225

The dividend is calculated 10,424,582 shares.

Statement from the Board

The Board of Directors and President affirm that this Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on 19 July 2002 on the application of international accounting standards. The Annual Report

and consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Stockholm on 12 March 2021

Caesar Åfors
Chairman

Maria Engholm
Deputy Chairman

Susanne Bäck
Board member

Bengt-Erik Jansson
Board member

Beatrice Kämpe Nikolausson
Board member

Hans Ljungkvist
Board member

Karin Mattsson
Board member

Jonas Rosman
Board member

Maria Wallin Wällberg
Board member

Susanne Lindberg
Employee Representative

Linnéa Niklasson
Employee Representative

Anna Sandqvist
Employee Representative

Fredrik Bergström
President

The Annual Report and the consolidated financial statements above were approved for publishing by the Board of Directors on 12 March 2021. The Group's income statement, statement of comprehensive income and statement of financial position, as well as the Parent Company's income statement and balance sheet are subject to approval by the Annual General Meeting to be held on 19 April 2021.

My audit report was submitted on 12 March 2021

Mårten Asplund
Authorized Public Accountant

Auditor's Report



To the general meeting of the shareholders of Länsförsäkringar AB (publ),
corp. id 556549-7020

Translation from the Swedish original.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Gamla Länsförsäkringar AB (publ), for the year 2020, except for the corporate governance statement on pages 50–57. The annual accounts and consolidated accounts of the company are included on pages 37–132 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 2020 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. Our opinions do not cover the corporate governance statement on pages 50–57. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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 1–36 and 135–157. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our 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 we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

We also:

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Gamla Länsförsäkringar AB (publ), for the year 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's 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

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

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

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

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 50-57 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act and the Annual Accounts Act for Insurance Companies.

Stockholm 12 March 2021

Mårten Asplund
Authorized Public Accountant

About the Sustainability Report

Länsförsäkringar AB's sustainability report is prepared annually and is an integrated part of the company's annual report. This report has been prepared in accordance with the GRI Standards: Core option. The Sustainability Report also contains the company's reporting according to Chapter 6, Section 11 of the Swedish Annual Accounts Act, as well as the company's Communication on Progress to the UN Global Compact.

Accounting period and scope

The Sustainability Report describes how Länsförsäkringar AB works with its most significant issues and the impact of our operations on society, humans and the environment. It also describes how Länsförsäkringar AB works on sustainability risks and how sustainability topics are an integrated part of the business model.

The scope of the sustainability report is described on page 19 and the statutory Sustainability Report on page 148. The sustainability report was externally audited for the first time. Refer to page 149 for the Auditor's report.

Unless otherwise stated, the Sustainability Report pertains to Länsförsäkringar AB and its subsidiaries Länsförsäkringar Sak, Agria, Länsförsäkringar Gruppliv, Länsförsäkringar Liv, Länsförsäkringar Bank, Länsförsäkringar Fondförvaltning, Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondliv. Information and data applies to the period from 1 January to 31 December 2020. The previous sustainability report was published on 12 March 2020.

Materiality analysis

A materiality analysis was performed in 2018 to identify the most important sustainability risks and opportunities for Länsförsäkringar AB based on the business's impact on the environment and society.

As part of the analysis, various stakeholder groups were engaged in autumn 2018 to enhance understanding of key stakeholders' expectations of Länsförsäkringar AB's sustainability activities. The stakeholders' expectations regarding sustainability topics were taken into account when the internal working group prioritised sustainability topics. The following stakeholders responded to a questionnaire and were interviewed in depth:

- Regional insurance companies (owners and customer managers)
- Employees
- Customers (brokers and corporate customers)
- Civil society organisations
- Asset managers

As owners and recipients of deliveries from Länsförsäkringar AB, the regional insurance companies hold a unique position among stakeholders. Customer meetings are managed locally by the regional insurance companies. Länsförsäkringar AB's task is to conduct joint banking and insurance operations, pursue strategic development activities and provide service in areas that generate economies of scale and enhance efficiency. Group management validated the results in December 2018.

Climate risk – the sustainability area with the highest priority

The Board of Länsförsäkringar AB has also identified climate risk as the top priority. Climate change represents a financial risk for the Länsförsäkringar AB Group in the form of potential impact on the insurance business, lending and investments. Climate risks consist of physical risks and transition risks. Physical risks may take the form of extreme weather events, such as torrential rain, storms and floods, and permanent changes to the climate, for example, causing sea levels to rise. Climate risks can lead to increased insurance costs. Underlying collateral in lending may be affected. Transition risks could affect the Länsförsäkringar AB Group and the companies in which investments are made, such as through regulatory, political and market changes related to the transition to a low-carbon society. If climate risk impacts the business of these companies, it could entail increased financial risk. From a reverse perspective, there are investment opportunities in companies and solutions that restrict climate change. Transition risks could also affect the insurance business and lending.

Data and figures

Information about how the data has been collated is provided in the GRI index on pages 145–147.

Sustainability topic

Material impact

Responsible savings offering	External
Responsible lending offering	External
Responsible insurance offering	External
Responsible employer	Internal
Business ethics	Internal and external
Responsible purchasing	External
Environmental impact of the operations	External
Long-term environmental and social commitment	Internal and external

Questions about the 2020 Sustainability Report

Questions about Länsförsäkringar AB's 2020 Sustainability Report can be directed to the Head of Sustainability, Christina Kusoffsky Hillesöy, via e-mail: christina.hillesoy@lansforsakringar.se.

Governance

Länsförsäkringar AB's Sustainability work is based on the vision of "Together we create security and opportunities" and the long-term objective is that sustainability is to feature throughout the operations.

Governance of sustainability activities

Länsförsäkringar AB's Board assumes the overall responsibility for governing sustainability activities and decides on the governance documents that form the basis of such work.

The Head of Sustainability of Länsförsäkringar AB is responsible for the function, governance and standard-setting of sustainability topics in the company. This means that the Head of Sustainability is responsible for regularly following up on the business units' and the units' sustainability focus areas, and for ensuring that approaches decided by corporate management set the framework for the work of the relevant business units and units. The Head of Sustainability also provides knowledge and coordination skills and participates in relevant sustainability teams.

The President and CEO has established a Sustainability Committee, which comprises corporate management, Head of Sustainability and Heads of Asset Management, Länsförsäkringar Liv, Strategy and Change Management, Communication and Sustainability, HR, Compliance, Risk Management and Internal Audit. The Committee meets at least four times a year to discuss, decide on and follow up priority sustainability topics.

Governance of sustainability activities



Four sustainability teams in the focus areas of responsible lending offering, insurance offering, savings offering and responsible purchasing ensure that sustainability efforts are aligned and developed with business plans. Each team includes Länsförsäkringar AB's Head of Sustainability as well as sustainability managers and managers from each area. Activities and targets are monitored every quarter and reported to the Sustainability Committee according to an annually revised agenda.

