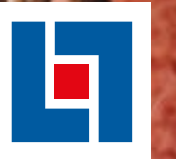


A close-up, low-angle photograph of two women smiling and hugging. The woman on the left has long dark hair tied in a bun and is wearing a pink sweater. The woman on the right has braided hair and is wearing a red sweater. They are both looking towards each other with joyful expressions.

Länsförsäkringar AB

Annual Report

2021





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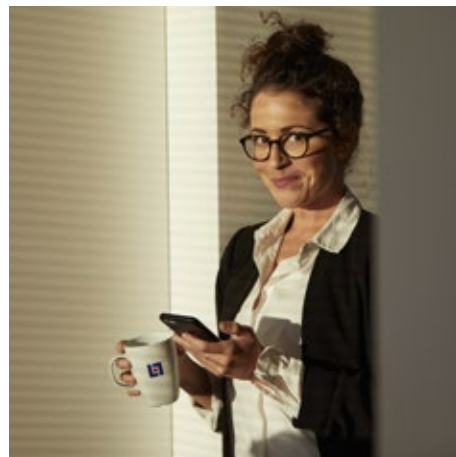
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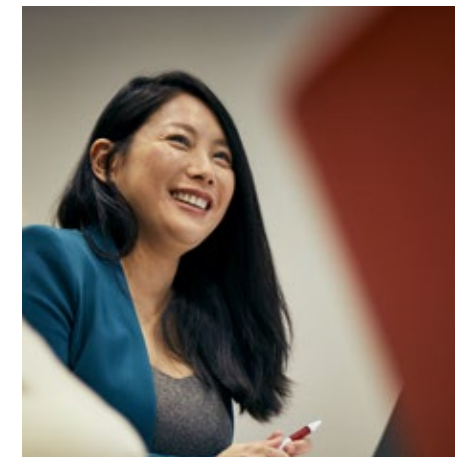
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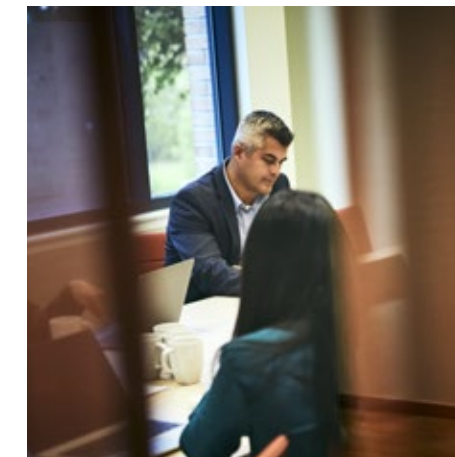
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Bilaga hållbarhetsredovisning

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Länsförsäkringar AB's 2021 Annual Report contains information about the operations conducted within the Länsförsäkringar AB Group. Länsförsäkringar AB's consolidated subsidiaries are: Länsförsäkringar Bank, Agria Djurförsäkring, Länsförsäkringar Fondliv, Länsförsäkringar Gruppliv and Länsförsäkringar Sak Fastighet. Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB Group. The Sustainability Report contains information about Länsförsäkringar'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 168 and the statutory Sustainability Report according to the Swedish Annual Accounts Act (ÅRL) on page 185.

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Länsförsäkringar AB

Länsförsäkringar AB is wholly owned by the regional insurance companies, together with 14 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. The Länsförsäkringar AB Group conducts banking, life assurance, pension insurance as well as some non-life insurance business. The task of the non-life insurance business is to complement the regional insurance companies' offering with specialist products, start new business and create economies of scale. 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 7,900 employees.

3.9 million customers

23 local regional insurance companies

Länsförsäkringar AB

Responsible for a large part of the Länsförsäkringar Alliance's joint development and service and conducts non-life insurance business in development areas to supplement the regional insurance companies' offering or to achieve economies of scale.

Länsförsäkringar Bank AB

Offers a broad range of banking services to the regional insurance companies' customers.

Agria Djurförsäkring

The Länsförsäkringar Alliance's specialist company for pet and crop insurance.

Länsförsäkringar Grupplivförsäkrings AB

Offers group life assurance and occupational group life assurance to the regional insurance companies' customers.

Länsförsäkringar Fondliv Försäkrings AB

Offers pension savings with fund 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 closed for new business.

The merger between Länsförsäkringar Sak Försäkrings AB and Länsförsäkringar AB was completed on 3 May 2021. Operations are now conducted under the name Länsförsäkringar AB.

Rating

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

¹⁾ Pertains to the company's covered bonds.

The 2021 fiscal year

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Earnings 2021 Figures in parentheses pertain to 2020

- Operating profit for the Länsförsäkringar AB Group increased to SEK 3,806 M (2,726). The return on equity amounted to 9% (8). Dividend to owners amounted to SEK 1,000 M (0).
- Länsförsäkringar AB Group's non-life insurance operations posted an operating profit of SEK 798 M (516). Premiums earned after ceded reinsurance rose 13% to SEK 7,662 M (6,781). The combined ratio was 91.2% (95.8).
- The Länsförsäkringar Bank Group's operating profit increased to SEK 2,296 M (1,844). Net interest income fell 2% to SEK 4,741 M (4,845). Return on equity strengthened to 9.8% (8.5).
- Länsförsäkringar Fondliv's operating profit amounted to SEK 625 M (702). Premium income rose 102% to SEK 24,682 M (12,228). Commission and fee income increased to SEK 2,201 M (1,809).

Five-year summary

Länsförsäkringar AB Group ¹⁾	2021	2020	2019	2018	2017
Operating profit, SEK M	3,806	2,726	3,003	2,351	2,825
Equity per share, SEK	3,183	2,959	2,754	2,462	2,269
Total assets, SEK M	711,589	613,967	572,594	506,835	473,773
Return on equity, %	9	8	10	9	11
Own funds for the group (FRL) ²⁾ , SEK M	65,203	57,412	50,220	43,870	44,172
Solvency capital requirement for the group (FRL) ²⁾ , SEK M	45,368	39,186	37,966	33,874	33,441
Own funds for the financial conglomerate, SEK M	65,203	57,412	50,220	43,870	44,172
Capital requirement for the financial conglomerate, SEK M	45,368	39,186	37,966	33,874	33,441
Carbon emissions in own operations, tonnes CO ₂ e	170.8	240.8	812.0	1015.6	997.8
Carbon footprint for listed equities in institutional portfolios ³⁾ , tonnes CO ₂ e/SEK M	8	10	12	18	n/a
Share of sustainability-focused bonds in institutional portfolios, % of managed assets.	16	13	7	3	1
Employee Net Promoter Score (eNPS), index	39	37	31	26	26
Number of women/men in the Group ⁴⁾ , %	57/43	58/42	58/42	57/43	57/43

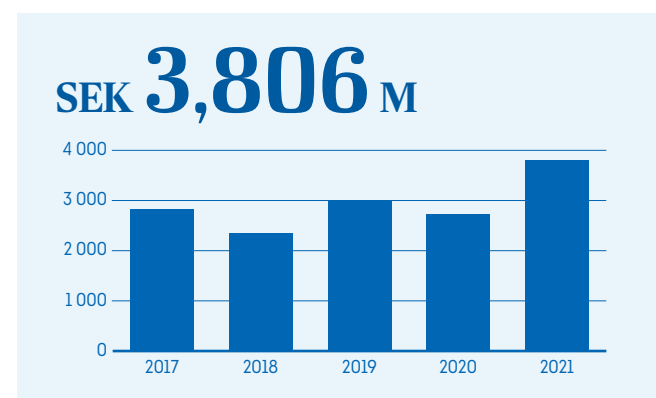
¹⁾ Excluding Länsförsäkringar Liv Försäkrings AB, which is operated in accordance with mutual principles.

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

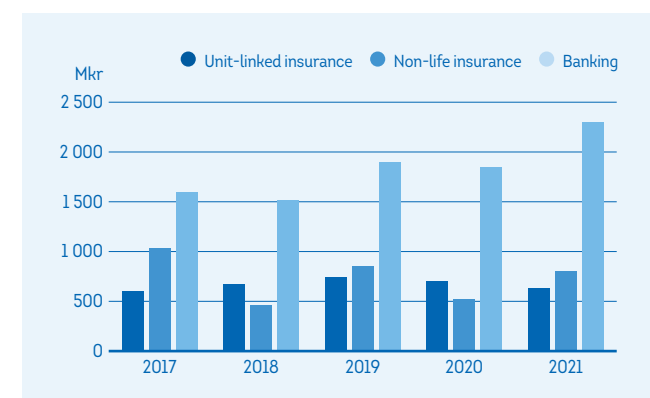
³⁾ Reported according to "weighted average carbon intensity," which shows the exposure of the equities portfolio to carbon intense companies. The company's carbon intensity measured as its greenhouse gas emissions (Scopes 1 and 2) in relation to its income.

⁴⁾ Including Länsförsäkringar Liv Försäkrings AB.

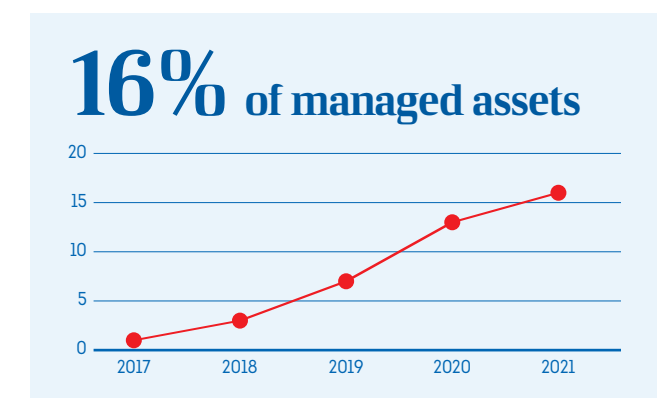
OPERATING PROFIT



OPERATING PROFIT PER BUSINESS OPERATION



SHARE OF SUSTAINABILITY-FOCUSED BONDS



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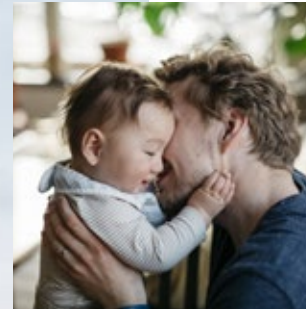
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Climate positive 2045

In 2021, Länsförsäkringar AB adopted a new climate target for the operations to become climate-positive by 2045. Länsförsäkringar AB has been pursuing a climate-smart vision since 2019, with the long-term aim of reducing its impact on the climate and managing climate risks.

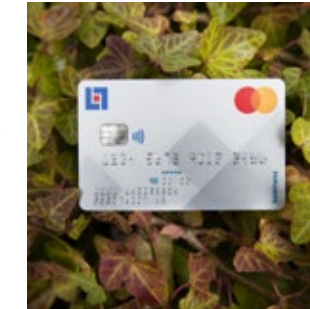
 [Read more on pages 18-19.](#)



Sustainable fund range


A high-quality, attractive fund range that generates healthy, sustainable returns on customers' pension capital is a central part of the Länsförsäkringar offering. At the end of 2021, 36 of Länsförsäkringar's 38 own-brand funds were classified as light green under the SFDR.

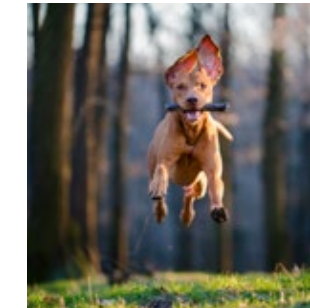
 [Read more on pages 20-22.](#)



Well-capitalised bank

Länsförsäkringar Bank is well-capitalised and has resilience and ability to cope with a highly adverse market scenario. This was shown in the European Banking Authority's stress test, the results of which were published in July 2021, with the outcome for Länsförsäkringar Bank at the very top among all participating European banks.

 [Read more on pages 44-45.](#)



Agria in Germany

Agria is growing. In October 2021, Agria launched in Germany, where a partnership began with the German Kennel Club. As such, Agria is represented in seven countries: Sweden, Norway, Denmark, Finland, the UK, France and Germany.

 [Read more on pages 42-43.](#)

Länsförsäkringar and COVID-19

The COVID-19 pandemic continued to affect our lives throughout 2021. It is vitally important that Länsförsäkringar remains available to its customers and meets its promise of making everyday life simpler for customers and contributing to a secure future. Social responsibility is highly important. Länsförsäkringar is taking initiatives across the country to support customers, local companies and clubs and associations that have been severely affected by the COVID-19 pandemic. Länsförsäkringar also donated vaccines to the world's poorest economies through Vaccine Forward.



DIGITISATION

Länsförsäkringar – the most innovative company in the finance industry

According to the Swedish Innovation Index, Länsförsäkringar was the most innovative company in the finance industry for the third year in a row. This serves as confirmation that Länsförsäkringar's development activities are making a difference in customers' everyday lives. Ongoing development activities are needed to maintain this excellent top ranking. Länsförsäkringar has an ambitious development plan with the aim of having the market's best digital experiences, for both customers and employees.

Customers – our driving force for development and efficiency enhancements

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STATEMENT BY THE PRESIDENT

Länsförsäkringar's customers are the driving force of everything we do. We have been laying the foundation for our continued digitisation for several years. Therefore it is now gratifying to state that we are ready to shift up a gear – we want the regional insurance companies to be able to offer their customers the best digital experiences in the market to simplify their everyday lives and contribute to a secure future. Länsförsäkringar AB's earnings for 2021 were strong – operating profit amounted to SEK 3.8 billion.

The pandemic continued to affect us all in 2021, and our thoughts go to those who fell ill and experienced financial difficulties. Länsförsäkringar has taken social responsibility across the country to support customers, local companies, clubs and associations that have been affected by the pandemic. To reduce the spread of infection, we have followed the restrictions set by the authorities. Länsförsäkringar has donated vaccines to the world's poorest economies through Vaccine Forward and supported efforts by the Red Cross by making financial donations and through volunteer work.

Despite the pandemic, 2021 was a strong year for Länsförsäkringar with the continued development of our business operations, favourable growth and, in particular, a high pace of development with a focus on digitisation.



“
The foundation has been
laid – we are now ready
to shift up a gear for
continued digitisation

Malin Rylander Leijon
President and CEO of Länsförsäkringar AB

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Development and efficiency enhancements – the foundations laid

Continuous development is needed to continue to serve the needs of our customers and maintain lasting competitiveness. Länsförsäkringar AB drives much of Länsförsäkringar's joint development, which is conducted in close collaboration with the 23 regional insurance companies that have extensive knowledge of their local markets and customers.

In the past few years, Länsförsäkringar has laid the foundations for continued digitisation and enhanced the efficiency of the operations. In 2021, Länsförsäkringar AB followed an efficiency programme to ensure a long-term, sustainable cost level, which in turn benefits the regional insurance companies and their competitiveness. In May 2021, we streamlined the legal structure with the merger of Länsförsäkringar Sak and Länsförsäkringar AB. We are introducing a Lean Agile work method, which is leading to more efficient and innovative development activities. We adopted a joint marketing plan for the entire Länsförsäkringar Alliance. The marketing plan is based on customer needs and governs all joint development. We have prepared targets for Länsförsäkringar's future IT architecture and are continuing to invest in higher IT security and stability. I am proud of that we have accomplished all of this together despite still being in the midst of a pandemic.

Our development activities in 2021 meant, for example, that our customers could start paying via Apple Pay, sign agreements digitally and change funds much quicker. It is especially gratifying to see that our efforts are appreciated by our customers – for the third year in a row, the Swedish Innovation Index named Länsförsäkringar the most innovative company in banking and insurance.

Development and efficiency enhancements – time to shift up a gear

With the foundation laid we are now ready to shift up a gear and raise our ambitions for Länsförsäkringar's continued digitisation. Our aim is to offer our customers the market's best digital experiences, efficient customer meetings and sustainable, value-creating offers and services. And in doing that simplify customers' everyday lives and contribute to a secure future – not only today, but forever.

Pursuing effective and customer-driven development is a major yet important challenge for Länsförsäkringar AB. New roles and skills will need to be added through both recruitment and further training. The recruitment process started in the autumn to strengthen our digital know-how. Our cultural journey at Länsförsäkringar AB began with a company-wide exercise in which all

employees could participate and describe the culture that they want and believe that we need in the future. We are excited about our cultural journey and look forward to welcoming new employees in 2022.

Workplace flexibility

In addition to attracting new employees, we naturally also want to retain our existing employees, for example, by offering a good work environment and business development that is in line with the times. The pandemic, which has led to many employees working from home, has highlighted workplace flexibility, something that Länsförsäkringar will continue to work on even after the pandemic. As long as it works well for our operations, individuals and the team, and meets the security requirements, remote working will be part of the new normal. Of course, the office will continue to play an important role, and the work environment must be developed and adapted continuously to our needs. Even before the pandemic, many of the regional insurance companies' offices were adapted to activity-based working, and a remodelling of Länsförsäkringar AB's Stockholm office started in 2021.

Sustainable operations

Länsförsäkringar contributes to a sustainable society with its local and extensive social responsibility and sustainable business in banking, insurance, pensions and real-estate brokerage. Länsförsäkringar AB has been pursuing a climate-smart vision since 2019, and in 2021 a new climate target was adopted for our operations to be climate-positive by 2045, a target that is entirely in line with the times. We have thus set the bar higher than the climate targets for Sweden and the EU. We will assume our responsibility and reduce our climate impact, and engage and help our partners and customers to reduce their climate impact.

One of the regional insurance companies' main tools for reducing their climate impact is preventing or limiting claims, as the severe torrential rain in the Gävle region in August reminded us. When such an extensive claim incident occurs, collaboration between the regional insurance companies is activated in record time to join forces to help those customers affected.

In 2021, 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 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. In 2021, Länsförsäkringar Bank signed the UN Principles for Responsible Banking (PRB). We also worked on implementing new legal requirements under the EU action plan on financing sustainable growth.

Strong earnings for 2021

The effects of the pandemic on Länsförsäkringar AB's earnings remained relatively limited in 2021. The Länsförsäkringar AB Group reported a strong operating profit of SEK 3.8 billion. The non-life insurance operations brought operating profit of SEK 0.8 billion with strong premium growth of 13%, especially from Agria, and a combined ratio of 91%. The banking operations reported strong operating profit of SEK 2.3 billion. Growth was healthy, business volumes increased 17% with the own-brand fund volume exceeding SEK 300 billion for the first time. Operating profit for the unit-linked insurance operations contributed SEK 0.6 billion, with managed assets of SEK 225 billion and continuing strong growth – premium income increased 102%.

Expectations for 2022

Fredrik Bergström left his position as President and CEO of Länsförsäkringar AB on 14 February. As CFO of Länsförsäkringar AB, I was appointed acting President and CEO while a permanent President and CEO is being recruited. I have been working at Länsförsäkringar AB since 2001 and been a member of corporate management since 2010 and can bring continuity and, together with the regional insurance companies and my colleagues at Länsförsäkringar AB, ensure that we carry out our business plan. We are ready to shift up a gear and raise our ambitions for Länsförsäkringar's continued digitisation, so that we can continue to simplify daily life and contribute to a secure future for our customers.

Stockholm, March 2022



Malin Rylander Leijon
President and CEO of Länsförsäkringar AB

Success lies in the balance between local and shared

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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 14 local insurance companies. In addition to the Parent Company, Länsförsäkringar AB, the Group consists of Länsförsäkringar Bank, Agria Djurförsäkring, Länsförsäkringar Fondliv, Länsförsäkringar Gruppliv, Länsförsäkringar Sak Fastighet and Länsförsäkringar Liv as well as 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. Länsförsäkringar AB also manages the Länsförsäkringar Alliance's reinsurance cover.

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 regional insurance 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.

For Länsförsäkringar, the core concept is to meet and get to know customers, and this is best achieved on a small scale. Accordingly, essentially all customer contact takes place in the local regional insurance companies. Certain elements of the Länsförsäkringar Alliance are conducted on a large-scale through Länsförsäkringar AB and its subsidiaries to generate economies of scale, for example, product development and IT systems. Success lies in balancing these elements. 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 have strong capital positions 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

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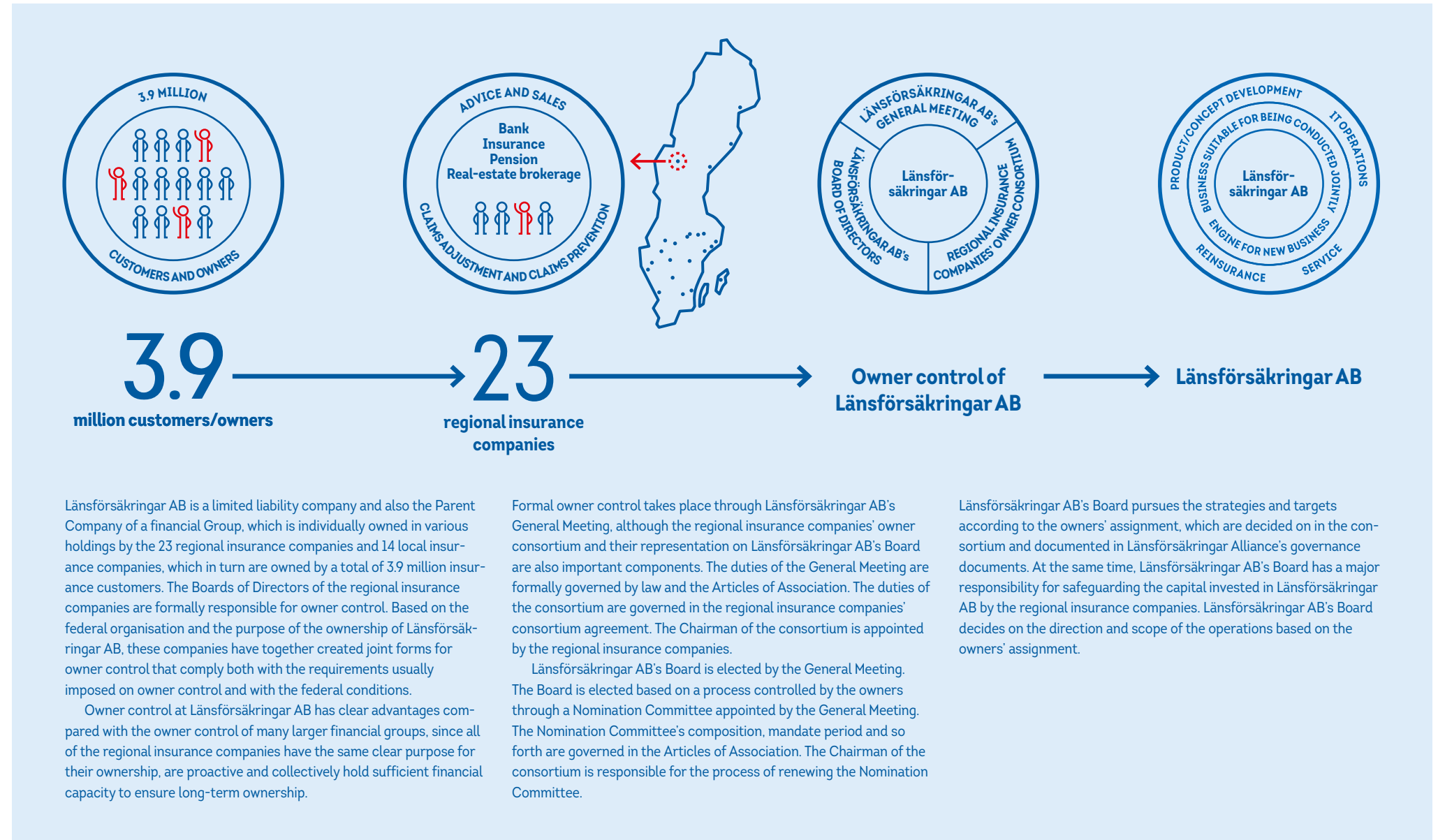
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Länsförsäkringar AB is a limited liability company and also the Parent Company of a financial Group, which is individually owned in various holdings by the 23 regional insurance companies and 14 local insurance companies, which in turn are owned by 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, since all of the regional insurance companies have the same clear purpose for their ownership, are proactive and collectively hold sufficient financial capacity to ensure long-term ownership.

Formal owner control takes place through Länsförsäkringar AB's 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. 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 according to the owners' assignment, which are decided on in the consortium and documented in 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 the owners' assignment.

Joint business

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OFFERING

Non-life insurance

Länsförsäkringar AB conducts non-life insurance operations, including personal-risk, pet and crop insurance, as assigned 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 as well as to create economies of scale. Pet-insurance operations are conducted in the subsidiary Agria Djurförsäkring. Länsförsäkringar AB manages the Länsförsäkringar Alliance's reinsurance cover, and also underwrites some internationally assumed reinsurance.

Earnings 2021

Operating profit for the non-life insurance operations amounted to SEK 798 M (561). Of the Länsförsäkringar Alliance's premiums earned of SEK 31.2 billion, Länsförsäkringar AB contributed SEK 7.7 billion.

Combined ratio

91%

Bank

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 2021

The Länsförsäkringar Bank Group's operating profit amounted to SEK 2,296 M (1,844). Return on equity strengthened to 9.8% (8.5).

Increase in business volumes to SEK 852 billion

+17%

How can you contribute to the Länsförsäkringar Alliance offering the best digital experiences in the market?

“

Improved experience for digital purchases of car insurance

Helen Kramer, Head of Business and Operational Development, Non-life Insurance business unit, Länsförsäkringar AB

Our Lean-Agile transition means that we now delivering value to customers more quickly. For example, in 2021 it resulted in deliveries that improve the experience for our customers who want to purchase car insurance digitally.



“

Successful launch of digital signing

Johan Skarman, Head of Open Banking, Länsförsäkringar Bank

Digital signing of agreements was launched in 2021 which greatly simplifies the process for both the customer and advisor. When meeting with the bank customers can now read and sign agreements directly on their mobile using BankID. Avoiding the use of paper and postage also means it is more sustainable.



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Pension insurance

Länsförsäkringar offers pension savings, primarily occupational pensions. Fund management, guarantee management and personal-risk insurance are offered through Länsförsäkringar Fondliv. Länsförsäkringar Fondliv is a leader in the unit-linked insurance market for individual occupational pensions, commanding a market share of 34% 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.

Earnings 2021

Länsförsäkringar Fondliv's operating profit amounted to SEK 625 M (702). Premium income rose 102% to SEK 24,682 M (12,228).

Managed assets

SEK **225** bn

Management of traditional life assurance

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 three portfolios: New Trad, Old Trad and New World. 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 have also received the offer to transition to New Trad since 2018.

Earnings 2021

Profit for Länsförsäkringar Liv increased to SEK 11,691 M (1,586). The earnings are not consolidated in Länsförsäkringar AB Group since the company is operated according to mutual principles.

Managed assets

SEK **118** bn

How can you contribute to the Länsförsäkringar Alliance offering the best digital experiences in the market?

“

Much easier for customers to choose sustainability-focused funds

Sanna Malm, Head of Digital Development, Länsförsäkringar Fondliv

To be able to realise a customer meeting in which we help customers to act considerately, we laid the foundation in 2021 for further advances in future years. For example, it's now much easier for customers to choose sustainability-focused funds.



“

Easier for our customers to navigate

Kristina Padel Roström, Product Specialist, Länsförsäkringar Liv

Länsförsäkringar's website must be customer-friendly and easy to navigate. That's why we have improved menus and navigation for Pensions so it is easier for our customers to find information about their pension savings, such as management form, pension payments and annual statements.



Drivers and trends

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OUR BUSINESS ENVIRONMENT

Drivers and trends in our business environment affect future customer requirements and thereby Länsförsäkringar's operations, business model and development needs. There are many challenges, but Länsförsäkringar has favourable conditions to optimally meet customer needs through a broad customer base, local knowledge and a unique business model that supports both local and digital customer meetings.

Climate

Global warming – the result of higher carbon emissions – causes climate change. 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. Preventing a claim is a win for the customers, society and the environment.

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. In 2021, a new climate target was adopted to become climate-positive by 2045. Länsförsäkringar AB reports climate risks according to the TCFD recommendations. The climate report for 2021 is an integral part of this annual report.



Digitisation

Rapid digitisation progress brings with it new banking and insurance solutions and new business opportunities. Traditional competition is being continuously challenged by new and innovative companies. 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. Digital platforms, smart and connected homes and connected individuals mean that great potential exists to individualise services and prevent claims and crime, while increasing security for customers. Developments of automation, robotisation, AI and the Internet of Things is continuing and this is where Länsförsäkringar has a major advantage with its broad customer base and offering.

Society

Turmoil and uncertainty have risen in recent years, not least during the COVID-19 pandemic. 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. However, we have seen a counter trend in the wake of the pandemic. 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.



Our initiatives

Three initiatives in which Länsförsäkringar has acted on driving forces and trends in our business environment to adapt products and services to customer needs.

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SOCIETY

Save to realise your dream – big or small

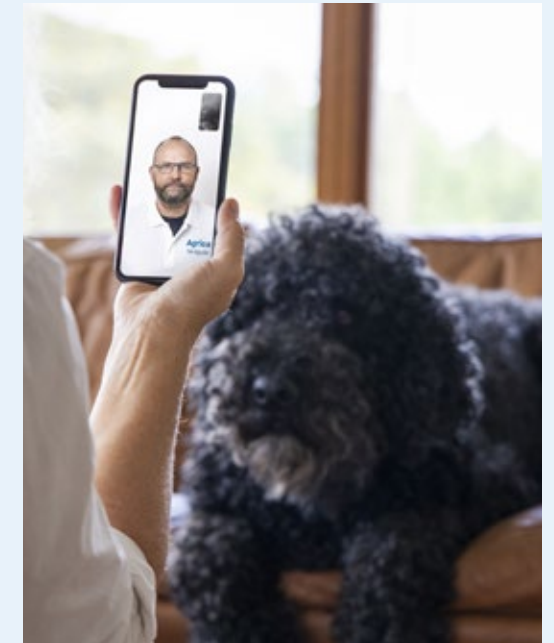
Customers have different prerequisites for saving, but the Savings Navigator service offers guidance on more efficient, easier and more enjoyable saving to realise a dream – big or small. Interest in saving is growing, not least as seen during the pandemic when many people experienced the stress of not having a financial buffer. Our finances are often affected by changes in our lives – going to university, your first home, pregnancy, illness, pension – and this also affects our need to have savings.

CLIMATE

Preventive climate efforts increasingly important

The extreme weather of the past few years places new and higher requirements on insurance companies. Länsförsäkringar works to geographically identify risk areas for weather-related insurance claims so that it can predict and prevent claims. Länsförsäkringar's Research Fund also sponsors research projects into improved climate change adaptations to residential areas.

The floods in Gävle in the summer demonstrated how important it is for Länsförsäkringar to act quickly. Claims adjusters from other regional insurance companies from the north to the south of the country were able to collaborate on short notice and help Länsförsäkringar Gävleborg's affected customers.



DIGITISATION

Digital veterinary care

In 2021, the Agria Vårdguide app for cost-free digital veterinary care was made available for all of our Nordic customers. Since the launch of the app in Sweden in 2020, the number of users has increased steadily. The app has also received great reviews from customers. More smart solutions will be included in the app in the future; everything to increase the security of animals and animal owners and contribute to long-term sustainable veterinary care.

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.

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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.

TARGETS

Länsförsäkringar AB's target is for Länsförsäkringar to have the best digital experiences in the market, for both customers and employees. By achieving this, the owners – the 23 regional insurance companies – are able to fulfil their customer promise of simplifying everyday life for customers and contributing to a secure future. To achieve this target Länsförsäkringar AB must drive the Länsförsäkringar Alliance's digitisation and, together with the regional insurance companies:

- Simplify everyday life for customers and regional insurance companies;
- Be a cost-efficient and fast implementer;
- Conduct sustainable and growing business
- Be the best employer with proud and dedicated employees.



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.

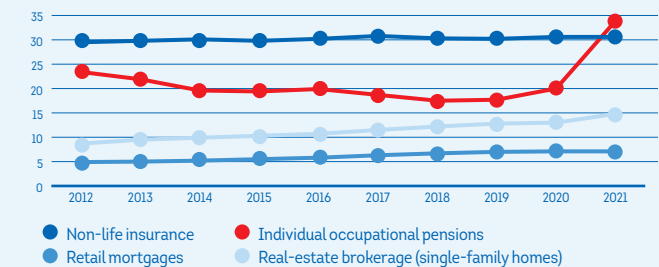
Simplify everyday life for customers and regional insurance companies

Länsförsäkringar is to be close at hand, available, personal and dedicated in all channels. Customer expectations must be exceeded through a high level of service, expertise, and a secure, complete offering of banking, insurance, pensions and real-estate brokerage.

OUTCOME 2021

- Länsförsäkringar has Sweden's most satisfied customers in corporate non-life insurance, private pensions (among ranked companies) and real-estate brokerage according to the 2021 Swedish Quality Index.
- Länsförsäkringar was named the strongest insurance brand at the Swedish Brand Award for the eighth year in a row.
- Länsförsäkringar topped Kantar Sifo's 2021 reputation survey in insurance.

Länsförsäkringar's market shares



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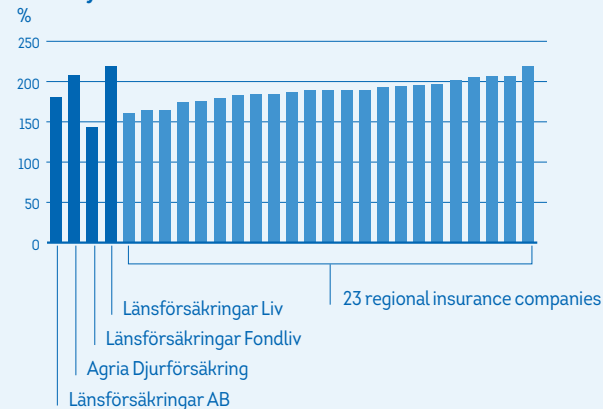
A cost-efficient and fast implementer

By being a cost-efficient and fast implementer of development, service and business, Länsförsäkringar proactively improves its customer offering, grow profitably, meets future challenges, assumes its social responsibility and supports sustainable development.

OUTCOME 2021

- Länsförsäkringar AB's Lean Agile work method leads to increased efficiency and innovation.
- Länsförsäkringar AB's efficiency programme ensures a long-term, sustainable cost level.
- Länsförsäkringar AB has a more efficient legal structure following its merger with Länsförsäkringar Sak in May 2021.
- Based on 2021 earnings, the regional insurance companies will pay back a total of SEK 2.6 billion in bonuses and discounts to their owners – the customers.
- The regional insurance companies, Länsförsäkringar AB and each subsidiary remained well-capitalised in 2021.

Solvency II ratio on 31 December 2021



Conduct sustainable and growing business

Länsförsäkringar makes it easy for customers to lead a sustainable life with sustainable and value-adding offers and services, reduces sustainability risks and contributes to the positive development of society by incorporating sustainability throughout its operations.

OUTCOME 2021

- Länsförsäkringar AB adopted a climate target for the operations to become climate-positive by 2045.
- Investments in sustainability-focused bonds increased to just over SEK 21 billion. These investments support several UN SDGs.
- Just over 80% of the number of funds in the unit-linked insurance range were light green or dark green according to the Disclosure Regulation.
- Länsförsäkringar Bank signed the UN Principles for Responsible Banking (PRB).



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 and health, Länsförsäkringar attracts new and retains current employees.

OUTCOME 2021

- Länsförsäkringar AB's Employer Net Promoter Score increased to 39 in 2021 (37 in 2020).
- 89% of employees are proud to work at Länsförsäkringar AB and 87% say that they enjoy going to work.
- Länsförsäkringar won several awards as an attractive employer in 2021: industry leader in Universum's Company and Career Barometer surveys, and best banking and insurance company according to Academic Works' Young Professional Attraction Index.



Business model for long-term value creation.

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.

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Example of stakeholders and their expectations

CUSTOMERS

Availability, service and quality, responsible insurance, savings and investment offerings, environmental and social responsibility integrated into customer offering, claims-prevention measures, transparency and tools to select sustainable products.

EMPLOYEES

Attractive occupational health and safety, good career opportunities, equality and an inclusive culture that safeguards diversity.

SOCIETY

Managing social challenges and sustainability risks such as climate change, responsible offering of products and services, transparency, claims-prevention initiatives.

REGIONAL INSURANCE COMPANIES (THE OWNERS)

Development of operational assignments, product development, a sustainable offering and digitisation.

Länsförsäkringar AB

Länsförsäkringar AB's operates as the partner of its owners, the regional insurance companies, and is tasked with delivering business, development and service.



Specialist knowledge, business development and innovation for increased value creation.



Joint, large-scale solutions for greater efficiency and lower expenses.



Comprehensive and strong customer offering in banking, non-life insurance and pensions.



Earnings are returned to our owners, the regional insurance companies, and thus to Länsförsäkringar's customers.

business environment factors, vision, values, targets

Products and services

CUSTOMER

Insurance – insurance solutions that complement the regional insurance companies' offerings, for example, pet, crop, personal-risk, health, liability and cargo insurance.

Bank – broad selection of banking services for private individuals and companies, for example, mortgages, bank and mutual fund savings, financial services.

Pension – life assurance and pension savings in funds and traditional life assurance.

REGIONAL INSURANCE COMPANIES

- An engine for new business – joint business development and innovation.
- Specialist knowledge in specific areas such as regulations, tax and risk management.
- Joint, large-scale solutions that create greater efficiency and lower expenses, such as joint IT operations and reinsurance.
- Joint service offerings.

Read more about our stakeholders' expectations on page 172.

Read more about our way of working on pages 8-9.

... for all of Länsförsäkringar's stakeholders

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Examples of our impact in 2021

CUSTOMERS

- Our investment portfolios and own funds are to be aligned with the Paris Agreement by 2030 and climate-positive by 2045. During the year, the carbon footprint for listed equities in institutional portfolios declined 15%.
- Every claim that can be avoided is a gain. In 2021, claims prevention and health promotion work as well as research activities were carried out to increase security.

EMPLOYEES

- Our attractiveness as an employer increased, achieving a increased Employer Net Promoter Score (eNPS) for 2021 of 39 (37).
- The share of working groups with a 40–60 ratio of men and women increased during the year to 31% (29) and equality efforts continues in 2022.
- The implementation of skills-based diversity-promoting recruitment continued in 2021.

SOCIETY

- In 2021, we were engaged in 31 research projects via Länsförsäkringar's Research Fund as part of our long-term environmental and social commitment.
- In total, SEK 50 M was awarded to research into social challenges, mental health and animal health.

REGIONAL INSURANCE COMPANIES (THE OWNERS)

- In 2021, we continued to develop our investment offering by adding more sustainability-focused funds.
- In 2021, we worked on monitoring and ensuring Länsförsäkringar AB's climate risk appetite and strategy linked to our climate-smart vision.

FINANCIAL IMPACT 2021

Regional insurance companies' bonuses and discounts to customers

SEK 2.6 bn (Increase +40%)

Claims payments to customers

SEK 4.9 bn (Increase +8%)

Salaries and pensions for employees

SEK 2.6 bn (Increase +4%)

Tax, social security contributions and bank fees

SEK 1.6 bn (Increase +18%)

Payments to suppliers

SEK 5.2 bn (Increase +4%)

Research grants

SEK 50 M (Increase +0%)

Sponsorship

SEK 1 M (Increase +0%)





“We want to help our customers make climate-smart, sustainable choices”

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SUSTAINABILITY REPORT

Based on Länsförsäkringar AB's Climate-smart vision, a new climate target was set during the year: to be climate-positive by 2045. This target involves the entire Länsförsäkringar AB Group, and important steps were taken in 2021 to meet it.

How would you summarise the past year?

It was an intense year, with a major focus on the climate. We set a new climate target to be climate-positive by 2045. The target is a concrete form of the Climate-smart vision we resolved on in 2019 and requires all of the units in Länsförsäkringar AB to contribute positively towards counteracting climate change at the same time as we reduce our climate risks in operations.

In addition to the new climate target, we have worked hard to implement new legal requirements under the EU action plan on financing sustainable growth. These are primarily the Sustainable Finance Disclosure Regulation (SFDR) and the “green taxonomy” that came into effect at the beginning of the year. The legal requirements will be gradually rolled out over the next few years, which will affect how we report, what we invest in and how our product offering will develop over time.

We achieved our sustainability targets, including reducing the carbon footprint for listed shares in our institutional investment portfolios by 15% compared with 2020. The carbon footprint of our own funds has decreased in 13 of 24 funds since 2019. In 2021, we enhanced our exclusion criteria for oil and gas companies. We've already excluded coal for some time. We expanded the share of sustainability in our pension funds and at the end of 2021 just over 80% of the funds were classified as light or dark green according to the SFDR.

You have set an ambitious climate target. What does it mean in practice? What is your climate roadmap?

Central to reaching this climate target is reducing our own climate impact, developing customer offerings that support our climate target and helping our customers towards reducing their climate impact.

Even though our own environmental and climate impact as a service company is limited, we will expand monitoring and measure more of our Scope 3 GHG emissions, for example, related to IT and use of office material.

As a milestone for becoming climate-positive, the emissions of our investments are to be in line with the Paris Agreement's goal of limiting global warming to 1.5°C by 2030. We can achieve this target

PRIORITY SUSTAINABILITY TOPICS



”

Our goal is to be climate-positive by 2045.

Christina Kusoffsky Hillesöy
Head of Sustainability at Länsförsäkringar AB



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by including companies that are driving the transition or contributing to climate solutions, such as green technology or forest companies. We will also continue to exclude companies that have a significant climate impact and to engage in dialogue with companies about climate issues. We will continue to increase the share of sustainability in our fund and pension offering.

A precondition for achieving our climate target is also helping our customers make sustainable choices, such as offering customers climate-smart fund and pension insurance. It needs to be easy for our customers to make sustainable choices. This also applies to Länsförsäkringar Bank's operations and our non-life insurance businesses, although the immediate focus of the latter is claims prevention. Preventing claims is the best climate effort we can make.

To achieve this climate-positive target we need to work broadly across all units at Länsförsäkringar AB. There is an incredibly strong internal commitment to sustainability, which is fantastic and creates a solid foundation for progressing in our climate and sustainability activities.

What role does the banking operations play in your climate roadmap?

During the year, Länsförsäkringar Bank signed the UN's Principles for Responsible Banking (PRB), which is an important commitment that includes pledging to set and report on climate targets. The bank also supports the Swedish Bankers' Association climate roadmap. Both of these initiatives will be important tools for achieving the climate-positive target. The bank's customer portfolio primarily consists of private individuals and small businesses, and as such our

focus is on offering green loans and, in the future, advisory services that support the transition.

Do you see any challenges on the way towards Länsförsäkringar AB's new climate target?

One challenge we share with the entire industry is finding good methods for measuring our carbon footprint. For the non-life insurance operations, this means finding standards for measuring the climate impact of repairing claims. This is where the industry needs to work together to find new, effective ways of measuring. Another challenge is insufficient data for emissions across the entire value chain. This applies for both up- and downstream emissions. Many companies fail to report their Scope 3 indirect emissions, which affects our ability to measure the climate impact in our value chain, including our investment operations. All of us in the industry need to help place demands on companies to provide this information. At the same time, this should not stop us from measuring what we can today. We can't afford to wait.

What is your progress on implementing the EU action plan on financing sustainable growth?

A key focal point this year has been on implementing the SFDR, which came into effect in March 2021, as well as the Taxonomy Regulation, which applied as of 1 January 2022. We invested in training our employees and over 1,900 people in the Länsförsäkringar Alliance were certified in sustainability during 2021. The training was intended to help employees understand how the EU's new regula-

tions, climate risks and international UN sustainability initiatives all interrelate and affect the financial market, for example, the UN Principles for Responsible Investments (PRI), Sustainable Insurance (PSI) and Responsible Banking (PRB), as well as the UN Global Compact and Agenda 2030. It's important that everyone understands how we can contribute by reducing sustainability risks and preparing a sustainable offering.

A new year has just started. What will the focus be going forward?

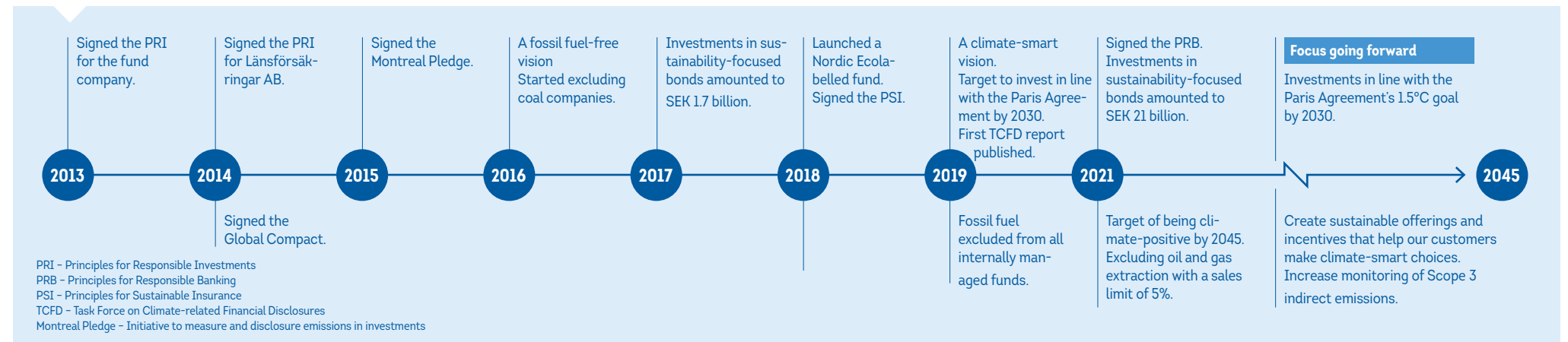
Above all, our focus will be on continuing to develop methods for measuring the impact of our business and our own operations on the climate. Refined and expanded measurement methods will also make it possible to identify new milestones, which is an important part of achieving our climate-positive target. The road to 2045 will not be straight – we need to have the conviction to test ourselves and set targets based on the standards, data sources and measurement methods available on the market. I am convinced that new measurement methods and better data quality will improve over time. Especially because of the implementation of the new EU regulations.

Of course we will continue to focus on the taxonomy and the other EU regulations.

We are ending a strong 2021 and look forward to continuing our sustainability journey. Sustainability is part of our strategic agenda and engages both our customers and employees

Stockholm, March 2022
Christina Kusoffsky Hillesöy

CLIMATE JOURNEY TO 2045



Responsible investments for sustainable value creation

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The goal is to create the highest possible value from managing customer savings and insurance premiums. Emissions from investment portfolios and own funds are to decrease in line with the Paris Agreement by 2030 and be climate-positive by 2045.

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

Investments contributing to the sustainable development of society

The Länsförsäkringar fund platform offers own and external funds that invest according to the above principles and apply various strategies and criteria for responsible investments. Länsförsäkringar Fondförvaltning ("the fund company") manages Swedish equities, fixed-income and mixed funds internally. Other funds are managed by external managers. Länsförsäkringar Fondliv is responsible for the unit-linked insurance offering, which consists of both internal and external pension funds. In addition to funds, Länsförsäkringar offers traditionally managed life and guarantee products with guaranteed returns. Länsförsäkringar Liv is responsible for managing life-assurance and guarantee portfolios, as well as for managing premiums connected to portfolios for Länsförsäkringar AB (previously Länsförsäkringar Sak), Länsförsäkringar Gruppliv and Agria ("investment portfolios" below).

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 AB's policy on responsible investments and corporate governance, together with the UN Global Compact's principles and the UN Principles for Responsible Investment (PRI) form the basis of this work

Strategic sustainable development goals

Target 2021	Outcome 2021	Targets 2022–2030
Increase the share of sustainability-focused bonds in investment portfolios to 15% of managed assets.	The share of sustainability-focused bonds increased to 16% of managed assets in the investment portfolios.	Increase the share of sustainability-focused investments in investment portfolios to 18% of managed assets in 2022, and 20% in 2023.
Reduce carbon footprint of listed shares in investment portfolios by an average of 7% per year.	The carbon footprint of listed shares in the investment portfolios declined 15% compared with 2020, from 10 to 8 tonnes CO ₂ e per SEK M of income.	Reduce carbon footprint in own investment portfolios by an average of 7% per year until 2030 to align with the 1.5°C goal.
Increase the share of assets in sustainability-focused funds in Länsförsäkringar's own range of total managed assets compared with 2020.	The number of sustainability-focused funds increased from four to five, and the share of total capital in sustainability-focused funds increased from 12% to 16%.	Increase the share of assets in sustainability-focused funds in Länsförsäkringar's own range of total managed assets in 2022 compared with 2021. Increase the share of sustainability-focused funds in Länsförsäkringar Fondliv's offering (Articles 8 and 9 of the SFDR) to 95% by 2023.

With a sustainability-focused savings offerings, we can also contribute to the UN SDGs.





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in own investment portfolios and funds. Investment must also contribute to selected UN SDGs – Goals 3, 7, 11, 13 and 15 are prioritised.

Climate-smart vision to reduce carbon emissions

Länsförsäkringar AB pursues a climate-smart vision that stipulates that funds and portfolios with significant direct and indirect carbon emissions are to be gradually reduced. The goal for own funds and portfolios to be climate-positive by 2045. A target is for the emissions from investment portfolios and own funds to decrease in line with the Paris Agreement by 2030, which in practice means reducing climate impact by an average of 7% annually (base year 2019). This target will be achieved by, for instance, 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.

The carbon footprint from the investment portfolios and own funds are measured and monitored. The measurements form the basis of allocation analyses and investment decisions. Carbon footprint calculations are made for various classes of assets in the investment portfolios. The positive climate effects of investments are also included in the calculation, for example, the carbon dioxide absorbed by forestry companies or the contributions made by sustainability-focused bonds to reduce carbon dioxide emissions. Just over SEK 2.5 billion has been invested in listed forestry companies that are considered climate positive and that contribute to a sustainable societal transformation.

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 and compared with the emission reductions required to meet the emissions scenario in line with the Paris Agreement goal.

Focus areas and responsible investment strategies

Focus areas for responsible investments are minimising climate risks, supporting sustainability-focused investments, investing in responsible companies and countries and pursuing value-generating engagement.

Various responsible investment strategies are used and combined to take sustainability factors into consideration and integrate

them into the management of own funds and portfolios. Sustainability analyses are regularly made of funds and portfolios and are combined with the three investment strategies: including, excluding and engaging with the company.

Sustainability analysis of investments

Sustainability factors are an integrated part of the analysis ahead of an investment decision. After an investment decision, own and external funds and portfolios are analysed based on several sustainability factors at least twice a year. Funds and portfolios are analysed based on factors such as:

- Serious incidents that can entail violations of international conventions and the principles of the UN Global Compact.
- Länsförsäkringar's exclusion and transition criteria
- Climate impact and climate targets in the Paris Agreement
- Contribution to the UN Sustainable Development Goals (investment portfolios)



Sustainability-focused bonds

Own portfolio's investments in sustainability-focused bonds increased by SEK 4 billion during the year and totalled SEK 21 billion by the end of the year, representing 16% of total managed assets.

Strategy and management of climate-related risks and opportunities

STRATEGY

- Reduce exposure to companies with significant climate emissions in relevant sectors that lack the drive to transition.
- Support companies that have started to transition their operations, for example, by shifting from fossil fuel to renewable energy.
- Increase exposure to companies that support the transition to a more sustainable and climate-smart society.
- Engage in dialogue to allow companies to set science-based emissions goals, reduce their emissions and transition their operations.
- Finance research on the financial effects of climate policy in the energy sector through Länsförsäkringar's Research Fund

RISK MANAGEMENT

- Integrate climate risks and opportunities in the allocation and investment analyses, and choice of investments or manager.
- Reduce exposure to fossil companies and companies with high carbon emissions.
- Invest in sustainability-focused companies.
- Measure the carbon footprint of investments and use it as a basis for investment decisions and owner control and engagement.
- Vote at general meetings and conduct dialogues on climate issues.
- Carry out scenario analyses to determine whether investments are consistent with the target to invest in line with the Paris Agreement by 2030.



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The results of the analyses are used as the basis for deciding on one of the investment strategies: including, excluding and/or engaging with the company. If serious incidents or breaches of conventions are identified, engagement activities are initiated with the company. The results also form the basis of follow-up and dialogues with external managers.

Inclusion

The sustainability analysis of companies and issuers is central to the investments made, which is integrated with the financial analysis. Funds or portfolios can invest in companies based on:

- Various sustainability themes such as renewable energy, energy efficiency, water infrastructure or fighting a pandemic.
- Products or services that contribute to the UN's SDGs or the Paris Agreement.
- Well-developed actions on sustainability factors.
- Whether they are in a transition phase from, for example, having been dependent on fossil fuel to transitioning to using a more renewable energy mix
- Optimising exposure between sectors and companies, for example, within the steel industry, based on an integrated analysis of financial and sustainability-related information.

Another sustainability-focused own fund was launched during the year, and two of Länsförsäkringar's own funds replaced their external management with more sustainable alternatives. Management for twelve of Länsförsäkringar's own funds was changed so that they now meet regulatory requirements for light-green funds that promote environmental or social characteristics. At the end of 2021, 36 of Länsförsäkringar's 38 own funds and all of the traditionally managed life-assurance and guarantee products were classified as light-green funds under the SFDR.

Exclusion

Criteria are applied to exclude companies and countries for various sustainability reasons, such as climate risk or ethical reasons. Exceptions can be made if the company adapts its operations based on established criteria. Exclusion criteria are applied when other responsible strategies have been tested. In 2021, exclusion criterias



for oil and gas companies were enhanced. Transition criteria were also implemented for energy companies.

Engagement

Ownership and engagement work is carried out internally or together with other investors. This includes voting at general meetings, participating in nomination committees, dialogues with boards and management about sound corporate governance as well as reactive and proactive engagement regarding various sustainability factors. One of the aims of the nomination committees is to increase the diversity of company boards.

Reactive engagement is intended to guide the company away from breaching international conventions or the UN Global Compact's principles for responsible business conduct and towards taking preventative measures. If this engagement does not achieve the desired results over time, the holdings in the company may be divested.

Proactive engagement is intended to encourage companies and selected sectors to work preventively within the framework of vari-

ous investor initiatives on key sustainability factors, whether risks or opportunities. In 2021, Länsförsäkringar AB participated in dialogues with Volvo AB, SSAB, Delta Air Lines and Gazprom through the Climate Action 100+ investor initiative, which engages with the largest GHG emitters in the world. Länsförsäkringar AB is also part of a Science-Based Target Initiative, which is intended to influence companies to set climate targets based on science, 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.

Sustainability part of the selection process in unit-linked insurance

In unit-linked insurance, customers themselves choose which funds they want to invest in, unlike a traditional pension insurance where Länsförsäkringar handles management. For this offering, Länsförsäkringar Fondliv applies a selection process focused both on return and sustainability to regularly include and exclude funds, with the ultimate goal of providing an offering of funds that have been deemed responsible and that have the preconditions to generate competitive returns in the future.

The fund's sustainability work is analysed and rated based on various criteria and then followed up regularly. Holders in the funds are analysed at least twice per year. If deficiencies in sustainability or high sustainability risks are identified in the management of a fund, and the manager does not address them, Länsförsäkringar Fondliv can place the fund on a watch list. A dialogue is started with the manager for up to 12 months, and if there is no demonstrable improvement the fund can be excluded and the customers' capital transferred to another fund.

Within the unit-linked insurance offering, nine externally managed funds were launched that are all light or dark green according to the SFDR, meaning they are funds that promote environmental or social characteristics or have sustainable investment as their objective. During the year, six funds with deficiencies in sustainability were replaced by more sustainable alternatives.

A major transition was made during the year and by the end of 2021, just over 80% of the number of funds in the pension fund range were light green or dark green according to the SFDR.



Read more about key figures for the responsible savings offering on pages 181-182. See the exclusion and transition criteria on Länsförsäkringar's website.

Low sustainability risks in lending

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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. Local customer knowledge contributes to low credit risk.

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.

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 bank's customers are not in energy- or emissions-intensive sectors such as large-scale manufacturing, mining operations or energy production. No loans are granted to companies in fossil energy production. 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 updated templates were prepared during the year to aid analyses and assessments of sustainability risks in lending.

Strategic sustainable development goals

Target 2021	Outcome 2021	Targets 2022–2023
Continue to investigate possibility of issuing green loans and green bonds.	The investigation is complete.	Launch green mortgages and green bonds in 2022. Volume of green bonds: SEK 3 billion in 2022, SEK 10 billion in 2023
Increase the share of environmental financing via Wasa Kredit.	The share of environmental financing increased to SEK 288 M (190).	The number of sustainability-focused products/services: 4 in 2022, 6 in 2023

By focusing on responsible loan offerings, we can also contribute to the UN SDGs.



Principles for Responsible Banking set the framework for lending

In 2021, Länsförsäkringar Bank signed the UN Principles for Responsible Banking (PRB).

The principles aim to set the framework for a sustainable banking system that drives the global economy in a sustainable direction. By signing the principles, Länsförsäkringar Bank commits to integrating the principles into operations, reporting both the negative and positive impacts of material sustainability areas and clearly indicating which specific sustainability goals Länsförsäkringar Bank is working to achieve. The bank also commits to working towards joint sustainability targets together with other players in the banking industry, applying a synchronised and comparable work method.



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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.

Interest payments for stable household finances

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. For customers experiencing financial difficulties, forgiveness can be granted under certain conditions in accordance with internal regulations. In 2021, customers who requested mortgage repayment relief due to COVID-19 could do so until the end of August 2021.

Industry-wide climate activities to support Sweden's climate targets

In 2021, the Swedish Bankers' Association, which Länsförsäkringar Bank is a member of, developed a joint climate roadmap for the Swedish banking industry. In the roadmap, banks pledge to adapt their operations to help Sweden reach the climate target of net-zero emissions by 2045.

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.

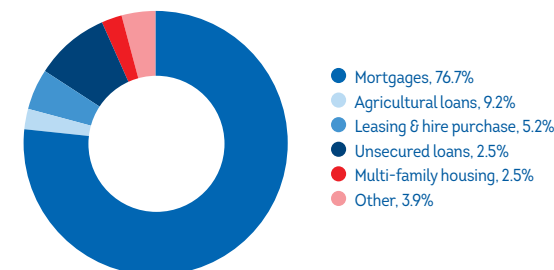
Funding at low credit risk

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. Green bonds that the bank invested in increased to just over SEK 3.6 billion (3.2) on 31 December 2021.

Local branches and digital services for higher availability

With the 23 regional insurance companies, Länsförsäkringar's customers have access to 115 branches throughout Sweden as well as digital banking services. 73% (71) 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 83% (78) in 2021.

Loan portfolio 31 December 2021



Strategy and management of climate-related risks and opportunities

STRATEGY

- Diversified loan portfolio with low average lending per customer.
- Loans are primarily granted to retail customers.
- Lending to companies mainly comprises small businesses that are deemed to have limited climate risks.
- Low risk appetite and local customer and market knowledge contribute to low credit risks.

RISK MANAGEMENT

- The effect of climate- and sustainability-related risks on repayment and collateral is to be assessed when granting loans.
- A diversified loan portfolio and strict customer repayment capacity requirements to reduce credit risks.
- Environmental financing, such as solar panel solutions for companies and agricultural operations.
- Investigate possibility of issuing green bonds and green loans.
- No loans are granted to companies in fossil energy production.
- Carry out scenario analyses of the effects of a changed climate on the mortgage portfolio.

Read more in our TCFD index on pages 190.



Focus on claims prevention in the insurance offering

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Avoiding claims is a gain for the environment, the individual and society at large. Minimising the risk of claims and alleviating the effects of claims incurred means creating security for customers. Strict requirements are set for sustainable repairs if a claim occurs.

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.




Länsförsäkringar AB supplements the regional insurance companies' offering with specialist products to meet customer needs, initiates new business that can be channelled through the regional insurance companies, and manages the Länsförsäkringar Alliance's total reinsurance cover. Claims-prevention methods and methods to repair claims sustainably are developed jointly with the regional insurance companies. This process is conducted in the Non-life Insurance business unit and the Agria business unit.

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.

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

Strategic sustainable development goals

Target 2021	Outcome 2021	Target 2022
Continue climate-risk action.	Developed a climate risk manual for cargo insurance that provides guidance on how climate risk is to be incorporated in operations. 	Continue climate risk activities and develop an informative folder for cargo insurance customers.
Develop claims prevention and health-promotion services for people, animals and society. Make use of research into human and animal health and security.	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. 	Continue claims-prevention activities and expand the number of claims-prevention initiatives to at least 20 in the Non-life Insurance business unit. Launch #stoppahåltan in Denmark and continue to spread knowledge about how horse owners can reduce lameness in Sweden and Norway. Develop services in Agria Vårdguide.
Implement identified measures based on analysis.	45% of the measures have been carried out within both the Non-life Insurance business unit and Agria. 	Implement identified measures based on analysis. Non-life Insurance business unit 60%. Agria 55%.

By focusing on responsible insurance offerings, we can also contribute to the UN SDGs.





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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. Claims statistics are regularly analysed to further refine claims prevention. 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.

In 2021, a claims prevention folder was developed for the cargo market with tips for loading and transporting goods, security when shipping valuable cargo and advice for what to remember in case of an accident in which the cargo is damaged.

Strict requirements for sustainable repairs

After a claim occurs, Länsförsäkringar sets strict quality requirements for companies who repair damage to buildings. These companies are also engaged in a dialogue regarding construction methods, recycling and materials that reduce adverse environmental impacts.

Länsförsäkringar environmentally and quality certifies car workshops and salvage companies. The workshops are required to work actively on environmental issues and have environmental targets that are monitored and controlled, and repairs must be carried out to a professional standard. Used spare parts are to be used and damaged parts are to be repaired rather than replaced as far as possible, thus reducing the impact on the environment. In 2022, certification will be developed to score garages' sustainability efforts to highlight development areas and strengths and to make comparisons easier.

Claims prevention for reduced climate risks and natural catastrophes

To reduce the risk of higher claims costs for weather-related insurance claims, risk management in the non-life insurance operations focuses on predicting and preventing such claims.

Länsförsäkringar AB works together with the Länsförsäkringar Alliance to provide information and training to employees, customers, authorities and decision-makers in society to steer developments towards a more robust society. Advice is provided on how to best prepare property, forests, oneself and family to minimise the

risk of natural catastrophes. Preventative work to reduce insurance risks in vulnerable areas.

Risk areas can be identified with statistics from Länsförsäkringar. Länsförsäkringar AB investigates opportunities to introduce better resources to identify risk exposure geographically. Such a study provides clear opportunities to support and influence individual property owners as well as municipalities in how they handle natural catastrophe risks.

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We provide information and training to customers, authorities and decision-makers to contribute to a more robust society.

Risk diversification through reinsurance

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 AB, 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

ringar AB, 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



Länsförsäkringar environmentally and quality certifies car workshops and salvage companies.

Strategy and management of climate-related risks and opportunities

STRATEGY

- International reinsurance to reduce own risk.
- Internal reinsurance pool for spreading risks across Länsförsäkringar Alliance.
- Preventive measures and exchange know-how to reduce the risks caused by natural catastrophes in society.
- Financing climate research through Länsförsäkringar's Research Fund.
- Financing climate research through Agria's Research Fund to the Swedish Farmers' Foundation for Agricultural Research.

RISK MANAGEMENT

- Claims-prevention activities that include preventing natural-catastrophe claims.
- Climate risk information and training for employees, customers, authorities and decision-makers in society.
- Advice for protecting properties, forests and people to reduce the risk of natural-catastrophe claims.
- Develop a climate risk manual for cargo insurance that provides guidance about how climate risk is to be considered in operations.



Read more in our TCFD index on page 190.



Responsible insurance offering

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.

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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 sickness absence. Mental health issues is the most common cause of sick leave. Preventive and early measures at the workplace are key to breaking this trend.

Customers are offered 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. Health care insurance also includes work-oriented rehabilitation

and treatment for addiction. The Health Portal had than 46,500 unique visitors (80,000) 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.

Customers can report their health claim digitally and are put in digital contact with a doctor, should such care be needed. Digital health care increases customer value, for example, for those who live far away from health care facilities, and also helps reduce the impact on the environment.

Health-promotion efforts for animals

Agria Djurförsäkring develops insurance products in close cooperation with animal-owner organisations. Claims-prevention information and health-promotion activities for animals are provided in various digital channels.

The Agria Vårdguide app offers customers cost-free veterinary consultations. Digital consultations can prevent unnecessary trips to

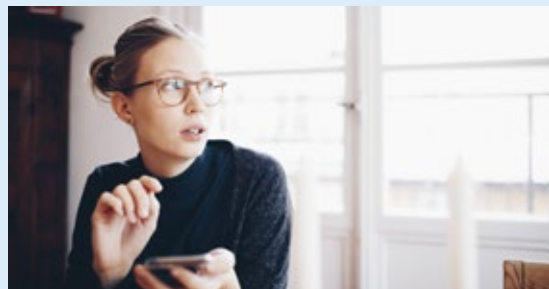
the vet, which benefits the climate and the environment. In 2021 the app was also launched in Norway, Denmark and Finland. In 2021, the number of users of the Agria Vårdguide app was 95,000, below the target of 100,000. The goal for 2022 is for 40% of customers to be registered in the app and for 145,000 digital vet consultations to take place.

Agria's Research Fund 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. Research results are shared on Länsförsäkringar's own podcast Pälspodden, through digital research seminars, lectures and clinics.

Agria has a globally unique material that analyses dog and cat diseases and injuries using diagnoses from more than 300,000 dogs and 125,000 cats. Statistics are used by researchers, breeders and pedigree clubs to support sustainable pedigrees and healthy animals. In 2021, new statistics for cats were released and Agria held digital seminars for pedigree clubs on the theme of sustainable pedigrees.

Digital care services

Under the framework of Länsförsäkringar's health insurance, customers can 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 since travel is avoided. The share of closed cases for digital care planning reached the target of 7.5% for the year. The goal of 7.5% remains unchanged for 2022.



Preventing lameness in horses

Lameness is by the far the most common injury among horses. Agria is conducting the **#stoppa-hältan** project to prevent lameness and ultimately ensure more sustainable horses in the future. Activities to raise awareness about lameness are carried out regularly.

Responsibility as an employer

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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 our business objectives. An inclusive culture makes it possible to benefit from differences and diversity.

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

For Länsförsäkringar AB, working on diversity, inclusion and equality is a matter of business value. It helps strengthen competitiveness and increases profitability. The importance of an inclusive culture is critical for benefiting from diversity and welcoming different perspectives and approaches. Diversity initiatives also play an important role in being an attractive and responsible employer and broadening the recruitment pool. 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. A new plan for 2022–2024 was developed in 2021.

Skills-based recruiting was introduced in 2021 for both internal and external recruitment in order to prevent discrimination. Discrimination and diversity training is planned for 2022.

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 31% (26) in 2021.

Strategic sustainable development goals

Target 2021	Outcome 2021	Targets 2022–2027
Implement skills-based diversity-promoting recruitment.	Implementation started. -	Introduce digital recruitment training in 2022 that highlights the skills-based perspective. Percentage of equal working groups 33% 2022, 37% 2027.

By focusing on being a responsible employer, we can also contribute to the UN SDGs.



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 2021 was 39 (37).

89%

are proud to work at Länsförsäkringar AB.

87%

say that they enjoy going to work.





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Responsible employer

The internal network Qnet 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.

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 continue as needed 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.

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

Focus on skills development and learning

Länsförsäkringar AB endeavours to nurture the conditions for a learning culture focusing on development. A new way of working for strategic skill supply began in 2021. Skills and resource gaps were identified based on the current situation and future needs based on business plans. The operations have established action plans to fill these gaps. Major investments were made in IT and digitisation. Over 100 services will be added, including offering consultants permanent positions and by recruiting in-house expertise.

In 2021, 5,617 (4,396) 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. Länsförsäkringar AB creates preconditions for all employees to also be responsible for constantly developing themselves and their role. In an ever-increasing rate of change, change management, self leadership and feedback are capacities for everyone to develop.

Managers continuously discuss performance, skills, work environment and health with their employees. The ambition is to continue developing leadership that is even more business-oriented and coaching-based, for which continuous learning, innovation and diversity are key parts. Leadership training is offered as part of the in-house training operations to strengthen leadership.

A new employee system was introduced in 2021, which provides support for follow-ups and regulatory compliance – for example, background checks, fit and proper assessments and training.

Long-term work on occupational health and safety

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.

Working from home due to the COVID-19 pandemic continued for large parts of the operations during 2021. This was based on the guidelines and recommendations from the Public Health Agency. Employee health and commitment were monitored through surveys. A full 90% of employees said that they could maintain their commitment while working remotely. Remote management, collaborating with colleagues and the experience of effectively contributing to the organisation also received high ratings from employees. Issues about how employees experienced social contact, however, received low ratings – an experience that matches the overall social trend during the pandemic. The five different indexes of the annual employee survey – commitment, leadership, efficiency, attractive employer and psychosocial work environment – all improved despite a long period of working from home.

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**Skills and resource gaps
 are identified based on
 the current situation and
 future needs.**

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 due to 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 illness, 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 2021, 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. Renovations of Länsförsäkringar AB's office in Stockholm have begun and the first floors will be finished in spring 2022. Länsförsäkringar AB aims to offer a workplace that is engaging, productive and that nurtures an even better work climate.



Read more about personnel statistics and the results of the employee survey on pages 179-180.



Preventive activities for high business ethics

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A high level of business ethics is integrated in all of Länsförsäkringar AB'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. The banking and life-assurance operations have a central function managers who monitors and checks compliance with procedures and guidelines. The Länsförsäkringar Alliance also has a 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.


An annual analysis is carried out for customers, products and services and how these could be used for money laundering or

Strategic sustainable development goals

Target 2021	Outcome 2021	Target 2022
Carry out annual compulsory e-course on security, sustainability and the Code of Conduct for all employees.	70% of employees completed the course. 	Carry out annual compulsory e-course on security, sustainability and the Code of Conduct for all employees.

By focusing on business ethics, we can also contribute to the UN SDGs.



 [Read more about our contribution on page 49.](#)





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Insurance fraud

Länsförsäkringar's aim is to ensure that its policyholders are treated correctly and that the right compensation is paid to the right person. Each regional insurance company has a complaints officer whom customers can contact if they are unhappy with a decision or their claim.

It is vitally important to counteract insurance fraud to protect the policyholders, keep premiums down and reduce the risk of money laundering. Länsförsäkringar's own investigation organisation works actively on counteracting suspicions of fraud and on preventive measures. About 3,000 suspected cases, at a value of about SEK 200 M, are stopped every year. Länsförsäkringar follows Insurance Sweden's guidelines on insurance fraud.

terror financing. This is summarised in a general risk assessment that forms the basis of our measures to prevent money laundering and terror financing. An update and review of the general risk assessment is also carried out when new products, services and distribution channels are introduced and re-organisations are implemented.

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. Six cases of whistle-blowing were reported in 2021.

Course on sustainability in the finance industry

In 2021, just over 180 employees and Board members completed the "Certification - Sustainability in the finance industry" course. A training course on climate risks, how the EU regulations on sustainability and various international initiatives interrelate and the necessary activities for achieving a sustainable future.





Responsible purchasing promotes a sustainable supply chain

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

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.

Code of Conduct part of purchasing agreements

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 that take into account suppliers' sustainability risks and agendas and by supporting the operations through processes for simplified purchasing and offering active support across the entire lifecycle.


Länsförsäkringar AB's Code of Conduct for Suppliers is based on the UN Global Compact and defines requirements regarding human rights, labour conditions, 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 has been included in purchasing agreements with new suppliers since 2016. On 31 December 2021, 86 (79) of the 100 largest suppliers had signed the Code of Conduct. The 100 largest suppliers accounted for 83% (82) of total purchase volumes. Efforts are being made to ensure that all of these 100 existing suppliers sign the Code.

Monitoring suppliers

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

Strategic sustainable development goals

Target 2021	Outcome 2021	Target 2022
The 100 largest suppliers and new suppliers with a purchase volume of more than SEK 5 M will be subject to a sustainability assessment.	48 of the 100 largest suppliers completed their audits. Six audits were in progress at year-end. 	The 100 largest suppliers will undergo a sustainability audit.

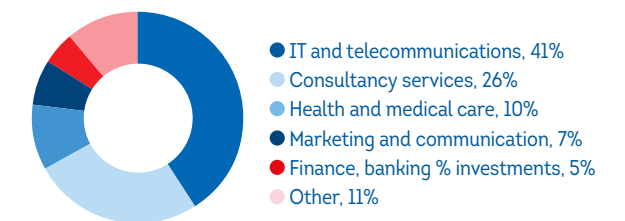
By focusing on Responsible purchasing, we can also contribute to the UN SDGs.




Sweden. IT purchases are made from suppliers operating in Sweden, but also other countries, such as India. A survey of the climate impact related to IT operations and IT equipment was initiated in 2021 and is expected to be completed in 2022. Read more on page 34.

An external audit system is used to assess Code of Conduct compliance among suppliers and identify any sustainability risks. During 2021 work was conducted to audit the 100 largest suppliers, of which 48 audits have been completed and six evaluations have been started. The target for 2022 is that all 100 of the largest suppliers are to be evaluated. The system is also used in large procurements to assess the supplier's sustainability level before a contract is signed.

Purchases in 2021



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

Reduced environmental impacts of own operations

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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. Reducing emissions is part of Länsförsäkringar AB's climate-smart vision and the aim is to be climate-positive by 2045.

The environmental impact of the operations is relatively limited and primarily comprises business travel 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 2021 and 2022 business plans.

The operations' emissions for 2021 amounted to 171 tonnes (241), of which 102 tonnes (153) referred to business travel. The target for 2021 was to reduce emissions from business travel by 20% compared with 2019. The decline was 85% due to less business travel due to the pandemic. The target for 2022 is to reduce direct emissions from business travel by 15% compared with 2019. A specification of emissions is provided on page 180.

Double climate compensation for Länsförsäkringar AB's 2020 emissions was paid in 2021 via South Pole. Emissions for 2021 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 for public transport can be borrowed from the office to reduce the use of taxis. Emissions from business travel reduced 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. 100% renewable electricity is used in these properties, and district heating is used for heating. 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.

Strategic sustainable development goals

Target 2021	Outcome 2021	Goals 2022
20% reduction in carbon emissions from business travel per year compared with 2019.	Emissions from business travel declined by 85% mainly due to less travel during the pandemic.	15% reduction in carbon emissions from business travel compared with 2019.

By focusing on the Environmental impact of the operations, we can also contribute to the UN SDGs.



Read more about key figures for the environmental impact of the operations on page 180.



Climate compensation protects forests and animals

Double climate compensation for Länsförsäkringar AB's 2020 emissions was paid in 2021 via South Pole. Climate compensation was paid to a project that protects 785,000 hectares of forest and wild animals at Lake Kariba in Zimbabwe. This project binds carbon dioxide and the important biodiversity is preserved. One of the animal species protected is the endangered black rhino. The project creates local jobs in agriculture, brick manufacturing, ecotourism and cultivating fast-growing trees. It contributes to UN SDGs 3, 4, 13 and 15.



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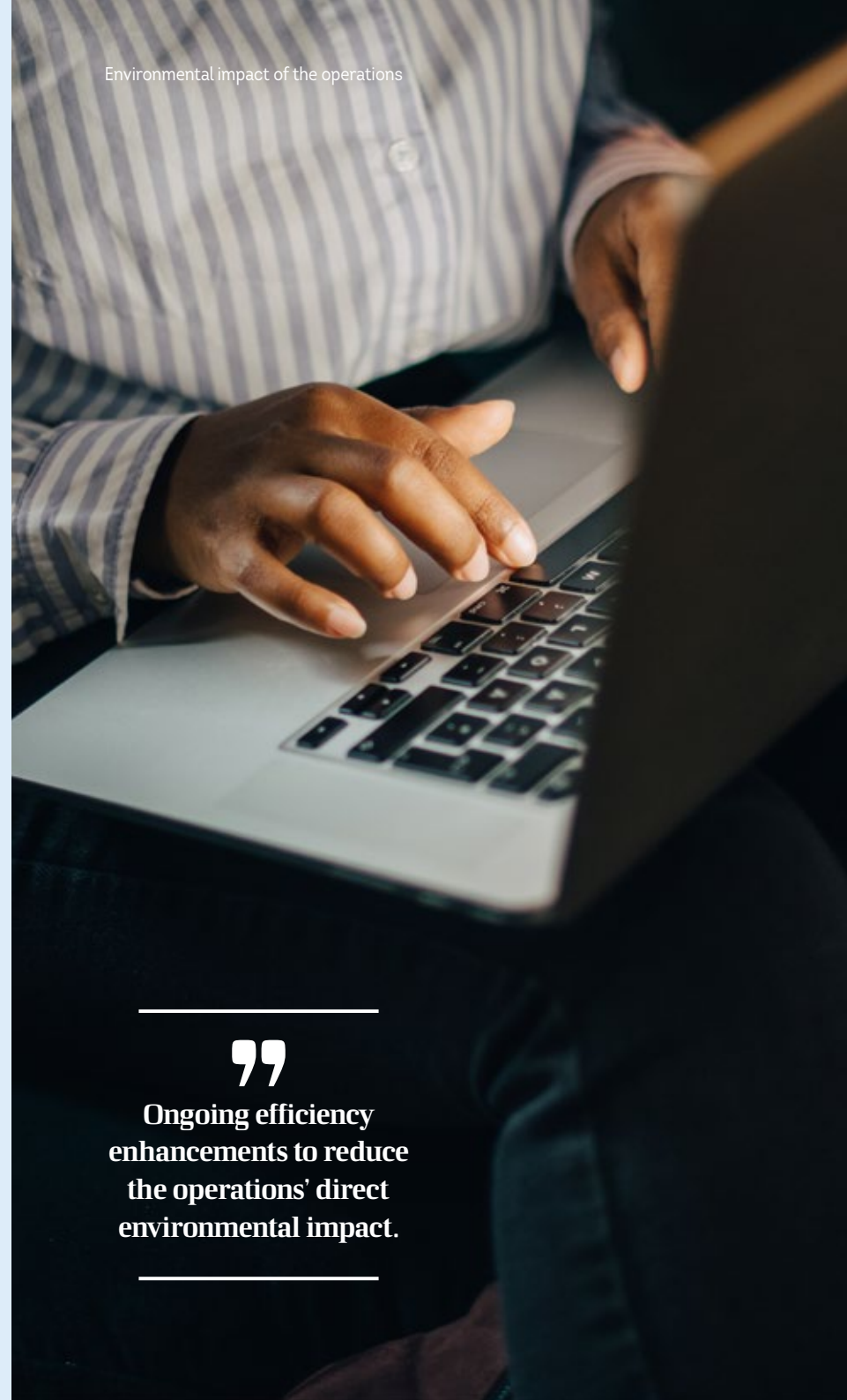
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**Ongoing efficiency
 enhancements to reduce
 the operations’ direct
 environmental impact.**

An energy survey was made in 2021. It revealed that Länsförsäkringar AB has normal outcomes for its use of energy and its continuous sustainability efforts and efficiency enhancements. Measures for garage lighting, ventilation, control and surveillance systems were initiated.