A climate risk team, led by Risk Management with representatives from several business areas and Länsförsäkringar AB's Head of Sustainability, compiles the overall climate risk exposure for each business unit and identifies how these risks interrelate in order to provide a collective assessment of the Group's climate risk exposure. Climate risk is reported at least once annually.

Monitoring and internal control

Länsförsäkringar AB's corporate governance system aims to ensure healthy and responsible control, risk management and a high level of internal control in the operations. This governance system includes

Governance documents

Responsible offering	<i>Owned by</i>
Sustainability Policy	<i>Head of Strategy and Change Management</i>
Policy on responsible investments and corporate governance	<i>Head of Asset Management</i>
Credit policy and credit instructions	<i>Credit Manager</i>
Policy on anti-money laundering and terror financing	<i>Head of Anti-Money Laundering Bank</i>
Responsible business conduct	<i>Owned by</i>
Sustainability Policy	<i>Head of Strategy and Change Management</i>
Code of Conduct for Employees	<i>Head of Compliance</i>
Personnel Policy	<i>HR Director</i>
Equality and diversity plan	<i>HR Director</i>
Remuneration Policy	<i>HR Director</i>
Guidelines for company cars and business travel procedures	<i>HR Director</i>
Purchasing and procurement policy	<i>Head of Purchasing</i>
Tax policy	<i>Head of tax</i>
Code of Conduct for Suppliers	<i>Head of Compliance</i>
Guidelines on identifying and managing conflicts of interest	<i>Head of Compliance</i>
Policy on improper benefits	<i>Head of Compliance</i>
Long-term environmental and social responsibility	<i>Owned by</i>
Research fund regulations	<i>Board of the Research Fund</i>

the organisation, internal rules and systems for internal control. Internal control is based on three lines of defence:

The first line of defence consists of the operations, which are responsible for risk management and monitoring. A deviation reporting system is in place.

To support internal control, *the second line of defence* exists whereby Compliance is responsible for independent monitoring and control to ensure that the operations are conducted in full regulatory compliance. Risk Management is responsible for independent risk control and ensuring that the operations are conducted with a high level of risk control.

The third line of defence consists of Internal Audit, which is the Board's support for quality assurance and evaluation of the organisation's risk management, governance and internal control.

Sustainability targets in business plans

Sustainability targets are set based on the eight sustainability topics, with the intention of linking them to Länsförsäkringar AB's climate-

smart vision and/or the UN's Sustainable Development Goals.

All business units and units have set activities and goals regarding diversity and reduced environmental impact in their 2020 and 2021 business plans. Goals and activities are also established for the area of responsible offering for the relevant units.

A climate-smart vision

Länsförsäkringar AB has a long-term climate-smart vision that entails that the company is to work actively to reduce climate impact and the climate risks throughout its operations and to encourage climate adaptation to reduce the damaging impact of climate change. The climate-smart vision is integrated into the business plans and in work on the prioritised sustainability topics.

Länsförsäkringar AB supports the Task Force on Climate-related Financial Disclosures (TCFD) and a climate report according to the TCFD's guidelines for 2020 is published on Länsförsäkringar's website

[➔ lansforsakringar.se/klimatrapport2020](https://lansforsakringar.se/klimatrapport2020)

Sustainability Committee's annual agenda



A more detailed description of corporate governance is provided in the Corporate Governance Report of Länsförsäkringar AB's Annual Report.



UN initiatives provide sustainability framework

Länsförsäkringar AB is a signatory of the UN Global Compact's Ten Principles on human rights, labour, business ethics and environment and seeks to ensure that the operations comply with these principles. Länsförsäkringar AB has also signed the UN Principles for Responsible Investment (PRI). Länsförsäkringar Sak is a signatory of the UN Principles for Sustainable Insurance (PSI). These UN initiatives form the basis of the sustainability policy.

Governance documents and training

The sustainability policy includes Länsförsäkringar AB's material sustainability topics and aims to provide managers and employees with guidance in their daily sustainability work. The policy also outlines environmental considerations and the precautionary principle. The sustainability policy was updated in 2020 with clarifications regarding Länsförsäkringar AB's climate-smart vision and how investments contribute to the UN's SDGs.

Alongside the sustainability policy, Länsförsäkringar AB also has other governance documents and guidelines that describe sustainability governance and focus, divisions of responsibilities, targets, activities and monitoring. A public tax policy was developed in 2020.

Self-assessments and operational procedures are applied for the ongoing monitoring of compliance with these governance documents. Policies and guidelines are revised annually. New employees are informed about the content of the sustainability policy and other relevant guidelines in the induction programme. All employees must complete e-courses on topics including sustainability, the Code of Conduct and security. The e-courses are reviewed and updated annually.

A whistle-blowing function is available to prevent crime or suspected crime in the business.



Stakeholder dialogue

Länsförsäkringar affects millions of people through its operations. More than 3.9 million customers in the Länsförsäkringar Alliance, more than 3,000 suppliers and 2,200 employees in Länsförsäkringar AB all have expectations of Länsförsäkringar AB. Stakeholder dialogues are a chance for Länsförsäkringar AB to discuss and ascertain stakeholders' expectations.

Priority stakeholders	Communication channels	Issues	Activities in 2020
Owners and Board	Reporting, training, Board meetings, various forums and consulting bodies and AGM.	Mission of operations, product development, policies and guidelines, risks and long-term objectives.	Ongoing dialogue on sustainability topics, status and business plans. Training. Launched a sustainability database with key figures that describe sustainable development in each county and the country as a whole.
Customers	Customer surveys, customer meetings and questionnaires.	Availability, service and quality, responsible savings offering, environmental and social responsibility integrated into customer offering, transparency and tools to select sustainable products.	Expanded range of sustainability-focused funds. Introduced the green leaf label to identify funds with a low climate risk. Updated the sustainability overview for Länsförsäkringar Fondförvaltning and for lending in Länsförsäkringar Bank. Customer meetings. Claims-prevention tips for customers. Health-promotion services for people and animals. Trained customers in claims prevention.
Employees	Employee surveys, employee appraisals, meetings and training.	Work environment and health, performance and skills development, diversity, inclusion and equality.	Skills development in the form of training, seminars and lectures. Employee surveys. Monthly manager-employee reviews. Activity-based workplace projects. Digital training.
Suppliers	Procurement, audits and meetings.	Environmental and social responsibility, sustainability risks in the supply chain.	Procurement of system for assessment of suppliers. Internal training on supplier audits.
Partners, trade organisations and civil society organisations	Partnerships, meetings, questionnaires and exchanging know-how.	Industry-wide challenges within environmental and social responsibility, responsible savings offering, responsible lending offering, transparency, climate change, responsible insurance offering, claims prevention.	Developed material for carbon emissions in motor claim repairs together with research institutions. Provided sustainability research results. Conducted dialogues with industry organisations about insurance risk. Joint training and lectures. Dialogues with industry organisations about the EU Action Plan on Financing Sustainable Growth.
Authorities	Reporting and meetings.	Responsible offering, transparency and climate risks.	Dialogue on natural catastrophes and climate risks.
Investors	Reporting, meetings and responses to questionnaires.	Responsible offering, common social challenges, environmental and social risks, and transparency.	Greater transparency on sustainability, responded to questionnaires. Meetings to discuss sustainability topics.