An extensive remodelling of the office began in 2021 and will continue in 2022 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 even more efficient energy use.

Purchasing and recycling to reduce environmental impact

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.

A survey of the climate impact of IT operations and hardware suppliers began in 2021. It will be completed in 2022 and result in an action plan for identifying measures to reduce our climate impact.

Efforts to reduce purchases of plastic items and food waste in the staff restaurants are being carried out.

The Länsförsäkringar Alliance partners with a company that reuses and recycles the computers used in the operations. 92% (94) of obsolete computers were sold for reuse in 2021. 8% (6) 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.

Strategy and management of climate-related risks and opportunities

STRATEGY

- Reduce our emissions from business travel.
- Reduce our emissions from electricity and heating consumption.
- Reduce food waste in staff restaurants.
- Recycle and reuse office material and furniture.
- Increase digital communication.

RISK MANAGEMENT

- Digital meetings instead of business travel, trains to be chosen instead of flights for journeys under 3.25 hours.
- Switch to hybrid or electric cars when the lease runs out on older cars.
- Switch to LED lighting and energy controls to reduce electricity consumption.
- Information campaigns in staff restaurants to reduce food waste.

Read more in our TCFD index on page 190.



Long-term environmental and social commitment

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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.

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 second consecutive

Strategic sustainable development goals

Target 2021	Outcome 2021	Target 2022
Finance research and communicate research results about the security challenges of today and tomorrow.	Grants to Länsförsäkringar's Research Fund amounted to SEK 40 M. Research results were communicated through various forums such as seminars, webinars and newsletters.	Finance research and communicate research results about the security challenges of today and tomorrow.

By focusing on Environmental and social commitment, we can also contribute to the UN SDGs.



Refer to pages 177-178 for a list of research projects.

year in 2021, with participation from decision makers at the regional, local and county council level from across Sweden. The conference was later rebroadcast by SVT. 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.

Vaccination donations abroad

In 2021, Länsförsäkringar AB donated 2,200 vaccinations, one for each employee in the Group, to countries who could not afford to vaccinate their own population. This was done through Vaccine Forward, a fundraising organisation for the purchase and distribution of the COVID-19 vaccine to the world's 92 poorest economies, to benefit the global vaccination alliance.

Social sustainability to benefit the Red Cross.

As a part of strengthening social sustainability efforts, Länsförsäkringar AB is a corporate partner with the Red Cross and donates funding every year. All Länsförsäkringar AB employees are given the opportunity to volunteer with the Red Cross one workday per year. In 2021, Länsförsäkringar AB organised the collection of clothing and Christmas presents for the Red Cross, who distributed them to those in need and for second-hand sale.





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The Board of Directors and the President and CEO of Länsförsäkringar AB (publ), Corporate Registration Number 502010-9681, hereby submit the Annual Report and consolidated financial statements for the 2021 fiscal year.

Ownership and Group structure

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies and 14 local insurance companies.

Länsförsäkringar AB is the Parent Company of Länsförsäkringar Bank AB (referred to below as Länsförsäkringar Bank) and its subsidiaries, Försäkringsaktiebolaget Agria (referred to below as Agria Djurförsäkring or Agria) and its subsidiaries, Länsförsäkringar Fondliv Försäkrings AB (referred to below as Länsförsäkringar Fondliv), Länsförsäkringar Grupplivförsäkrings AB (referred to below as Länsförsäkringar Gruppliv) and Länsförsäkringar Sak Fastighets AB.

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.

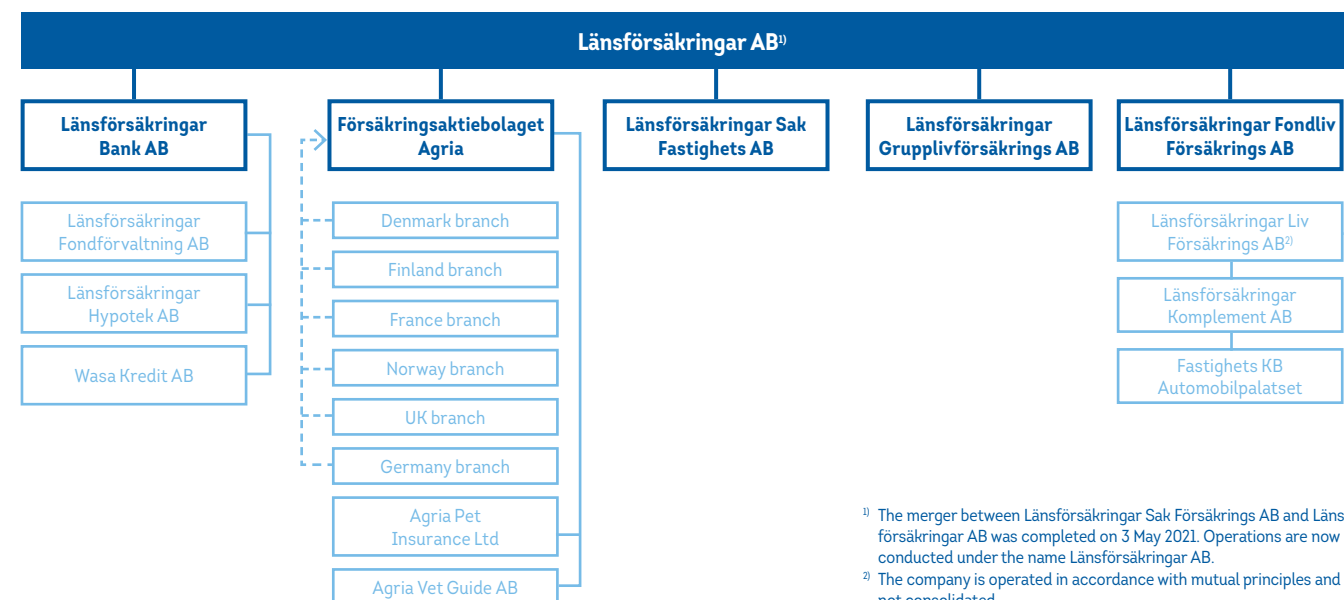
Focus of operations

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.

LÄNSFÖRSÄKRINGAR AB'S GROUP STRUCTURE, 31 DECEMBER 2021



¹⁾ The merger between Länsförsäkringar Sak Försäkrings AB and Länsförsäkringar AB was completed on 3 May 2021. Operations are now conducted under the name Länsförsäkringar AB.

²⁾ The company is operated in accordance with mutual principles and is not consolidated.



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

Significant events during the year

On 1 January 2021, Gamla Länsförsäkringar AB (Länsförsäkringar AB's legal name was changed to Gamla Länsförsäkringar AB on 30 December 2020 ahead of the forthcoming merger) 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, and risk assessment and claims adjustment from the Life Assurance business unit.

Länsförsäkringar Sak and Gamla Länsförsäkringar AB were merged on 3 May 2021. Under this merger, Länsförsäkringar Sak became the Parent Company of the Group and changed its company name to Länsförsäkringar AB. The purpose of the change in the legal structure within the Group was primarily to make the Länsförsäkringar AB Group a more appropriate, transparent and efficient legal organisation, by such measures as establishing a consolidated situation for the banking operations that only comprises the Bank Group.

Agria launched operations in Germany in October 2021. The company now serves seven countries.

Länsförsäkringar AB has been pursuing a climate-smart vision since 2019, and in 2021 a new climate target to be climate-positive by 2045 was adopted. This means that all of the units in the Länsförsäkringar AB Group are to contribute positively towards countering climate change at the same time as climate risks in opera-

tions are reduced. In the second quarter of 2021, Länsförsäkringar Bank signed the UN Principles for Responsible Banking (PRB).

Impact of COVID-19

The rate of infection of COVID-19 increased substantially towards the end of 2021 due to the omicron variant. To date however, the increased rate of infection has had a limited impact on Länsförsäkringar's business activities. Robust stimulus measures were taken by the government and relevant authorities when the pandemic broke out in the first quarter of 2020, and monetary policy remains expansive even though the Riksbank has started to cut back its bond buying. The stimulus packages contributed positively to the macroeconomic performance, strong stock markets and a continued rise in housing prices in 2021, which combined had a positive effect on Länsförsäkringar's operations.

Since the first quarter of 2020, Länsförsäkringar has taken a number of measures to ensure the continuation of operations. The aim of the measures taken is to minimise the impact on Länsförsäkringar's 3.9 million customers and to continue to provide excellent service. To reduce the risk of contagion, the operations were adapted to follow the restrictions of the authorities, for example, by expanding customer meetings via digital channels, employees working remotely and separate premises for the critical operational functions and tasks.

Availability

It is vitally important that Länsförsäkringar is available to customers. The regional insurance companies' branches remain available for customer meetings, but are following the recommendations of the authorities. The digital channels and digital communication are even more important in order to ensure that customers can continue to manage their banking and insurance with us. Digital interaction with customers is a natural contact point for Länsförsäkringar that creates a solid platform for the operations to continue without any major disruptions.

Initiatives and social commitment

Länsförsäkringar is taking initiatives across the country to support customers, local companies and clubs and associations that have been severely affected by the pandemic. In 2021, Länsförsäkringar participated in the Skill Shift Initiative, which helps the regional councils in Stockholm, Skåne, and Västmanland and Södermanland





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find health care assistants and nurses in the business sector who can provide health care support during the pandemic. Länsförsäkringar AB also donated vaccines to the world's poorest economies through Vaccine Forward. Länsförsäkringar AB is a corporate partner of the Red Cross and supports its work during the pandemic, both by making financial donations and through volunteer work.

Non-life insurance operations

Continued high premium growth

Premium growth remained favourable in 2021. Premiums earned after ceded reinsurance increased 13%. Agria's strong growth continued, partly due to increased interest in getting a pet during the pandemic. 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.

Stable claims costs

Claims costs were relatively unaffected by the pandemic in 2021. At the start of the pandemic in spring 2020, the rate of use of health care insurance declined temporarily, but returned to normal levels in autumn 2020 and continued like this in 2021. Accordingly, a previously feared backlog with a higher flow of claims in health care insurance did not materialise in 2021. Claims in unemployment in the loan protection insurance of the Bo kvar-product also returned to pre-pandemic levels in 2021. In assumed reinsurance, claims for business interruption insurance from 2020 are continuing to be settled. However, there is continuing uncertainty in the reinsurance industry as to whether business interruption in property damage cover is to include pandemic claims. The reserved amounts are partially covered by reinsurance. Pandemics are excluded from most reinsurance cover as of 2021.

Banking operations

Healthy growth

The growth was relatively unaffected by the pandemic in 2021. Business volumes increased 17%.

Reduced loss allowances

Due to the improved forward-looking macroeconomic scenarios for calculating Länsförsäkringar Bank's expected credit losses, the loss

allowance was reduced in 2021 and has now essentially returned to the levels from the start of 2020.

Life assurance and pension insurance operations

Continued strong net inflow

The net inflow of premiums and capital continued to increase strongly in 2021. Depending on how the pandemic progresses, growth could slow due to reduced economic activity and higher unemployment.

Sickness and mortality rates

Sickness and mortality rates remained relatively unaffected by the pandemic in 2021. A greater spread in the future with higher sickness and mortality rates at a lower age could have a material negative effect on earnings.

Events after year-end

Agria continued its international growth strategy. On 4 February 2022, Agria acquired the Irish company Capstone Financial Services Limited which provides pet insurance under the Petinsure brand in Ireland and Zoopo brand in the Netherlands. Capstone's premium income for 2021 amounted to EUR 3.8 M.

On 14 February 2022, Fredrik Bergström left his position as President and CEO of Länsförsäkringar AB. In connection with this, Malin Rylander Leijon, who most recently served as the CFO of Länsförsäkringar AB, was appointed President and CEO of Länsförsäkringar AB, and Jonas Ekegren was appointed CFO of Länsförsäkringar AB on 15 February 2022.

Following a period of geopolitical tension, Russia invaded Ukraine on 24 February 2022. Developments in the financial markets have had a moderate impact on the Länsförsäkringar AB Group's capital position. There is considerable uncertainty but Länsförsäkringar AB is monitoring developments. We currently predict only a limited decline in growth in Europe, and an upturn in inflation partly from rising energy prices.

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.



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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. Cyber insurance is deemed to have great potential and the ambition is to further develop the offering 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. The renewal of a long-term contract with Toyota and Lexus in the Swedish market for vehicle-damage guarantee and car brand insurance has created the conditions to further strengthen the position in the motor market.

As a market leader, Agria wants to exceed customer expectations and be at the forefront of products, distribution, communication and service. Agria is also working towards a sustainable society for animals and improved animal health. 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. 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. In 2021, the Swedish government prepared a bill on expanded transfer rights, which is expected to be passed by the Swedish parliament in spring 2022 and come into force on 1 July 2022. Expanded transfer rights would provide higher value for customers since a larger share of capital could be transferred. Länsförsäkringar Fondliv is well-prepared to manage the effects of expanded transfer rights in terms of the effect on both the customer market and the capital position.

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. Länsförsäkringar AB will continue to pursue its climate-smart vision with the climate target for the operations to become climate-positive by 2045.

The effects of the pandemic on the Länsförsäkringar AB Group's operations continued to be limited after the end of the year, despite the higher rate of infection of the omicron variant.

Earnings and financial position

Group earnings

The Länsförsäkringar AB Group's operating profit was SEK 3,806 M (2,276). The return on equity amounted to 9% (8).

The Länsförsäkringar AB Group's non-life insurance business is divided into two business units: Non-life and Agria. The Non-life Insurance business unit is responsible for development and service of the Länsförsäkringar Alliance's non-life insurance business as well as conducting non-life insurance business in development areas to supplement the regional insurance companies' offering or to achieve economies of scale. Agria is the Länsförsäkringar Alli-

ance's specialist company for pet and crop insurance. Operating profit for the Group's total non-life insurance business increased to SEK 798 M (516). Premiums earned after ceded reinsurance rose 13% to SEK 7,662 M (6,781). The combined ratio declined to 91.2% (95.8).

The Bank Group's operating profit increased 25% to SEK 2,296 M (1,844). The increase was mainly the result of the favourable performance of the banking business and lower credit losses due to more positive macroeconomic scenarios. In addition, credit losses declined SEK 265 M due to Wasa Kredit's agreement on the sale of a volume of credit-impaired and previously written-off receivables related to two business segments. Net interest income fell 2% to SEK 4,741 M (4,845) due to slightly lower lending margins.

Länsförsäkringar Fondliv's operating profit amounted to SEK 625 M (702). Net inflow of premiums and capital from existing and new customers increased to SEK 14,073 M (4,618). Managed assets increased 32% to SEK 225 billion (171) on 31 December 2021, mainly due to high returns and strong growth in underlying business.

The Länsförsäkringar AB Group's investment return attributable to the insurance operations' and Parent Company's assets amounted to 8.9% (2.6). Equities performed very well during the year, contributing 4.3 percentage points (0.9). Properties contributed 3.1 percentage points (0.6), driven by positive changes in market value. Alternative investments contributed 1.2 percentage points (0.8), with the largest contribution from private equity. The fixed-income portfolio contributed 0.3 of a percentage point (0.3), mainly from US senior loans.

The Group's capital position

The Länsförsäkringar AB Group's equity increased SEK 2,336 M in 2021 to SEK 35,387 M. Equity rose mainly due to earnings for the period.

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. On 31 December 2021, surplus capital for the Länsförsäkringar AB Group under the rules on financial conglomerates was SEK 19.8 billion, up SEK 1.6 billion during the year. One of the reasons for the increase was rising stock markets. Own funds amounted to SEK 65.2 billion and the capital requirement to SEK 45.4 billion. The capi-



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tal position under the rules on insurance operations was the same as under the rules on financial conglomerates on 31 December 2021.

After the merger of Länsförsäkringar Sak and Länsförsäkringar AB on 3 May 2021, Länsförsäkringar AB became an insurance company and is no longer subject to group solvency regulations according to the legislation for banking operations. Länsförsäkringar Bank's consolidated situation thus comprises Länsförsäkringar Bank AB and its subsidiaries. However, Länsförsäkringar AB must comply with the solvency rules in its capacity as an insurance company, which are calculated in accordance with the Insurance Business Act.

Länsförsäkringar AB paid dividends of SEK 1,000 M to its owners in 2021, of which SEK 698 M in the first half of the year and SEK 302 M in the second half of the year. In 2021, Länsförsäkringar AB received dividends from the subsidiaries Länsförsäkringar Fondliv of SEK 1,200 M and Länsförsäkringar Gruppliv of SEK 5 M, and Group contributions of SEK 180 M from Agria and SEK 50 M from Länsförsäkringar Gruppliv.

The Board of Länsförsäkringar AB proposes that the General Meeting resolve to pay a dividend of SEK 1,751 M in 2022.

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 2021 will be published on Länsförsäkringar's website in April 2022.

Parent Company earnings

After the merger between Länsförsäkringar Sak and Länsförsäkringar AB on 3 May 2021, Länsförsäkringar AB Group's Parent Company consists of the Non-life Insurance business unit excluding Länsförsäkringar Gruppliv, as well as units within Support and Service. Support and Service is responsible for business service, both within the Group and for the regional insurance companies, and conducts Länsförsäkringar's joint IT and strategic development operations.

The Parent Company's non-life insurance business posted premiums earned after ceded reinsurance of SEK 2,447 M (2,339), with the strong sales in both business areas Personal Risk and Motor, Commercial and Reinsurance contributing to healthy growth. Claims payments after ceded reinsurance amounted to SEK 1,769 M (1,819), resulting in a technical result of SEK 206 M (88).

Non-technical income and expenses from the Parent Company's Support and Service operations amounted to SEK -367 M (0), with an impairment of intangible assets of SEK 200 M contributing to increased expenses.

The Parent Company's operating profit amounted to SEK 1,464 M (209). Dividends of SEK 1,200 M and SEK 5 M from Länsförsäkringar Fondliv and Länsförsäkringar Gruppliv, respectively, had a positive impact on earnings, as did Group contributions of SEK 180 M from Agria and SEK 50 M from Länsförsäkringar Gruppliv.

Parent Company's capital position

Länsförsäkringar AB'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 AB's solvency ratio on 31 December 2021 was 181% (197). Own funds were negatively affected by dividends to owners of a total of SEK 2,053 M, of which SEK 302 M was paid in the second half of 2021 and SEK 1,751 M is the proposed dividends for 2022.

Proposed appropriation of profit

According to the statement of financial position for Länsförsäkringar AB, non-restricted equity totalling SEK 18,599,972,138 is at the disposal of the Annual General Meeting.

The Parent Company's non-restricted equity comprises	SEK
Fair value reserve	-469,083,091
Retained earnings	17,623,421,402
Net profit for the year	1,445,633,826
Non-restricted equity, 31 December 2021	18,599,972,138

The Board of Directors proposes that SEK 168 per share of the unappropriated earnings in the Parent Company be paid to the shareholders	1,751,329,776
To be carried forward	16,848,642,362
Total	18,599,972,138

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

The dividend from Länsförsäkringar AB's equity has been proposed after considering the rules on solvency capital requirement under the Swedish Insurance Business Act. The company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 181% (197). For the consolidated situation, the solvency ratio for the insurance group corresponds to 144% (147) after the proposed appropriation of profits. The company's financial position does not result in any other assessment than that the company can be expected to fulfil its obligations in both the short and long term. The Board of Directors believes that the company and the Group's equity as reported in the Annual Report is sufficiently high in relation to the nature, scope and risks of the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act. For more information on the company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.



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Non-life insurance business operation

The Länsförsäkringar AB Group's non-life insurance business is divided into two business units: Non-life and Agria. The Non-life Insurance business unit is responsible for development and service of the Länsförsäkringar Alliance's non-life insurance business and conducting non-life insurance business in development areas to supplement the regional insurance companies' offering or to achieve economies of scale. Agria is the Länsförsäkringar Alliance's specialist company for pet and crop insurance.

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 joint reinsurance cover.

The Länsförsäkringar AB Group's non-life insurance business is divided into two business units: Non-life and Agria. The Non-life Insurance business unit is responsible for development and service of the Länsförsäkringar Alliance's non-life insurance business and conducting non-life insurance business in development areas to supplement the regional insurance companies' offering or to achieve economies of scale. Agria is the Länsförsäkringar Alliance's specialist company for pet and crop insurance.

The Non-life Insurance business unit conducts personal-risk insurance, some motor, cargo, liability and property insurance as well as underwrites a well-diversified portfolio in internationally assumed reinsurance. The Non-life Insurance business unit also conducts annuities operations and manages the Länsförsäkringar Alliance's joint reinsurance cover. Länsförsäkringar AB's subsidiary Länsförsäkringar Gruppliv underwrites group life assurance and occupational group life assurance, which is also part of the Non-life Insurance business unit.

The subsidiary 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, the UK and Germany 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.

Earnings and financial position

Operating profit for the Länsförsäkringar AB Group's total non-life insurance business increased to SEK 798 M (516). Premiums earned after ceded reinsurance rose 13% to SEK 7,662 M (6,781). The combined ratio declined to 91.2% (95.8).

Non-life insurance

The technical result for the Non-life Insurance business unit increased to SEK 260 M (165) and the combined ratio declined to 90.7% (94.0). The earnings improvement was mainly due to lower claims costs in liability insurance and significant positive run-off gains on prior years' claims reserves.

Premiums earned after ceded reinsurance rose 5% to SEK 2,771 M (2,638), where the strong sales in both business areas Personal Risk as well as Motor, Commercial and Reinsurance, contributed to healthy growth. Claims payments after ceded reinsurance amounted to SEK 1,979 M (1,993) and the claims ratio fell to 71.4% (75.5). The expense ratio increased to SEK 19.3% (18.5).

Operating profit amounted to SEK 259 M (352), where the previous year's profit benefitted from investment income. Following the merger between Länsförsäkringar Sak and Länsförsäkringar AB in May 2021, investment income is recognised in the Parent Company's Support and Service units.





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Personal Risk

Premiums earned after ceded reinsurance for Personal Risk rose 5% to SEK 1,565 M (1,488). Premiums earned for health care insurance continued to increase in 2021, mainly due to strong digital sales and customer care. Sales of the Bo Kvar-product, which comprises an important part of Länsförsäkringar Bank's offering, performed strongly with steadily premium growth. This policy provides financial protection in the event of death, illness or unemployment and is an important component in providing financial security to customers. In the first six months of 2021, restrictions were introduced for taking out health and unemployment insurance due to the pandemic, but these were lifted in the third quarter.

The technical result rose to SEK 152 M (102) with the result for health care and health insurance improving due to lower claims costs. Accident insurance continued to deliver stable, positive earnings. Profit for group life assurance declined, due to higher claims costs. However, the portfolio is relatively small so a natural variation in mortality could lead to a variation in the claims outcome between years.

Länsförsäkringar has served as an important party in talks with authorities, health care representatives and employer and employee organisations to contribute to a nuanced and forward-looking discussion on the interplay between publicly financed health care and private health care insurance.

Länsförsäkringar AB can contribute to a more sustainable society through health-promotion services and claims prevention. Several initiatives were launched during the year to increase the availability of various digital services for customers. Customers with the Bo Kvar-product and health care insurance received access to many articles that provided inspiration for a healthier life, both physically and mentally. These articles helped attract more than 120,000 unique visitors to the Health Portal, the digital hub for customers with personal-risk 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.



Motor, Commercial and Reinsurance

Premiums earned after ceded reinsurance for Motor, Commercial and Reinsurance rose 5% to SEK 1,206 M (1,150). Business volumes for motor and commercial insurance grew strongly during the year, while business volumes for internationally assumed reinsurance fell due to a greater focus on profitability in the portfolio.

Länsförsäkringar's partnership with Toyota and Lexus in vehicle-damage and brand insurance has performed very strongly since the collaboration began in January 2019. In cargo and liability insurance, Länsförsäkringar's offer was strongly competitive, which contributed to solid growth. The premium volumes for seller liability insurance, which provides cover for sellers of single-family homes for the ten years of liability for hidden faults, grew strongly in line with Länsförsäkringar Fastighetsförmedling's growth. An umbrella agreement was signed with an insurance broker at the end of 2020 that also contributed to higher premium volumes in 2021. Data protection insurance, a product in the rapidly growing cyber insurance area, was further developed into three different offerings in 2021 to satisfy different corporate customer needs. The product gives Länsförsäkringar a strong position in the market for insurance protection against cyber risk.

The technical result increased to SEK 101 M (64), mainly due to lower claims costs within liability insurance and significant run-off gains on prior year's claims reserves in several business lines. Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar AB contributes a 15% share of assumed reinsurance, continued to report stable, positive results. Earnings for cargo insurance fell slightly due to several larger claim incidents and motor insurance also reported slightly weaker earnings. Earnings for internationally assumed reinsurance remained negative, mainly due to large natural catastrophes such as flooding in Europe in the summer.

The Non-life Insurance business unit also includes annuities operations and run-off business, which reported profit of SEK 7 M (-1).

Agria

Agria's technical result increased to SEK 424 M (132) due to continued strong growth and a stabilised claims-cost trend. This resulted in the combined ratio improving to 91.4% (96.9).

Premiums earned after ceded reinsurance increased 18% to SEK 4,891 M (4,143), attributable both to premium increases and portfolio growth. The strong portfolio growth was partly due to continuing



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widespread interest in getting a pet during the pandemic. Investments in digital channels were also a contributing factor to the strong growth. Business volumes increased in all business lines, with the largest growth in the international operations, primarily in the UK and Norway. Agria launched operations in Germany in October. The company now serves seven countries.

Claims payments after ceded reinsurance amounted to SEK 3,501 M (3,155). The claims ratio decreased to 71.6% (76.1), primarily because the claims-cost trend for pet insurance in Sweden stabilised. However, earnings for horse and agricultural insurance were charged with increased claims costs, including several major claims, in 2021. Hailstorms over southern Sweden at the end of the summer led to a higher number of larger claims in crop insurance and salmonella resulted in higher claims costs for poultry insurance. Operating expenses amounted to SEK 971 M (861) and the expense ratio improved to 19.8% (20.8).

Operating profit increased to SEK 539 M (164), benefiting both from an improved technical result and from increased investment income.

The number of customers using the Agria Vårdguide app for free digital veterinary care has increased steadily since its launch in September 2020. Customer satisfaction remained very high. The Agria Vårdguide app was launched in the rest of the Nordic countries in May. The idea is to encourage more animal owners to discover how secure and simple it is to use digital consultations with vets for minor injuries and illnesses.

Pending approval of Agria's application for its third country branch in the UK, the operations are being conducted according to a temporary permissions regime (TPR). At the same time, the necessary action is being taken regarding this transition, focusing on ensuring that the impact on the company's customers is as minimal as possible.

Capital position

Länsförsäkringar AB and its insurance subsidiaries have permission from the Swedish Financial Supervisory Authority to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks and non-life insurance risks are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula. Agria'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. Agria's solvency ratio on 31 December 2021 was 208% (163). Own funds rose SEK 459 M during the year to SEK 1,956 M, mainly driven by net profit for the year. The capital requirement rose SEK 23 M during the year to SEK 942 M, primarily driven by growing business.

Market

The non-life insurance market is mature and premium income increased 5% in 2021 according to statistics from Insurance Sweden.

The 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.

A continued quick transition to electric and hybrid vehicles was noted in the motor insurance market. Demand is currently outstripping supply since several automotive manufacturers are experiencing challenges with long delivery times for certain components for manufacturing new vehicles. Competition remains fierce in cargo insurance and the share of business that is managed by insurance brokers is continuing 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 2021. A generally higher price scenario is necessary for the reinsurance industry, which has experienced profitability challenges in the past three years.

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.





Bank business operation

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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 852 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 2021 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank continues to have the highest customer satisfaction among the major market players for retail customers. The high customer satisfaction is confirmation of Länsförsäkringar's clear customer focus and high quality. With a comprehensive offering in banking, insurance and real-estate brokerage, customers receive a total solution that creates security and added value.

Earnings

The Länsförsäkringar Bank Group's operating profit increased 25% to SEK 2,296 M (1,844). The increase was mainly the result of the favourable performance of the banking business and lower credit losses due to more positive macroeconomic scenarios. In addition, credit losses declined SEK 265 M due to Wasa Kredit's agreement on the sale of a volume of credit-impaired and previously written-off receivables related to two business segments. The invest-

ment margin amounted to 1.09% (1.18). Return on equity strengthened to 9.8% (8.5).

Operating income increased 5% to SEK 4,488 M (4,278) due to higher commission income and net gains from financial items. Net interest income fell 2% to SEK 4,741 M (4,845) due to slightly lower lending margins. The strong trend in underlying net commission, excluding remuneration to the regional insurance companies, continued, increasing 30% to SEK 1,332 M (1,028). Net commission amounted to SEK -331 M (-559).

Expenses

Operating expenses rose 20% to SEK 2,523 M (2,109). An analysis of intangible assets was carried out in the fourth quarter, which identified impairment requirements, mainly related to the new core banking system, which is the reason that impairment of SEK 306 M took place. Expenses excluding impairment increased 5% to SEK 2,217 M. The underlying rate of increases in expenses was lower compared with last year and was mainly due to IT investments and AML-related costs. The cost/income ratio before credit losses was 0.56% (0.49) and the cost/income ratio after credit losses was 0.49% (0.57). Excluding impairment, the cost/income ratio before credit losses was 0.49%.

Credit losses

The credit quality of the loan portfolio remained very high and credit losses in the Bank Group are low. Due to improvements in the forward-looking macroeconomic scenarios forming the basis of the calculations of expected credit losses, the loss allowance was reduced during the year and has now essentially returned to the levels from the start of 2020. In December, Wasa Kredit signed an

agreement on the sale of a volume of credit-impaired and previously written-off receivables related to two business segments. The sale, which is expected to be completed in the first quarter of 2022, positively impacted credit losses in 2021 in the amount of SEK 265 M. Credit losses totalled SEK -331 M (326), net, for the year, corresponding to a credit loss level of -0.09% (0.09).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 1,091 M (1,151), corresponding to a share of credit-impaired loan receivables of 0.20% (0.22). The loss allowance for credit-impaired loan receivables was SEK 366 M (405). The reserve ratio for credit-impaired loan receivables amounted to 33.6% (35.2). In addition, SEK 54 M (54) of the remuneration to the regional insurance companies' commitments regarding credit-impaired loan receivables¹⁾ is withheld. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 421 M (459). The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 38.6% (39.9).

Business volumes

Business volumes increased 17% to SEK 852 billion (729). Lending improved 6% to SEK 362 billion (340) with continued high credit quality. Lending in Länsförsäkringar Hypotek increased 7% to SEK 279 billion (260). Lending in Wasa Kredit increased 2% to SEK 26 billion (25). Deposits increased 7% to SEK 146 billion (136). Fund volumes increased 36% to SEK 343 billion (253).

Customers

The number of customers with Länsförsäkringar as their primary bank amounted to 589,000 (586,000). Some 91% of those custom-

¹⁾ In accordance with the settlement model for the regional insurance companies' credit-risk commitments for generated business.



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ers 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 768,000 (732,000).

Deposits and savings

Deposits from the public increased 7% to SEK 146 billion (136). Most of the deposits comprise household deposits. On 31 December 2021, the market share for household deposits was 5.3% (5.3) according to Statistics Sweden. Deposits from businesses amounted to SEK 16 billion (15). The number of deposit accounts increased 5%. Fund volumes increased 36% to SEK 343 billion (253) attributable to positive changes in value and healthy inflows in the fund business during the year.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public rose 6% to SEK 362 billion (340) and maintained a high level of credit quality. Lending in Länsförsäkringar Hypotek increased 7% to SEK 279 billion (260). The percentage of retail mortgages in relation to the total loan portfolio was 77%. The weighted average loan-to-value ratio of the Bank Group's mortgage portfolio amounted to 57% (61). On 31 December 2021, the market share for mortgages was 7.1% (7.1) according to Statistics Sweden. Agricultural lending increased 5% to SEK 33 billion (32). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.5 M (2.4). First-lien mortgages for agricultural properties increased to SEK 32 billion (30), corresponding to 97% (96) of agricultural lending. Lending in Wasa Kredit increased 2% to SEK 26 billion (25).

Funding

The Bank Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 13% to a nominal SEK 260 billion (229), of which covered bonds amounted to SEK 214 billion (189), senior long-term funding to SEK 45 billion (40) and short-term funding to SEK 0.6 billion (0.5). The average remaining term for long-term funding was 3.1 years (3.1) on 31 December 2021.

Covered bonds were issued during the year at a volume corresponding to a nominal SEK 45.8 billion (35.1). Repurchases of covered bonds amounted to a nominal SEK 4.5 billion (14.1) and matured

covered bonds to a nominal SEK 16.8 billion (13.8). Länsförsäkringar Bank issued senior unsecured bonds corresponding to a nominal SEK 13.9 billion (11.0) during the year, while maturities amounted to a nominal SEK 8.3 billion (8.0). The volume of the outstanding senior non-preferred bond was SEK 4.3 billion on 31 December 2021. During the year, Länsförsäkringar Bank issued a senior unsecured five-year Euro bond for a nominal EUR 500 M and a subordinated loan (T2) of a nominal SEK 1.5 billion. In addition, Länsförsäkringar Hypotek issued a seven-year Euro benchmark covered bond for a nominal EUR 500 M and a new Swedish covered bond (LFH521), which matures in September 2028.

Liquidity

On 31 December 2021, the liquidity reserve totalled SEK 85.6 billion (64.0). 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 about two years without needing to secure new funding in the capital market. The Liquidity Coverage Ratio (LCR) for the consolidated situation on 31 December 2021 amounted to 354% (263). The Net Stable Funding Ratio (NSFR) for the consolidated situation on 31 December 2021 was 130%¹⁾ (129).



Capital adequacy, consolidated situation

After the merger of Länsförsäkringar Sak and Länsförsäkringar AB in the second quarter of 2021, the consolidated situation encompasses Länsförsäkringar Bank AB and its subsidiaries, the Bank Group.

Capital ratio

Consolidated situation, SEK M	31 Dec 2021	31 Sep 2021
IRB Approach	39,037	39,016
retail exposures	30,320	30,112
exposures to corporates	8,716	8,904
Standardised Approach	12,366	11,075
Operational risks	6,038	6,038
Additional requirements	58,088	57,632
Total REA	116,201	114,226
Common Equity Tier 1 capital	17,730	17,158
Tier 1 capital	19,930	19,358
Total capital	22,520	21,948
Common Equity Tier 1 capital ratio, %	15.3	15.0
Tier 1 ratio, %	17.2	16.9
Total capital ratio, %	19.4	19.2

Other events

Sweden's parliament, the Riksdag, decided in December 2021 to introduce a risk tax on credit institutions whose liabilities at group level exceed SEK 150 billion. The tax, which in the first year will be 0.05% of the tax base (the total liabilities with certain adjustments), will be applied from the 2022 fiscal year. The Länsförsäkringar Bank Group will be affected by this new tax.

¹⁾ The calculation is based on the application of the regulatory requirements according to the future update of the Capital Requirements Regulation.



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Life assurance and pension insurance business operations

Länsförsäkringar offers pension savings, primarily occupational pensions. Länsförsäkringar Fondliv offers fund and guarantee management and personal-risk insurance. Länsförsäkringar Liv is closed for new business, but 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 Group.

Länsförsäkringar Fondliv is a leader in the unit-linked insurance market for individual occupational pensions, commanding a market share of 34%. Länsförsäkringar Liv, which is closed for new business, conducts traditional life assurance for its customers.

Länsförsäkringar Fondliv

Earnings

Länsförsäkringar Fondliv's operating profit amounted to SEK 625 M (702). Net inflow of premiums and capital from existing and new customers increased to SEK 14,073 M (4,618). Managed assets increased 32% to SEK 225 billion (171) on 31 December 2021, mainly due to high returns and strong growth in underlying business.

Strong growth resulted in a 102% increase in total premium income to SEK 24,682 M (12,228), of which capital transferred to the company was SEK 14,902 M (3,758) and premiums paid SEK 9,780 M (8,470). Premium income after ceded reinsurance for insurance risk increased to SEK 292 M (262). Commission and fee income increased to SEK 2,201 M (1,809) due to higher managed assets and a strong premium inflow in 2021.

Operating profit was affected by an updated business model, which entails increased remuneration to the regional insurance companies. According to the updated business model, which aims to support growth, remuneration is partly based on earnings as of 2021. This increased distribution costs, which resulted in operating expenses of SEK 1,692 M (1,212). Administration expenses rose to SEK 716 M (614), of which SEK 86 M was due to impairment of intangible assets.

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 2021 was 143% (144). Own funds strengthened during the year, primarily as a result of a positive value growth trend and strong net inflows, but declined due to a planned dividend of SEK 690 M for the 2021 fiscal year.

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 insurance brokers.

The largest portion of Länsförsäkringar's premium income in life assurance is for pension solutions for companies that do not have collective agreements. This is a market with a widespread need for individual advice. A pension analysis is performed based on individual customer needs, after which the customer receives an offer normally comprising both pension savings and various insurance solutions that the customer needs to lead a financially secure life.

The life assurance market

Premium income in the total life-assurance market increased 34% to SEK 477 billion (356) in 2021. Länsförsäkringar Fondliv's market share of the total life-assurance market is 5.5% (3.9).



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Occupational pensions - the largest market

The occupational pension market is the largest sub-market, comprising 54% (64) of the total life-assurance market measured in premium income. The market increased 14% to SEK 259 billion (228) in 2021. Länsförsäkringar Fondliv holds a market share of 9.3% (5.4), making the company the fourth largest.

Individual occupational pensions with unit-linked insurance

The individual occupational pension market for unit-linked insurance is Länsförsäkringar's main market. Länsförsäkringar Fondliv is the leading unit-linked insurance company in this area with a market share of 33.9% (20.0).

Transfer market

Mobility in the total transfer market increased markedly and a total of SEK 65 billion (45) was transferred in 2021. Länsförsäkringar Fondliv was one of the most prominent players in the transfer market and reported a net transfer of SEK 10.1 billion (1.0) in 2021, with cap-

ital transferred to the company increasing 297% and capital transferred from the company 76%.

Unit-linked insurance

The performance of the financial markets was generally strong in 2021. This trend was also reflected in Länsförsäkringar Fondliv's fund range. Of a total of 156 funds, 87% generated a positive return in 2021, with an average return of 24% for customers. The categories of funds that performed the strongest included properties and Swedish and US equities, while funds targeting China and certain emerging markets 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. Nine new funds that all promote sustainability were launched in 2021. In addition, ten funds were replaced by funds with a higher sustainability level and return potential. Slightly more than 80% of the fund range comprises funds that promote sustainability or have sustainable investment as their objective according to the EU Disclosure Regulation. The goal is for 95% of the fund range to meet the sustainability classification by 2023.