Partnerships

Insurance partnerships

PSI – Principles for Sustainable Insurance

PSI is a UN initiative of principles on integrating sustainability into insurance offerings. Länsförsäkringar Sak has been a member since the end of 2016 and submits a PSI report describing its sustainability work every year. Länsförsäkringar Sak is participating in a global pilot project on climate risks initiated by PSI.

AMICE – Association of Mutual Insurers and Insurance Cooperatives in Europe

An organisation for mutual and cooperative insurance companies in Europe. The purpose is to take members' interests into consideration and to ensure equal conditions for all insurance companies in Europe regardless of their legal form. The organisation represents the particular interests of mutuality, above all in issues of European legislation, and also works for the exchange of information and experiences among its members. Länsförsäkringar sits on the Board and in several working groups.

Eurapco – European Alliance Partners Company

An alliance of eight European insurance companies working in 18 countries. The members exchange information and experience. Länsförsäkringar is an active member of the Board and several committees, including committees on responsible investments and sustainability.

Kyoto Statement of the Geneva Association

An initiative that encourages the world's insurance companies to work together with customers, policy-makers and industry colleagues to help reduce environmental impact. The Geneva Association, which has existed for 40 years, has a global partnership on economic, political and social issues in the insurance industry. Länsförsäkringar is a signatory.

ICMIF – International Cooperative and Mutual Insurance Federation

A representative body to support the development of mutuality and the construction of mutual and cooperative insurance companies around the world. More than 200 members in 72 countries exchange information and experiences. Länsförsäkringar is an active member of the Board and several committees.

INI – International Network of Insurance

A network of more than 120 market-leading insurance companies all over the world who work together to solve insurance needs for corporate customers operating in other countries.

Insurance Sweden

An industry organisation working to promote good business conditions for the insurance industry and to increase confidence in the industry and knowledge of the importance of private insurance in society. Länsförsäkringar sits on the Board and in several committees.

Investment partnerships

PRI – Principles for Responsible Investments

PRI is a UN initiative of principles concerning the integration of sustainability in investment decisions, engagement and collaboration. Länsförsäkringar AB is a member and submits annual reports on the implementation of these principles to PRI. Länsförsäkringar participates in investor initiatives to influence other companies and stakeholders in sustainability topics.

Access to Medicine Foundation

A foundation founded by the British and Netherlands governments together with the Bill & Melinda Gates Foundation. The foundation seeks to improve access to medicine for people around the world. Every other year an index is produced that shows the actions pharmaceutical companies are taking to improve conditions for people without access to basic medicine. Länsförsäkringar supports this initiative.

CDP

A civil society organisation that collects global environmental information from companies. The initiative is supported by over 800 institutional investors worldwide. Through dialogue with companies and by supporting the CDP's work, investors want to increase transparency and promote environmental reporting, and encourage companies to work actively to reduce their environmental impact. Länsförsäkringar supports the CDP.

Swedish Investment Fund Association

A trade organisation whose purpose is to look after the collective interests of fund management companies and fund savers alike. Länsförsäkringar Fondförvaltning is an active member.

Sustainable Value Creation

"Sustainable Value Creation" is a collaborative project comprising 17 of Sweden's largest institutional investors. The project aims to highlight the importance of working with sustainability topics in a structured manner. Länsförsäkringar is an active member.

Institutional Owners Association

The Institutional Owners Association for Regulatory Issues in the Stock Market is a partnership between pension funds, AP national pension funds, insurance companies and fund companies. The association develops best practice in corporate governance and the Swedish Corporate Governance Code. Länsförsäkringar Fondförvaltning is an active member.

Montreal Pledge

Länsförsäkringar AB has signed the Montreal Pledge, an initiative whereby investors pledge to measure and publicly disclose the carbon footprint of their investment portfolios. The Montreal Pledge is supported by both PRI and the United Nations Environment Programme Finance Initiative (UNEP FI).

Investment partnerships, *cont.*

Sustainalytics Engagement Service

A common cooperative platform for active owners. Länsförsäkringar AB actively participates in this forum together with institutional investors all over the world to influence companies to act responsibly and improve the company's sustainability results.

Swesif – Sweden forum for sustainable investments

A forum to spread, drive and increase knowledge on investments for sustainable development. Länsförsäkringar is a member.

Partnerships in banking

Swedish Financial Coalition against Commercial Sexual Exploitation of Children

A partnership between banks and Ecpat to prevent the Swedish payment system from being abused for the purchase of child pornography and trafficking of children for sexual purposes, and also to influence public opinion on such criminal activity. Länsförsäkringar is a member of the Financial Coalition.

Swedish Bankers' Association

An association of banks in Sweden whose tasks include spreading knowledge about banks and their role for growth and welfare in society. Länsförsäkringar is a member of the board and the Sustainability Committee.

Other partnerships

Global Compact

A UN initiative for responsible business conduct with ten principles on human rights, labour, environment and anti-corruption. Länsförsäkringar AB is a signatory and submits annual reports to the Global Compact on the implementation of these principles.

Co-operatives Sweden

An organisation that promotes the cooperative form of business by increasing knowledge, communicating cooperative ideas and creating opinion. Länsförsäkringar is a member.

Diversity Charter Sweden

A non-profit organisation that seeks to promote diversity in workplaces. Its members are companies and organisations that actively work on diversity and apply an inclusive approach to their own businesses. Länsförsäkringar is a member.

NMC – The Swedish Association for Sustainable Business

A professional association and cross-industry platform for sharing of knowledge on running a sustainable business, contributing to sustainable development. Länsförsäkringar is a member.

Novare Potential

A recruitment and staffing company with the aim of leading new arrivals into the Swedish job market. Its method is called "introduction recruitment," meaning that Novare Potential employs a person for the first year and after one or two years the person moves over to the company. Länsförsäkringar has a partnership agreement with the company.

Red Cross

Länsförsäkringar AB has signed an agreement making it possible for employees to volunteer with the Red Cross.