Guarantee management

Länsförsäkringar Fondliv offers guarantee management 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 2021, 39% of the investments comprised interest-bearing investments, 37% equities and 24% alternative investments. The share of alternative investments has gradually increased in recent years. Sustainability is a permanent feature of the entire investment process from analysis of external developments and class of asset to portfolio structures.

Managed assets increased to SEK 5.7 billion (4.6). The total return was 17.0% (5.9). The average return has been 13% per year since 2019.

Traditional life assurance in Länsförsäkringar Liv

Länsförsäkringar Liv, which is closed for new business, conducts traditional life assurance for its customers divided into three portfolios: New Trad, Old Trad and New World. Total managed assets amounted to SEK 118 billion (113) on 31 December 2021.

Earnings

Profit for Länsförsäkringar Liv increased to SEK 11,691 M (1,586), mainly due to strong investment income and rising market interest rates in 2021. All of Länsförsäkringar Liv's management forms delivered strong investment income, particularly investments in private equity, listed properties and equities. Investment income totalled SEK 10,942 M (4,099).

Sustainability is an integral part of Länsförsäkringar Liv's portfolios. On 31 December 2021, 16% of managed assets were invested in sustainability-focused bonds, which exceeded the target of 15%.



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Länsförsäkringar Liv is also 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 is continuously adjusted to ensure buffers for future payments. The bonus rate was raised several times in 2021 due to strong investment income and strong profit. In October 2021, SEK 4.5 billion, corresponding to 7%, was distributed in an extra bonus to 400,000 customers with pension savings in the New Trad and Old Trad portfolios. With the distribution of the extra bonus, the bonus rate was lowered from 1 November to 6% in New Trad and 4% in Old Trad. The average bonus rate in 2021 was 13.8% in New Trad and 11.3% in Old Trad.

The technical provisions declined SEK 5.2 billion (2.0) in 2021, mainly driven by a negative cash flow for which payouts and external transfers exceeded premium income as well as by rising market interest rates. Changes in market interest rates affect Länsförsäkringar Liv's earnings since future commitments are discounted with the market interest rate. The discount rate rose due to the Swedish ten-year government bond rate increasing by 26 basis points in 2021. However, the company can largely protect itself from interest-rate changes impacting earnings by matching assets and liabilities against each other. On 1 January 2021, the Ultimate Forward Rate (UFR) was lowered 0.15 of a percentage point to 3.6%, which also negatively affected discounting of liabilities for terms of more than ten years.

Operating expenses fell 15% to SEK 370 M (438) in several areas, such as service purchased, remuneration and IT. Länsförsäkringar Liv is working on long-term cost savings to enable more efficient operations and lower customer fees.

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

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 increased to 219% (195) as of 31 December 2021. The improved solvency ratio was mainly due to own funds strengthening during the year as a result of strong investment income in the managed portfolios. Länsförsäkringar Liv has a strong capital position and is considered highly able to manage any future negative market fluctuations. Collective consolidation amounted to 118% (116) in New Trad and 125% (113) in Old Trad.

New Trad

Managed assets in New Trad amounted to SEK 31 billion (26). 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.

In November 2021, the insurance terms and conditions were updated for customers with pension savings in the Insured Pension management form, which entailed a transition to the New Trad management form. The purpose of the transition was lower fees, higher potential for better value growth and a higher share of sustainability-focused investments, and involved managed assets of SEK 0.9 billion.

Investments as of 31 December 2021 comprised 44% interest-bearing investments, 37% equities, 12% alternative investments and 7% properties. The percentage of equities and alternative investments increased in 2021, while the percentage of interest-bearing investments reduced.

Investment return amounted to 16.7% (5.4). The average return has been 7.4% per year since the start in 2013. The bonus rate on 31 December 2021 was 6% (3). The average bonus rate has been 7.3% per year since 2013.

Old Trad

Managed assets in Old Trad amounted to SEK 77 billion (76). 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 2021 comprised 75% interest-bearing investments, 10% alternative investments, 8% properties and 7% equities. The percentage of shares, alternative investments and properties increased in 2021, while the percentage of interest-bearing investments declined.

Investment return amounted to 6.3% (3.4). The bonus rate on 31 December 2021 was 4% (2).

New World

Managed assets in New World amounted to SEK 10 billion (9). 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 2021, 71% of the investments comprised equities and 29% interest-bearing investments. Investments in equity are geographically diversified. At the start of 2021, investments in emerging markets were divested while investments in developed markets increased, which contributed to a strong return.

Investment return amounted to 21.3% (6.5).



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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 banking operations and market and life-assurance risks in the unit-linked insurance operations.

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 the work to ensure 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 affected 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 also arise in the Group's non-life insurance operations. The operations are highly diverse, ranging from cargo insurance and reinsurance to pet insurance. Non-life insurance taken out is reinsured, where deemed appropriate, and extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance.

The Parent Company in the Länsförsäkringar AB Group also assumes risks 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 digitalisation 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.

The risk of the life-assurance and banking operations being used to launder money and finance terror or fraud is reduced through a systematic process of risk assessments and active monitoring of ongoing business relationships and deviating activities or transactions. Suspicious activity and transactions are reported directly to the Financial Intelligence Unit of the police. The head of Financial Crime Prevention is a member of the bank's management team and reports directly to the bank's President.

The effects of the pandemic on the Länsförsäkringar AB Group's performance have been relatively limited so far. Depending on the progress of the pandemic and the efficiency of the vaccination programmes, however, the Group could be negatively impacted by lower income and higher claims costs. The pandemic also affects daily work since some employees are working remotely to minimise the risk of contagion. The effects of the pandemic on the Länsförsäkringar AB Group's operations, and how they are managed, are described in more detail on pages 37-38.

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 Länsförsäkringar AB Group's corporate culture. Skilled employees who drive and develop the operations are vital to achieving business objectives. An inclusive culture is critical for benefiting from differences and diversity. A more detailed description of how

the Länsförsäkringar AB Group works as a responsible employer can be found on pages 28-29 and 179-180.

Sustainability

The Länsförsäkringar AB Group'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 be incorporated throughout the operations. 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 in this Annual Report on pages stated on page 2.

The results of the year's operations and the financial position of the Länsförsäkringar AB Group and the Parent Company at 31 December 2021 are presented in the following financial statements with accompanying notes for the Group and Parent Company.



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Länsförsäkringar AB is wholly owned by the 23 customer-owned regional insurance companies, together with 14 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 operations are coordinated with Länsförsäkringar AB, with shared priorities.

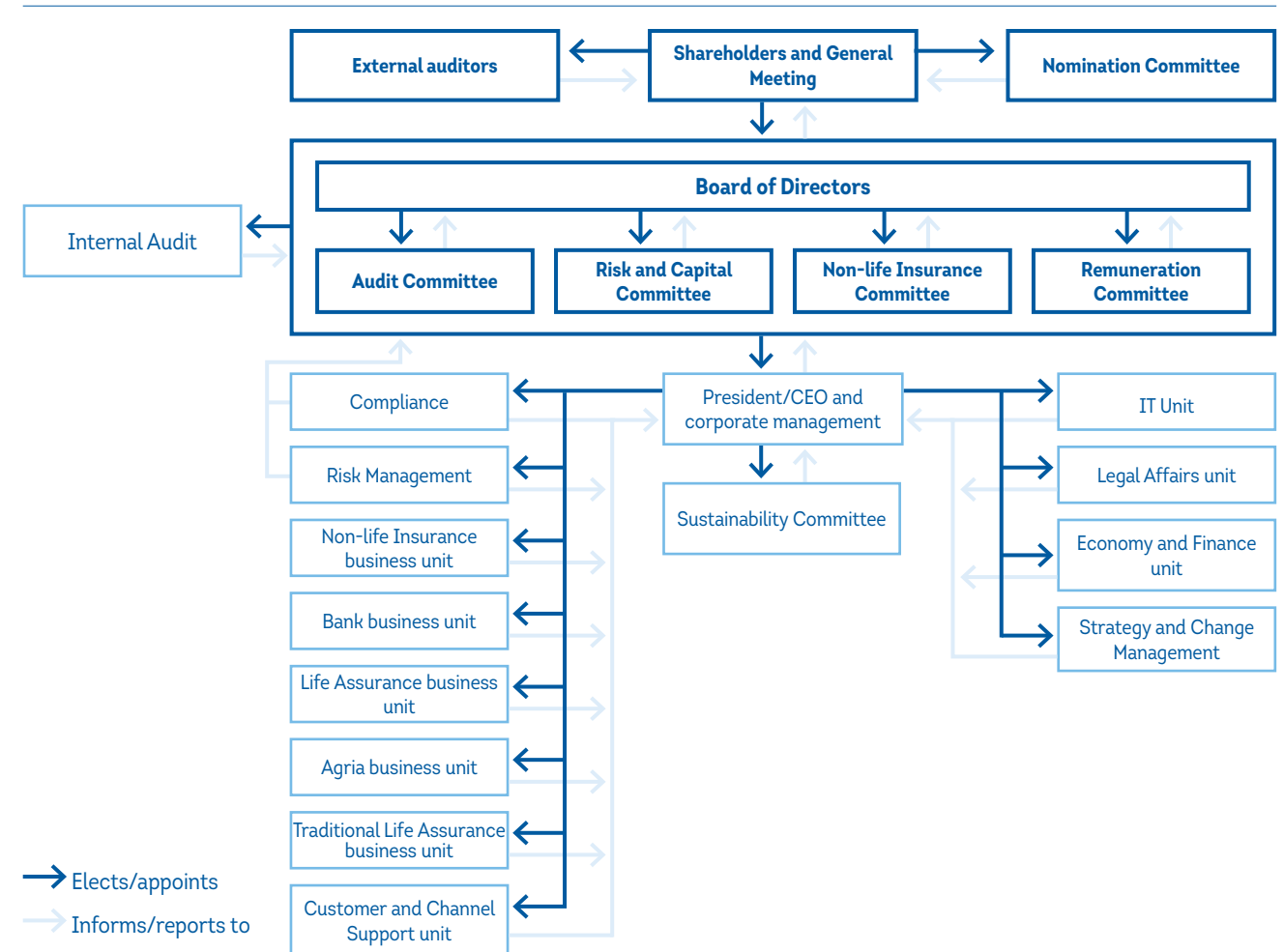
Länsförsäkringar AB is a public limited liability insurance company. Länsförsäkringar AB complies with the applicable parts of the Swedish Corporate Governance Code (the Code). The main reasons for the deviations are the limitations under the rules for financial companies, the federal structure of the 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. In its capacity as the Parent Company of the Group, Länsförsäkringar AB is the company at the top of the financial conglomerate. Furthermore, in its capacity as a non-life insurance company, Länsförsäkringar AB is subject to laws and other regulations for such insurance companies, and is also the company at the top of the insurance group in which all insurance companies in the Group are included. As the Board of the Parent Company Läns-

LÄNSFÖRSÄKRINGAR AB'S GOVERNANCE STRUCTURE





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försäkringar AB, the Board of the Länsförsäkringar AB Group has a responsibility for governance and supervision and a recruitment responsibility towards its subsidiaries. In order to exercise such governance and supervision responsibility, the Board must ensure appropriate and effective governance of the Group and that the Board receives information and reports on the performance of and significant events in the subsidiaries. The corporate governance system is continuously adapted to changes in these regulations.

The corporate governance system is regulated in the Group's joint Group directive, 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 converted 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, management 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 operating 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.

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.



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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 50.

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



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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 2021 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 2022 Annual General Meeting

Since the 2021 Annual General Meeting, the Nomination Committee has comprised Göran Trobro as Chairman (Länsförsäkringar Göinge-Kristianstad), Mikael Bergström (Länsförsäkringar Väster-norrland), Ulrica Hedman (Länsförsäkringar Uppsala), Bengt Mattsson (Länsförsäkringar Blekinge) and Karin Starrin (Länsförsäkringar Halland). Prior to 2022 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 2021. 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 and Head of Legal Affairs 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 192–193.

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 operating 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 reporting on the operations 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 the Group's current matters with authorities.

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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 operating 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, a Non-life Insurance 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 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

Meetings and attendance

The former Parent Company Länsförsäkringar AB ceased on 3 May 2021 on the basis of a reverse merger with the subsidiary Länsförsäkringar Sak Försäkrings AB. In connection with the merger, Länsförsäkringar Sak Försäkrings AB changed its name to Länsförsäkringar AB. The table below shows the number of meetings held in each body in the former Parent Company in 2021 until the merger date, and the attendance of individual Board members and the same information for the remainder of 2021 in the new Parent Company.

	Board of Directors	Audit Committee	Risk and Capital Committee	Non-life Insurance Committee ¹⁾	Remuneration Committee
Total number of meetings	12	6	7	4	5
Maria Engholm	12	6	7	4	5
Christian Bille ²⁾	8			4	2
Susanne Bäck	12		7		
Hans Holm	7				
Bengt-Erik Jansson	12	6			
Lennart Käll ³⁾	8		5		
Beatrice Kämpe Nikolausson	12	5			
Susanne Lindberg	11				
Hans Ljungkvist ⁴⁾	3		1		
Karin Mattsson	11			4	
Linnéa Niklasson	12				
Jonas Rosman ⁵⁾	3		2		2
Anna Sandqvist, deputy ⁶⁾	8				
Fredrik Sickling, deputy ⁷⁾	6				
Mirek Swartz, deputy	0				
Maria Wallin Wällberg ⁸⁾	12	2		4	
Caesar Åfors	12		7		4

¹⁾ The Non-life Insurance Committee on the basis of a Board decision on 27 April 2021

²⁾ Board member from 3 May 2021. Member of Remuneration Committee from 18 May 2021.

³⁾ Board member from 3 May 2021. Member of the Risk and Capital Committee from 18 May 2021.

⁴⁾ Board member and member of the Risk and Capital Committee until 3 May 2021.

⁵⁾ Board member and member of the Remuneration Committee until 3 May 2021.

⁶⁾ Board member until 20 June 2021, deputy from 21 June 2021.

⁷⁾ Deputy until 20 June 2021.

⁸⁾ Member of the Audit Committee until 17 May 2021. Member of Non-life Insurance Committee from 18 May 2021.

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 12 meetings in 2021. In 2021, the Board devoted particular attention to issues including development and digitisation, IT, IT and information security, climate and sustainability issues, and regulatory matters. During the year, the Board under-

went several training courses in IT, non-life insurance, and other operational and regulatory issues.

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

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.



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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 2021 Annual General Meeting, Maria Engholm (Chairman), Bengt-Erik Jansson, Beatrice Kämpe Nikolausson and Maria Wallin Wällberg 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 2021 Annual General Meeting, Caesar Åfors (Chairman), Susanne Bäck and Lennart Käll 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.

Non-life Insurance Committee

The Non-life Insurance Committee is to support the Board in matters concerning risk-taking and profitability in Länsförsäkringar AB's non-life insurance operations, and serve as a forum for analysis and in-depth discussions into Länsförsäkringar AB's non-life insurance business, including product management, underwriting and distribution of insurance, reinsurance and claims handling. Accordingly, the Committee is to address and ahead of Board meetings discuss such issues as the reinsurance programme, the business plan for the Non-life Insurance business unit and governance documents.

Furthermore, the Committee is to follow developments in the non-life insurance market and the earnings trend in Länsförsäkringar AB's non-life insurance business and regularly monitor the earnings trend in relation to established targets. The Committee is to regularly discuss the nature and scope of complaints in the non-life insurance operations.

At the statutory Board meeting immediately following the 2021 Annual General Meeting, Maria Wallin Wällberg (Chairman), Christian Bille, Maria Engholm and Karin Mattsson were appointed members of the Non-life Insurance Committee.

The number of Non-life Insurance 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 2021 Annual General Meeting, Caesar Åfors (Chairman), Maria Engholm

and Christian Bille 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

Malin Rylander Leijon became the President and CEO of Länsförsäkringar AB on 15 February 2022 and succeeded Fredrik Bergström who had served as President and CEO since 10 September 2018. Malin Rylander Leijon was born in 1970 and has worked at Länsförsäkringar AB since 2001 and been a member of corporate management since 2010, most recently serving as CFO of Länsförsäkringar AB. 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 194-195.

Control functions

Internal Audit

Internal Audit is an independent review function that supports the Board in the evaluation of the corporate governance system,



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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 considered 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

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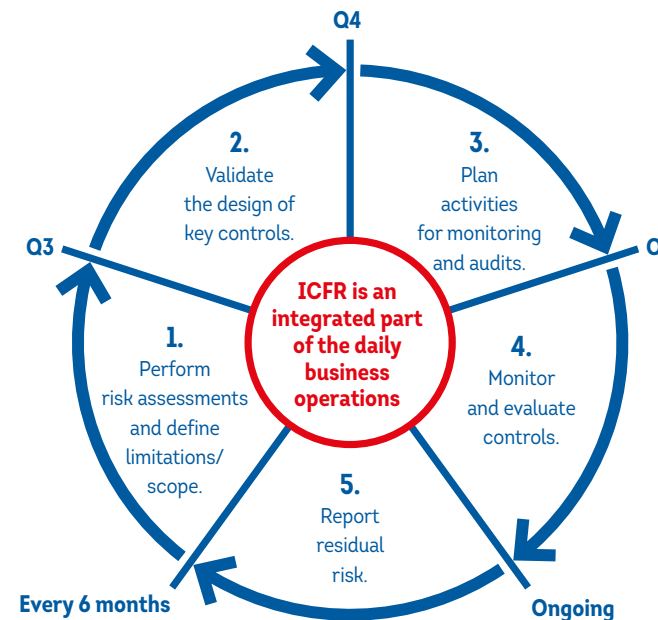
The Board's responsibility is to ensure that efficient systems are in place to monitor and control the company's operations and financial position. Internal control over financial reporting (ICFR) is a framework for providing reasonable assurance of the reliability of the financial reporting to management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

2. Validate the design of key controls

ICFR includes company-wide controls, processes and IT controls. The purpose of these different types of key controls is to manage the risk of material misstatement in the financial reporting. The control structure is based on the processes of the business and is validated every year, together with the responsible control and process owners, to ensure the appropriateness of the controls for managing the risks identified.

1. Perform risk assessments and define limitations/scope

Risk assessments are performed annually at both Group and legal unit level to identify the risk of material misstatement in financial reporting. The risk assessment provides the basis for determining the legal entities and processes that are to be covered by the ICFR framework. The conclusions from this work are compiled in a report that describes the risk assessment and boundaries for the coming year and is presented to the Audit Committee.



3. Plan activities for monitoring and audits

A general plan for the quarterly self-assessments of the controls for the operations is prepared. The plan sets out when this will take place and the controls that will be assessed. The plan also establishes the controls that are to be tested for operational efficiency during the year. The plan is communicated to internal and external audit.

4. Monitor and evaluate controls

Monitoring includes, for example, quarterly self-assessment of the completed controls. The monitoring process can identify weaknesses in the ICFR framework, implement compensating controls and introduce improvement measures. The objective is for the Group to reach a monitored level, which entails that standardised controls for managing the risks identified have been implemented with compliance monitored and the results reported to management and the Board.

5. Report residual risk

The results of the self-assessments are compiled, aggregated and analysed to determine the risk of material misstatement in financial reporting. These are summarised in a report to the CFO and the Audit Committee. The report describes the residual risk after the controls have been performed together with any compensating controls or other measures adopted to reduce risk in the financial reporting.

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.



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Five-year summary Länsförsäkringar AB Group

Amounts in SEK M unless otherwise stated.	2021	2020	2019	2018	2017
GROUP					
Operating profit	3,806	2,726	3,003	2,351	2,825
Net profit for the year	3,229	2,270	2,957	2,190	2,250
Return on equity, % ¹⁾	9	8	10	9	11
Total assets, SEK billion	712	614	573	507	474
Number of shares, 000s	10,425	10,425	10,425	10,425	10,425
Equity per share, SEK ²⁾	3,183	2,959	2,754	2,462	2,269
Solvency capital					
Equity	35,387	33,051	30,907	26,867	24,857
Tier 1 capital issued	-2,200	-2,200	-2,200	-1,200	-1,200
Subordinated debt	2,595	2,597	2,595	2,593	2,596
Deferred tax	928	797	753	1,313	1,486
Total solvency capital³⁾	36,709	34,245	32,056	29,573	27,740
Solvency margin, % ⁴⁾	442	461	488	479	467
Own funds for the group (FRL) ⁵⁾	65,203	57,412	50,220	43,870	44,172
Solvency capital requirement for the group (FRL) ⁵⁾	45,368	39,186	37,966	33,874	33,441
Own funds for the financial conglomerate ⁶⁾	65,203	57,412	50,220	43,870	44,172
Capital requirements for the financial conglomerate ⁶⁾	45,368	39,186	37,966	33,874	33,441
Average number of employees	2,351	2,271	2,125	1,972	1,915
INSURANCE OPERATIONS					
<i>Non-life insurance operations</i>					
Premiums earned (after ceded reinsurance)	7,339	6,481	5,928	5,623	5,353
Investment income transferred from financial operations	7	8	22	23	26
Claims payments (after ceded reinsurance) ⁷⁾	-4,927	-4,529	-3,966	-3,666	-3,272
Technical result for non-life insurance operations⁸⁾	629	221	218	344	916
<i>Premium income, non-life insurance</i>					
Premium income before ceded reinsurance	9,510	8,833	7,852	7,302	7,124
Premium income after ceded reinsurance	7,731	6,887	6,108	5,703	5,498
<i>Life-assurance operations</i>					
Premium income after ceded reinsurance	625	572	495	510	477
Fees pertaining to financial agreements	940	811	794	755	724
Investment income, net	806	237	512	-133	121
Claims payments (after ceded reinsurance)	-381	-303	-254	-271	-266
Technical result, life-assurance operations	829	927	802	734	700
Operating profit for insurance operations⁹⁾	1,647	1,219	1,670	1,130	1,628
<i>Key figures</i>					
Cost ratio ¹⁰⁾	26	27	30	29	27
Expense ratio ¹¹⁾	20	20	23	23	21
Claims ratio ¹²⁾	71	77	74	72	67
Combined ratio	91	97	97	94	88
Management cost ratio, life-assurance operations ¹³⁾	0.9	0.8	0.8	0.9	0.9
Direct yield, % ¹⁴⁾	-0.4	1.0	9.6	1.1	-0.2
Total return, % ¹⁵⁾	9.3	3.2	10.1	1.5	4.3



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Five-year summary, cont.

Länsförsäkringar AB Group	2021	2020	2019	2018	2017
<i>Financial position</i>					
Investment assets, SEK billion ¹⁶⁾	20	14	14	14	14
Unit-linked insurance assets for which the policyholder bears the risk, SEK billion	219	166	155	122	125
Technical provisions (after ceded reinsurance), SEK billion	10	9	9	9	8
BANKING OPERATIONS					
Net interest income	4,741	4,845	4,617	4,497	3,996
Operating profit	2,296	1,844	1,893	1,510	1,599
Net profit for the year	1,851	1,439	1,440	1,182	1,237
Return on equity, % ¹⁷⁾	9.8	8.5	9.5	8.3	10.0
Total assets, SEK billion	451	410	381	350	315
Equity	21,749	19,830	18,479	16,106	14,328
Cost/income ratio before credit losses ¹⁸⁾	0.56	0.49	0.48	0.58	0.49
Investment margin, % ¹⁹⁾	1.09	1.18	1.21	1.30	1.32
Core Tier 1 ratio, Bank Group, %	15.3	14.9	13.9	14.2	24.3 ²⁴⁾
Tier 1 ratio, Bank Group, % ²⁰⁾	17.2	16.9	16.0	15.5	26.8 ²⁴⁾
Capital adequacy ratio, Bank Group, % ²¹⁾	19.4	19.3	18.5	18.2	32.1 ²⁴⁾
Core Tier 1 ratio, consolidated situation, % ²²⁾	15.3	16.7	15.4	15.7	23.3 ²⁴⁾
Tier 1 ratio, consolidated situation % ^{20, 22)}	17.2	17.7	16.0	16.5	24.8 ²⁴⁾
Capital adequacy ratio, consolidated situation % ^{21, 22)}	19.4	19.1	16.6	18.3	28.1 ²⁴⁾
Credit losses in relation to loans, % ²³⁾	-0.09	0.09	0.06	0.04	0.02
Liquidity coverage ratio, Bank Group, % ²⁵⁾	313	N/A	N/A	N/A	N/A
Liquidity coverage ratio, consolidated situation, % ^{22, 25)}	313	296	295	305	339
Net stable funding ratio, Bank Group, % ²⁶⁾	130	130	N/A	N/A	N/A
Net stable funding ratio, consolidated situation, % ^{22, 26)}	130	130	131	115	116

1) Operating profit less standard tax at 20.6% (21.4) in relation to average equity, exclusive of items in equity recognized in other comprehensive income and Additional Tier 1 Capital loans.

2) Equity, exclusive of Additional Tier 1 Capital loan, per share.

3) Total of shareholders' equity, exclusive of Additional Tier 1 Capital loans, subordinated loan and deferred taxes.

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

5) The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. Länsförsäkringar Liv Försäkrings AB is also included in the group, despite the company not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, but with Länsförsäkringar Liv included in accordance with the deduction and aggregation method as permitted by the Swedish Financial Supervisory Authority.

6) The financial conglomerate comprises the same companies as the group according to the insurance-operation rules, see footnote 5. The calculations for the financial conglomerate are made using the same methods as for the group in accordance with the insurance-operation

rules. Unlike the group under the insurance-operation rules, the transferability of profits for the financial conglomerate is to also be tested in other regulated companies than the group's insurance companies.

7) Includes claims adjustment costs from 2021. Previous comparative periods are excluding claims adjustment costs.

8) The technical result for Länsförsäkringar Gruppliv Försäkrings AB amounted to SEK 54 M (76) in 2021.

9) The operating profit for the insurance operations includes investment income and other non-technical income and expenses, and expenses for the Länsförsäkringar AB Group's non-life insurance business and for Länsförsäkringar Fondliv.

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

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

12) Claims payments as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Includes claims



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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 interest income, interest expenses, dividends on shares and participations and administration costs for asset management, in relation to the average value of the insurance operations' investment assets and cash and bank balances for the period.

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

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

17) Operating profit after standard tax at 20.6% (21.4) in relation to average equity, adjusted for changes in value of financial assets recognised in equity.

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

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

20) Tier 1 capital in relation to the total risk exposure amount.

21) Total own funds in relation to the total risk exposure amount.

22) As of 30 June 2021, the consolidated situation comprises Länsförsäkringar Bank AB and its subsidiaries (the Bank Group). Before the merger, the consolidated situation also included the parent mixed financial holding company Länsförsäkringar AB.

23) 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.

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

25) Qualitative liquid assets (12-month average) in relation to their net cash outflow measured over a period of 30 days.

26) Available stable funding in relation to the assets that require stable funding over one year.



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Consolidated income statement

SEK M	Note	2021	2020
Premiums earned before ceded reinsurance		9,725	8,877
Reinsurers' portion of premiums earned		-1,785	-1,850
Premiums earned after ceded reinsurance	4	7,940	7,026
Interest income	5	6,106	6,543
Interest expense	6	-1,371	-1,692
Net interest income		4,735	4,851
Change in unit-linked insurance assets - policyholder bears the risk		39,267	7,096
Dividends in unit-linked insurance assets - policyholder bears the risk		12	14
Investment income, net	7	1,607	436
Commission income	8	4,136	3,417
Other operating income	9	2,316	2,285
Total operating income		60,013	25,126
Claims payments before ceded reinsurance		-6,989	-6,869
Reinsurers' portion of claims payments		1,833	2,060
Claims payments after ceded reinsurance	10	-5,156	-4,809
Change in life-assurance reserve		-9	-9
Change in unit-linked insurance liabilities - policyholder bears the risk		-40,084	-7,359
Commission expense	11	-4,241	-3,324
Staff costs	12	-2,611	-2,484
Other administration expenses	13, 14	-4,436	-4,091
Credit losses	15	331	-326
Total expenses		-56,206	-22,401
Operating profit		3,806	2,726
Tax	16	-577	-456
Net profit for the period		3,229	2,270
Earnings per share before and after dilution, SEK	17	310	218



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Consolidated statement of comprehensive income			
SEK M	Note	2021	2020
Net profit for the year		3,229	2,270
Other comprehensive income	33		
Items that may subsequently be transferred to profit or loss			
Translation differences for the year from foreign operations		40	-35
Cash-flow hedges		111	-110
of which change in value for the period		2,951	-553
of which reclassification to profit or loss		-2,840	443
Change in fair value of available-for-sale financial assets		90	94
of which change in value for the period		95	96
of which reclassification of realised securities to profit or loss		-5	-2
Tax attributable to items that may subsequently be transferred to profit or loss		-41	1
Total		199	-51
Items that cannot be transferred to profit or loss			
Change in fair value of equity instruments measured at fair value		-7	0
Tax attributable to items that cannot be reversed to profit or loss		0	0
Total		-7	0
Total other comprehensive income for the year, net after tax		192	-51
Comprehensive income for the year		3,421	2,219



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Consolidated statement of financial position

SEK M	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Goodwill	18	634	618
Other intangible assets	19	3,862	4,390
Deferred tax assets	37	82	148
Property and equipment	20	481	358
Owner-occupied property	20	907	1,022
Shares in Länsförsäkringar Liv Försäkrings AB	21	8	8
Shares and participations in associated companies	22	75	72
Reinsurers' portion of technical provisions	35	10,701	10,557
Loans to the public	23, 25	361,991	340,007
Unit-linked insurance assets for which the policyholder bears the risk	24	219,102	165,918
Shares and participations	26	6,858	5,233
Bonds and other interest-bearing securities	27	59,686	56,389
Treasury bills and other eligible bills	28	15,526	11,796
Derivatives	2, 48	4,125	5,515
Change in value of hedge portfolios	29	735	305
Other receivables	30	6,430	6,783
Prepaid expenses and accrued income	31	3,508	2,628
Cash and cash equivalents	32	16,877	2,221
Total assets		711,589	613,967
EQUITY AND LIABILITIES			
Equity	33		
Share capital		200	1,042
Other capital contributed		11,115	10,272
Additional Tier 1 instrument		2,200	2,200
Reserves		-435	-626
Retained earnings, including net profit for the year		22,307	20,163
Total equity		35,387	33,051
Liabilities			
Subordinated liabilities	34	2,595	2,597
Technical provisions	35	20,631	19,613
Unit-linked insurance liabilities policyholder bears the risk	36	222,791	168,735
Deferred tax liabilities	37	1,010	945
Other provisions	38	156	146
Debt securities in issue	39	266,097	235,471
Deposits from the public	40	144,510	133,747
Due to credit institutions	41	7,892	7,403
Derivatives	2, 48	1,029	1,051
Change in value of hedge portfolios	29	376	1,809
Other liabilities	42	4,534	4,947
Accrued expenses and deferred income	43	4,584	4,451
Total liabilities		676,202	580,915
Total equity and liabilities		711,589	613,967

For information about pledged assets and contingent liabilities, see note 44 Pledged assets and contingent liabilities.



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Consolidated statement of changes in shareholders' equity

SEK M	Share capital	Other capital contributed	Additional Tier 1 instruments	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings, including net profit of the year	Total equity
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 for the year	-	-	-	-35	71	-89	2	-51
Comprehensive income for the year	-	-	-	-35	71	-89	2,273	2,219
Realised gain/loss from sales of shares	-	-	-	-	-	-	0	0
Dividend paid Additional Tier 1 instruments	-	-	-	-	-	-	-75	-75
Closing equity, 31 December 2020	1,042	10,272	2,200	-65	-303	-259	20,163	33,051
Effect of change in accounting policy	-	-	-	-	-	-	-4	-4
Adjusted opening equity, 1 January 2021	1,042	10,272	2,200	-65	-303	-259	20,159	33,048
Comprehensive income for the year								
Net profit for the year	-	-	-	-	-	-	3,229	3,229
Other comprehensive income for the year	-	-	-	40	63	88	1	192
Comprehensive income for the year	-	-	-	40	63	88	3,230	3,421
Transaction with the Group's owners								
Contributions from and transfers of value to owners								
Dividends paid	-	-	-	-	-	-	-1,001	-1,001
Total transactions with the Group's owners	-	-	-	-	-	-	-1,001	-1,001
Effect of merger ¹⁾	-842	842	-	-	-	-	-	0
Dividend paid Additional Tier 1 instruments	-	-	-	-	-	-	-81	-81
Closing equity, 31 December 2021	200	11,115	2,200	-25	-240	-170	22,307	35,387

¹⁾ Refers to changes in the Group's equity due to the merger.



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Consolidated statement of cash flows			
SEK M	Note	2021	2020
Operating activities			
Operating profit		3,806	2,726
Adjustment for non-cash items	51	14,346	5,673
Tax paid		-474	-567
Cash flow from operating activities before changes in working capital		17,678	7,832
Cash flow from changes in working capital			
Change in shares and participations, bonds and other interest-bearing securities and		-21,395	-9,815
Increase (-)/Decrease (+) in operating receivables		-20,549	-34,451
Change in debt securities in issue		30,868	12,009
Increase (+)/Decrease (-) in operating liabilities		9,967	15,909
Cash flow from operating activities		16,569	-8,515
Investing activities			
Change in shares and participations in associated companies		2	-
Investment in intangible assets		-505	-475
Investment in property and equipment		-85	-26
Investment in subsidiaries		-	-81
Divestment of property and equipment		8	6
Cash flow from investing activities		-579	-577
Financing activities			
Changes in lease liabilities		-277	-252
Dividend paid Additional Tier 1 instrument		-81	-75
Dividends paid		-1,001	-
Cash flow from financing activities		-1,359	-327
Net cash flow for the year		14,630	-9,419
Cash and cash equivalents, 1 January		2,221	11,661
Exchange-rate differences in cash and cash equivalents		26	-21
Cash and cash equivalents, 31 December		16,877	2,221



Länsförsäkringar AB Group

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All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

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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 Financial Supervisory Authority's regulations and general guidelines FFFS 2019:23 regarding annual accounts at insurance undertakings and institutions for occupational retirement provision 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 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 consequences, 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.

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.

The valuation techniques described in note 47 Fair value valuation techniques are used in the measurement of financial assets for which no observable market data is available



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Amended accounting policies applied from 2021

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

The Group applies the amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – the Interest Rate Benchmark Reform (Phase 2) from 1 January 2021. The amendments to phase 2 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. In addition, the rules on hedge accounting have been adapted in order to permit any changes made to hedge identifications and hedge documentation due to the Interest Rate Benchmark Reform, without needing to end the hedging relationship. The introduction had no impact on the Group's financial position, earnings, cash flow or disclosures.

Reinterpretation of existing accounting policies

In April, the IFRIC published an agenda decision on how to account for configuration or customisation costs in a cloud computing arrangement. The Group has updated its accounting policies due to this agenda decision. This means that customisations of the supplier's application software that the Group does not control have been classified as a prepaid expense instead of an intangible asset. Customisations of the supplier's application in a 'Software as a Service' performed by a third party are expensed continuously.

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 2022 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.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts, and comes into effect on 1 January 2023. The standard provides a principle-based set of rules for recognising insurance contracts and expanded disclosure requirements to increase comparability between different companies. The EU approved the standard in November 2021 with an exemption for a carve-out regarding rules on annual cohorts. This exemption entails that the rule on annual cohorts for certain types of insurance contracts does not need to be applied.

On 22 November 2021, the Swedish Financial Supervisory Authority published a proposal on amendments to its regulations and general guidelines regarding annual accounts at insurance undertakings and institutions for occupational retirement provision (FFFS 2019:23) to apply from 1 January 2023. One of the proposals is that IFRS 17 Insurance Contracts should not be applied to legal entities, and thus not in consolidated financial statements under legally restricted IFRS.

Financial Supervisory Authority accounting regulations – legally restricted IFRS in consolidated financial statements

Länsförsäkringar AB intends to transition to legally restricted IFRS for preparing its consolidated financial statements from 1 January 2023 when IFRS 17 Insurance Contracts comes into effect. By amending FFFS 2019:23 Regulations and general guidelines regarding annual accounts at insurance undertakings and institutions for occupational retirement provision, the Financial Supervisory Authority removed the requirement of applying the IAS regulation (full IFRS) in consolidated financial statements for unlisted insurance companies, occupational pension companies and financial holding companies. The FFFS regulations had been adapted to the provisions on consolidated financial statements for

unlisted companies stipulated in the Swedish Annual Accounts Act for Insurance Companies (1995:1560).

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 segment

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.

Pricing between the Group's segments is based on market conditions for the operating segments of Non-life Insurance, Agria, Unit-linked Insurance, Banking and Support and Service. 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, France and Germany, one subsidiary and one branch in the UK, and one associated company in Switzerland. Assets and liabilities in branches, associated companies and



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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 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 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 of goodwill.

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 is 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.



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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.

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 found in Länsförsäkringar Fondliv refer to commission to the regional insurance companies, and transfer bonuses received by customers when they transfer their holdings, and are written off using the straight line method 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.



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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 only recognised if all of the following conditions are met:

- There is identifiable asset.
- The Group has control of the asset.
- It is probable that the developed asset will generate future economic benefits.
- The cost of the asset can be measured reliably.
- 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

The Group's property and equipment comprise equipment and leasehold improvements that are 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 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.

Property and equipment

The useful life for computer equipment is estimated to be three years and five years for office equipment and cars.



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Leasehold improvements

Activities performed on another party's property and for which the Group has incurred expenses for new construction, extension or remodelling entail that the property owner immediately becomes the owner of what has been performed and acquired. When such leasehold improvements entail economic benefits for the leaseholder, the expenses are capitalised. Remodelling another party's property is deemed to have an economic useful life that corresponds to the remaining term of the lease from the date when the asset becomes available for use.

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:

- fixe 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

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. This takes place when there is a significant event or a significant change in circumstances within the Group's control and that affect the current assessment of the term. Extensions are also assessed when the final termination date within the previously assessed term for leases for premises has been passed.

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 exemptions 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.

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. In cases in which a modification is made to the contractual cash flows as a direct consequence of a reform of a reference rate and the new contractual terms are economically equivalent to the original, no derecognition takes place and the original effective interest rate will be adjusted to reflect the new cash flows.

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



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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.

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. Amortised cost refers to the discounted present value of all future payments attributable to the instrument with the

discount rate comprising the effective interest rate of the asset on the acquisition date.

Fair value through 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 in-come in profit or loss. If an asset in this category is sold, the previous unrealised gain/loss is reclassified from other comprehensive in-come to profit or loss and is recognised on the row net gains/losses from financial items.

Fair value through profit or loss

The Group's debt instruments measured at FVPL comprise holdings in interest-bearing securities, unit-linked insurance assets and mutual funds found in the investment operations of the Parent Company and the insurance companies. Mutual funds are classified as either shares and participations or bonds and other interest-bearing securities based on whether at least half of the managed assets comprise shares or interest-bearing securities. Assets that are debt instruments and held in a business model that entails measurement at fair value through profit or loss arise 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 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.



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Financial liabilities

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

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.

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.