SNS – The Centre for Business and Policy Studies

An independent think tank that brings together the worlds of academia, business and government for knowledge-sharing and dialogue on key societal issues. Länsförsäkringar is a member.

Task Force on Climate-related Financial Disclosures (TCFD)

TCFD was founded in 2015 by the Financial Stability Board. It is intended to support companies' efforts to provide qualitative sustainability information to the finance sector's stakeholders and supervisory authorities. The framework consists of four areas: Governance, Strategy, Risk management and Metrics and targets. Länsförsäkringar supports TCFD and reports climate risk following TCFD recommendations.

Statistics and key figures

Employee statistics Länsförsäkringar AB Group including Länsförsäkringar Liv

Employee response to employee survey¹⁾

%	2020	2019	2018
Believe that diversity in working groups is valued	88	87	83
Believe that Länsförsäkringar AB is an equal opportunity workplace	90	90	87
Believe that they receive regular feedback from their manager	81	82	81
Believe that one's own skills are developed in line with changing work requirements	79	79	78
Believe that they have a reasonable stress level in their work	73	71	70
Believe that they can recover between work shifts ²⁾	78	82	81

¹⁾ The response rate for the employee survey was 92% in 2020, 94% in 2019 and 96% in 2018.

²⁾ New question for 2020. Equivalent question for 2019 and 2018 was "Believe that they have a good work/life balance"

Employees

Number	2020	2019	2018
Permanent employees	2,204	2,111	1,910
of whom, men	934	883	816
of whom, women	1,270	1,228	1,094
Permanent employees recruited during the year	229	330	210
Permanent employees who have left and now work at another company in the Länsförsäkringar Alliance	11	9	5
Permanent employees who left during the year	155	160	176

Employee turnover

%	2020	2019	2018
Permanent employees	7.7	8.3	9.5

Employee age range

Number	2020	2019	2018
0-30 years of age	222	219	178
31-40 years of age	538	511	464
41-50 years of age	644	649	602
51-60 years of age	635	584	547
61-	165	148	122
Average age, women	45	44	44
Average age, men	44	44	44

New employees recruited during the year

Number	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
0-30 years of age	24	25	56	31	27	19
31-40 years of age	29	47	55	52	32	39
41-50 years of age	34	30	50	37	31	28
51-60 years of age	22	14	33	14	21	10
61-	2	2	2	0	0	3
Total	111	118	196	134	111	99

All employees are full-time employees regardless of whether they work full or part-time. Employees who have children under the age of 12 can work part-time according to the industry's collective agreement.

Manager age range

Number	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
0-30 years of age	1	2	3	2	2	0
31-40 years of age	25	28	17	27	19	19
41-50 years of age	59	53	69	55	61	57
51-60 years of age	44	53	48	48	47	40
61-	9	9	5	7	3	8
Total	138	145	142	139	132	124
Total	283		281		256	

Employee statistics Länsförsäkringar AB Group including Länsförsäkringar Liv

Average age of managers

Year	2020	2019	2018
Women	47	47	47
Men	47	47	47

Gender distribution among managers

	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
Employees	58	42	58	42	57	43
Corporate management	44	56	50	50	62	38
Heads of department	54	46	40	60	47	53
Group managers and team leaders	48	52	53	47	52	48

Sickness absence

%	2020	2019	2018
Total sickness absence	2.6	3.7	3.0

Gender distribution among management and Board

	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
Corporate management including President	4	5	5	5	8	5
Management teams	28	35	27	30	31	35
Board members	31	56	35	46	23	47

Carbon emissions in the operations

Energy use

MWh	2020	2019	2018
Electricity consumption - operating electricity	3,184	3,774	3,762
Electricity consumption - property electricity	1,170	1,126	1,141
District heating ¹⁾	817	1,042	1,515
District cooling ²⁾	16	71	104
Cooling medium, refills ²⁾	-	-	-
Total	5,187	6,013	6,522

¹⁾ Degree day adjusted figures used to calculate district-heating usage.

²⁾ District cooling and cooling medium are new items from 2020 and have been supplemented for 2019-2018.

Business travel

Tens of km, travelled	2020	2019	2018
Flights	80,636	509,563	567,548
Company car journeys	55,191	128,154	131,551
Private car journeys	12,187	24,362	25,738
Rail journeys	27,749	128,641	105,986
Total	175,762	790,719	830,823

Carbon emissions

Tonnes	2020	2019	2018
Scope 1			
Company car journeys	48.8	117.6	152.6
Cooling medium, refills	-	-	-
Scope 2			
District heating ¹⁾	39.7	63.5	117.1
Scope 3²⁾			
Business travel, flights	86.2	540.5	648.8
Business travel, private car journeys	17.8	36.3	39.6
Operating electricity ¹⁾	33.4	38.5	38.4
Property electricity ¹⁾	12.3	11.5	11.6
District heating ¹⁾	2.5	4.3	7.4
District cooling ¹⁾	0.0	0.0	0.0
Total carbon emissions in the operations	240.8	812.0	1015.6
Carbon emissions per employee	0.1	0.4	0.5

Broken down by scope according to the GHG protocol.

¹⁾ Market-based emissions according to the GHG protocol. Only Scope 3 emissions arise for electricity and district cooling. Emissions factors come from each type of energy supplier. Updated emissions factors for district heating were used for 2018.

²⁾ Emissions factors from travel agencies regarding flights, from the Swedish Transport Administration regarding private cars and lease partners regarding car journeys. The emissions factor for company cars is calculated as an average for all company cars. Emissions from rail journeys in 2020 were 1 kg, emissions factor from SJ.

Responsible savings offering

Activities and key figures related to responsible savings offering

Focus area	Key figures	2020	2019	2018	
Investments in responsible companies	Total number of companies in the global reference index MSCI All Country World Index (ACWI) that are excluded (share of the index's market value in parentheses) ¹⁾	155 (5%)	132 (5%)	62 (2%)	
Promoting sustainable investments	Investments in sustainability-focused bonds in the institutional portfolios, % of total managed assets	13	7	3	
Minimising climate risks in investments	Number of companies active in the fossil fuel industry in the global reference index MSCI All Country World Index (ACWI) that are excluded (share of the index's market value in parentheses) ²⁾	98 (2%)	92 (2%)	45 (1%)	
	Carbon footprint for listed shares in the institutional portfolios, tonnes CO ₂ e/SEK M ³	10	12	18	
	Carbon footprint for listed shares in the institutional portfolios, measured according to Insurance Sweden's recommended method, tonnes CO ₂ e/SEK M ⁴	8	Not available	Not available	
	% of total capital in institutional portfolios with a measured carbon footprint	32 ⁵⁾	48	16	
	% of total capital in the fund company's funds with a measured carbon footprint	69	46	46	
Active corporate governance and engagement	Number of general meetings at which votes were cast ⁶⁾	91	67	60	
	Participation in nomination committees	21	18	16	
	Number of companies covered by reactive sustainability dialogues ⁷⁾	108	60	123	
	Number of companies covered by preventative sustainability dialogues ⁸⁾	210	259	223	
	Share of reactive and preventative sustainability dialogues, %				
	Environmental matters	71	76	26	
	Social matters	20	19	60	
	Business ethics matters	9	5	14	

¹⁾ Refers to companies who meet the sustainability exclusion criteria that applied at the end of each year.

²⁾ Refers to companies who meet the applicable exclusion criteria and turnover limits for different fossil fuels at the end of 2020 and earlier years.

³⁾ Refers to listed shareholdings. Recognised according to the "weighted average carbon intensity" measure. The measure shows the investment portfolio's exposure to carbon-intensive companies, where carbon intensity in the portfolio company are measured as the company's greenhouse gas emissions (Scopes 1 and 2) in relation to its income.

⁴⁾ Refers to listed shares and corporate bonds issued by listed companies and directly-owned properties and property companies, according to the updated recommendation from Insurance Sweden in 2020. Recognised according to the "weighted average carbon intensity" measure.

⁵⁾ In 2020, no measurement of the carbon footprint for the portfolio's SSA holdings (government bonds and bonds issued by supranational and intergovernmental organisations) was made compared to 2019.

⁶⁾ Refers to annual and extraordinary general meetings. In 2020, Länsförsäkringar Liv, Länsförsäkringar Fondliv, Länsförsäkringar Sak, Agria and Länsförsäkringar Gruppliv had direct investments in listed forest companies. The investments entail voting rights in a company. The agendas have been deemed to contain no items that would require participation in a vote.

⁷⁾ Refers to dialogues with companies in which a sustainability incident has occurred. The number refers to dialogues, in the form of physical or digital meetings, conducted by a consultant on behalf of Länsförsäkringar AB and/or where representatives from Länsförsäkringar AB were directly engaged in the dialogue.

⁸⁾ Refers to dialogues conducted via investment initiatives that Länsförsäkringar AB participates in, where representatives from Länsförsäkringar AB were directly engaged in the dialogue and/or through consultants on our behalf.

Exclusion criteria at 31 December 2020

- Mining and energy companies exposed to thermal coal 5%, with exception for companies in transition*.
- Companies involved in unconventional extraction of oil and gas 5%.
- Companies involved in prospecting and conventional extraction of oil and gas 50%.
- Manufacturers of tobacco products 5%
- Commercial gambling companies and land-based casinos 5%

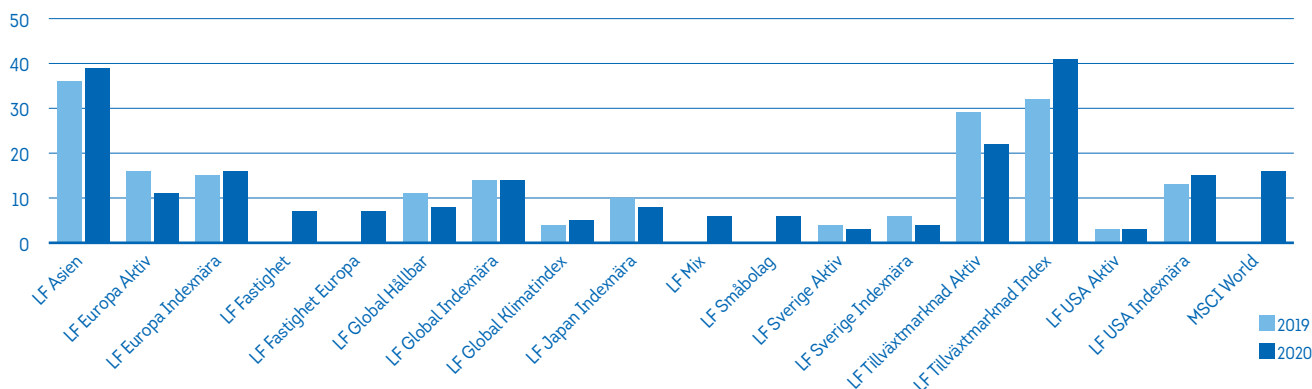
- Controversial weapons.
- Companies that contravene international conventions and dialogue does not have the desired results.
- Government bonds issued by countries that overall are not considered to meet fundamental criteria on human rights, democracy and anti-corruption.
- Government bonds issued by countries that the EU deems are non-cooperative jurisdictions for tax purposes.

Limits stated in % refer to maximum sales in that area.

* Selected energy companies that can demonstrate that they are transitioning from fossil to renewable energy or have set emissions targets aligned with the Paris Agreement can be kept in the investment universe. The website has a list of all criteria, companies and countries.

Carbon footprint in Länsförsäkringar's own funds (weighted average carbon intensity)

Tonnes CO₂e/SEK M



Global Reporting Initiative Index

This report has been prepared in accordance with the GRI Standards: Core option. The sustainability disclosures can be found by following the pages references below.

GRI Standard	Page reference	Comments	UN SDGs	UN Global Compact
General disclosures				
Organisational profile				1-10
102-1	Name of the organisation	Inside cover		
102-2	Activities, brands, products, and services	10-11		
102-3	Location of headquarters		Stockholm	
102-4	Location of operations	Inside cover		
102-5	Ownership and legal form	1, 9		
102-6	Markets served	11		
102-7	Scale of the organisation	2		
102-8	Information on employees and other workers	142-143	Data from the HR system	5, 10
102-9	Supply chain	33		8
102-10	Significant changes to the organisation and its supply chain	20-21, 135		
102-11	Precautionary Principle or approach	138		
102-12	External initiatives	140-141		
102-13	Membership of associations	140-141		
Strategy				1-10
102-14	Statement from senior decision-maker	6-7		
102-15	Key impacts, risks, and opportunities	18-35, 135		
Ethics and integrity/Business ethics and values				10
102-16	Values, principles, standards, and norms of behaviour	14-15, 30, 32, 136-138		
Bolagstyrning				10
102-18	Governance structure	50-56, 136-138		
Intressentengagemang				
102-40	List of stakeholder groups	16-17, 139		
102-41	Collective bargaining agreements	31		3
102-42	Identifying and selecting stakeholders	135, 139		
102-43	Approach to stakeholder engagement	16-17, 135, 139		
102-44	Key topics and concerns raised	18-21, 135, 139	Including SCI – customer satisfaction and product responsibility	