Reference rate method

The Group applies the exemptions regarding changes to the hedged risk, hedging instrument and hedged item introduced due to the Interest Rate Benchmark Reform (Phase 1 and 2). An alternative benchmark rate is identified as a hedge risk when the Group has a reasonable expectation that it will be a separately identifiable component of a hedged item within 24 months from the date it is

identified as a hedged risk for the first time. Hedging documentation is updated at the end of the period in which an alternative benchmark rate is designated. Such changes to hedging documentation do not mean that the Group has had to discontinue hedge accounting.

Expected credit losses

Reserver or 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 not increased significantly since initial recognition.

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 considered to be in default if a payment is more than 90 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



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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.

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. 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 still an employee on the exercise date.

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 classified as share-based payment that is settled in cash, and an amount equivalent to the recognised staff cost is recognised as a liability. Last year, the programme was classified as remuneration settled using equity instruments. The increase in equity that was recognised in prior years, corresponding to the staff cost, has been reclassified as a liability. A cost and a provision are recognised and allocated over the vesting period for the social security contributions. The fair value of the allotted options are calculated by considering the market conditions and other non-vesting-related conditions as well as 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.

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.



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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 un-earned 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

Provisions for which the policyholder bears the risk comprise unit-linked insurance commitments and conditional bonuses.



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Unit-linked insurance commitments

Financial liabilities in the unit-linked insurance operations whereby the liability has a direct link to the value of a financial asset but for which the Group does not have any risk in the change in value of the fair value of the asset. The insurance commitments correspond to the redemption value of the fund units held on behalf of the policyholder. The Group has 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 associated unit-linked insurance assets measured at fair value.

Conditional bonus

A conditional bonus refers to the bonus for which the policyholders bear a financial or insurance risk and that affects the amount of the bonus. The provision comprises the value of the assets linked to the contracts less the life-assurance reserve. Conditional bonuses for the guarantee management form are recognised in the balance sheet.

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.

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.



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Note 2 Risk and Capital management

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 organization'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 ratingsbased 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 an integrated part of the Länsförsäkringar AB Group's organizational 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 capitalization 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.

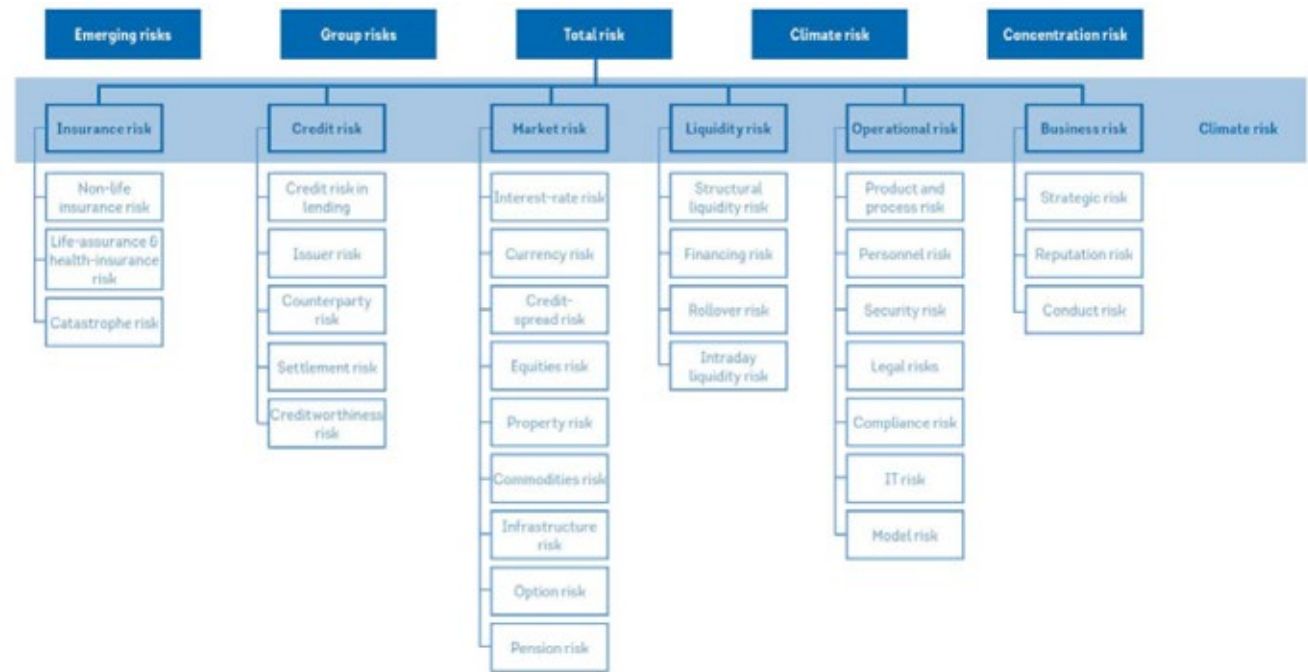
The risk management function has the operational responsibility for the independent risk control, which includes identifying, measuring, monitoring and reporting risks in the company's and the Group's operations. The function controls the risk management in the operations to ensure that they are conducted 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 organization 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.



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



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Risk profile

Länsförsäkringar AB Group'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.

The following factors characterize 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, France and Germany. 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.

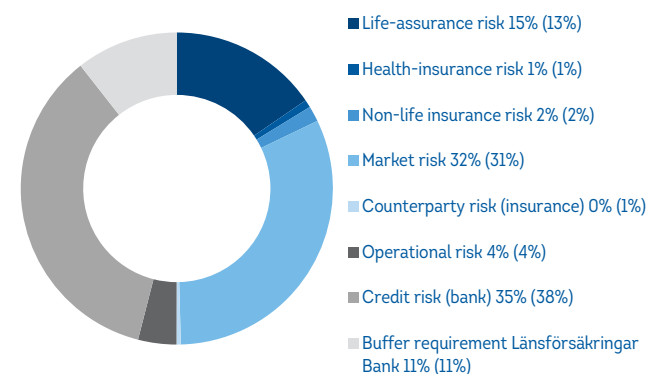
- In the unit-linked insurance operations, the policyholders primarily bear the market risks, but since the trend in insurance capital is governed by the company's earnings, the company is also exposed to market risk. The risks inherent in the investment assets managed by the Group's companies for own account are kept at a low level. 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.
- 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.
- 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 can not be completely avoided and as digitization 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 2021 (Figures in parentheses pertain to 2020).





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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 Länsförsäkringar AB Group is exposed to non-life insurance risk through the operations of the Parent Company and the insurance subsidiaries Agria and Länsförsäkringar Gruppliv. Premium risk is the largest risk in non-life insurance risk, followed by reserve risk and cancellation risk.

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 AB. 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 AB, and from health and premium exemption and accident and financial disability insurance in Länsförsäkringar Fondliv.

The use of reinsurance cover means the Group has low exposure to catastrophe risk for its own account.

The Group has low exposure to catastrophe risk for own account. Länsförsäkringar AB manages common reinsurance cover for the Länsförsäkringar Alliance where Länsförsäkringar AB assumes a certain level of risk for own account. The other operational area where Länsförsäkringar AB, 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, UK and Germany.

Länsförsäkringar AB conducts well-diversified business, including pet insurance, health care, accident and health insurance, some commercial insurance and international reinsurance. The business is divided into 26 reporting classes that make the operations highly diverse with few or minor elements of risk concentration inherent in non-life insurance risk. Länsförsäkringar AB's main risk concentration in insurance risk comprises assumed reinsurance from individual regional insurance companies. Länsförsäkringar AB 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.

The subsidiary Agria's business comprises insurance for pets (dogs, cats, and other pets), horses, farm animals and crop insurance, with the two latter contributing to diversification since they have little covariation with other business.

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 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 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 company's reinsurance needs. The Länsförsäkringar Alliance has shared catastrophe reinsurance cover for accident and life assurance. Länsförsäkringar AB 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 AB Group's estimated claims costs before reinsurance per claim year and table 3 shows the Länsförsäkringar AB Group's estimated claims costs after ceded reinsurance.



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Table 1. Sensitivity analysis, insurance risk

SEK M	31 Dec 2021		31 Dec 2020	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
10% increased claims frequency or average claim in Länsförsäkringar AB	-177	-140	-182	-143
10% increased claims frequency or average claim in Agria	-354	-281	-316	-248
10% momentary external transfer from Länsförsäkringar Fondliv	-375	-375	-270	-270

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

SEK M	2015	2016	2017	2018	2019	2020	2021	Total
At the end of claim year	3,805	3,989	4,082	4,825	5,099	6,444	6,506	
One year later	3,664	3,763	3,990	4,465	5,006	6,227		
Two years later	3,628	3,667	3,884	4,419	4,993			
Three years later	3,640	3,600	3,846	4,357				
Four years later	3,592	3,585	3,823					
Five years later	3,587	3,544						
Six years later	3,560							
Estimated claims costs	3,560	3,544	3,823	4,357	4,993	6,227	6,506	
Accumulated claims payments	3,188	3,138	3,379	3,934	4,406	5,038	4,103	
Provisions for claims payments	372	406	444	424	587	1,189	2,403	5,825
Provisions for claims payments, older year classes	-	-	-	-	-	-	-	4,962
Provisions for claims payments for assumed reinsurance, gross	-	-	-	-	-	-	-	1,323
Total provision for claims payments, gross	-	-	-	-	-	-	-	12,110
Annuity reserve, gross	-	-	-	-	-	-	-	1,545
Claims adjustment reserve, gross	-	-	-	-	-	-	-	261
Provision for claims outstanding, gross	-	-	-	-	-	-	-	13,916

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

SEK M	2015	2016	2017	2018	2019	2020	2021	Total
At end of claim year	2,831	3,221	3,238	3,616	3,808	4,292	4,743	
One year later	2,685	2,975	3,182	3,450	3,730	4,169		
Two years later	2,650	2,981	3,161	3,415	3,700			
Three years later	2,669	2,953	3,145	3,399				
Four years later	2,671	2,942	3,135					
Five years later	2,669	2,925						
Six years later	2,666							
Estimated claims costs	2,666	2,925	3,135	3,399	3,700	4,169	4,743	
Accumulated claims payments	2,621	2,858	3,053	3,293	3,524	3,878	3,709	
Provision for claims payments	45	66	82	106	176	291	1,034	1,801
Provision for claims payments, older year classes	-	-	-	-	-	-	-	574
Provision for claims payments for assumed reinsurance, gross	-	-	-	-	-	-	-	866
Total provision for claims payments after ceded reinsurance	-	-	-	-	-	-	-	3,241
Annuity reserve	-	-	-	-	-	-	-	263
Claims adjustment reserve	-	-	-	-	-	-	-	261
Provision for claims outstanding, after ceded reinsurance	-	-	-	-	-	-	-	3,764



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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 short comings 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 primarily derive from the Parent Company's investments in mainly bonds, properties, and equities funds. 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 in the form of sensitivities that occur through direct exposures in the Group's assets and liabilities is presented. The exposure is recognized in the Consolidated statement of financial position for the Group above, with accompanying notes.

In addition to the market risks arising on direct exposure and insurance liabilities, the Group is also exposed to market risks arising due to the earnings in the unit-linked insurance operations and in Länsförsäkringar Fondförvaltning's operations being sensitive to trends in fund values that are largely affected by the price trend of shares. These indirect market prices are not included in the recognized sensitivities.

Risk concentrations

The dominating portion of the Group's market risk is found in the Parent Company's and insurance subsidiaries' investment assets. Market risks can also be found to a lesser extent 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 utilized 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 organization, 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. 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 21 and 22 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 recognized 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



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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 date
- 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 recognized 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 counterparty in the hedged item.
- Cash flow hedging of currency risk: Ineffectiveness arises if the terms of the hypothetical derivative deviate from 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 Länsförsäkringar AB Group's primary exposure to IBORs is found in the banking operations and currently comprises contracts that refer to Stibor and Euribor. There are also relationships with CHF-Libor, USD Libor, GBP Libor and Nibor. The Group is reviewing its systems and processes for managing a change of contracts with IBORs.

Swedish Financial Benchmark Facility (SFBF) is a Swedish company that actively administers and calculates references rates according to the Benchmarks Regulation (BMR). SFBF has taken over the task of adjusting Stibor to the BMR. An application for approval was submitted to the Financial Supervisory Authority on 27 December 2021.

Regarding developments internationally, the Länsförsäkringar AB 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 continue to be published until 30 June 2023. GBP Libor and CHF Libor ceased to exist on 31 December 2021 and were replaced by SONIA (Sterling Overnight Index Average) and SARON (Swiss Average Rate Overnight), respectively. On 31 December 2021, the Länsförsäkringar Bank Group had no exposures to instruments directly linked to CHF Libor and no exposures to instruments directly linked to GBP Libor with fixed rates after 31 December 2021.

Regarding the Länsförsäkringar AB Group's discounting of technical provisions, it is more likely that the extrapolation of the risk-free interest rate structure will change as according to EIOPA's proposal in the 2020 review of the regulations.

Table 4. Exposure to IBORs in the Group's hedge accounting on 31 December 2021

SEK M	31 Dec 2021						31 Dec 2020	
	Stibor	Euribor	CHF Libor	GBP Libor	USD Libor	Nibor	Total nominal amount	Total nominal amount
Cash flow hedge								
<i>Currency risk</i>								
Cross-currency interest rate swaps	-	52,252	4,968	613	91	1,437	59,362	51,779
Fair value hedge								
<i>Interest-rate risk</i>								
Interest-rate swaps	377,275	56,196	4,968	613	376	1,437	440,865	391,069



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Risk sensitivity

Table 5. Sensitivity analysis, market risks

		31 Dec 2021		31 Dec 2020	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Interest-rate assets and liabilities net ¹⁾	100 bp higher nominal market interest rates	-98	-86	-115	-114
Credit-spread risk ²⁾	100 bp increased credit spread	-148	-129	-160	-143
Equities risk	10% lower share prices including hedge funds	-686	-705	-523	-541
Property risk	10% lower property prices	-203	-167	-152	-123
Currency risk ³⁾	10% strengthening of SEK	-154	-144	-148	-133

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 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 the 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 84% 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 the Parent Company's 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.

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 2021 of SEK strengthening 10% against foreign currencies.

Currency	Impact on earnings before tax, SEK M	
	2021	2020
USD	-106	-85
EUR	-18	-25
DKK	-14	-7
GBP	-12	-30
CHF	-7	-3
JPY	-6	-4
CNY	2	1
ZAR	2	1
KRW	2	2
NOK	1	-4
TWD	1	0
AUD	1	1
PLN	1	1
Other currencies	1	4
Total	-154	-149

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.



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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 2021	31 Dec 2020
AAA - Swedish Government	36	36
AAA - other	8,654	8,654
AA	178	178
A	0	0
BBB	52	52
BB or lower	440	440
No rating available	873	873
Total	10,233	10,233

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

Table 8. Parent Company and insurance subsidiaries' counterparty-related credit risks with respect to collateral received¹⁾

Financial derivatives and cash	Maximum credit risk exposure	Cash and cash equivalents	31 Dec 2021			31 Dec 2020	
			Collateral	Securities	Other	Net exposure	Net exposure
AA	24	0	-	-	24	26	
A	3,723	0	-	-	3,723	3,900	
BBB or lower	116	0	-	-	116	129	
Total	3,863	0	-	-	3,863	4,056	
Reinsurance							
Regional insurance companies	6,354	0	-	-	6,354	5,984	
AA	628	0	-	-	628	680	
A	830	0	-	-	830	791	
BBB or lower	102	0	-	-	102	168	
Total	7,914	0	-	-	7,914	7,622	

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 Bank Group 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

On 31 December, the Parent Company and insurance subsidiaries had joint commitments of SEK 1,140 M in amounts outstanding to invest in investment assets and SEK 833 M in pledged bank funds, but otherwise had no pledged assets for bonds, derivatives, repurchase agreements or pledged 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 standardized 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.

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 pre-dominant 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.



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Table 9. Bank Group's credit risk exposure

Credit risk exposure		
SEK M	31 Dec 2021	31 Dec 2020
<i>Credit risk exposure for items recognised in the balance sheet</i>		
Cash and balances with central banks	14,361	53
Treasury bills and other eligible bills, etc.	15,526	11,796
Loans to credit institutions of which collateral in repurchase agreements	1,480	2,557
Loans to the public of which collateral in properties and tenant-owned apartments	875	1,935
	362,520	340,788
Bonds and other interest-bearing securities	322,135	300,883
Derivative instruments	50,425	46,823
Other assets	4,106	5,414
Credit risk exposure for memorandum items	572	551
Guarantees	33	34
Loan commitments and other credit	26,224	25,274
Total	476,123	435,225

Table 10. Credit risk exposure in the Bank Group by external risk classification

SEK M	Gross carrying amount	
	31 Dec 2021	31 Dec 2020
Treasury bills and other eligible bills		
AAA-AA	14,625	11,796
Total	14,625	11,796
Bonds and other interest-bearing securities		
AAA-AA	50,025	46,823
Total	50,025	46,823
Loans to credit institutions		
AAA-AA	64	100
A	505	523
Total	569	623
Derivatives		
AAA-AA	642	1,250
A	3,464	2,718
BBB-BB	-	-
Note risk classified ¹⁾	-	1,447
Total	4,106	5,414

¹⁾ Exposure to central counterparties is recognised without any rating. The entire exposure to central counterparties and banks on 31 December 2020 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

31 Dec 2021	Note credit-impaired			Credit-impaired	Total
	Stage 1	Stage 2	Stage 3		
	Gross carrying amount	Gross carrying amount	Gross carrying amount		
Loans to the public, SEK M					
Internal rating 1-3	215,700	2	7		215,709
Internal rating 4-6	119,760	189	26		119,975
Internal rating 7-9	5,898	4,728	27		10,653
Internal rating 10-11	45	1,180	9		1,234
Defaulted	0	13	982		995
Note risk classified	13,254	662	39		13,955
Total	354,657	6,773	1,090		362,520
Loan commitments and other credit commitments					
	Credit risk exposure	Credit risk exposure	Credit risk exposure		Credit risk exposure
Internal rating 1-3	11,323	0	0		11,324
Internal rating 4-6	8,734	23	0		8,758
Internal rating 7-9	1,063	324	0		1,387
Internal rating 10-11	3	22	0		25
Defaulted	0	0	8		8
Note risk classified	4,621	99	3		4,722
Total	25,744	469	11		26,224



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Table 11. Credit risk exposure in the Bank Group by internal risk classification

31 Dec 2020	Note credit-impaired		Credit-impaired	Total
SEK M	Stage 1	Stage 2	Stage 3	
	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
Loans to the public				
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	0	0	1,003	1,003
Note risk classified	12,755	723	77	13,555
Total	332,096	7,541	1,152	340,789
	Credit risk exposure	Credit risk exposure	Credit risk exposure	Credit risk exposure
Loan commitments and other credit commitments				
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	0	0	10	10
Note risk classified	3,719	81	2	3,802
Total	24,884	379	12	25,274

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

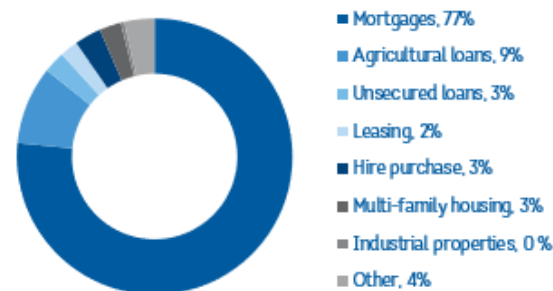
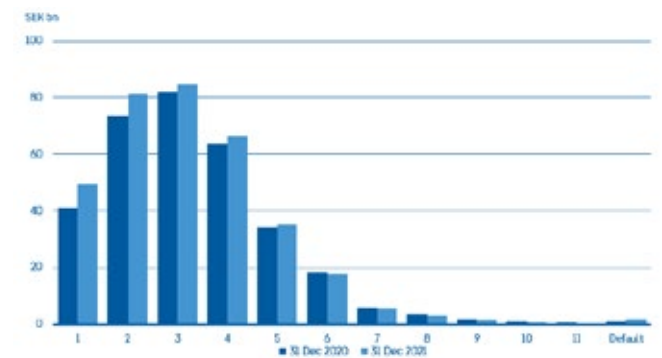


Figure 4 presents the Group's credit exposure according to risk class. The result shows a distribution of exposure, with 81% (80) found in the lowest grades 1-4.

Figure 4. Credit exposure by risk class-



In addition to the above credit exposure, SEK 14,272 M (13,555)¹⁾ 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 58% (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.

¹⁾ Data as per the preceding year-end was corrected.



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Table 12. Bank Group's credit-impaired loan receivables by collateral

SEK M	31 Dec 2021	31 Dec 2020
Residential preproperties, including tenant-owned apartments	194	193
Commercial immovable property	302	230
Other physical collateral	154	210
Guarantees	19	13
Unsecured loans	421	506
Total credit-impaired loan receivables	1,090	1,151

Table 13. Bank Group's non-performing loan receivables that are not credit-impaired

SEK M	31 Dec 2021	31 Dec 2020
Receivables 1-30 days past due	11	14
Receivables 31-60 days past due	82	100
Receivables 61-90 days past due	29	41
Receivables > 90 days past due	63	35
Total	185	189

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 398.6 M (245.9) as per 31 December 2021.

Temporary mortgage repayment relief

In connection with the outbreak of COVID-19 in the first quarter of 2020, and in the light of the spread of the pandemic during 2020 and the first half of 2021, Länsförsäkringar Bank took a number of measures to ensure the continuation of operations in the Länsförsäkringar Bank Group. Länsförsäkringar Bank decided to grant temporary mortgage repayment holidays following a decision by the Financial Supervisory Authority. The temporary mortgage repayment relief was discontinued on 31 August 2021.

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 include 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 0.4%. 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 recognized on 31 December 2021 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, %
552	Positive scenario	540	-2%
	Negative scenario	565	2%

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	31 Dec 2021				31 Dec 2020	
	Maximum credit risk exposure	Cash and cash equivalents	Securities	Other	Net-exposure	Net-exposure ¹⁾
AAA-AA	642	402	-	-	57	656
A	3,464	3,115	-	-	192	56
Not risk classified	0	0	-	-	0	0
Total	4,106	3,516	-	-	249	712

¹⁾ Net exposure for comparative periods has been adjusted.



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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. Funding opportunities for the Group's insurance companies are restricted by Chapter 4, Item 6 of the Swedish Insurance Business Act.

The Länsförsäkringar Bank Group's cash flow is characterized 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 realized as needed. In practice, liquidity risk is primarily an issue for the Länsförsäkringar Bank Group.

Länsförsäkringar AB'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.

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 maintained cash and cash equivalents, which at year-end amounted to SEK 838 M (207).

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 favorable 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 2021, the liquidity reserve amounted to SEK 85.6 billion (64.0) and 38% (47) 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.



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	2021						2020					
	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	-	15,034	11,605	40,876	294,477	361,991	-	14,030	11,077	38,468	276,431	340,007
Bonds and other interest-bearing securities ¹⁾	-	1,281	11,492	42,714	1,629	57,115	-	3,050	13,320	36,690	2,300	55,359
Treasury bills and other eligible bills	-	7,281	2,863	4,443	624	15,211	-	5,160	-	3,771	2,424	11,355
Other assets	-	1,523	-	-	-	1,523	-	778	-	-	-	778
Reinsurers' portion of Technical provisions	-	506	1,211	3,504	5,481	10,701	-	438	1,042	3,032	6,047	10,558
Cash and balances with central banks	14,363	-	-	-	-	14,363	53	-	-	-	-	53
Liabilities												
Subordinated liabilities Technical provisions ²⁾	-	2,202	4,445	5,675	8,309	20,631	-	1,804	3,709	5,077	8,893	19,483
Debt securities in issue	-	3,176	41,673	181,399	36,938	263,187	-	7,631	21,124	165,394	36,656	230,806
Deposits from the public	141,254	3,791	626	593	-	146,265	126,310	6,052	804	580	-	133,747
Lease liabilities	-	66	195	723	311	1,295	-	63	188	851	317	1,418
Due to credit institutions	-	7,092	-	-	-	7,092	0	4,610	-	2,000	-	6,610
Other liabilities	-	1,459	765	-	-	2,225	-	1,686	722	10	-	2,418
Total cash flows, net	-126,891	7,837	-20,533	-	256,653	20,211	-126,257	1,547	-1,156	-91,968	238,734	20,900
Loans approved but not disbursed	-	26,224	-	-	-	26,224	-	25,274	-	-	-	25,274
Derivatives, in and outflows, net	-	14	1,589	3,681	342	5,626	-	704	650	3,499	262	5,115
Total cash flows for financial assets and liabilities, and insurance undertakings	-126,891	34,075	-18,944	-93,173	256,995	52,061	-126,257	27,525	-506	-88,469	238,996	51,288

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.

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 digitization 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 minimized 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 analyzed 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 organization 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 organization'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



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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 organization'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 realization 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 and exercises showed that the companies

generally have a sound ability and business contingency to manage crises that arise.

Climate risk

Climate risk refers to the risks that the consequences of climate change may have on the company's business activities. Climate risks can materialize 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.

Risk exposure

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. Climate-related risks and opportunities and the direct and indirect climate impact of the operations are identified annually in the business and prioritised by the Sustainability Committee. Table 17 presents a non-exhaustive list and a summary of identified direct climate risks for Länsförsäkringar AB as well as indirect climate risks via companies that Länsförsäkringar AB finances or invests in. The probability and consequences of each risk have been estimated for each business area. The assessment of probability was made according to the following: short term (1-5 years), medium term (5-20 years) or long term (>20 years).

Table 17. Identified climate risks at various time horizons

Name of risk	Direct risk for Länsförsäkringar AB	Indirect risk via companies that Länsförsäkringar AB finances/invests in (named "companies" in the table below)
Transition risks		
Regulatory risks		
Stricter requirements for emissions reporting and other climate-related reporting and compliance.	Länsförsäkringar AB risks incurring higher costs as a result of stricter reporting requirements and increased regulations. <i>The risk is deemed to be probable in the short term.</i>	Companies risk incurring higher costs as a result of stricter reporting requirements and increased regulations. <i>The risk is deemed to be highly probable in the short term, but the effect on Länsförsäkringar AB is deemed to be limited.</i>
Higher climate taxes and costs for GHG emissions due to stricter regulations.	Higher climate taxes in the future could result in insolvency among borrowers. The risk is deemed to occur in the short to medium term. <i>Any costs related to Länsförsäkringar AB's own GHG emissions from its operations are estimated to be relatively low since the company's emissions are relatively small.</i>	Companies in carbon-intensive industries risk incurring higher costs and declining in value if costs for emissions were to increase. <i>The risk is deemed to be probable in the short term, but the effect on Länsförsäkringar AB is deemed to be limited.</i>
Risk of compulsory regulations for insuring high-risk areas.	This risk is identified as probable in the medium to long term and entails that insurance companies are not permitted to refuse insuring of areas with higher physical risk. <i>The risk for Länsförsäkringar AB is not necessarily material given the reinsurance solutions that are applied.</i>	
Market risks		
Products and services with significant climate impact risk declining demand.	Demand for Länsförsäkringar AB's products is impacted if they are not developed in line with customer preferences for sustainability-focused products and services, or if Länsförsäkringar AB is unsuccessful in conveying that the products are sustainability-focused. <i>The risk is deemed to be probable in the short term but analysis of longer time perspectives with more uncertain preference developments shows a rising risk trend.</i>	Lower demand could affect companies that do not meet new customer preferences for sustainability-focused products and services. <i>The risk is deemed to be probable in the short term but more significant in the medium term as more industries come into focus.</i>



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Table 17. Identified climate risks at various time horizons, cont.

Stranded assets.		Large financial values risk becoming worthless if certain assets cannot be commercialised due to, for instance, changes in markets, customer preferences or regulatory requirements. This risks negatively affecting the companies' earnings and financial position. <i>This risk is deemed to be probable in the medium term. Länsförsäkringar AB applies and over time has tightened its criteria for excluding companies operating in fossil fuels. These companies are deemed to be most exposed to having stranded assets in the short term. Applying criteria reduces the risk in the investment portfolio.</i>
Technological risks		
Costs for the transition to low-carbon technologies.	Changes in technology may affect Länsförsäkringar AB, for example, that the company's own fleet of vehicles must transition to environmentally friendlier alternatives. <i>The risk is deemed to be probable in the short term but is materially limited.</i>	Companies could experience lower demand for products and services that do not meet new environmental standards, which entails higher costs for development and new sustainability-focused products and services. Companies could also experience that investments in new technology do not generate the expected returns. <i>The risk is deemed to be probable in the short term, but with a limited effect on Länsförsäkringar AB.</i>
Lack of sufficient expertise and resources for managing a transition.	The climate transition entails extensive work requiring both resources and expertise. If these are not available, Länsförsäkringar AB risks falling behind in the climate transition.	
Reputation risk/brand risk		
Business risk in adapting the offering.	Risk of competitive disadvantages such as squeezed margins and lower income if the product offering or conditions are not adapted in line with competitors.	
Unreliable data sources and methods.	Data and models used for measuring and following up climate risks are still associated with uncertainty. This gives rise to potential reputation risk if it proves to be the case that the data used was unreliable.	
Brands risk being damaged if they are associated with products or services with a negative climate impact.	Länsförsäkringar AB's brand risks being damaged if it is associated with products or services with a negative climate impact. Damage to the brand could also affect the ability to attract and retain personnel. <i>The risk has been identified in both the short and the long term. The probability is deemed to be low due to Länsförsäkringar AB's current sustainability profile.</i>	Companies' brands risk being damaged if they are associated with products or services with a negative climate impact, which could result in lower sales. <i>The risk is deemed to be probable in the short term, but the effect on Länsförsäkringar AB's returns is deemed to be limited.</i>
Physical risks		
Acute risks		
Higher costs due to more serious extreme weather events.	The Länsförsäkringar Alliance risks being affected by a higher number of and more extensive extreme weather events, which entails losses for Länsförsäkringar AB via the internal reinsurance pool. The international reinsurance market risks being affected by a higher number of and more extensive extreme weather events, which entails higher prices of catastrophe insurance. This could result in higher reinsurance costs for the Länsförsäkringar Alliance and Länsförsäkringar AB. <i>The risk is deemed to be material in the medium to short term.</i>	Serious extreme weather events are a risk for Länsförsäkringar AB's investments, particularly directly owned holdings, such as properties and forests. <i>The risk that companies and their delivery chains, particularly in vulnerable areas, are affected by extreme weather events is deemed to be high, particularly in the medium term. The consequences for Länsförsäkringar AB are deemed to be medium.</i>
Model risk.	The risk that Länsförsäkringar AB's pricing and risk models are correctly adapted or sufficiently detailed to capture a higher number of acute risks.	



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Table 17. Identified climate risks at various time horizons, cont.

Chronic/permanent risks

Higher costs due to permanently changed weather patterns and water levels.	Most of Länsförsäkringar Bank's lending takes place using property as collateral and there is the risk of the value of these properties declining in areas affected by frequent natural catastrophes or higher water levels. This affects the credit risk since there is the risk that the value of the collateral for the loan declines. <i>The risk is deemed to be probable in the medium to long term.</i> Via the internal reinsurance pool, Länsförsäkringar AB could be affected by higher insurance costs and lower income due to a decrease in the insurability of certain areas and assets. The reinsurance market could be negatively affected by weather phenomena causing such extensive damage that reinsurers have their rating lowered or go bankrupt due to a weaker financial position, which could make the counterparty risk Länsförsäkringar has with reinsurance companies more material. Another effect could be that the costs for reinsuring weather-related events increase sharply, which affects Länsförsäkringar AB. <i>The risk on the insurance business is deemed to be material, particularly in the medium to long term.</i>	Companies, especially those situated in risk areas, risk incurring costs for relocating production and facilities and higher costs for raw materials. There is the risk that costs for companies for insuring assets against weather-related damage will increase when weather patterns change. <i>The risk is deemed to be high in the medium and long term. The consequences for Länsförsäkringar AB are deemed to be medium since exposure in the most vulnerable areas is limited by a diverse investment portfolio.</i>
Higher costs due to unknown illnesses.	Climate change could entail the spread of illnesses that have not existed before in geographical areas in which Länsförsäkringar has operations and thus are not included in the product structures and pricing.	

The effects of the climate risks described above will affect Länsförsäkringar AB's operations over time. Climate risk is a systematic risk that as a result of its impact on society is impossible to completely eliminate. Strategies and business models will need to be gradually adapted to manage the effects of climate risks in each business area, and also to leverage any opportunities.

Risk management and risk-reduction techniques

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. In autumn 2021, a target was adopted for the Länsförsäkringar AB Group to be climate-positive by 2045. A goal under this target is for investment portfolios and own managed funds to have an emissions level in line with the target of the Paris Agreement by 2030, meaning limiting global warming to 1.5°C.

Climate risk is included in Länsförsäkringar AB's risk-management system and is reported and followed up in the same way as other risks. The Risk Management function reports on climate risk to the Board at least once a year. The risk appetite for climate risk is moderate, which means that climate risks are limited through proactive efforts to reduce exposure both to transition risks and to physical climate risks. Exposure is reduced mainly through proactive measures, changes to investments, engagement with investments and creating the conditions for customers to change, for example, through product development.

The Risk Management function coordinates the operations' monitoring of climate risk via a climate risk team with representatives from all business units. The objective of the team is to compile at an overall level identified climate risks that each business unit is exposed to and analyse how they interrelate so as to provide a collective assessment of the Länsförsäkringar AB Group's climate risk exposure.

Länsförsäkringar AB works on identifying and reducing climate risk in its investments by applying a systematic process for allocation and investment analyses, selection of investments or asset managers, and engagement.

Climate-related risks are reduced by the wide geographic distribution of lending in the banking operations and the low average loan commitment per customer. Strict requirements also apply to customers' repayment capacity and the quality of collateral.

To reduce the risk of higher claims costs for weather-related insurance claims, risk management in the non-life insurance operations focuses on predicting and preventing such claims.

In addition to proactive measures carried out jointly with the Länsförsäkringar Alliance, the Alliance's reinsurance programme is also regularly updated to ensure it is always suitable in relation to approved strategies and developments in the insurance and reinsurance markets. An appropriately structured reinsurance programme not only helps to manage climate risk in Länsförsäkringar AB's share of the reinsurance pool but also to manage climate risk for the entire Alliance.

Risk sensitivity

Macroeconomic scenario analysis

Länsförsäkringar AB continuously develops metrics for monitoring climate risk and every year performs a macroeconomic scenario analysis under the framework of the ORSA to analyze how various potential development lines for climate change impact the companies' expected risk and return over time. The analysis uses climate-adjusted economic and financial variables for three different climate scenarios from an external data and tool supplier. These climate scenarios include physical climate risks and transition risks as well as facilitate a coherent analysis of the impact of the climate on the business. The climate-adjusted economic and financial variables in each scenario are calculated as instantaneous stress tests at each point in time, which is a method proposed by such organisations as the European Insurance and Occupational Pensions Authority (EIOPA). Calculations use statistical calculations with no assumptions for business volume changes, investment income or reallocation of the companies' investment portfolios or in unit-linked insurance capital.

The three climate scenarios are:

Paris Orderly Transition

An immediate transition involving ambitious policy and low carbon emissions in order to meet the target of the Paris Agreement to limit global warming to 1.5°C by 2100. Despite this, the world will be physically affected by climate change linked to the warmer climate in the long term. No major changes in market prices.



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Paris Disorderly Transition

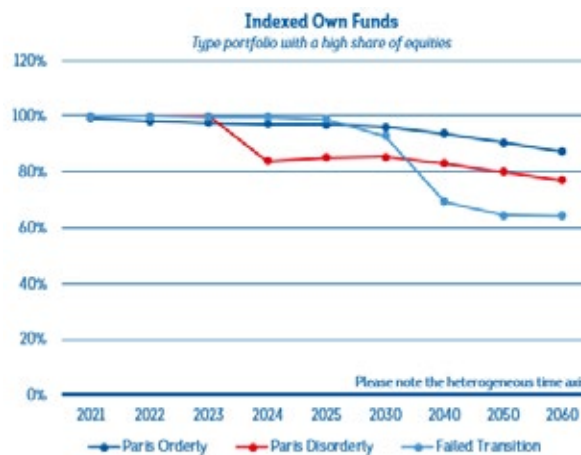
The same policy and technology changes are created as those in the Paris Orderly Transition scenario, but at a later date and more abruptly. Delayed awareness and underestimating the extent of the transition leads to a shock for the financial systems as a result of aggressive market corrections of carbon-intensive assets. Extensive changes in market prices within five years.

Failed Transition

The world's countries do not do enough to promote low carbon emissions, which instead leads to a failed transition to global warming of 4°C by 2100. This scenario entails serious consequences caused by the physical impact on the climate, agriculture is seriously affected and the increase both in the frequency and in strength of extreme weather events causes a higher number and more extensive claims. Very extensive changes in market prices in the long term

The graph below shows the trend in own funds in a type portfolio with a high share of equities in the various scenarios in relation to non-climate adjusted own funds. The effect for Paris Orderly is limited but negative for the entire analysis period. Paris Disorderly has a more negative impact in the short term (within five years) since own funds are affected by the market pricing caused by the sharp transition measures. In the long term, own funds will recover and follow the same trend as Paris Orderly. Failed Transition has a minor short-term effect but the climate effects resulting from no transition taking place impact the financial markets in the long term and lead to a negative effect on own funds that will fall sharply after 2030.

Figure 5. Climate scenarios



It is important to be aware of the major uncertainties in models, assumptions, and results for this type of analysis. It is impossible for the climate scenarios available today to contain all information about the transition and physical effects that affect risk and return. Uncertainty also increases markedly when analyses cover longer time horizons.

Scenario analysis for lending

Länsförsäkringar Bank performed a scenario analysis of the mortgage portfolio based on the TCFD's 2018 and 2020 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 Alliance'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. Rises in sea levels were also assumed to affect the market value of properties and thus collateral for the bank.

Sensitivity analysis for the insurance business

A sensitivity analysis was performed for the insurance business aimed at mapping sensitivity against future climate change in a Failed Transition scenario.

Past claims costs for natural catastrophes were stress tested based on data from reports from Projection of Economic impacts of climate change in Sectors of the EU based on bottom-up Analysis (PESETA), Network for Greening the Financial System (NGSF), Swiss Re and SMHI. The results of the sensitivity analysis showed that the business is robust against a higher frequency and scope of claims costs for natural catastrophes related to a Failed Transition scenario. The effect is limited to reinsurance cover that encompasses large natural catastrophes and also a slight increase in claims frequencies.

Cost stress for carbon emissions

Based on the carbon footprint of Länsförsäkringar AB's investment portfolios, estimates are made of the potential cost, based on a one-year horizon, for Länsförsäkringar AB to purchase emissions rights corresponding to size of the carbon footprint. The calculations are performed based on the Network for Greening the Financial System (NGSF) and International Energy Agency's (IEA) estimated CO2 price to achieve net zero emissions by 2050. The result showed that emissions costs may amount to about SEK 180 billion. The result should be interpreted cautiously due to the great uncertainty in assumptions and estimates in the price trends for emission rights and carbon.

Table 18. Cost stress for carbon emissions

	2021 Q2	2020 Q2
tCo2e Price, €	572	282
Emissions from LFAB's Institutional folios (Scope 1&2), tCo2e	159,075	208,000
Scenario (Cost, SEK M)		
IEAs 2°C-scenario ¹⁾	100	64
NGFS 1,5°C-scenario ²⁾	123	79
100% price increase in one year	182	117

¹⁾ In the International Energy Agency's (IEA) forecast for achieving net zero emissions by 2050, the price is forecast at USD 130 per ton Co2e in 2030, corresponding to a price increase of about 10% per year.

²⁾ In the Network for Greening the Financial Systems (NGSF) forecast for achieving net zero emissions by 2050, the price is forecast at USD 800 per ton Co2e in 2050. It is assumed that the price will be realised in 2030, corresponding to a price increase of about 35% per year.

Other material risks

In addition to the risks described above, the Länsförsäkringar AB Group is also exposed to business risks, emerging 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 behavior 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.
- 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 service.

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 harmonizing 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.



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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.

New and 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.

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). 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 AB'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 capitalization. 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 Länsförsäkringar Bank Group, which is encompassed by the group rules for banking operations. After the merger of Länsförsäkringar Sak and Länsförsäkringar AB on 3 May 2021, Länsförsäkringar AB became an insurance company and is no longer subject to group solvency regulations according to the legislation for banking operations. Länsförsäkringar Bank's consolidated situation thus comprises Länsförsäkringar Bank AB and its subsidiaries. However, Länsförsäkringar AB must fulfil the solvency rules for companies in its capacity as an insurance company, which are calculated in accordance with the Insurance Business Act.

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 as far as possible. 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 realizing the business plan in every subsidiary, the Parent Company Länsförsäkringar AB 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 for the Parent Company Länsförsäkringar AB, as well as 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 and Länsförsäkringar AB, 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.

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 capital position under the bank group rules is described in Länsförsäkringar Bank's Annual Report.

Capital position under rules on financial conglomerates and rules on groups in insurance sector

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



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Länsförsäkringar AB, Försäkringsaktiebolaget Agria, Länsförsäkringar Gruppliv and Länsförsäkringar Fondliv 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 19.

Table 19. Financial conglomerate and Group under the insurance-rules: Solvency situation on 31 December 2021

SEK M	31 Dec 2021	31 Dec 2020
Own funds	65,203	57,412
<i>of which own funds included from Länsförsäkringar Liv</i>	<i>17,919</i>	<i>14,639</i>
Capital requirement	45,368	39,186
<i>of which capital requirement Länsförsäkringar Liv</i>	<i>17,919</i>	<i>14,639</i>
Surplus capital	19,835	18,226

Surplus capital compared with regulatory requirements under the rules on financial conglomerates, and according to the group rules in the insurance sector, increased during the year. One of the reasons for the increase was rising stock markets.

Capital position under bank group rules

The outcome of the capital position for the Consolidated Situation is presented in table 20.

Table 20. Capital adequacy. Consolidated Situation on 31 December 2021

SEK M	31 Dec 2021 ¹⁾	31 Dec 2020 ²⁾	31 Dec 2020 ³⁾
Common Equity Tier 1 capital	17,730	21,475	16,456
Tier 1 capital	19,930	22,775	18,656
Own funds (total capital)	22,520	24,519	21,246
Risk Exposure Amount	116,201	128,603	110,316
Common Equity Tier 1 capital ratio, %	15.3	16.7	14.9
Tier 1 ratio, %	17.2	17.7	16.9
Capital adequacy, ratio, %	19.4	19.1	19.3
Risk-based capital requirements			
Own funds requirements (Pillar I)	9,296	10,288	8,825
Pillar II Requirements (P2R)	0	0	0
Combined buffer requirement	2,905	3,215	2,758
Pillar II Guidance (P2G)	0	0	0
Overall adequate level of own funds	12,201	13,503	11,583
Leverage ratio, %	4.3	5.3	4.4
Pillar II Requirements and Pillar II Guidance regarding leverage ratio	0	0	0

¹⁾ As of 31 December 2021, the Consolidated Situation comprises Länsförsäkringar Bank and its subsidiaries (the Bank Group).

²⁾ As of 31 December 2020 the Consolidated Situation comprises Länsförsäkringar Bank and its subsidiaries and Länsförsäkringar AB.

³⁾ Länsförsäkringar Bank and its subsidiaries (the Bank Group) as of 31 December 2020.

The Common Equity Tier 1 capital ratio for the Consolidated Situation was 15.3% (16.7). The decline was mainly due to the merger.

The CRDV has now been introduced and the Financial Supervisory Authority has also issued updated regulations for capital adequacy disclosures, under which presentation of the internally assessed capital requirement is no longer needed.

The formally determined Pillar II Requirements (P2R) and Pillar II Guidance (P2G) for the Consolidated Situation both amounted to SEK 0 M (0% of REA) on 31 December 2021, since the Financial Supervisory

Authority has not yet decided on them. However, the Consolidated Situation continued to meet the former capital planning buffer. The leverage ratio for the Consolidated Situation was 4.3% (5.3) on 31 December 2021. The decline was mainly due to the merger. The formally determined Pillar II Requirements (P2R) and Pillar II Guidance (P2G) regarding the leverage ratio for the Consolidated Situation amounted to SEK 0 M (0%) on 31 December 2021, since the Financial Supervisory Authority has not yet decided on them.

For more information on capital adequacy, refer to Länsförsäkringar Bank's Annual Report.



Table 21. 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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	2021	2020	31 Dec 2021	31 Dec 2020
Fair value hedges										
Interest-rate contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills	-	-	7,215	6,045	-	-	-101	16	-38	9
Bonds and other interest-bearing securities	-	-	40,626	27,534	-	-	-394	149	8	369
Debt securities in issue	-	-	-	-	-	-	-	-	-	-
Hedging instruments										
Interest-rate swaps	47,643	40,901	323	25	75	267	494	-164	-	-
Ineffectiveness ¹⁾	-	-	-	-	-	-	-1	1	-	-
Currency contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills	-	-	1,030	841	-	-	5	-8	19	-15
Bonds and other interest-bearing securities	-	-	3,259	2,537	-	-	-14	14	-53	-132
Debt securities in issue	-	-	-	-	58,914	53,378	874	-13	-432	-817
Hedging instruments										
Cross-currency interest rate swaps	63,243	54,154	768	1,680	166	15	-862	19	-	-
Ineffectiveness ¹⁾	-	-	-	-	-	-	4	12	-	-
Portfolio of fair value hedges										
Interest-rate contracts										
Hedged items										
Loans to the public	-	-	161,344	147,560	-	-	-681	457	-376	305
Deposits and funding of the public	-	-	-	-	0	0	0	-1	0	0
Debt securities in issue	-	-	-	-	166,977	148,809	2,554	-716	-748	1,806
Hedging instruments										
Interest-rate swaps	329,980	296,014	1,166	2,215	1,367	546	-1,868	247	-	-
Ineffectiveness ¹⁾	-	-	-	-	-	-	6	-13	-	-
Cash flow hedges⁵⁾										
Currency contracts										
Hedged items ³⁾	-	-	-	-	-	-	107	44	-	-
Hedging instruments										
Cross-currency interest rate swaps ⁴⁾	59,362	51,779	2,747	2,078	247	766	-107	-44	-	-
Ineffectiveness ¹⁾	-	-	-	-	-	-	-	-	-	-
Total hedged item	-	-	213,472	184,516	225,891	202,186	2,351	-58	-1,620	1,524
Total hedged instruments	500,227	442,848	5,003	5,999	1,855	1,594	-2,342	57	-	-
Total ineffectiveness	-	-	-	-	-	-	9	-0	-	-

¹⁾ The ineffectiveness of all hedging relationships is recognized 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 recognized in other comprehensive income, and the ineffective portion, which is recognized 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 recognized in the balance sheet as assets on the line item "derivatives" and hedging instruments with negative fair values are recognized in the balance sheet as liabilities on the line item "derivatives."

The average fixed interest on outstanding derivatives on 31 December 2021 was 0.3% (0.4).

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.

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Table 22. Länsförsäkringar Bank Group-Maturity profile for nominal amounts in hedging instruments

SEK M	31 Dec 2021			31 Dec 2020		
	Remaining contractual term			Remaining contractual term		
	<1 year	1-5 years	>5 years	<1 year	1-5 years	>5 years
<i>Currency risk</i>						
Nominal amount	11,772	42,442	5,148	5,194	37,421	6,896



Note 3 Earnings per operating segment

2021	Non-life insurance	Agria	Unit-linked insurance	Bank	Support and Service	Eliminations and adjustments	Total
Premiums after ceded reinsurance	2,771	4,891	292	-	-	-14	7,940
Net interest income	-	-	-	4,741	-	-5	4,735
Change in unit-linked insurance assets, policyholder bears the risk	-	-	39,267	-	-	-	39,267
Dividends in unit-linked insurance assets, policyholder bears the risk	-	-	12	-	-	-	12
Investment income, net	3	-	783	54	1,367	-601	1,607
Commission income	31	-	2,214	1,884	-	8	4,136
Other operating income	28	44	105	24	2,395	-280	2,316
Total operating income	2,833	4,936	42,672	6,702	3,762	-892	60,013
Claims payments after ceded reinsurance	-1,979	-3,501	-171	-	-	495	-5,156
Change in life assurance provision	-	-	-	-	-	-9	-9
Change in unit-linked insurance liabilities, policyholder bears the risk	-	-	-40,084	-	-	-	-40,084
Commission expense	-244	-161	-1,638	-2,214	-	17	-4,241
Staff costs	-528	-368	-223	-713	-787	9	-2,611
Other administration expenses	-874	-482	-579	-1,810	-1,982	1,289	-4,436
Credit losses	-	-	-	331	-	-	331
Total expenses	-3,625	-4,512	-42,696	-4,406	-2,769	1,802	-56,206
Technical result	260	424	627	-	-	-1,311	-
Non-technical income/expenses	-1	115	-2	-	-	-112	-
Operating profit	259	539	625	2,296	993	-906	3,806
Tax	-	-	-	-	-	-	-577
Net profit for the year							3,229
Income distribution							
External income	2,799	4,938	41,994	7,391	2,262	629	60,013
Internal income	35	-3	678	-689	1,500	-1,521	-
Total operating income	2,833	4,936	42,672	6,702	3,762	-892	60,013

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Note 3 Earnings per operating segment, cont.

2020	Non-life insurance	Agria	Unit-linked insurance	Bank	Support and Service	Eliminations and adjustments	Total
Premiums after ceded reinsurance	2,638	4,143	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	3,418
Other operating income	-	36	57	20	3,536	-1,364	2,285
Total operating income	2,673	4,179	9,506	6,386	4,514	-2,131	25,126
Claims payments after ceded reinsurance	-1,993	-3,155	-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	-222	-153	-858	-2,107	-	16	-3,324
Staff costs	-249	-317	-219	-636	-1,080	17	-2,484
Other administration expenses	-40	-426	-243	-1,473	-2,656	747	-4,091
Credit losses	-	-	-	-326	-	-	-326
Total expenses	-2,504	-4,050	-8,807	-4,542	-3,736	1,239	-22,401
Technical result	165	132	699	-	-	-996	-
Non-technical income/expenses	187	32	3	-	-	-222	-
Operating profit	352	164	702	1,844	778	-1,114	2,726
Tax	-	-	-	-	-	-	-456
Net profit for the year							2,270
Income distribution							
External income	2,634	4,178	8,966	6,934	2,358	57	25,126
Internal income	39	1	531	-548	2,156	-2,178	-
Total operating income	2,673	4,179	9,497	6,386	4,514	-2,122	25,126

The distribution into operating segments matches how the Group is organized and is monitored by Group Management. The technical result is presented for Non-life insurance, Agria and Unit-linked insurance since the result is followed up by Group Management.

Income is primarily attributable to Sweden, and the remaining part comes from Denmark, Finland, France, Norway, the UK and Germany.

The Non-life insurance segment pertains to non-life and group life-assurance; group life-assurance comprises a minor portion only. The Länsförsäkringar Alliance's internal and external reinsurance is also included. The Non-life Insurance operating segment comprises non-life insurance with income from external customers totalling SEK 2,475 M (2,020) and group life assurance with income from external customers totalling SEK 324 M (307).

Operating segment Agria refers to insurance cover for pets and crops as well as crop insurance for agricultural customers. The operating segment Agria comprises non-life insurance with income from external customers totalling SEK 4,938 M (4,178).

The Unit-linked insurance 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 41,994 M (8,966).

The Bank segment pertains to deposits and lending operations. The legal structure of Länsförsäkringar Bank Group matches the product offering to customers. Income from external customers pertains to bank products totalling SEK 1,681 M (2,543), for mortgage products totalling SEK 2,669 M (1,684), for leasing and installment totalling SEK 1,267 M (1,336) and for fund products totalling SEK 1,768 M (1,370).

Operating segment Support and Service pertains to service, IT and development for the Länsförsäkringar Alliance and costs for joint functions.

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

Impairment of goodwill and intangible assets is included in other administration expenses and amounted to SEK 595 M (-). Impairment is distributed between the operating segments as follows: Non-life Insurance SEK 86 (-) M, Agria 3 (-), Bank SEK 306 (-) M and the Support and Service SEK 200 (-) M.

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



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Premium income per geographic market, operating segment Agria

SEK M	2021	2020
Sweden	3,027	2,666
Other Europe	2,187	1,815
Total	5,214	4,481

Note 4 Premiums after ceded reinsurance

	2021	2020
Non-life insurance		
Premium income, direct insurance, Sweden	5,301	4,699
Premium income, direct insurance, other EEA	2,200	1,828
Premium income, received reinsurance	1,978	2,272
Change in provision for unearned premiums	-425	-503
Change in provision for unexpired risks	6	-26
Total premiums earned before ceded reinsurance	9,060	8,269
Premiums for ceded reinsurance	-1,798	-1,946
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	46	124
Total reinsurers' portion of premiums earned	-1,752	-1,822
Total premiums earned after ceded reinsurance	7,308	6,447
Life assurance		
Premium income, group insurance, direct life assurance in Sweden	665	607
Total premium income before ceded reinsurance	665	607
Premiums for ceded reinsurance	-33	-28
Total premiums after ceded reinsurance	632	579
Total premiums after ceded reinsurance	7,940	7,026

Note 5 Interest income

	2021	2020
Loans to credit institutions	1 ¹⁾	1 ¹⁾
Loans to the public	6,351	6,526
Interest-bearing securities	142 ¹⁾	156 ¹⁾
Derivatives	-388	-140
Other interest income	-	-
Total interest income	6,106	6,543
Average interest rate on loans to the public during the year, %	1.9	2.1

¹⁾ Of which negative interest on Loans to credit institutions of SEK 0 M (0) and Interest-bearing securities of SEK -30 M (-26).

Interest income calculated according to the effective interest method amounted to SEK 6,106 M (6,543).

Note 6 Interest expenses

	2021	2020
Due to credit institutions	-3 ¹⁾	2 ¹⁾
Deposits and borrowing from the public	-148 ¹⁾	-138 ¹⁾
Interest-bearing securities	-1,847 ²⁾	-2,052 ²⁾
Subordinated liabilities	-43	-57
Derivatives	860	714
Other interest expense	-189	-161
Total interest expense	-1,371	-1,692
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 10 M (12).

²⁾ Of which interest expense attributable to senior non-preferred debt amounted to SEK 26 (27) M.



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Note 7 Investment income, net		
	2021	2020
Interest income	48 ¹⁾	45 ¹⁾
Dividends	49	13
Realised profit, net		
Interest compensation (refers to items measured at amortised cost)	47	38
Shares and participations	152	15
Interest-bearing securities	-645	-899
Derivatives	647	1,002
Change in claims annuities reserve	-8	-1
Divestment subsidiaries	-	-
Total realised profit, net	192	154
Unrealised profit, net		
Shares and participations	1,488	348
Interest-bearing securities	2,196	-159
Derivatives	-2,201	106
Total unrealised profit, net	1,483	295
Exchange-rate gains/losses, net	-70	-2
Interest expense	-34	-39
Participations in associated companies	-25	10
Asset management expenses	-37	-39
Investment income, net	1,607	436
Investment income, net, by valuation category		
Financial assets measured at fair value through profit or loss	1,311	449
Financial assets measured at amortised cost	44	37
Financial liabilities measured at amortised cost	-32	-81
Financial assets measured at fair value through other comprehensive income	7	-1
Hedge accounting at fair value		
Hedge accounting at fair value	9	0
Non-financial items included in investment income, net		
Translation, non-life annuity reserve	-7	-1
Value-preserving interest rates claims annuities reserve	-8	-1
Dividends from group and associated companies	14	0
Asset management expenses	-21	-23
Other non-financial items	291	56
Total investment income, net	1,607	436

¹⁾ Of which negative interest on Cash and Bank of SEK -4 M (-0,7) and also Interest-bearing securities of SEK -1 M (-0,6).

Note 8 Commission income		
	2021	2020
Payment mediation commission	146	125
Lending commission	236	236
Deposit commission	5	5
Securities commission	1,893	1,472
Card operations	294	261
Fees pertaining to financial agreements unit-linked insurance	940	811
Rebating of commission	581	460
Other commission	30	34
Commission and profit shares in ceded reinsurance	11	12
Total commission income	4,136	3,417

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 -39 M (-29). Commission and profit shares in ceded reinsurance comprise income attributable to insurance contracts in the non-life insurance segment.

Note 9 Other operating income		
	2021	2020
Service income, regional insurance companies	1,855	1,871
Other service income	330	314
Other income	130	101
Total other operating income	2,316	2,285

Other operating income primarily refers to income from contracts with customers. However, SEK 105 M (57) comprises income attributable to insurance contracts in the unit-linked insurance segment. SEK 90 M (105) comprises rental income in the Support and Service operating segment.



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Note 10 Claims payments

	2021			2020		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
Non-life insurance						
Claims paid	-6,343	1,734	-4,609	-5,435	1,121	-4,314
Claims annuities paid	-49	-	-49	-52	-	-52
Change in provision for claims incurred and reported	-93	38	-55	-816	898	82
Change in provision for claims incurred but not reported	-126	45	-82	-301	56	-245
Total	-6,611	1,816	-4,795	-6,604	2,075	-4,529
Life assurance						
Claims paid	-270	4	-267	-219	4	-215
Change in provision for claims outstanding	-108	13	-95	-46	-19	-65
Total	-378	17	-361	-265	-15	-280
Total non-life insurance and life assurance	-6,989	1,833	-5,156	-6,869	2,060	-4,809

Note 11 Commission expense

	2021	2020
Total commission expense	-149	-141
Management costs	-109	-95
Securities commission	-131	-116
Card operations	-143	-153
Remuneration to the regional insurance companies	-2,968	-2,405
Commission, direct insurance	-239	-206
Commission, assumed reinsurance	-76	-85
Other commission	-426	-122
Total commission expense	-4,241	-3,324



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Note 12 Employees, staff costs and remuneration to senior executives

Average number of employees	2021	2020
Sweden		
Men	925	889
Woman	1,207	1,187
Total Sweden	2,132	2,076
Denmark		
Men	2	1
Woman	24	17
Total Denmark	26	18
Finland		
Men	1	1
Woman	10	9
Total Finland	11	10
France		
Men	1	2
Woman	6	4
Total France	7	6
Norway		
Men	11	7
Woman	42	42
Total Norway	53	49
UK		
Men	38	40
Woman	82	72
Total UK	120	112
Germany		
Men	1	0
Woman	1	0
Total Germany	2	0
Total number of employees		
Men	979	940
Woman	1,372	1,331
Total	2,351	2,271
Salaries, other remuneration and social security expenses, Other employees	2021	2020
Salaries and remuneration	1,602	1,553
of which variable remuneration	-	-
Social security expenses	878	832
of which pension costs	324	290
Total	2,480	2,385
Board of Directors and senior executives, 42 (31)	2021	2020
Salaries and remuneration	56	59
of which variable remuneration	-	-
Social security expenses	41	44
of which pension costs	18	20
Total	97	102

Total salaries, other remuneration and social security expenses

	2021	2020
Salaries and remuneration	1,658	1,612
of which variable remuneration	-	-
Social security expenses	919	875
of which pension costs	343	310
Total	2,577	2,487

Disclosures related to remuneration of senior executives pertain to the management of Gamla Länsförsäkringar AB until April, the new senior executives in Länsförsäkringar AB from May and remuneration of the previous management of the former Länsförsäkringar Sak AB, now Länsförsäkringar AB, until April.

Länsförsäkringar Bank has about 1,800 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 9 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. For other senior executives in the former Länsförsäkringar Sak, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), Forena and the Swedish Confederation of Professional Associations (SACO).

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 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). The retirement age for other senior executives in the former Länsförsäkringar Sak is 65. The terms comply with pension agreements between the FAO, Forena and SACO. Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year for each senior executive.

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.



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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 2021	31 Dec 2020
Board members	132	54
President and Executive Vice President	22	25
Other senior executives	35	64
Total loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	189	143

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 2021	31 Dec 2020
Board members	36	34
Other senior executives	46	47

Note 13 Fees and remuneration to auditors

	2021	2020
KPMG AB		
- Audit assignments	-14	-15
- Audit operations in addition to the audit assignment	-1	-1
- Tax consulting	-1	-
- Other assignments	-3	-1
Total fees and cost reimbursements to auditors	-19	-17

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

	2021	2020
Other administration expenses		
Costs for premises	-65	-76
Depreciation/amortisation and impairment	-621	-386
IT costs	-2,198	-2,254
Consultant costs	-481	-459
Marketing	-353	-259
Telephone and postage	-104	-124
Other administration expenses	-614	-532
Total other administration expenses	-4,436	-4,091

Note 15 Credit losses

	2021	2020
Changes in loss allowance for loan receivables		
Stage 1 (not credit-impaired)	93	-76
Stage 2 (not credit-impaired)	120	-54
Stage 3 (credit-impaired)	39	-83
Total change in loss allowance for loan receivables	253	-213
Expense for confirmed credit losses	-242	-193
Payment received for prior confirmed credit losses	308	105
Net expense for the period for credit losses for loan receivables	319	-300
Change in loss allowance for commitments	19	-21
Net expense for other credit losses	-7	-4
Net expense of the modification result	0	0
Net expense for credit losses	331	-326

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 2021, total credit losses amounted to SEK -385 M (-370), of which the Bank Group's recognised credit losses amounted to SEK 331 M (-326) and the remainder of SEK -54 M (-45) was offset against remuneration to the regional insurance companies.

	31 Dec 2021	31 Dec 2020
Loss allowance		
Financial assets measured at amortised cost		
Cash and balances at central banks	-	-
Loans to credit institutions	0	0
Loans to the public	529	782
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	23	43
Guarantees	0	0
Total loss allowance	553	826

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 23 and 44.



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Note 16 Taxes

	2021	2020
Current tax		
Tax expenses for the period	-475	-386
Adjustment of tax expense pertaining to prior years	6	-5
Total current tax	-469	-391
Deferred tax		
Deferred tax pertaining to temporary differences	-82	-67
Deferred tax pertaining to capitalised tax value in loss carryforwards	-26	3
Total deferred tax	-108	-64
Total recognised tax expense	-577	-456
Reconciliation of effective tax rate		
Profit before tax	3,806	2,726
Tax in accordance with applicable tax rate for Parent Company	-784	-583
Effect of other tax rates for foreign companies	1	3
Tax on non-deductible costs	-74	-76
Tax on non-taxable income	280	199
Utilisation of non-capitalised loss carryforwards	2	-
Tax attributable to earlier years	7	-5
Tax attributable to changed tax rates	-9	7
Resolution of deferred tax	-1	0
Recognised effective tax on profit for the year	-577	-456
Applicable tax rate, %	20.6	21.4
Effective tax rate, %	15.2	16.7
Tax attributable to other comprehensive income		
Cash-flow hedges	-23	21
Financial Assets measured at fair value through other comprehensive income	-18	-20
Total tax attributable to other comprehensive income	-41	1

Note 17 Earnings per share

	2021	2020
Net profit/loss attributable to Parent Company's shareholders, SEK M	3,229	2,270
Number of shares with a quotient value of SEK 19,19	10,424,582	10,424,582
Earnings per share before and after dilution, SEK	310	218

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

	2021	2020
Cost		
Opening cost, 1 January ¹⁾	618	558
Acquisitions	-	78
Exchange-rate differences	16	-18
Closing cost, 31 December	634	618

1) Accumulated impairments amounts to SEK -179 M (-179).

	2021	2020
Agria Pet Insurance Ltd.	185	169
Agria Vet Guide AB	78	78
Länsförsäkringar Fondliv		
Försäkrings AB	372	372
Closing cost, 31 December	634	618

Assumptions for testing of value	2021	2020
Non-life insurance		
Long-term growth, %	2.0	2.0
Discount rate after tax, %	6.2	6.3

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 Försäkringsaktiebolaget Agria.

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%.



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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 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
Opening cost, 1 January 2021	4,329	79	4,247	8,655
Acquisitions	493	11	-	505
Divestments/disposals	-12	-31	-	-43
Reclassification	-174	174	-	0
Exchange-rate differences	4	-	-	4
Closing cost, 31 December 2021	4,640	233	4,247	9,120
Amortisation				
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	-3,528
Opening accumulated amortisation, 1 January 2021	-1,529	-50	-1,949	-3,528
Amortisation	-281	-16	-143	-440
Divestments/disposals	10	30	-	40
Reclassification	95	-95	-	0
Exchange-rate differences	-2	-	-	-2
Closing accumulated amortisation, 31 December 2021	-1,709	-131	-2,092	-3,931
Impairment				
Opening accumulated impairment, 1 January 2020	-755	-11	-	-766
Divestments/disposals	29	-	-	29
Closing accumulated impairment, 31 December 2020	-726	-11	-	-736
Opening accumulated impairment, 1 January 2021	-726	-11	-	-736
Impairment	-594	-	-	-594
Divestments/disposals	3	-	-	3
Reclassification	54	-54	-	0
Closing accumulated impairment, 31 December 2021	-1,263	-65	-	-1,327
Carrying amount, 31 December				
2020	2,074	18	2,298	4,390
2021	1,669	37	2,156	3,862

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.



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Note 20 Property and equipment

	2021	2020
Cost		
Opening cost, 1 January	369	306
Reclassification	0	60
Acquisitions	87	20
Divestments/disposals	-233	-14
Exchange-rate differences	3	-3
Closing cost, 31 December	226	369
Depreciation and impairment		
Opening accumulated depreciation 1 January	-311	-237
Reclassification	0	-60
Depreciation	-21	-26
Divestments/disposals	227	10
Exchange-rate differences	-2	2
Closing accumulated depreciation, 31 December	-107	-311
Right-of-use assets (excluding owner-occupied property)	349	283
Inventories, market items	13	17
Carrying amount, 31 December	482	358

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 2021	Premises	Vehicles	IT-hard-ware	Equip-ment	Total
Depreciation for the period	-141	-6	-105	-8	-261
Carrying amount, 31 December	907	2	342	6	1.256

Right-of-use assets 2020	Premises	Vehicles	IT-hard-ware	Equip-ment	Total
Depreciation for the period	-138	-7	-85	-4	-234
Carrying amount, 31 December	1.022	6	273	3	1.304

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 42 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

	2021	2020
Interest expense for lease liabilities	-16	-19
Variable fees not included in calculation of lease liability	-11	-8
Costs for low-value leases (excluding short-term leases of low-value assets)	-3	-8

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

	2021	2020
Total cash outflow for leases	-291	-269

Note 21 Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ)

	Corporate Registration Number	Registered office	Number of shares	Shares of equity, %	Equity, 31 December 2021	Earnings 2021	Carrying amount '31 December 2021	Carrying amount '31 December 2020
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	39,304	11,691	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 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. Länsförsäkringar Liv is recognised and valued as unquoted shares in accordance with IFRS 9 Financial Instruments.



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Note 22 Shares and participations in associated companies

	2021	2020
Carrying amount at beginning of the year	72	62
Profit shares in the associated company	-25	10
Other changes in the associated company's equity	-	0
Acquisition of shares in associated companies	28	-
Total shares and participations in associated companies	75	72

	Corporate Registration Number	Registered office	Numbers of shares	Shares of equity, %	Carrying amount 31 Dec 2021	Carrying amount 31 Dec 2020
CAB Group AB	556131-2223	Örebro	1,582	28.8	37	58
European Alliance Partners Company AG	CH-0203026423-1	Zürich, Schweiz	9,248	12.5	10	11
FörsäkringsGiroet Sverige AB	556482-4471	Solna	5,000,000	16.6	-	-
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	-	-
Svenska Andelshästar AB	556536-9633	Uppsala	450	45.0	2	2
LF Trygghetstjänster AB	559316-2034	Stockholm	11,700	23.4	26	-
Summa					75	72

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 AB 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 AB 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 23 Loans to the public

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	2021	2020
Public sector	10,295	9,967
Corporate sector	22,420	20,885
Retail sector	329,437	309,936
Other	368	-
Loan to the public before reserves	362,520	340,788
Reserves	-529	-782
Loan to the public	361,991	340,007

Fixed-interest period

	2021	2020
Remaining term of not more than 3 months	215,311	191,834
Remaining term of more than 3 months but not more than 1 year	47,254	39,116
Remaining term of more than 1 years but not more than 5 years	97,704	107,467
Remaining term of more than 5 years	1,722	1,590
Loans to the public	361,991	340,007

Remaining term is defined as the remaining fixed-income period if the loan has periodically restricted conditions.



Note 23 Loans to the public, cont.

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31 Dec 2021	Gross carrying amount				Loss allowance				Net carrying amount
	Distribution by stage, SEK M	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Länsförsäkringar Hypotek AB	276,394	1,933	200	278,527	-2	-1	-1	-4	278,523
Länsförsäkringar Bank AB	55,966	1,626	328	57,920	-1	-2	-12	-16	57,904
Wasa Kredit AB	22,298	3,215	562	26,074	-71	-87	-353	-510	25,564
Total	354,657	6,773	1,090	362,520	-74	-89	-366	-529	361,991

31 Dec 2020	Gross carrying amount				Loss allowance				Net carrying amount
	Distribution by stage, SEK M	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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

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 for the year changed by SEK -253 M (213). The decline was primarily attributable to the subsidiary Wasa Kredit AB. Repayments and transfers between stages together with a more favourable macroeconomic scenario contributed to the decline. Wasa Kredit has also sold agreements in its portfolio, which contributed to a reduction on stage 3.

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 399 M (246) as per 31 December 2021.

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. 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%.

Mkr	Base scenario				Negative scenario				Positive scenario			
	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
Housing prices, annual change in %	4.03	4.03	4.03	4.03	3.62	4.03	4.03	4.03	4.45	4.03	4.03	4.03
GDP, annual change in %	3.90	1.78	1.77	1.77	3.06	1.45	1.81	1.81	4.75	2.25	1.81	1.81
Unemployment, level in %	7.52	6.99	6.96	7.00	7.83	7.15	7.01	7.00	7.30	6.98	6.96	7.00

Modified loan receivables in loans to the public

	31 Dec 2021	31 Dec 2020
Loan receivables modified during the period that were in stage 2 and 3 when they were modified		
Amortised cost before modification	174	918
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	237	276

Note 24 Unit-linked insurance assets, policyholder bears the risk

	31 Dec 2021	31 Dec 2020
Equity funds	202,467	150,258
Fixed-income funds	16,635	15,660
Total unit-linked insurance assets	219,102	165,918
Amortised cost	135,718	115,101



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Note 25 Financial leasing

Financial lease agreements specified by maturity structure where the Group is the lessor.

31 Dec 2021	Up to 1 year	1-5 years	More than 5 years	Total
Present value of future minimum lease fees	2,559	4,135	862	7,556
Unearned financial income ¹⁾	536	730	105	1,372
Gross investment	3,095	4,865	967	8,927

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

¹⁾ Attributable to present value calculation.

	2021	2020
Provision for impaired loans pertaining to minimum lease fees	151	308
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.

Note 26 Shares and participations

Carrying amount	31 Dec 2021	31 Dec 2020
Listed shares and participations	3,982	3,119
Unlisted shares and participations	2,876	2,114
Total shares and participations	6,858	5,233

	31 Dec 2021	31 Dec 2020
Fair value	6,858	5,233
Cost	3,374	3,245

In 2021, the Group divested shares and participations measured at fair value through other comprehensive income, and the accumulated gain amounted to SEK 0.1 M. Shares and participations were also divested in 2020 that were measured at fair value through other comprehensive income, and the accumulated gain of SEK 2.2 M was transferred from the fair value reserve to retained earnings.

Note 27 Bonds and other interest-bearing securities

Carrying amounts	31 Dec 2021	31 Dec 2020
Swedish government	13	36
Swedish mortgage institutions	37,636	37,267
Other Swedish issuers	7,931	6,880
Foreign states	1,788	2,052
Other issuers	12,317	10,154

Total bonds and other interest-bearing securities

	31 Dec 2021	31 Dec 2020
59,686	59,686	56,389
Fair value	59,686	56,389
Amortised cost	57,931	55,752
Nominal value	56,973	53,915
Listed securities	58,304	55,779
Unlisted securities	1,382	610

Carrying amounts of the securities compared with their nominal amounts

	31 Dec 2021	31 Dec 2020
Total fixed income funds	1,842	1,123
Total surplus	907	1,362
Total deficit	-34	-10

For loss allowance, see note 15 Credit losses.

Note 28 Treasury bills and other eligible bills

Carrying amount	31 Dec 2021	31 Dec 2020
Swedish government	14,967	11,409
Finnish government	131	129
German government	428	257

Total treasury bills and other eligible bills

	31 Dec 2021	31 Dec 2020
15,526	15,526	11,796
Fair value	15,526	11,796
Amortised cost	15,481	11,750
Nominal value	15,211	11,355

For loss allowance, see note 15 Credit losses.



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Note 29 Fair value adjustment of interest-rate-risk hedged items in portfolio hedge

	31 Dec 2021	31 Dec 2020
Assets		
Carrying amount, 1 January	305	5
Changes during the year pertaining to lending	-305	300
Changes during the year pertaining to funding	735	-
Changes during the year pertaining to deposits	-	-
Carrying amount, 31 December	735	305
Liabilities		
Carrying amount, 1 January	1,809	1,241
Changes during the year pertaining to deposits	-	-
Changes during the year pertaining to funding	-1,809	568
Changes during the year pertaining to lending	376	-
Carrying amount, 31 December	376	1,809

Note 30 Other receivables

	31 Dec 2021	31 Dec 2020
Receivables pertaining to direct insurance	2,966	2,512
Accounts receivable	374	357
Receivables pertaining to reinsurance	544	428
Deposits with companies that have ceded reinsurance	112	125
Other receivables	2,435	3,361
Total other receivables	6,430	6,783

Accounts receivable related to contracts with customers amounted to SEK 173 M (166) in the Parent Company and SEK 1 M (2) in Länsförsäkringar Fondliv. Accounts receivable pertaining to leases amounted to SEK 181 M (161).

Other receivables related to contracts with customers amounted to SEK 28 M (11) in the Parent Company and SEK 459 M (613) 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 31 Prepaid expenses and accrued income

	31 Dec 2021	31 Dec 2020
Accrued interest and rental income	36	38
Deferred acquisition costs	2,536	1,831
Other accrued income	294	227
Recognised assets from expenses for completing an agreement	9	23
Other prepaid expenses	633	508
Total prepaid expenses and accrued income	3,508	2,628
Opening balance Deferred acquisition costs 1 January	1,831	1,568
Capitalised acquisition costs	1,760	1,110
Depreciation	-1,054	-846
Impairment	-	-1
Closing balance Deferred acquisition costs 31 December	2,536	1,831

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 32 Cash and cash equivalents

	31 Dec 2021	31 Dec 2020
Cash and balances with central banks	14,361	53
Balances with other banks	2,515	2,168
Total cash and cash equivalents	16,877	2,221

For loss allowance, see note 15 Credit losses.



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Note 33 Equity

MSEK	Restricted equity		Non-restricted equity including comprehensive income for the year	Total equity
	Share capital	Restricted reserves		
Opening equity, 1 January 2020	1,042	5,375¹⁾	24,489¹⁾	30,907
Net profit for the year	-	-	2,270	2,270
Change in translation reserve	-	-22	-13	-35
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	0	-22	-29	-51
Comprehensive income for the year	-	-22	2,241	2,219
Dividend paid Additional Tier 1 instruments	-	-	-75	-75
Transfer between restricted and non-restricted equity	-	7	-7	-
Realised gain from sales of shares	-	-	0	0
Closing equity, 31 December 2020	1,042	5,360	26,649	33,051
Effect of change in accounting policy	-	-	-4	-4
Adjusted opening equity, 1 January 2021	1,042	5,360	26,645	33,048
Effect of merger ²⁾	-842	-5,362	6,204	-
Dividends paid	-	-	-1,001	-1,001
Net profit for the year	-	-	3,229	3,229
Change in translation reserve	-	19	20	40
Change in fair value reserve	-	-	63	63
Change in hedging reserve	-	-	88	88
Tax on items recognised in other comprehensive income	-	-	0	0
Total other comprehensive income	-	19	172	192
Comprehensive income for the year	-	19	3,401	3,421
Dividend paid Additional Tier 1 instruments	-	-	-81	-81
Transfer between restricted and non-restricted equity	-	135	-135	0
Closing equity, 31 December 2021	200	152	35,035	35,387

¹⁾ Comparative figures were reclassified from Restricted Equity to Non-restricted Equity.

²⁾ Refers to changes in the Group's equity due to the merger.

The quotient value per share is SEK 19.19. All shares are ordinary shares.

Of the shares issued on 31 December 2021, 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).



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Note 33 Equity, cont.

Specification of the capital item Reserves in the statement of financial position

Changes in these reserves are included in comprehensive income for the year.

	2021	2020
Translation reserve		
Opening translation reserve, 1 January	-65	-30
Translation differences for the year	40	-35
Closing translation reserve, 31 December	-25	-65
Fair value reserve		
Opening fair value reserve, 1 January	-303	-374
Change for the year in fair value of available-for-sale financial assets	82	91
Tax attributable to change for the year	-19	-20
Closing fair value reserve, 31 December	-240	-303
Hedging reserve		
Opening hedging reserve, 1 January	-259	-170
Change for the year in cash-flow hedges	111	-110
Tax attributable to change for the year	-23	21
Closing hedging reserve, 31 December	-170	-259

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).

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 paid

A dividend of SEK 1,751 M is proposed for 2021. 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 34 Subordinated liabilities

	31 Dec 2021	31 Dec 2020
Subordinated debts with three-month floating interest rates	1,747	1,699
Subordinated debts with a fixed interest rate	848	898
Total subordinated liabilities	2,595	2,597

The subordinated loans listed and can be redeemed on 1 March 2023 and 25 February 2026 at the earliest. These loans fall due on 1 March 2028 and 25 February 2031. Interest on the variable loans was 1.1% and 0.9% on 31 December 2021. The interest rate on fixed loans is 1.8% and 1.2%.