GRI Standard		Page reference	Comments	UN SDGs	UN Global Compact
Reporting practice					
102-45	Entities included in the consolidated financial statements	135			
102-46	Defining report content and topic Boundaries	135			
102-47	List of material topics	135			
102-48	Restatements of information	135	And comments in GRI-index		
102-49	Changes in reporting	135			
102-50	Reporting period	135			
102-51	Date of most recent report	135			
102-52	Reporting cycle	135			
102-53	Contact point for questions regarding the report	135	Christina Hillesøy, Head of Sustainability		
102-54	Claims of reporting in accordance with the GRI Standards	135			
102-55	GRI content index	145-147			
102-56	External assurance	149			
Financial standards					
103-1 - 103-3	Management approach disclosures	136-138			
201-1	Direct economic value generated and distributed	17, 88			
201-2	Financial implications and other risks and opportunities due to climate change	5, 13, 20-21, 24-29, 74-75, 85, 135			
203-2	Significant indirect economic impacts	16-17			
Own indicators	Number of research projects and total amount invested in research (SEK)	21, 36		3, 11-13, 16	8-9
Anti-corruption					
103-1 - 103-3	Management approach disclosures	32, 136-138			
205-1	Operations assessed for risks related to corruption	32	The entire Group was assessed.	16	2, 10
205-2	Communication and training about anti-corruption policies and procedures	32	Data about the Board, corporate management and other employment categories not available.	16	2, 10

GRI Standard		Page reference	Comments	UN SDGs	UN Global Compact
Environmental standards					
103-1 - 103-3	Management approach disclosures	24-25, 34, 136-138		12-13	7-9
305-1	Energy direct (Scope 1) GHG emissions	143	Refers to carbon emissions. New indicator due to new reporting structure for company cars and cooling medium.	13	
305-2	Energy indirect (Scope 2) GHG emissions	143	Refers to carbon emissions. See footnotes on page 143 for change compared with 2019.	13	
305-3	Other indirect (Scope 3) GHG emissions	143, 144	Refers to carbon emissions.	13	
Social standards					
103-1 - 103-3	Management approach disclosures	30-31, 33, 136-138	Statistics refer to employees in Sweden	3, 5, 8, 10, 12, 16	1-10
401-1	New employee hires and employee turnover	142	Refers to employees in Sweden. Employee turnover per age and gender will be reported from 2021 when the new employee system is implemented.	5, 10	
404-2	Programmes for upgrading employee skills and transition assistance programmes	30-31			
405-1	Diversity of governance bodies and employees	142-143 150-153	Statistics refer to employees, Board and management in Sweden. Employees are specified by gender, not age.	5, 10	6
406-1	Incidents of discrimination and corrective actions taken		No cases reported in 2020	5, 10	6
Egen indikator	Percentage of 100 largest suppliers of the purchasing volume have signed the Code of Conduct	33			1-10
Disclosures - Financial services					
103-1-103-3	Management approach disclosures	24-25, 136-138		1-17	1-10
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	144	Refers to the number of company dialogues in institutional portfolios and internally managed funds	1-17	1-10
Own indicators	Number of general meetings at which votes were cast	144			
Own indicators	Participation in nomination committees	144		5, 10	
Own indicators	Number of blacklisted companies in investments regarding sustainability	144		1-17	1-10

Index Sustainability Report

The sustainability report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act (ÅRL) encompasses Länsförsäkringar AB and its subsidiaries Länsförsäkringar Sak, Agria, Länsförsäkringar Gruppliv, Länsförsäkringar Bank, Länsförsäkringar Fondförvaltning, Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondliv. Länsförsäkringar Liv submits its own sustainability report. The sustainability disclosures can be found by following the pages references below.

	Explanation	Page reference
Overall	Business model	8-11, 16-17
	Organisation and monitoring	136-138
	Key impacts, risks, and opportunities	12-13, 20-21, 135
Social and personnel-related issues	Policy on social and personnel-related issues	136-138
	Social and personnel-related issues risks and risk management	30-31
	Social and personnel-related issues goals and outcomes	142-143
Climate and environmental issues	Climate and environment policy	136-138
	Climate and environmental risks and risk management	24-29, 34
	Climate and environmental goals and outcomes	24-29, 34, 143-144
Respect for human rights	Human rights policy	136-138
	Human rights risks and risk management	24-25, 32
	Human rights goals and outcomes	24-25, 32, 144
Combating corruption	Anti-corruption policy	136-138
	Anti-corruption risks and risk management	24-25, 32
	Anti-corruption goals and outcomes	32, 144

Auditor's Limited Assurance Report on Gamla Länsförsäkringar AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To Gamla Länsförsäkringar AB (publ), Corp. Id. 556549-7020

Translation from the Swedish original

Introduction

We have been engaged by the Board of Directors and the Managing Director of Gamla Länsförsäkringar AB (publ) to undertake a limited assurance engagement of Gamla Länsförsäkringar AB's Sustainability Report for the year 2020. Gamla Länsförsäkringar AB (publ) has defined the scope of the Sustainability Report that also is the Statutory Sustainability Report on page 19.

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 Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 135 in the Sustainability Report and are part of the Sustainability Reporting Standards published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been

conducted in accordance with FAR's accounting standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 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. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Gamla Länsförsäkringar AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Managing Director as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Opinions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 12 March 2021

Mårten Asplund
Authorised Public Accountant

Karin Sivertsson
Expert Member of FAR

Board of Directors and auditors



1 Caesar Åfors

Chairman of the Board since 2018. Born 1959. President of own business at Virå Bruk. Elected 2016. **Education:** M.Sc. in Forestry **Other Board appointments:** Chairman of Länsförsäkringar Södermanland. Board member of Lansa AB, Intea Fastigheter AB and CRK Forest management AB and Catena Fastigheter AB (publ). **Previous experience:** Board member of Länsförsäkringar Bank, CFO and Executive Vice President of Klöver AB (publ).

2 Maria Engholm

Deputy Chairman since 2018. Born 1967. President/CEO of HSB Mälardalarna. Elected 2015. **Education:** M.Sc. in Business and Economics **Other Board appointments:** Chairman of Dalarnas Försäkringsbolag and Dalarnas Försäkringsbolags Förvaltnings AB. **Previous experience:** Board member of HSB Riksförbund, HSB Projektpartner AB, Länsförsäkringar Bank, and Sparbanken Dalarna. Local Federation Director of Siljan Region.



3 Susanne Bäck

Born 1962. President of Länsförsäkringar Skåne. Elected 2016. **Education:** M.Sc. in Business and Economics **Other Board appointments:** Board member of Länsförsäkringar Skåne, Länsförsäkringar Mäklarservice AB, LFant AB and Confederation of Swedish Enterprise. Chairman of the Swedish Insurance Employers' Association. **Previous experience:** President of Nordea Finans AB. Board member of Länsförsäkringar Bank, Länsförsäkringar Fastighetsförmedling and Wasa Kredit.

4 Bengt-Erik Jansson

Born 1953. Chairman of Länsförsäkringar Uppsala. Elected 2017. **Education:** M.Sc. in Agriculture, and in Business and Economics. **Previous experience:** Business Area Manager Food and Executive Vice President Kiwa Sverige AB, Head of IT and Business Service, Lantmännen Lantbruk.



5 Beatrice Kämpe Nikolausson

Born 1972. President of Länsförsäkring Kronoberg. Elected 2020. **Education:** M.Sc. in Business and Economics and in Business Administration and Economics **Other Board appointments:** Deputy Chairman of Hällefors Tierp Skogar AB. Chairman of Hjalmar Petri-koncernen. Board member of Länsförsäkring Kronoberg, LF Affärs-service Sydost AB and Kv. New York Ek. förening. Preses Linnéakademien. **Previous experience:** CEO of Munksjö Aspa Bruk AB, CEO of Alstom Power Sweden AB, Air Quality Control Systems, Senior positions at Södra Skogsägarna, Södra Cell AB. Board member of Länsförsäkringar Bank, Länsförsäkringar Grupp-livförsäkrings AB, Länsförsäkringar Fastighetsförmedling, Länsförsäkringar Fondliv and Länsförsäkringar Fondförvaltning.

6 Hans Ljungkvist

Born 1952. Chairman of Länsförsäkringar Göteborg och Bohuslän. Elected 2019. **Education:** Post-secondary education in auditing, banking and taxation as well as business administration and law from Umeå University. **Other Board appointments:** Chairman of AB Tornstaden and Crepido AB. **Previous experience:** Senior positions at various Swedish listed companies for more than 20 years, mainly in finance and industry.



7 Karin Mattsson

Born 1972. Chairman of Länsförsäkringar Jämtland. Elected 2020. **Education:** Human Resources Specialist (B.A. Sociology). **Other Board appointments:** Vice Chairman Wallenstam AB. Chairman of Swedish Ski Association. Board member of Mellanskog, Astrid Lindgrens Värld AB and SHL AB. **Previous experience:** Chairman of the Swedish Sports Confederation, Head of Skills Development at Federation of Swedish Farmers.

8 Jonas Rosman

Born 1963. President of Länsförsäkringar Skaraborg. Elected 2014. **Education:** Upper-secondary education in economics, agricultural education. **Other Board appointments:** Chairman of Skaraborg Invest AB. Board member of Hällefors Tierp Skogar AB. **Previous experience:** Accounting consultant, Business Manager at LRF Konsult, chief economist at LRF Konsult, President of Skaraborg Agricultural Society.



9 Maria Wallin Wällberg

Born 1967. President of Likvor AB. Elected 2018. **Education:** M.Sc. in Business and Economics **Other Board appointments:** Chairman of Länsförsäkringar Västerbotten, Fastighetsbolaget Fabriken AB, Länsförsäkringar Västerbotten Invest AB. **Previous experience:** CEO of Innovationsbron Umeå, Vice President of Innovationsbron AB, CEO of Connect Norr, Chairman of IKSU and Esculapen AB and Board member of SweTree Technologies AB.

Employee representatives

10 Susanne Lindberg

Born 1967. Employee representative. Elected 2012. **Education:** Upper-secondary education in economics, diploma in non-life insurance and life assurance from Swedish Institute of Insurance Training (IFU), diploma in individual claims adjustment training from Länsförsäkringar. **Other Board appointments:** Deputy Chairman of Forena, Chairman of the Länsförsäkringar Alliance's Staff Association, deputy Board member of Länsförsäkringar Fondliv and Länsförsäkringar Liv, Board member of Insurance Industry's Pension Fund (FPK), Deputy Chairman of Finans- och Försäkringsbranschens A-kassa.

Deputy: Mirek Swartz

11 Linnéa Niklasson

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

Deputy: Mirek Swartz

12 Anna Sandqvist

Born 1963. Compliance. Employee representative. Elected 2014. **Education:** B.A. **Other Board appointments:** Agria Djurförsäkring, Chairman of SACO association at Länsförsäkringar AB. **Previous experience:** AMF Pension, Wasa Försäkring.

Deputy: Fredrik Sickling

Secretary of the Board: Olle Törnell. Born 1958. Head of Legal Affairs. Employed 1992.

Education: LL.M., Uppsala University.

Previous experience: Head of Legal Affairs Wasa Försäkring, bank attorney Nordbanken.

Auditor: KPMG AB, with Mårten Asplund as auditor in charge.



Corporate management



1 Fredrik Bergström

Born 1970. Employed 2018. President and CEO of Länsförsäkringar AB.

Education: M.Sc. in Business and Economics, Uppsala University.

Board appointments: Chairman of Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Sak and Agria Djurförsäkring. Board member of Länsförsäkringar Liv. Deputy Chairman of Insurance Sweden. Board member of Swedish Insurance Employers Association (FAO), European Alliance Partners Company AG and Enebybergs Tennishall AB.

Previous experience: President of Länsförsäkringar Stockholm, Head of Retail at SBAB, Head of Distribution Private Sweden at If and other positions at If Skadeförsäkring AB and Dial Försäkring AB.

2 Eva Allqvist

Born 1961. Employed 2019. Head of Strategy and Change Management.

Education: LL.M., Uppsala University.

Previous experience: Various positions at the Länsförsäkringar Alliance since 1998. Most recently served as Head of Business Development, Communication and HR at Länsförsäkringar Stockholm.

3 Susanne Bergh

Born 1969. Employed 1989. Head of Customer and Channel Support.

Education: Diploma in market economics.

Previous experience: Various positions at the Länsförsäkringar AB Group. Most recently as Head of Digital Channels at Länsförsäkringar Bank.

4 Mathias Collén

Born 1981. Employed 2019. President of Länsförsäkringar Fondliv.

Education: M.Sc. in Business and Economics, School of Business, Economics and Law at University of Gothenburg.

Board appointments: Board member of Försäkringsgirot AB, Länsförsäkringar Mäklarservice Aktieföretag and Länsförsäkringar Grupplivförsäkrings AB.

Previous experience: Head of Business at Länsförsäkringar Fondliv, Head of Commercial Business area at Länsförsäkringar Stockholm and senior positions at Livförsäkringsbolaget Skandia.

5 Björn Dalemo

Born 1975. Employed 2019. President of Länsförsäkringar Sak.

Education: Economics/Statistics.

Board appointments: Chairman of Länsförsäkringar Grupplivförsäkrings AB and Board member of Agria Djurförsäkring.

Previous experience: Senior positions in pricing, underwriting, and product and portfolio management.

6 Sven Eggefalk

Born 1969. Employed 2018. President of Länsförsäkringar Bank AB.

Education: B.A. in Economics, North Park University Chicago.