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Note 35 Technical provisions

	2021			2020		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance, 1 January	3,117	383	2,733	2,715	288	2,427
Provisions during the period	425	51	373	503	98	406
Exchange-rate changes	78	1	77	-102	-2	-100
Closing balance, 31 December	3,619	435	3,184	3,117	383	2,733
of which non-life insurance	3,619	435	3,184	986	383	603
Unexpired risk						
Opening balance, 1 January	62	62	-	35	35	-
Provisions during the period	-6	-6	-	26	26	-
Closing balance, 31 December	56	56	-	62	62	-
of which non-life insurance	-	-	-	-	-	-
Life-assurance provision						
Opening balance, 1 January	2,323	-	2,323	3,091	-	3,091
Provisions during the period	9	-	9	-1,072	-	-1,072
Deposits	645	-	645	457	-	457
Payments	-105	-	-105	-67	-	-67
Difference between premiums paid and provisions for new operation	-230	-	-230	-138	-	-138
Costs withdrawn	-11	-	-11	-11	-	-11
Change in provision due to change in interest-rate assumption	-85	-	-85	61	-	61
Change due to changed cost assumption	-23	-	-23	-49	-	-49
Change due to amended transfer assumption	-102	-	-102	43	-	43
Other changes	-1	-	-1	8	-	8
Closing balance, 31 December	2,422	-	2,422	2,323	-	2,323
of which life assurance	2,422	-	2,422	2,323	-	2,323
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 opening balance, 1 January	14,112	10,112	4,000	13,018	9,181	3,837
Provisions for the period	327	95	232	1,158	935	223
Interest-rate translation of provision for claim annuities	16	-	16	2	-	2
Transferred insurance portfolio	-	-	-	-	-	-
Exchange-rate changes	79	3	76	-67	-5	-62
Closing balance, 31 December	14,533	10,210	4,323	14,111	10,111	4,000
of which non-life insurance	13,916	10,152	3,765	13,602	10,066	3,536
of which life assurance	617	58	559	509	45	464
Specification of closing balance claims outstanding						
Claims incurred and reported	5,892	5,330	562	5,783	5,287	497
Claims incurred but not reported	6,830	4,880	1,951	6,575	4,825	1,750
Claims annuities	1,546	-	1,546	1,518	-	1,518
Claims adjustment costs	265	-	265	236	-	236
Total closing balance, 31 December	14,533	10,210	4,323	14,111	10,111	4,000
Carrying amount at year-end	20,631	10,701	9,929	19,613	10,557	9,056
of which non-life insurance	17,592	10,643	6,949	14,650	10,512	4,139
of which life assurance	3,039	58	2,980	2,832	45	2,787
Run-off profit/loss, non-life insurance	593	-238	355	439	-238	201

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 3.60% is also included. Other non-life insurance is not discounted.



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Note 36 Unit-linked insurance liabilities, policyholder bears the risk

Unit-linked insurance commitments	31 Dec 2021	31 Dec 2020
Opening balance	166,411	154,927
Payments	23,772	11,517
Migrations, repurchases and cancellations	-5,352	-3,246
Paid remuneration	-3,628	-3,020
Costs withdrawn	-913	-789
Change in value	39,318	7,140
Yield tax	-144	-134
Other changes	-15	17
Closed balance, unit-linked insurance commitments	219,450	166,411
Conditional bonus	3,340	2,323
Total	222,791	168,735

Note 37 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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Intangible assets	-23	-31	-	-	-23	-31
Financial assets	-	1	-	-	-	1
Receivables	-12	-8	-	-	-12	-8
Other assets	1	-	1	1	2	1
Liabilities	-	-12	0	0	0	-12
Loss carryforwards	-3	-30	-	-	-3	-30
Untaxed reserves	-	-	1,008	944	1,008	944
Cash-flow hedges	-44	-67	-	-	-44	-67
Deferred tax asset (-) / deferred tax liability (+)	-82	-148	1,010	945	928	797
Offset	-	-	-	-	-	-
Net deferred tax asset (-) / deferred tax liability (+)	-82	-148	1,010	945	928	797

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

	Amount at 1 January	Adjusted opening balance due to the merger	Recognised in profit or loss	Recognised in other comprehensive income	Amount at 31 December
2021					
Intangible assets	-31	-	9	-	-23
Financial assets	1	-1	-	-	0
Receivables	-8	-12	9	-	-12
Other assets	1	1	0	-	2
Liabilities	-12	12	0	-	0
Loss carryforwards	-30	-	26	-	-3
Untaxed reserves	944	-	65	-	1,008
Cash-flow hedges	-67	-	-	23	-44
Deferred tax assets (-) / deferred tax liabilities (+)	797	0	108	23	928

	Amount at 1 January	Adjusted opening balance due to the merger	Recognised in profit or loss	Recognised in other comprehensive income	Amount at 31 December
2020					
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



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Note 38 Other provisions

	31 Dec 2021	31 Dec 2020
Provision for pensions being paid	51	51
Other provisions	105	96
Total other provisions	156	146

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 2022 are expected to total SEK 103 M.

	2021	2020
Expenses for defined-contribution plans	305	273

Note 39 Debt securities in issue

	31 Dec 2021	31 Dec 2020
Commercial paper	617	476
Bond loans	261.197	231.972
<i>of which Covered bonds</i>	<i>220.592</i>	<i>195.861</i>
Senior non-preferred debt	4.258	2.994
Cashier's cheques issued	25	29
Total debt securities in issue	266.097	235.471

Note 40 Deposits from the public

	31 Dec 2021	31 Dec 2020
Deposits from insurance companies	2.804	1.249
Deposits from households	124.754	114.958
Deposits from other Swedish public	16.952	17.540
Total deposits from the public	144.510	133.747

Note 41 Due to credit institutions

	31 Dec 2021	31 Dec 2020
Swedish banks	5.892	5.403
Other Swedish credit institutions	2.000	2.000
Total liabilities due to credit institutions	7.892	7.403
Payable on demand	43	43

Genuine repurchase transactions amounted to SEK 1,533 M (1,935).

Note 42 Other liabilities

	31 Dec 2021	31 Dec 2020
Liabilities pertaining to direct insurance	1.086	981
Due to Länsförsäkringar Liv Försäkrings AB	27	29
Liabilities, assumed reinsurance	186	182
Liabilities, reinsurance	157	153
Accounts payable	452	405
Tax liabilities	182	191
Deposits from reinsurers	67	66
Lease liabilities	1.296	1.344
Other liabilities	1.082	1.596
Total other liabilities	4.534	4.947

Note 43 Accrued expenses and deferred income

	31 Dec 2021	31 Dec 2020
Accrued interest expense	938	977
Other accrued expenses	2.154	2.090
Prepaid rent	242	243
Contract liabilities	58	27
Other deferred income	1.192	1.114
Total accrued expenses and deferred income	4.584	4.451

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.



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Note 44 Pledged assets and contingent liabilities

	31 Dec 2021	31 Dec 2020
Pledged assets		
Registered assets on behalf of policyholders¹⁾		
Unit-linked insurance assets for which the policyholder bears the risk	219,102	165,919
Shares and participations	4,980	3,735
Bonds and other interest-bearing securities	9,278	6,657
Derivatives	0	-
Other receivables	2,684	2,832
Cash and cash equivalents	1,147	801
Total registered assets	237,191	179,944 ²⁾
Other pledged assets		
Pledged securities in the Riksbank	4,552	4,590
Pledged securities in Euroclear	2,040	2,519
Loan receivables, covered bonds	266,887	248,609
Loan receivables, substitute collaterals	9,790	10,390
Collateral paid due to repurchase agreement	1,533	1,935
Securities collateral paid, derivatives	3,466	2,256
Other collateral for securities	35	62
Pledged bank funds	10	15
Total other pledged assets	288,313	270,375
Total pledged assets	525,503	450,319 ²⁾

¹⁾ In an insolvency situation, preferential rights accrue to policyholders to the extent stipulated in the Insurance Business Act. Assets in the preferential rights register are to be used to cover commitments to policyholders. The company's technical provisions in the Solvency II balance sheet amounted to SEK 212,850 M on 31 December 2021. The amounts in the table are for assets measured at fair value according to the Insurance Business Act.

²⁾ Comparative figures have been adjusted.

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 and Länsförsäkringar Fondliv have signed a service agreement with Länsförsäkringar Liv due to Länsförsäkringar Liv's run-off. Länsförsäkringar AB 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 resulted in a decline of 0.9 percentage points in the Länsförsäkringar Group's solvency ratio, primarily as a result of the agreement's effect on Länsförsäkringar Fondliv's assumption regarding operating expense cash flow.

	31 Dec 2021	31 Dec 2020
Contingent liabilities		
Guarantees and other contingent liabilities	33	34
Total contingent liabilities	33	34
Other commitments		
Loans approved but not disbursed	21,107	20,629
Unutilised portion of overdraft facilities	3,180	2,823
Remaining amount to invest in investment asset	1,140	980
Unutilised portion of credit card facilities	1,936	1,821
Total other commitments	27,365	26,253



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Note 44 Pledged assets and contingent liabilities, cont.

Reconciliation of reported gross carrying amount and loss allowance for

	Note credit-impaired		Credit impaired		Total			
	Stage 1	Stage 2	Stage 3	Stage 3	Credit risk exposure	Loss allowance		
SEK M	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance
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
Opening balance, 1 Jan 2021	24,883	-32	379	-9	12	-1	25,274	-43
New loan commitments and increase in existing loan commitments	103,446	-22	81	-5	6	-15	103,534	-42
Changes:								
Change in loss allowance model or method	-	0	-	0	-	0	-	0
Net change in existing loan commitments and credit commitments (utilised and repaid)	-49,748	11	-126	3	-2	2	-49,875	16
Change in risk parameters	-	11	-	3	-	-1	-	14
Transfer of loan commitments and credit commitments:								
Transfer from stage 1 to stage 2	-616	4	616	-5	-	-	-	-1
Transfer from stage 2 to stage 1	141	-1	-141	1	-	-	-	0
Transfer to stage 3	-13	1	-2	1	15	-2	-1	-1
Transfer from stage 3	3	0	1	0	-4	0	-	0
Expired loan commitments	-52,352	14	-340	6	-16	13	-52,707	33
Closing balance, 31 Dec 2021	25,744	-15	469	-6	11	-2	26,225	-23

The loss allowance decreased by SEK -8 M (21) during the year. This was due to new loan commitments and an impairment in credit risk parameters.

On 31 December 2021, the total loss allowance for commitments amounted to SEK 31 M (53), of which the Group's recognised loss allowance amounted to SEK 23 M (43) and the remainder of SEK 7 M (10) was settled against remuneration to the regional insurance companies. For more information on the distribution remuneration model, refer to note 23 Loans to the public.



Note 45 Anticipated recovery and settlement periods for assets and liabilities

	31 Dec 2021			31 Dec 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Amount expected to be recovered						
Assets						
Goodwill	-	634	634	-	618	618
Other intangible assets	738	3,124	3,862	306	4,084	4,390
Deferred tax assets	50	31	82	119	29	148
Property and equipment	38	443	481	41	316	358
Owner-occupied property	-	907	907	-	1,022	1,022
Shares in Länsförsäkringar Liv Försäkrings AB	-	8	8	-	8	8
Shares and participations in associated companies	-	75	75	-	72	72
Reinsurers' portion of technical provisions	1,717	8,984	10,701	1,480	9,077	10,557
Loans to the public	21,369	340,623	361,991	25,107	314,899	340,007
Unit-linked insurance assets, policyholder bears the risk	13,751	205,351	219,102	10,285	155,634	165,918
Shares and participations	-	6,858	6,858	-	5,233	5,233
Bonds and other interest-bearing securities	12,846	46,840	59,686	16,210	40,179	56,389
Treasury bills and other eligible bills	10,230	5,296	15,526	5,167	6,629	11,796
Derivatives	1,120	3,005	4,125	885	4,630	5,515
Change in value of hedge portfolios	735	-	735	305	-	305
Other receivables	6,426	4	6,430	6,779	4	6,783
Prepaid expenses and accrued income	1,734	1,774	3,508	1,373	1,254	2,628
Cash and cash equivalents	16,877	-	16,877	2,221	-	2,221
Total assets	87,631	623,958	711,589	70,278	543,689	613,967
Amount expected to be settles						
Liabilities						
Subordinated liabilities	-	2,595	2,595	-	2,597	2,597
Technical provisions	6,647	13,984	20,631	5,623	13,991	19,613
Unit-linked insurance liabilities, policyholder bears the risk	13,983	208,808	222,791	10,459	158,275	168,735
Deferred tax liabilities	1	1,008	1,010	1	944	945
Other provisions	35	120	156	5	141	146
Debt securities in issue	44,435	221,662	266,097	28,899	206,572	235,471
Deposits from the public	143,916	593	144,510	133,167	580	133,747
Due to credit institutions	6,042	1,850	7,892	5,403	2,000	7,403
Derivatives	121	908	1,029	165	885	1,051
Change in value of hedge portfolios	376	-	376	1,809	-	1,809
Other liabilities	3,448	1,086	4,534	3,814	1,133	4,947
Accrued expenses and deferred income	4,584	-	4,584	4,225	226	4,451
Total liabilities	223,588	452,615	676,202	193,571	387,345	580,915

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Note 46 Classification of financial assets and liabilities

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	Financial assets measured at fair value in profit or loss			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	Financial assets measured at amortised cost	Debt instruments measured at fair value through other comprehensive income	Equity instruments		
31 Dec 2021								
Assets								
Shares in Länsförsäkringar Liv								
Försäkrings AB	-	-	-	-	-	8	8	8
Loans to the public	-	-	-	361,991	-	-	361,991	362,274
Unit-linked insurance assets, policyholder bears the risk	219,102	-	-	-	-	-	219,102	219,102
Shares and participations	5,294	-	1,413	-	-	151	6,858	6,858
Bonds and other interest-bearing securities	9,261	-	-	-	50,425	-	59,686	59,686
Treasury bills and other eligible bills	-	-	-	-	15,526	-	15,526	15,526
Derivatives	31	4,095	-	-	-	-	4,125	4,125
Other receivables	-	-	-	2,266	-	-	2,266	2,266
Prepaid expenses and accrued income	-	-	-	430	-	-	430	430
Cash and cash equivalents	-	-	-	16,877	-	-	16,877	16,877
Total assets	233,688	4,095	1,413	381,563	65,951	159	686,869	687,152

	Financial liabilities measured at fair value in profit or loss					Total	Fair value
	Financial liabilities measured according to fair value option	Identified at fair value in profit and loss	Derivatives used in hedge accounting	Financial assets measured at amortised cost	Financial liabilities measured at amortized cost		
31 Dec 2021							
Liabilities							
Subordinated debt	-	-	-	-	2,595	2,595	2,593
Debt securities issued	-	-	-	-	266,097	266,097	268,158
Liabilities for unit-linked life insurance commitment	-	219,450	-	-	-	219,450	219,450
Deposits from the public	-	-	-	-	144,510	144,510	147,224
Due to credit institutions	-	-	-	-	7,892	7,892	7,892
Derivatives	82	-	947	-	-	1,029	1,029
Other liabilities	-	-	-	-	2,235	2,235	2,235
Accrued expenses and deferred income	-	-	-	-	1,217	1,217	1,217
Total liabilities	82	219,450	947		424,546	645,025	649,797



Note 46 Classification of financial assets and liabilities, cont.

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	Financial assets measured according to fair value option	Derivatives used in hedge accounting	Equity instruments	Financial assets measured at amortised cost	Debt instruments measured at fair value through other comprehensive income	Equity instruments		
31 Dec 2020								
Tillgångar								
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

	Financial liabilities measured at fair value in profit or loss					Total	Fair value
	Financial liabilities measured according to fair value option	Identified at fair value in profit and loss	Derivatives used in hedge accounting	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost		
31 Dec 2020							
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

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.



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Note 47 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 2021				31 Dec 2020			
	Level 1	Level 2	Level 4	Total	Level 1	Level 2	Level 4	Total
Assets								
Shares in Länsförsäkringar Liv Försäkrings AB	-	-	8	8	-	-	8	8
Unit-linked insurance assets, policyholder bears the risk	219,102	-	-	219,102	165,918	-	-	165,918
Shares and participations	3,982	21	2,855	6,858	3,119	59	2,054	5,233
Bonds and other interest-bearing securities	58,704	-	982	59,686	55,779	-	610	56,389
Treasury bills and other eligible bills	15,526	-	-	15,526	11,796	-	-	11,796
Derivatives	0	4,125	-	4,125	0	5,515	-	5,515
Liabilities								
Derivatives	0	1,029	-	1,029	0	1,050	-	1,051
			Shares in Länsförsäkringar Liv Försäkrings AB		Shares and participations	Bonds and other interest-bearing securities		Total
Change level 3								
Opening balance, 1 January 2020			8		1,769	355		2,132
Acquisitions			-		116	322		438
Divestments and reclassifications			-		-	-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 2021			8		2,054	610		2,672
Transferred from level 2 to level 3			-		34	-		34
Acquisitions			-		152	397		550
Divestments and reclassifications			-		-2	-48		-50
Recognised in net profit/loss for the year			-		616	23		639
Recognised in other comprehensive income			-		0	-		0
Closing balance, 31 December 2021			8		2,855	982		3,845

There were no significant transfers between Level 1 and Level 2 during 2021 or during 2020. Due to a reinterpretation, a holding of shares and participations with conversion rights to listed Series A shares in Level 2 was transferred to Level 3 in 2021. No transfers took place in 2020.

Shares and participations in Level 3 are measured at their book value per share based on the most recent company report, except for shares and participations with a conversion right to listed Series A shares whose fair value is determined based on the price of the Series A share on the balance-sheet date. The net asset value of holdings with underlying investments in properties and forest is adjusted for unrealised surplus values, according to third-party valuations. A change in the valuation of these holdings was made in 2021, mainly regarding the assumption for deferred tax on any divestment of the underlying asset. The effect of this change is an increase of SEK 237.9 M in the amount, which impacts net profit for the year. Länsförsäkringar Bank AB holds shares and participations that are measured based both on current company reports and on forecast earnings.

Shares in Länsförsäkringar Liv in Level 3 are measured at the company's share capital. Länsförsäkringar Liv is operated in accordance with mutual principles and earnings are not distributed to the owner; instead they accrue in their entirety to the policyholders.

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).

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.



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Note 48 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 2021	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	5,033	-908	4,125	-129	-3,451	546
Repurchase agreement	875	-	875	-	-875	0
Liabilities						
Derivatives	-1,937	908	-1,029	129	593	-307
Repurchase agreement	-1,533	-	-1,533	-	1,533	0
Total	2,439	0	2,439	0	-2,200	239

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

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 21 in note 2 Risk and capital management.

Note 49 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 14 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.



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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 2021

Regional insurance companies and local insurance companies

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies, together with 14 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 service.

Länsförsäkringar Mäklarservice AB

Länsförsäkringar Mäklarservice AB is jointly owned by the regional insurance companies and Länsförsäkringar AB. The company works on behalf of the regional insurance companies and Länsförsäkringar 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.

Disclosures on related parties, cont.

Related-party transactions 2021	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	31	-	-	-	-
Länsförsäkringar Liv Försäkrings AB	280	186	494	745	-
Owners					
Regional insurance companies	2,823	3,068	8,818	12,722	78
Other related parties					
Länsförsäkringar Mäklarservice AB	36	9	5	35	5
Länsförsäkringar Fastighetsförmedling AB	2	0	2	0	-
Humlegården Fastigheter AB (publ)	-	-	-	-	-
Other	20	161	47	17	0
Total other related parties	58	170	53	53	6

Interest income and interest expense 2021

	Interest income	Interest expense
Regional insurance companies	-	2
Länsförsäkringar Liv Försäkrings AB	-	-
Other	2	-

Related-party transactions 2020	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	0	-	-	-	-
Länsförsäkringar Liv Försäkrings AB	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	-

Receivables from and liabilities to regional insurance companies include technical provisions.



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Agreements

Länsförsäkringar Liv has a run-off agreement with Länsförsäkringar AB and with Länsförsäkringar Fondliv for Länsförsäkringar Liv's run off. Note 44 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.

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 2021 Annual Report.

Note 50 Group Companies

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in %	
		31 Dec 2021	31 Dec 2020
Agria Pet Insurance Ltd	UK	100	100
Försäkringsaktiebolaget Agria (publ)	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
LF Sak Fastighets AB	Sweden	100	100
Agria Vet Guide AB	Sweden	100	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 51 Supplementary information to statement of cash flows

	2021	2020
Interest paid and dividends received		
Dividends received	49	13
Interest received	6,364	6,880
Interest paid	-1,517	-1,804
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	621	386
Unrealised gains/losses on investment assets	-40,978	-7,454
Technical provisions after ceded reinsurance	54,935	12,497
Pension provisions	0	0
Other provisions	9	22
Other items not affecting liquidity	-242	222
Total	14,346	5,673

Note 52 Events after balance-sheet date

Fredrik Bergström stepped down as the President and CEO of Länsförsäkringar AB on 14 February 2022. In connection with this, Malin Rylander Leijon, who most recently served as the CFO of Länsförsäkringar AB, was appointed President and CEO for Länsförsäkringar AB, and Jonas Ekegren was appointed CFO of Länsförsäkringar AB on 15 February 2022.

Following a period of geopolitical tension, Russia invaded Ukraine on 24 February 2022. Developments in the financial markets have had a moderate impact on the Länsförsäkringar AB Group's capital position. There is considerable uncertainty but Länsförsäkringar AB is monitoring developments. We currently predict only a limited decline in growth in Europe and an upturn in inflation partly from rising energy prices.

On 22 February 2022, the Swedish Financial Supervisory Authority announced that it had requested a statement from Wasa Kredit regarding the investigation of credit assessment processes for consumer credit that took place in the first half of 2020. The official communication from the Financial Supervisory Authority includes a preliminary assessment of the case, stating that Wasa Kredit has not followed the Swedish Consumer Credit Act (Sections 6 and 12 of the Consumer Credit Act (2010:1846) or the Authority's general guidelines regarding consumer credit (FFFS 2014:11)) and instead has founded its credit assessments on insufficient data.

Note 53 Information regarding the Parent Company

Länsförsäkringar AB (publ) is an insurance company registered in Sweden, with its registered office in Stockholm.

Corporate Registration Number 502010-9681.

The office address is Tegeluddsvägen 11-13, Stockholm, Sweden

The postal address is SE-106 50 Stockholm.

The 2021 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 14 local insurance companies.



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Five-year summary, Parent Company					
Amounts in SEK M unless otherwise stated	2021	2020	2019	2018	2017
EARNINGS					
Premiums earned (after ceded reinsurance)	2,447	2,339	2,142	2,128	2,218
Investment income transferred from financial operations	3	8	17	21	24
Claims payments (after ceded reinsurance)	-1,769	-1,819	-1,580	-1,575	-1,454
Operating expenses	-474	-439	-445	-453	-410
Other technical revenue and expenses	-1	-1	-2	-1	-1
Technical result for insurance operations	206	88	133	120	637
Remaining investment income	1,644	136	1,346	103	611
Other income	3,290	-	-	-	-
Other expenses	-3,657	-	-	-	-
Profit before appropriations and tax	1,484	224	1,478	223	1,248
Net profit for the year	1,446	162	1,398	379	1,013
Premium income (after ceded reinsurance)					
Non-life insurance	2,497	2,407	2,181	2,091	2,204
FINANCIAL POSITION					
Investment assets measured at fair value	46,395	6,075	6,984	6,907	7,497
Technical provisions (after ceded reinsurance)	4,006	3,802	3,682	3,729	3,780
Solvency capital					
Equity	19,059	547	1,319	501	697
Deferred tax	-10	-7	-6	-3	4
Untaxed reserves	1,174	1,154	1,139	1,139	1,375
Surplus values ⁵⁾	24,138	1,685	1,206	1,887	1,543
Solvency capital	44,361	3,379	3,657	3,524	3,619
Solvency margin, %	1,776	140	168	169	164
Own funds¹⁾	24,381	3,825	3,479	3,586	3,306
Minimum capital requirement	3,375	875	793	709	674
Solvency capital requirement	13,499	1,944	1,762	1,576	1,498
Solvency ratio, %	181	197	197	228	221
Own funds for insurance group²⁾	65,203	57,412	50,220	43,870	44,172
Solvency capital requirement for insurance group²⁾	45,368	39,186	37,966	33,874	33,441
Solvency ratio, % for insurance group²⁾	144	147	132	130	132
KEY FIGURES					
Insurance operations					
Claims ratio	72	77	74	74	66
Expense ratio	20	19	21	21	18
Combined ratio	92	96	95	95	84
Asset management					
Direct yield ³⁾	0.20	0.20	-0.20	-0.10	8.00
Total return ratio ⁴⁾	8.50	3.40	10.00	5.60	5.60

¹⁾ Of which SEK 24 381 M (3 825) is Tier 1 capital.

²⁾ 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 Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, except where the insurance-operation rules require deductions from surplus capital in subsidiaries that are not transferable to another company unless the subsidiary in question is an insurance company.



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³⁾ Direct yield refers to the total of operating net from properties, interest income, interest expense, other financial expenses, dividends on shares and participations (excluding dividends on participations in insurance subsidiaries) in relation to the average value of the investment assets during the year, including surplus values of properties in Group companies.

⁴⁾ Total return ratio refers to the sum of the direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs, in relation to the average value of these assets during the year. The change in value in assets for liability hedges is included in the figure, but the change in value of the discounted technical provisions is not included in the total return.

⁵⁾ Items included in Surplus values, see note 15 Shares and participations in Group companies and note 17 Shares and participations in associated companies, with information about the valuation of shares. Surplus values are calculated as the difference between the Fair Value and Carrying Amount of these shares/participations.



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Income statement	Note	2021	2020
Technical recognition of non-life insurance operations, SEK M			
Premiums earned (after ceded reinsurance)			
Premium income	3	4,290	4,348
Premiums for ceded reinsurance		-1,793	-1,942
Change in Provision for unearned premiums and unexpired risks		-96	-192
Reinsurers' portion of Change in provision for unearned premiums and unexpired risks		46	124
Total		2,447	2,339
Investment income transferred from financial operations	4	3	8
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		-3,427	-2,814
Reinsurers' portion		1,723	1,121
Total	5	-1,704	-1,694
Change in Provision for claims outstanding			
Before ceded reinsurance		-132	-1,071
Reinsurers' portion		67	946
Total		-65	-125
Claims payment (after ceded reinsurance)			
Operating expenses	6,8,9	-474	-439
Other technical expenses		-1	-1
Technical result for non-life insurance operations		206	88
Non-technical recognition			
Technical result for non-life insurance operations		206	88
Investment income, revenue	10	1,526	154
Unrealised gains on investment assets	10	241	57
Investment income, expenses	10	-111	-46
Unrealised losses on investment assets	10	0	-20
Investment income transferred to non-life insurance operations		-12	-9
Other income	7.11	3,290	-
Other expenses	7.11	-3,657	-
Profit before appropriations and tax		1,484	224
Appropriations			
Tax allocation reserve		-20	-15
Profit before tax		1,464	209
Tax on net profit for the year	12	-18	-47
Net profit for the year		1,446	162

Statement of other comprehensive income		
SEK M	2021	2020
Net profit for the year	1,446	162
Other comprehensive income		
Items that cannot be transferred to profit and loss		
Change in fair value of equity instruments measured at FVOCI	2	-2
Tax attributable to items that cannot be reversed to profit or loss	0	-
Total comprehensive income	1,448	160



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Performance analysis 2021

SEK M	Total	Accident and health	Health care	Commercial	Legal expenses	Liability	Motor third party liability
Technical result for non-life insurance operations							
Premiums earned (after ceded reinsurance)	2,447	391	816	124	2	240	46
Investment income transferred from financial operations	3	0	-	0	-	2	0
Claims payments (after ceded reinsurance)	-1,769	-224	-637	-76	-1	-66	-48
Operating expenses	-474	-84	-160	-26	-1	-47	-7
Other technical expenses	-1	-	-	-	-	-	-1
Technical result for non-life insurance operations, 2021	206	83	20	23	0	129	-10
Technical result for non-life insurance operations, 2020	88	52	-26	2	-1	41	10
Run-off result (before ceded reinsurance) 2021 ^{1) 2)}	567	64	21	11	0	84	33
Run-off result (after ceded reinsurance) 2021	336	64	21	5	0	86	13
Technical provisions before ceded reinsurance							
Provision for unearned premiums and unexpired risks	1,156	60	205	71	1	161	19
Provision for claims outstanding	13,468	799	104	189	2	794	1,768
Total technical provisions, before ceded reinsurance	14,624	859	309	260	3	955	1,787
Reinsurers' portion of technical provisions							
Provision for unearned premiums and unexpired risks	492	-	-	12	-	5	-
Provision for claims outstanding	10,126	-	-	50	-	0	1,626
Total reinsurers' portion of technical provisions	10,618	-	-	62	-	5	1,626

¹⁾ Most of the gross run-off gain derives from the Länsförsäkringar Alliance's reinsurance programme.

²⁾ The risk margin is included as part of the Provision for claims outstanding and calculated as an addition to the undiscounted best estimate of the provision for claims payments per claim year. The risk margin is calculated and recognised in each claim year and there are expected run-off gains for previous claim years since the best estimate of the provision for claims payments is recognised as expected future costs and the risk margin comprises an addition to these. At the same time that the risk margin is discounted for prior years' claims as a function of the discontinuation of the best estimate of the provision for claims payments for each claim year, a provision is made for the risk margin for this year's claims and thus affects the result for claims for the year.

Notes to Performance analysis

SEK M	Total	Accident and health	Health care	Commercial	Legal expenses	Liability	Motor third party liability
Note A Premiums earned (after ceded reinsurance)							
Premium income	4,290	398	830	166	2	278	54
Premiums for ceded reinsurance	-1,793	-2	0	-35	0	-7	-5
Change in Provision for unearned premiums and unexpired risks	-96	-5	-14	-3	-	-32	-3
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	46	-	-	-5	-	2	0
Premiums earned (after ceded reinsurance)	2,447	391	816	124	2	240	46
Note B Claims payments (after ceded reinsurance)							
Claims paid							
Before ceded reinsurance	-3,427	-208	-640	-61	-1	-95	-109
Reinsurers' portion	1,723	-	-	15	-	2	78
Change in provision for claims outstanding							
Before ceded reinsurance	-132	-16	3	-21	0	28	16
Reinsurers' portion	67	-	-	-9	-	0	-33
Claims payments (after ceded reinsurance)	-1,769	-224	-637	-76	-1	-66	-48



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Performance analysis 2021, cont.

SEK M	Motor	Transit	Household and home-owner	Credit and Guarantees	Direct insurance Swedish risks	Direct insurance foreign risks	Total assumed re-insurance
Technical result for non-life insurance operations							
Premiums earned (after ceded reinsurance)	162	142	-	1	1,924	6	517
Investment income transferred from financial operations	-	-	-	-	3	-	1
Claims payments (after ceded reinsurance)	-129	-105	0	0	-1,287	-3	-479
Operating expenses	-22	-35	-	-1	-382	-1	-91
Other technical expenses	-	-	-	-	-1	-	-
Technical result for non-life insurance operations, 2021	11	2	0	0	257	2	-53
Technical result for non-life insurance operations, 2020	9	10	-	0	97	7	-15
Run-off result (before ceded reinsurance) 2021 ¹⁾²⁾	29	5	-	3	250	-	317
Run-off result (after ceded reinsurance) 2021	4	7	-	1	201	0	135
Technical provisions before ceded reinsurance							
Provision for unearned premiums and unexpired risks	471	50	1	17	1,057	4	95
Provision for claims outstanding	97	97	1	8	3,858	2	9,608
Total technical provisions, before ceded reinsurance	568	147	2	25	4,915	6	9,703
Reinsurers' portion of technical provisions							
Provision for unearned premiums and unexpired risks	416	2	-	14	449	2	41
Provision for claims outstanding	56	7	-	5	1,745	0	8,381
Total reinsurers' portion of technical provisions	472	9	-	19	2,193	2	8,422

¹⁾ Most of the gross run-off gain derives from the Group's joint reinsurance programme.

²⁾ The risk margin is included as part of the Provision for claims outstanding and calculated as an addition to the undiscounted best estimate of the provision for claims payments per claim year. The risk margin is calculated and recognised in each claim year and there are expected run-off gains for previous claim years since the best estimate of the provision for claims payments is recognised as expected future costs and the risk margin comprises an addition to these. At the same time that the risk margin is discounted for prior years' claims as a function of the discontinuation of the best estimate of the provision for claims payments for each claim year, a provision is made for the risk margin for this year's claims and thus affects the result for claims for the year.

Notes to Performance analysis

SEK M	Motor	Transit	Household and home-owner	Credit and Guarantees	Direct insurance Swedish risks	Direct insurance foreign risks	Total assumed re-insurance
Note A Premiums earned (after ceded reinsurance)							
Premium income	411	153	-	10	2,302	11	1,978
Premiums for ceded reinsurance	-241	-7	-	-8	-305	-5	-1,483
Change in Provision for unearned premiums and unexpired risks	-52	-5	-	-2	-115	-1	20
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	44	0	-	1	42	0	3
Premiums earned (after ceded reinsurance)	162	142	-	1	1,924	6	517
Note B Claims payments (after ceded reinsurance)							
Claims paid							
Before ceded reinsurance	-318	-70	0	0	-1,502	-3	-1,922
Reinsurers' portion	199	2	-	-	295	1	1,427
Change in provision for claims outstanding							
Before ceded reinsurance	-14	-43	-	-2	-50	0	-81
Reinsurers' portion	4	7	-	1	-29	-1	97
Claims payments (after ceded reinsurance)	-129	-105	0	-1	-1,287	-3	-479



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Balance sheet	Note	31 Dec 2021	31 Dec 2020
SEK M			
ASSETS			
Intangible assets			
Goodwill	13	0	0
Other intangible assets	14	346	1
Total		346	1
Investment assets			
Investments in Group companies and associated companies			
Shares and participations in Group companies	15	16,076	1,351
Interest-bearing securities issued by Group companies and loans to Group companies	16	517	64
Shares in Länsförsäkringar Liv Försäkrings AB		8	-
Shares and participations in associated companies	17	45	17
Other financial investment assets			
Shares and participations	18	1,150	979
Bonds and other interest-bearing securities	19	4,345	1,823
Derivatives	20.21	5	31
Deposits with companies that have ceded reinsurance		112	125
Total		22,257	4,390
Reinsurers' portion of Technical provisions			
Unearned premiums and unexpired risks	28	492	445
Claims outstanding	29	10,126	10,056
Total		10,618	10,501
Receivables			
Receivables, direct insurance	22	509	475
Receivables, reinsurance		544	427
Other receivables	23	2,147	1,460
Total		3,200	2,362
Other assets			
Tangible assets	25	82	1
Cash and bank balances		838	207
Deferred tax	12	10	7
Total		930	215
Prepaid expenses and accrued income			
Deferred acquisition costs	26	72	62
Other prepaid expenses and accrued income	24	309	14
Total		381	76
TOTAL ASSETS		37,733	17,546



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Balance sheet, cont.	Note	31 Dec 2021	31 Dec 2020
SEK M			
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital (10 424 582 shares)		200	200
Development Expenditures Fund		255	-
Statutory reserve		4	4
Fair value reserve		-469	36
Retained earnings		17,623	145
Net profit for the year		1,446	162
Total		19,059	547
Untaxed reserves			
Contingency reserve		1,139	1,139
Tax allocation reserve		35	15
Total		1,174	1,154
Technical provisions (before ceded reinsurance)			
Unearned premiums and unexpired risks	28	1,156	1,048
Claims outstanding	29	13,468	13,255
Total		14,624	14,303
Other provisions			
Pensions and similar commitments	30	45	24
Deferred tax liabilities	12	-	-
Current tax liabilities		-	-
Other provisions	31	36	9
Total		81	33
Deposits from reinsurers		9	21
Liabilities			
Liabilities, direct insurance	32	641	609
Liabilities, reinsurance		338	319
Derivatives	20.21	20	10
Other liabilities	33	939	307
Total		1,938	1,245
Accrued expenses and deferred income			
Reinsurers' portion of deferred acquisition costs	26	5	5
Other accrued expenses and deferred income	34	843	238
Total		848	243
TOTAL EQUITY, PROVISIONS AND LIABILITIES		37,733	17,546



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Statement of changes in equity for Länsförsäkringar AB, Parent Company

SEK M	Restricted equity			Non-restricted equity			Total equity
	Share capital	Development Expenditures Fund	Statutory reserve	Fair value reserve	Retained earnings	Net profit for the year	
Opening equity, 1 January 2020	200	-	4	37	-320	1,398	1,319
Appropriation of profit	-	-	-	-	1,398	-1,398	0
Dividends paid	-	-	-	-	-795	-	-795
Group contributions paid	-	-	-	-	-175	-	-175
Tax on Group contributions	-	-	-	-	37	-	37
Net profit for the year	-	-	-	-	-	162	162
Other comprehensive income for the year	-	-	-	-2	-	-	-2
Closing equity, 31 December 2020	200	-	4	36	145	162	547
Opening equity, 1 January 2021	200	-	4	36	145	162	547
Appropriation of profit	-	-	-	-	162	-162	0
Dividends paid	-	-	-	-	-302	-	-302
Merger difference ¹⁾	-	-	-	-	18,065	-	18,065
Dividends before merger	-	-	-	-	-698	-	-698
Transfer to Development Expenditures Fund on merger	-	345	-	-	-345	-	0
Transfer to fair value reserve on merger	-	-	-	-506	506	-	0
Net profit for the year	-	-	-	-	-	1,446	1,446
Other comprehensive income for the year	-	-	-	1	-	-	1
Change in reserve	-	-	-	0	0	-	0
Capitalised internally generated development expenditures	-	-90	-	-	90	-	0
Closing equity, 31 December 2021	200	255	4	-469	17,623	1,446	19,059

¹⁾ Gamla Länsförsäkringar ABs (publ) earnings for 1 Jan-2 May 2021 are included in comprehensive income for the period. The difference between the transferring company's value of assets and liabilities at the beginning of the merger year is recognised, less approved dividends, as the merger difference in equity. The merger difference has been recognised as restricted equity as far as permitted in BFNAR 2020:5. The remainder was recognised as non-restricted equity.



Notes to the Parent Company's financial statements

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Note 1 Accounting policies

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The annual report for Länsförsäkringar AB (publ) (name changed from Länsförsäkringar Sak Försäkringsaktiebolag (publ)), Corporate Registration Number 502010-9681, refers to the 1 January-31 December 2021 fiscal year. The company is an insurance company registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11-13, SE-106 50 Stockholm. The company is wholly owned by the 23 regional insurance companies and 14 local insurance companies.

On 3 May, Gamla Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, transferring company, was merged with Länsförsäkringar Sak Försäkrings AB (publ), Corporate Registration Number 502010-9681, acquiring company

Compliance with standards and legislation

The Parent Company prepares its accounts in accordance with the Swedish Annual Accounts Act for Insurance Companies (1995:1560) (ÅRFL). The company also applies the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2019:23) and its amendments, and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. In accordance with the regulations and general guidelines, Länsförsäkringar AB applies legally restricted IFRS. This means that all IFRS and interpretations approved by the EU are applied as far as possible within the framework of Swedish legislation, taking into consideration the connection between accounting and taxation.

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

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

Judgements and estimates in the financial statements

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

Significant judgements applied to the company's accounting policies

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

have thus, for materiality reasons, been classified as insurance contracts under IFRS 4. The company bases the classification of financial assets and liabilities on the purpose of the holding.