Board appointments: Chairman of Länsförsäkringar Hypotek and Wasa Kredit. Board member of Länsförsäkringar Fondförvaltning, Länsförsäkringar Fastighetsförmedling and Swedish Bankers' Association.

Previous experience: President of Länsförsäkringar Östgöta, President of Wasa Kredit, 15 years at SEB in various senior positions.

7 Agnes Fabricius

Born 1972. Employed 2017. President of Agria Djurförsäkring.

Education: Hippologist Swedish University of Agricultural Sciences, studies at Stockholm School of Economics.

Board appointments: Chairman of Agria Pet Insurance Ltd and Agria Vet Guide AB.

Previous experience: Head of Retail customer Business Area, Head of Bank and Claims Manager Länsförsäkringar Stockholm. Board member of Länsförsäkringar Fastighetsförmedling.

8 Ulrica Holmgren

Born 1973. Employed 2019. CIO.

Education: M.Sc. in Engineering, Faculty of Science and Engineering, Linköping University.

Previous experience: Senior positions such as CIO at Telenor, Management Consultant PriceWaterhouseCoopers, Etransformer and Cartina.

9 Malin Rylander-Leijon

Born 1970. Employed 2001. CFO. Head of Finance.

Education: Administration Programme, specialising in Economics, Uppsala University.

Previous experience: Auditor at SET Revisionsbyrå and various positions at the Länsförsäkringar AB Group, most recently as Head Controller at the Länsförsäkringar AB Group and Head of Finance & Control Länsförsäkringar Liv, Board member of Länsförsäkringar Fondliv, Länsförsäkringar Liv, Tribona AB and Utile Dulci 2 HB.

10 Olle Törnell

Born 1958. Employed 1992. Head of Legal Affairs.

Education: LL.M., Uppsala University.

Previous experience: Head of Legal Affairs Wasa Försäkring, bank attorney Nordbanken.



Definitions

Direct insurance

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

Operating expenses in the insurance operations

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

Expense ratio, non-life insurance

Operating expenses in the insurance operations as a percentage of premiums earned after ceded reinsurance.

After ceded reinsurance

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

Claims payments

The cost for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result, meaning the profit or loss arising in the provision for claims outstanding made in the immediately preceding year-end accounts. Run-off profit/loss arises since some of the claims in the provision are either settled during the period at amounts differing from those allocated or are re-valued pending final settlement.

Technical provisions

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

Management cost ratio, life assurance

Total operating expenses and claims adjustment costs as a percentage of average managed assets.

Investment income transferred from financial operations

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

Solvency ratio

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

Own funds, bank

Own funds comprises the sum of Tier 1 and Tier 2 capital and the difference between expected losses and reserves established for probable credit losses.

Capital adequacy ratio, bank

Closing own funds as a percentage of the closing risk-weighted amount.

Cost/income ratio, bank

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

Collective consolidation, life assurance

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

Solvency margin, non-life insurance

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

Solvency capital

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

Credit losses net, bank

Confirmed credit losses and reserves for credit losses ("loss allowance") less recoveries of receivables and net expense for the year for credit losses for guarantees and other contingent liabilities.

Credit losses in relation to loans, bank

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

Common Equity Tier 1 capital, bank

Total Tier 1 capital excluding Additional Tier 1 capital.

Common Equity Tier 1 capital ratio, bank

Common Equity Tier 1 capital in relation to the risk-weighted amount.

Cost ratio, non-life insurance

The sum of operating expenses in the insurance operations and claims adjustment costs in relation to premiums earned after ceded reinsurance.

Investment margin, bank

Net interest income in relation to average total assets.

Premium income

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

Premiums earned

The proportion of premium income attributable to the fiscal year.

Tier 1 capital, bank

Tier 1 capital is part of own funds and comprises equity and Additional Tier 1 capital. Deductions are made for such items as deferred tax assets, goodwill and other intangible assets, investments in financial companies and the difference between expected losses and reserves established for probable credit losses.

Tier 1 ratio, bank

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

Earnings per share

Profit/loss for the year attributable to the Parent Company shareholders in relation to the average number of shares during the year.

Risk Exposure Amount, bank

The Risk Exposure Amount is calculated by multiplying an institution's capital requirement for assets in the balance sheet, off balance sheet items, operational risk and credit valuation adjustment risk by 12.5.

Return on equity

Operating profit less standard tax at a rate of 21.4% in relation to average equity adjusted for capital contributions and Additional Tier 1 Capital loans.

Net interest income, bank

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

Technical result for non-life insurance operations

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

Claims ratio

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

Tier 2 capital, bank

Primarily comprises fixed-term subordinated debt.

Total return ratio

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

Combined ratio, non-life insurance

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

Reinsurance

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

Länsförsäkringar Liv Försäkrings AB income statement and balance sheet

Income statement		
SEK M	2020	2019
Premium income, net	1,191	1,539
Investment income, net	4,099	9,949
Claims payments	-4,877	-4,928
Change in technical provisions	1,992	-296
Bonuses and discounts	-348	-224
Operating expenses	-438	-430
Other technical revenue and expenses	14	4
Technical result, life-assurance operations	1,633	5,614
Non-technical items	-	-
Profit before appropriations and tax	1,633	5,614
Tax allocation reserve	45	50
Tax	-92	-97
Net profit for the year	1,586	5,567
Other comprehensive income	-	-
Comprehensive income for the year	1,586	5,567

Balance sheet		
SEK M	31 Dec 2020	31 Dec 2019
Assets		
Intangible assets	10	-
Tangible assets	2	-
Investment assets	111,031	115,979
Receivables	1,135	2,730
Other assets	4,877	3,634
Prepaid expenses and accrued income	1	53
Total assets	117,056	122,396
Equity, provisions and liabilities		
Equity	28,518	27,974
Untaxed reserves	246	291
Technical provisions	82,949	85,018
Provisions for other risks and expenses	32	32
Liabilities	5,109	8,902
Accrued expenses and deferred income	202	179
Total equity, provisions and liabilities	117,056	122,396

More information about Länsförsäkringar Liv is available at <https://www.lansforsakringar.se/om-oss/finansieellt/gemensamma-bolag/lansforsakringar-liv/>

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Financial calendar 2021

First quarter:

Interim report January-March 2020, Länsförsäkringar Bank 29 April
Interim report January-March 2020, Länsförsäkringar Hypotek 29 April

Second quarter:

Interim report January-June 2020, Länsförsäkringar Bank 21 July
Interim report January-June 2020, Länsförsäkringar Hypotek 21 July
Interim report January-June 2020, Länsförsäkringar Alliance 1 September

Third quarter:

Interim report January-September 2020, Länsförsäkringar Bank 27 October
Interim report January-September 2020, Länsförsäkringar Hypotek 27 October



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