Significant sources of estimation uncertainty

Provisions for claims outstanding and the depreciation period for deferred acquisition costs are two areas that involve a certain level of uncertainty. When calculating technical provisions, an actuarial estimate of anticipated additional costs for claims incurred and expenses for claims that may be incurred during the remaining term of the insurance policy is made. The valuation of the company's provisions is described in the section concerning the recognition of technical provisions in Group note 1. Accounting policies and in note 2 Risks and risk management. The assumption for the depreciation period for deferred acquisition costs is based on statistics relating to the terms of the insurance contracts.

The valuation techniques described in the Group note 1, Accounting policies are used in the measurement of financial assets for which no observable market data is available.

Amended accounting policies applied from 1 January 2021

Länsförsäkringar AB applies the accounting policies below from 1 January 2021.

Downstream merger

Swedish Accounting Standards Board's general advice and guideline BFNAR 2020:5 Accounting for Mergers was applied in advance. The earnings of the transferring company are included in comprehensive income for the period. The value of the transferring company's assets and liabilities on the merger date is recognised in the balance sheet. The difference between the transferring company's value of assets and liabilities at the beginning of the merger year is recognised, less established dividends, as the merger difference in equity.

Leased assets

Länsförsäkringar AB has made use of the option in RFR 2 to not apply IFRS 16 Leases in legal entities due to the relationship between accounting and taxation. Lease payments taken over in connection with the merger for which the Parent Company is the lessee are recognised as expenses straight-line over the lease term. Right-of-use assets and lease liabilities are thus not recognised in the balance sheet.

Non-technical result

Support and Service operations that are not attributable to insurance contracts for which Länsförsäkringar AB bears the risk are recognised as "other income" and "other expenses" under "non-technical result." Comparative figures were not restated since the scope last year was not significant.

New accounting regulations that have not yet been applied

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

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts, and comes into effect on 1 January 2023. The standard provides a principle-based set of rules for recognising insurance contracts and expanded disclosure requirements to increase comparability between



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different companies. The EU approved the standard in November 2021 with the addition of a carve-out regarding rules on annual cohorts. This exemption entails that the rule on annual cohorts for certain types of insurance contracts does not need to be applied.

On 22 November 2021, the Swedish Financial Supervisory Authority published a proposal on amendments to its regulations and general guidelines regarding annual accounts at insurance undertakings and institutions for occupational retirement provision (FFFS 2019:23) to apply from 1 January 2023. One of the proposals is that IFRS 17 Insurance Contracts should not be applied to legal entities. The company's assessment is that these proposed amendments will not entail any material impact on the company's financial statements.

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 for Insurance Companies 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.

Presentation format and classification

The income statement and the balance sheet for the Parent Company are presented following the presentation format of the Swedish Annual Accounts Act for Insurance Companies (1995:1560), as opposed to the formats for the consolidated statement of income and statement of financial position, which are based on IAS 1 Presentation of Financial Statements

Shares and participations in Group companies and associated companies

Shares and participations in subsidiaries and associated companies are recognised at cost. Dividends are recognised in profit or loss under investment income, revenue.

Shareholders' and Group contributions

Shareholders' contributions are recognised as shares and participations in Group companies. The receiving subsidiary recognises the shareholders' contribution in equity.

Group contributions are recognised in accordance with the main rule of RFR 2. Group contributions received by the company from a Group company are recognised according to the same policies as dividends. Group contributions paid to subsidiaries are recognised as an increase in shares and participations in Group companies

Untaxed reserves

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

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

Impairment testing of participations in subsidiaries

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated. 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 inflow that are independent of 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 recoverable amount.

Impairment is recognised in profit or loss. The recoverable amount is the higher of fair value less selling expenses and value in use.

Reversal of impairment of participations in subsidiaries

Impairment losses are reversed when there is no longer an 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 participations in subsidiaries is recognised in profit or loss as investment income, expenses.



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Note 2 Risks and risk management

The Parent Company Länsförsäkringar AB's (Parent Company Länsförsäkringar AB's) risk-management system is part of the Groupwide risk-management system and the company's organization. Distribution of responsibilities and riskmanagement methods are thus described in note 2 Risk and capital management in the Länsförsäkringar AB Group.

This note describes the risks in the Parent Company Länsförsäkringar AB's insurance business and how they are managed. The exposures and sensitivities presented refer to the Parent Company's own insurance business.

Since the Parent Company's solvency capital requirement is calculated using internal models and analyzed, risks in the consolidated subsidiaries Agria, Länsförsäkringar Gruppliv and Länsförsäkringar Fondliv are also encompassed.

When reading this note, it should be noted that the merger between Länsförsäkringar Sak AB and Gamla Länsförsäkringar AB during the year entails significant differences for comparisons with the preceding year-end.

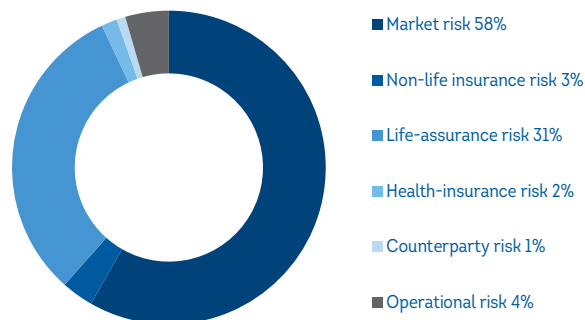
Risk map and capital requirements

The following points describe Parent Company Länsförsäkringar AB operations and risk-taking:

- The company conducts non-life insurance operations using reinsurance were deemed necessary from a risk and business perspective.
- The operations largely comprise short-tail business, with elements of more long-term commitments in, for example, liability insurance.
- The operations primarily focus on small and medium-sized businesses and private individuals.
- In addition, internationally assumed reinsurance is conducted and some international operations via fronting² and FOS business.³
- The company manages the reinsurance cover for the entire Länsförsäkringar Alliance, which entails significant gross counterparty exposure, but not major net risks.
- The company is exposed to volatility in the financial markets through the management of investment assets.

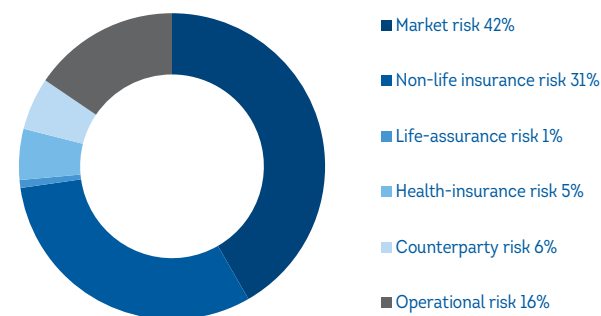
Figure 1. Regulatory capital requirement per risk category in accordance with Solvency II, including diversification under Länsförsäkringar's internal model

31 December 2021



² Mutual undertakings which pursue non-life insurance activities and which have concluded with other mutual undertakings an agreement which provides for the full reinsurance of the insurance policies issued by them or under which the accepting undertaking is to meet the

31 December 2020



The Parent Company Länsförsäkringar AB's largest net risk exposure is found in the investment assets that the company manages and is thus included in market risk. The largest gross insurance-risk exposure is the company's commitments in the joint reinsurance cover for the Länsförsäkringar Alliance. These exposures are restricted by external reinsurance cover, which is why the net risk is low relative to other insurance risk.

Insurance risks

Risk exposure

The Parent Company Länsförsäkringar AB underwrites liability, cargo, property and motor insurance as well as assumed international reinsurance. The company also has a share of the pools that comprise the Länsförsäkringar Alliance's joint reinsurance solution. Furthermore, the company has insurance commitments in accident and health insurance as well as health care insurance.

Insurance risk in Parent Company Länsförsäkringar AB is dominated by non-life insurance risk, mainly comprising premium risk, followed by reserve risk and health-insurance risk. Catastrophe risk comprises minor exposures through the use of reinsurance cover with relatively low retention, which limits catastrophe.

The Company is also exposed to cancellation risk since expected profit included in future premiums for existing insurance contracts is part of the company's own funds.

Risk Management

The company endeavors to have a well-diversified portfolio with a well-defined structure of insurance terms and conditions, risk selection criteria and risk inspections depending on the business line. The company has insured itself against the risk of very large claims through ceded reinsurance. The company's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident-or cover-vary from product to product. The limits per counterparty and limits for retention are managed through governance documents and also the use of reinsurers is limited to companies with high credit ratings.

Risk sensitivity

Table 1 shows the sensitivity of the company's earnings and equity to changes in premium levels, claims frequency, and claims inflation. The description does not include the insurance commitments in the subsidiaries.

liabilities arising under such policies in the place of the ceding undertaking.

³ Freedom of service entails the possibility of taking out legal insurance abroad directly from Sweden as part of the EU free movement of goods and services in the EU/EEA.



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Tabell 1. Sensitivity analysis, insurance risk (SEK M)

Assumption		Impact on profit before tax		Impact on equity	
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Insurance risk-claims	10 % increased claims frequency/average claim	-177	-182	-140	-143
Non-life insurance-claims inflation	1% higher annual claims inflation	-144	-152	-114	-119

Table 2 shows the annual trend for estimated final claims costs from the end of the claim year and beyond, gross and for own account. The table includes claims paid and the provision for claims payments including the provision for unknown claims (claims incurred but not reported (IBNR)). The trend in claims adjustment cost and payments of determined annuities is not included in the table. However, the claims adjustment reserve and annuity reserve are recognised on separate lines. Assumed reinsurance taken out on an underwriting annual basis¹⁾, and for which historical information about claim year is not available, is still excluded from the table. The provision for claims payments for these business lines is recognised on a separate line. Amounts in different currencies have all been converted at the closing-day-rate. The average duration of the Parent Company Länsförsäkringar AB's insurance portfolio is 3.0 years (3.4).

Table 2. Estimated claims costs gross and for own account, per claim year (SEK M)

Estimated claims costs gross, SEK M	2015	2016	2017	2018	2019	2020	2021	Total
At end of claim year	2,056	1,899	1,995	2,466	2,500	3,450	3,133	
One year later	1,923	1,727	1,930	2,180	2,429	3,269		
Two years later	1,925	1,632	1,826	2,136	2,425			
Three years later	1,936	1,567	1,794	2,077				
Four years later	1,889	1,551	1,770					
Five years later	1,886	1,510						
Six years later	1,859							
Estimated claims costs	1,859	1,510	1,770	2,077	2,425	3,269	3,133	
Accumulated claims payments	1,487	1,105	1,330	1,655	1,844	2,102	1,117	
Provision for claims payments	372	406	440	421	581	1,168	2,016	5,404
Provision for claims payments, older year classes								4,960
Provision for claims payments for assumed reinsurance								1,323
Total provision for claims payments, gross								11,687
Annuity reserve, gross								1,545
Claims adjustment reserve, gross								235
Provision for claims outstanding, gross								13,468
Estimated claims costs for own account, SEK M								
At end of claim year	1,082	1,131	1,151	1,257	1,208	1,306	1,391	
One year later	946	939	1,122	1,165	1,153	1,224		
Two years later	946	946	1,103	1,132	1,133			
Three years later	965	920	1,094	1,119				
Four years later	967	908	1,082					
Five years later	968	891						
Six years later	965							
Estimated claims costs	965	891	1,082	1,119	1,133	1,224	1,391	
Accumulated claims payments	920	825	1,003	1,015	963	951	724	
Provision for claims payments	45	66	79	104	170	273	668	1,405
Provision for claimspayments, older year classes								573
Provision for claims payments for assumed reinsurance								866
Total provision for claims payments, gross								2,844
Annuity reserve, gross								263
Claims adjustment reserve, gross								235
Provision for claims outstanding, gross								3,342

¹⁾ Claim costs related to the year in which the contract is signed.



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Market risk

The Parent Company Länsförsäkringar AB's exposure to and management of market risk is described in note 2 Risk and capital management of the Länsförsäkringar AB Group.

Risk sensitivity

Table 3 shows how changes in the financial markets affect the company's earnings and equity.

Table 4 shows sensitivity to exchange-rate changes

Table 3. Sensitivity analysis, market risks, SEK M

Assumption		Impact on profit before tax		Impact on equity	
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Property risk	10% lower property prices	-176	-137	-139	-107
Interest rate risk assets and liabilities net ¹⁾	100 bps higher interest rate	-16	-26	-13	-20
Interest rate risk assets and liabilities net ¹⁾	100 bps lower interest rate	10	19	8	15
Equities risk ²⁾	10% lower share prices including hedge funds	-115	-98	-91	-77
Credit-spread risk	100 bps higher credit-spread	-61	-46	-48	-36
Currency risk ³⁾	10% strengthening of all foreign currencies against SEK	-30	-20	-24	-16

¹⁾ Interest rate risk from investment assets (including accrued interest) and from annuities in technical provisions. Other technical provisions are not discounted except for certain insignificant amounts of accident insurance.

²⁾ Shares and participations analysed assets, including derivatives and equities in hedge funds.

³⁾ Currency risk refers to indirect exposure via a look-through approach of funds.

Table 4. Impact on earnings of a 10% increase in the SEK exchange rate SEK M

Currency ¹⁾	Impact on profit before tax	
	31 Dec 2021	31 Dec 2020
USD	-23	-25
DKK	-9	-4
CHF	-3	0
CNY	2	1
ZAR	2	1
KRW	2	2
GBP	-1	1
TWD	1	0
JPY	-1	1
EUR	-1	-4
Other currencies	2	6
Total	-30	-20

¹⁾ Currency risk refers to indirect exposure via a look-through approach of funds, net of liabilities in foreign currency.

Counterparty risk

The Parent Company Länsförsäkringar AB's exposure to and management of counterparty risk is described in note 2 Risk and capital management of the Länsförsäkringar AB Group.

Risk exposure

Table 5 shows the credit quality of assets for various counterparty categories. Table 6 shows the ratings for the counterparties included in the company's reinsurance cover.

Table 5. Exposure by credit quality step. SEK M

	Market value	
	31 Dec 2021	31 Dec 2020
Cash and bank balances and cash and cash equivalents classified as Other receivables		
A	2,043	1,503
Total	2,043	1,503
Bonds and other interest-bearing securities¹⁾		
AAA - Svenska staten	0	11
AAA - Övriga	3,810	1,024
AA	72	62
A	0	0
BBB	2	33
BB or lower	293	232
No rating available	685	525
Total bonds and other interest-bearing securities	4,861	1,887
Derivates²⁾		
AA	3	0
A	1	0
BB	0	0
Total derivatives	4	0
Total	6,909	3,390

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

²⁾ Only exposures from receivables that entail counterparty risk are included.

Table 6. Distribution of exposure of externally purchased reinsurance cover for the Parent Company Länsförsäkringar AB.

Exposure for externally purchased cover	Percentage distribution per risk category according to S&P Global	
	31 Dec 2021	31 Dec 2020
Regional insurance companies	81%	79%
AA	7%	8%
A	11%	10%
BBB or lower	1%	2%
Total	100%	100%



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Liquidity risk

The Parent Company Länsförsäkringar AB's exposure to and management of liquidity risk is described in note 2 Risk and capital management of the Länsförsäkringar AB Group.

Risk sensitivity

Table 7 shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. The amounts presented in maturities are undiscounted cash flows. Most of the bonds and interest-bearing securities can be realized at short notice to cover contractual commitments at any time on the liabilities side.

Table 7. Maturity analysis for financial assets and liabilities and insurance undertakings

SEK M	2021						2020					
	<3 months	³ months-1 year	1-5 years	5-10 years	>10 years	Total	<3 months	3 months - 1 year	1-5 years	5-10 years	>10 years	Total
Assets												
Interest-bearing securities issued by Group companies and loans to Group companies	0	465	45	7	0	517	0	1	45	18	0	65
Bonds and other interest-bearing securities ²⁾	1	2,068	1,218	206	0	3,493	2	8	692	448	0	1,150
Reinsurers' portion of technical provisions	491	1,197	3,482	1,644	3,804	10,618	429	1,037	3,016	1,777	4,242	10,501
Other receivables	277	-	-	-	-	277	35	-	-	-	-	35
Prepaid expenses and accrued income	33	-	-	-	-	33	1	-	-	-	-	1
Total assets	802	3,730	4,745	1,857	3,804	14,938	466	1,046	3,754	2,243	4,242	11,751
Liabilities												
Technical provisions ³⁾	1,196	2,338	4,950	1,985	4,155	14,624	1,021	1,995	4,517	2,123	4,647	14,303
Other liabilities	676	-	-	-	-	676	118	-	-	-	-	118
Accrued expenses and deferred income	211	-	-	-	-	211	20	-	-	-	-	20
Total liabilities	2,083	2,338	4,950	1,985	4,155	15,511	1,159	1,995	4,517	2,123	4,647	14,441
Derivatives, in and outflows, net	-15	-	-	-	-	-15	21	0	-	-	-	21
Total derivatives	-15	-	-	-	-	-15	21	0	-	-	-	21

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

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

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

Capital planning

The company has own funds that exceed the statutory solvency requirement (Solvency II) by a healthy margin. The overall risk profile under Solvency II is reported quarterly to the Board and regulatory requirements are taken into account to a great extent in the business decisions. Quantitative information on own funds, capital requirements and the solvency ratio is provided in table 8.

See Länsförsäkringar AB Group's note 2, risks and risk management.

Table 8. Capital situation under Solvency II for Parent company Länsförsäkringar AB on 31 December 2021

Mkr	31 Dec 2021 ¹⁾	31 Dec 2020
Own funds	24,381	3,826
Capital requirement	13,499	1,944
Solvency ratio	181%	197%

1) Own funds and capital requirement were impacted by the merger in 2021.



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Note 3 Premium income		
	2021	2020
Direct insurance, Sweden	2,302	2,066
Direct insurance, other EEA	11	11
Assumed reinsurance	1,977	2,272
Total	4,290	4,348

Note 4 Investment income transferred from financial operations		
	2021	2020
Transferred investment income	3	8
Interest rates, %		
Provisions for insurance policies with long-term claims in run-off	0.23	0.53
Provisions for insurance policies with short-term claims in run-off	0.00	0.00

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

Note 5 Claims payments		
	2021	2020
Claims paid	-1,517	-1,500
Operating expenses for claims adjustment	-204	-201
Claims adjustment reinsurance	17	7
Total	-1,704	-1,694

Note 6 Operating expenses		
	2021	2020
Procurement and administration		
Acquisition costs	-346	-321
Change in Deferred acquisition costs	10	12
Reinsurers' portion of change in Deferred acquisition costs	0	-1
Administration expenses	-169	-156
Commission and profit shares in ceded reinsurance	31	27
Total	-474	-439
Other operating expenses		
Operating expenses in asset management	-20	-17
Operating expenses for claims adjustment	-205	-201
Total	-225	-218
Total	-699	-657
1) Of which, commission for direct insurance	-150	-121
Total operating expenses by type of cost	2021	2020
Staff costs	-256	-246
Costs for premises	-37	-40
Depreciation/amortisation	-3	-2
Service income	-	58
Other expenses	-403	-427
Total	-699	-657

Note 7 Financial leasing		
Financial lease agreements where the Parent Company is the lessee.		
Irrecoverable lease payments pertaining to rent for premises amount to:		
	2021	2020
Up to 1 year	-263	-
1-5 years	-736	-
More than 5 years	-314	-
Total	-1,313	-

A rental charge of SEK -20 M(0) was recognised in profit for 2021. 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.

Financial lease agreements where the Parent Company is the lessor.		
Irrecoverable lease payments pertaining to rent for premises amount to:		
	2021	2020
Up to 1 year	90	-
More than 1 year but not more than 5 years	-	-
Total	90	-

In 2021, rental income amounting to SEK 90 M (0) was recognised. The company leases premises to Group companies.



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Note 8 Fees and remuneration of auditors

The following fees have been paid to auditors

	2021	2020
KPMG AB, audit assignments	-6	-1
KPMG AB, audit activities in addition to audit assignment	-	-
KPMG AB, tax consulting	-1	-
KPMG AB, other services	-1	0
Total	-8	-1

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

Note 9 Employees, staff costs and remuneration of senior executives

Average number of employees, Sweden	2021	2020
Men	476	79
Women	552	125
Total number of employees	1,028	204
Salaries and other remuneration, as well as social security expenses, other employees	2021	2020
Salaries and remuneration	766	141
of which, variable salary	-	-
Social security expenses	458	83
of which, pension costs	178	31
Total	1,224	223

cont. Note 9

Board of Directors and senior executives, 15 (14)	2021	2020
Salaries and remuneration	31	9
of which, fixed salary to President	7	4
of which, variable salary to President	-	-
of which, fixed salary to other senior executives	19	4
of which, variable salary to other senior executives	-	-
Social security expenses	21	6
of which, pension costs	9	2
Total	52	15
Total salaries, other remuneration and social security expenses	2021	2020
Salaries and remuneration	797	150
of which, variable salary	-	-
Social security expenses	480	89
of which, pension costs	187	33
Total	1,277	238

Remuneration of the Board

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

Remuneration and other benefits for senior executives

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

Note 9 Employees, staff costs and remuneration of senior executives

Remuneration and other benefits for senior executives

2021	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
					Defined-contribution
Fredrik Bergström, President	6.1	0.0	2.1	8.2	35
Björn Dalemo, Former President	1.1	0.0	0.4	1.5	35
Cesar Åfors, Chairman of the board	0.8	-	-	0.8	
Bengt-Erik Jansson, Board member	0.4	-	-	0.4	
Maria Engholm, Deputy Chairman of the board	0.6	-	-	0.6	
Christian Bille, Board member	0.2	-	-	0.2	
Sussane Båsk, Board member	0.4	-	-	0.4	
Lennart Käll, Board member	0.2	-	-	0.2	
Karin Mattsson, Board member	0.4	-	-	0.4	
Beatrice Kämpe Nikolausson, Board member	0.4	-	-	0.4	
Jonas Rosman, Board member	0.1	-	-	0.1	
Maria Wallin Wällberg, Board member	0.4	-	-	0.4	
Hans Ljungkvist, Former Board member	0.2	-	-	0.2	
Jan Olof Torstensson, Former Board member	0.1	-	-	0.1	
Niklas Larsson, Former Board member	0.1	-	-	0.1	
Göran Karmehag, Former Board member	0.1	-	-	0.1	
Mikael Bergström, Former Board member	0.1	-	-	0.1	
Charlotte Barnekow, Former Board member	0.1	-	-	0.1	
Mikael Sundquist, Former Board member	0.1	-	-	0.1	
Other senior executives					
Parent Company (14 individuals)	19.0	0.2	6.7	25.9	35
Subsidiaries and Länsförsäkringar AB (2 individuals)	7.8	0.4	2.6	10.8	35
Total 2021	38.7	0.6	11.9	51.2	
Total remuneration from Parent Company	30.9	0.2	9.2	40.4	
Total remuneration from subsidiaries	7.8	0.4	2.6	10.8	



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2020	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
					Defined-contribution
Björn Dalemo, President	1.1	0.0	0.4	1.5	35
Ann Sommer, former President	2.6	-	0.6	3.2	25
Jan-Olof Thorstensson, Board member	0.3	-	-	0.3	
Niklas Larsson, Board member	0.3	-	-	0.3	
Göran Karmehag, Board member	0.2	-	-	0.2	
Mikael Bergström, Board member	0.3	-	-	0.3	
Charlotte Barnekow, Board member	0.3	-	-	0.3	
Mikael Sundquist, Board member	0.2	-	-	0.2	
Other senior executives					
Parent Company (3 individuals)	3.7	0.1	1.4	5.1	37
Subsidiaries and Länsförsäkringar AB (6 individuals)	3.1	0.1	1.4	4.6	38
Total 2020	12.0	0.2	3.8	16.0	
Total remuneration from Parent Company	9.0	0.1	2.4	11.4	
Total remuneration from subsidiaries	3.1	0.1	1.4	4.6	

The information regarding remuneration to senior executives relates to the management of Gamla Länsförsäkringar AB until April, the new senior executives in Länsförsäkringar AB from May and compensation to the old management of former Länsförsäkringar Sak AB, now Länsförsäkringar AB, until April.

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

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 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 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). For other senior executives in former Länsförsäkringar Sak, the retirement age is 65 years. The terms comply with pension agreements between the FAO, Forena and SACO. Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year for each senior executive.

Severance pay

A mutual period of notice of six months applies to the President. If the company terminates employment, severance pay corresponding to 12 months' salary is paid during the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), Forena and the Swedish Confederation of Professional Associations (SACO).

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

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

Composition and mandate of Remuneration Committee

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

Policies for remuneration of corporate management

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

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the collective agreements between the Swedish Insurance Employers' Association (FAO), Forena and SACO.

Other benefits

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

Loan to senior executives	31 Dec 2021	31 Dec 2020
Board members	17	6
President and vice president	11	-
Other senior executives	8	20
Total	36	26

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 2021	31 Dec 2020
Board members	58	22
Other senior executives	44	50



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Note 10 Investment income, net	2021	2020
Dividends		
Dividends received on shares and participations	5	4
Dividends and Group contributions received from Group and associated companies	1,465	55
Total dividends	1,470	59
Interest income		
Bonds and other interest-bearing securities ¹⁾	17	15
Interest-bearing securities issued by Group companies	0	0
Derivatives	2	7
Financial assets that are not measured at fair value through profit or loss ²⁾	-1	0
Other interest income	0	0
Total interest income	18	22
Realised profit, net		
Shares and participations	31	-2
Shares and participations in Group companies	0	0
Profit from participations in partnerships (Group companies)	0	0
Bonds and other interest-bearing securities	4	72
Interest-bearing securities issued by Group companies	0	1
Derivatives	2	-5
Total realised profit, net	37	67
Unrealised profit, net		
Shares and participations	232	57
Bonds and other interest-bearing securities	10	-21
Interest-bearing securities issued by Group companies	-1	1
Derivatives	0	-1
Total unrealised profit, net	241	37
Exchange-rate losses, net	-39	-9
Interest expense		
Derivatives	-2	-9
Financial liabilities that are not measured at fair value through profit or loss	0	0
Other interest expense	0	0
Total interest expense	-2	-10
Asset management expenses	-60	-17
Other financial expenses	-2	-3
Translation, annuity reserve	-7	-1
Total investment income, net	1,656	145
Investment income per measurement category		
Financial assets measured at FVPL	258	107
Financial assets measured at amortised cost	-1	0
Financial liabilities measured at amortised cost	0	0
Items not specified by category		
Exchange-rate losses, net	1,399	38
Total investment income, net	1,656	145

1) Of which negative interest rate on interest-bearing securities of SEK -2.5 M (-0.3).

2) Of which negative interest rate on cash and bank balances of SEK -1.1 M (-0.3).

Note 11 Other income and expenses	2021	2020
Income from service operations ¹⁾	2,439	-
Expenses for service operations	-2,805	-
Other income	851	-
Other expenses	-852	-

1) Revenue from Contracts with Customers	2021	2020
Income from companies in the Länsförsäkringar AB Group	311	-
Income from Länsförsäkringar Liv	135	-
Income from the regional insurance companies	1,851	-
Income from other related parties	-	-
Income from external customers	142	-
Total income from contracts with customers	2,439	-



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Note 12 Taxes

	2021	2020
Current tax	-10	-48
Total current tax	-10	-48
Deferred tax		
Deferred tax expense pertaining to temporary differences	-8	1
Total deferred tax	-8	1
Total recognised tax income/expense	-18	-47
	2021	2020
Reconciliation of effective tax rate		
Profit before tax	1,464	209
Tax at applicable tax rate	-302	-45
Tax on non-deductible costs	-13	-4
Tax on non-taxable income	298	1
Tax attributable to earlier years	7	-1
Reversal of deferred tax liabilities	-8	1
Total tax on net profit for the year	-18	-47
Current tax rate, %	20.6	21.4
Effective tax rate, %	1.2	22.5
Tax items recognised in other comprehensive income		
Tax on financial assets measured at fair value through other comprehensive income	0	0
Total Tax attributable to other comprehensive income	0	0

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

	Deferred tax assets		Deferred tax liabilities		Net	
	2021	2020	2021	2020	2021	2020
31 December						
Pension provisions	-10	-7	-	-	-10	-7
Deferred tax assets (-) / tax liabilities (+)	-10	-7	-	-	-10	-7
Net deferred tax assets (-) / tax liabilities (+)	-10	-7	-	-	-10	-7

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

Change in deferred tax in temporary differences

	Amount at 1 January	Recognised in equity	Recognised in profit or loss	Amount at 31 December
2021				
Pensions provisions	-7		8	1
Pensions provisions on merger	-11			-11
Deferred tax assets (-) / tax liabilities (+)	-18		8	-10

	Amount at 1 January	Recognised in equity	Recognised in profit or loss	Amount at 31 December
2020				
Pensions provisions	-6		-1	-7
Deferred tax assets (-) / tax liabilities (+)	-6	-	-1	-7

Note 13 Goodwill

	2021	2020
Opening and closing acquisition	144	144
Opening and closing amortisation	-144	-144
Carrying amount at year-end	0	0



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Note 14 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 2020	142	26	323	491
Acquisitions	-	-	-	-
Acquisitions for the year	-	-	-	-
Divestments/disposals	-	-	-	-
Exchange-rate differences	-	-	-	-
Closing cost, 31 December 2020	142	26	323	491
Opening cost, 1 January 2021	142	26	323	491
Added in connection with merger	755	48	-	802
Acquisitions	128	12	-	140
Acquisitions for the year	-	-	-	-
Divestments/disposals	-5	-31	-	-36
Reclassification	-174	174	-	0
Exchange-rate differences	-	-	-	-
Closing cost, 31 December 2021	847	228	323	1,398
Amortisation				
Opening accumulated amortisation, 1 January 2020	-68	-13	-323	-404
Acquired accumulated depreciation	-	-	-	-
Amortisation	-	-2	-	-2
Divestments/disposals	-	-	-	-
Exchange-rate differences	-	-	-	-
Closing accumulated amortisation, 31 December 2020	-68	-15	-323	-405
Opening accumulated amortisation, 1 January 2021	-68	-15	-323	-405
Added in connection with merger	-162	-31	-	-193
Acquired accumulated depreciation	-	-	-	-
Amortisation	-35	-16	-	-51
Divestments/disposals	2	30	-	33
Reclassification	95	-95	-	0
Exchange-rate differences	-	-	-	-
Closing accumulated amortisation, 31 December 2021	-167	-126	-323	-616
Impairment				
Opening accumulated impairment, 1 January 2020	-74	-11	-	-85
Divestments/disposals	-	-	-	-
Closing accumulated impairment, 31 December 2020	-74	-11	-	-84
Opening accumulated impairment, 1 January 2021	-74	-11	-	-84
Impairment	-200	-	-	-200
Added in connection with merger	-153	-	-	-153
Divestments/disposals	3	-	-	3
Reclassification	54	-54	-	0
Closing accumulated impairment, 31 December 2021	-370	-65	-	-434
Carrying amount, 31 December				
2020	0	0	0	0
2021	309	37	0	346

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.



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Note 15 Shares and participations in Group companies

Company name	Corporate Registration Number	Registered office	Number of shares and participations	Participating interest	Carrying amount, property	Market value, property	Equity 31 Dec 2021	Of which profit 2021	Carrying amount 31 Dec 2021 ¹⁾	Fair value ¹⁾
Försäkringsaktiebolaget										
Agria (publ)	516401-8003	Stockholm	40,000	100	-	-	992	349	1,044	2,250
LF Sak										
Fastighets AB	556683-6416	Stockholm	1,000	100	343	1,756	343	0	68	1,756
Länsförsäkringar										
Bank AB (publ)	516401-9878	Stockholm	9,548,708	100	-	-	12,088	-53	9,230	19,549
Länsförsäkringar										
Fondliv Försäkrings AB (publ)	516401-8219	Stockholm	10,000	100	-	-	3,475.0	598	5,495	16,441
Grupplivförsäkrings AB (publ)	516401-6692	Stockholm	28,000	100	-	-	110	56	239	190
Total 31 Dec 2021							17,008	950	16,076	40,186
Total 31 Dec 2020							1,225	162	1,351	2,982

1) The amounts stated refer to Länsförsäkringar AB's equity share calculated according to IFRS for Länsförsäkringar Bank AB and according to the Solvency II principles for the insurance companies. The net asset value is stated for LF Sak Fastighets AB.

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

Cost	31 Dec 2021	31 Dec 2020
Opening balance	1,451	1,231
Adjusted opening balances due to the merger	14,535	-
Group contributions Fondliv	190	-
Shareholders' contribution Agria	-	220
Closing balance	16,176	1,451
Accumulated impairment		
Opening balance	-100	-100
Closing balance	-100	-100
Carrying amount	16,076	1,351

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

	31 Dec 2021	31 Dec 2020
Listed bonds,		
Länsförsäkringar Hypotek AB (publ)	517	64
Total fair value	517	64
Amortised cost	514	64

Note 17 Shares and participations in associated companies

Company name	Corporate Registration Number	Registered office	Number of shares/participations	Participating interest	Equity 31 Dec 2021	Of which profit 2021	Carrying amount 31 Dec 2021	Carrying amount 31 Dec 2020 ²⁾	Fair value
Länsförsäkringsbolagens									
Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	-	-	0	0	0
CAB Group AB	556131-2223	Örebro	1,582	28.8	127	23	11	11	36
Länsförsäkringar									
Trygghetstjänster AB	559316-2034	Stockholm	11,700	23.4	111	-8	28	-	26
European Alliance									
Partners Company AG ¹⁾	CH-0203026423-1	Zürich	9,248	12.5	82	3	6	6	11
Total					320	18	45	17	73

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

2) The amounts stated refer to Länsförsäkringar AB's equity share calculated according to IFRS.

All shares and participations are unlisted.



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Not 17 Aktier och andelar i intresseföretag, forts.

Cost	31 Dec 2021	31 Dec 2020
Opening balance	17	17
Added and deducted assets	28	-
Closing balance	45	17
Carrying amount	45	17
Fair value	73	70

Note 18 Shares and participations

	31 Dec 2021	31 Dec 2020
Listed shares and participations	1,050	904
Unlisted shares and participations	100	75
Total fair value	1,150	979
	31 Dec 2021	31 Dec 2020
Fair value	1,150	979
Cost	728	793

Note 19 Bonds and other interest-bearing securities

	31 Dec 2021	31 Dec 2020
Issuer		
Swedish government	-	12
Swedish mortgage institutions	2,015	280
Other Swedish issuers	1,254	504
Foreign states	24	25
Other foreign issuers	1,052	1,002
Total fair value	4,345	1,823
Amortised cost	4,299	1,837
Market status		
Listed securities	3,785	1,406
Unlisted securities	560	417
Total	4,345	1,823
Carrying amounts compared with nominal amounts		
Total surplus	57	22
Total deficit	-13	-6

Note 20 Derivatives

	Fair value 31 Dec 2021	Nominal amount 31 Dec 2021	Fair value 31 Dec 2020	Nominal amount 31 Dec 2020
Derivatives with positive values or valued at zero				
Interest rate derivatives	0	26	0	192
Currency derivatives	5	188	31	402
	5	214	31	594
Derivatives with negative values				
Interest rate derivatives	0	45	0	38
Currency derivatives	20	412	10	362
	20	457	10	399

Note 21 Information about offsetting

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

Financial assets and liabilities that are offset or subject to netting agreements

31 Dec 2021	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	Collateral Received (-) / Pledged (+)	
Assets						
Derivatives	5	-	5	1	20	26
Liabilities						
Derivatives	-20	-	-20	-1	-	-21
Total	-15	-	-15	0	20	5

Financial assets and liabilities that are offset or subject to netting agreements

31 Dec 2020	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	Collateral Received (-) / Pledged (+)	
Assets						
Derivatives	31	-	31	-4	-27	0
Liabilities						
Derivatives	-10	-	-10	4	-	6
Total	21	-	21	0	-27	6



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Note 22 Receivables, direct insurance

	31 Dec 2021	31 Dec 2020
Receivables, policyholders	414	398
Receivables, insurance brokers	76	65
Receivables, insurance companies	18	12
Total	509	475

Note 23 Other receivables

	31 Dec 2021	31 Dec 2020
Receivables, Group companies	1,835	1,296
Receivables, Parent Company	-	88
Other receivables	312	76
Total	2,147	1,460

In its calculation of loss allowance for financial receivables, the company uses the simplified method that is described in more detail in note 1 Accounting policies. The loss allowance on 31 December 2021 amounted to SEK 0 M (0).

Note 24 Prepaid expenses and accrued income

	31 Dec 2021	31 Dec 2020
Other accrued income	33	1
Other prepaid expenses	276	13
Total	309	14

Note 25 Property and equipment

	2021	2020
Improvement to third-party properties		
Cost		
Opening cost, 1 January	-	-
Added in connection with merger	258	-
Acquisitions	64	-
Divestments/disposals	-200	-
Closing cost, 31 December	122	-
Depreciation		
Opening accumulated depreciation, 1 January	-	-
Added in connection with merger	-245	-
Depreciation	-6	-
Divestments/disposals	200	-
Closing accumulated depreciation, 31 December	-51	-
Impairment		
Opening accumulated impairment, 1 January	-	-
Added in connection with merger	-57	-
Divestments/disposals	57	-
Closing accumulated impairment, 31 December	0	-
Carrying amount, 31 December	71	-
Equipment		
Cost		
Opening cost, 1 January	3	4
Added in connection with merger	23	-
Acquisitions	4	-
Divestments/disposals	-10	-1
Closing cost, 31 December	20	3
Depreciation		
Opening accumulated depreciation, 1 January	-2	-2
Added in connection with merger	-11	-
Depreciation	-4	-1
Divestments/disposals	8	1
Closing accumulated depreciation, 31 December	-9	-2
Impairment		
Opening accumulated impairment, 1 January	-	-
Closing accumulated impairment, 31 December	-	-
Carrying amount, 31 December	11	1
	2021	2020
Total carrying amount, 31 December	82	1

Equipment includes SEK 2 M (0) representing works of art that are not depreciated. Accumulated impairment of art amounting to SEK 0 M (0) has been made.



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Note 26 Deferred acquisition costs

	31 Dec 2021	31 Dec 2020
Opening deferred acquisition costs	62	50
Depreciation for the year	-163	-135
Capitalisation for the year	173	147
Total	72	62
Opening Reinsurers' portion of deferred acquisition costs	5	4
Depreciation for the year	-12	-12
Capitalisation for the year	12	13
Total	5	5
Total	67	57

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

Note 27 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 19,19	Number of votes per share	31 Dec 2021
		Number
Series A	10	1,532,678
Series B	1	8,885,949
Series C	1	5,955
Number of shares outstanding		10,424,582

cont. Note 27

31 Dec 2020

Shares at a quotient value of SEK 100	Number of votes per share	Number
Series A	1	2,000,000
Number of shares outstanding		2,000,000

Restricted reserves

Restricted reserves may not be reduced through profit distribution.

Development Expenditures Fund

Provisions to the Development Expenditures Fund include expenses for internally generated and acquired intangible assets. The fund is dissolved as the intangible assets are amortised.

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 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.

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 och 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%
Länsförsäkringar 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%
14 local insurance companies	-	-	5,134	0.0%
Total number of shares	1,532,678	8,885,949	5,955	100.0%



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Note 28 Unearned premiums and unexpired risks

	31 Dec 2021			31 Dec 2020		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
<i>Unearned premiums</i>						
Opening balance	986	383	603	850	288	562
Provisions for the period	102	51	50	165	98	68
Exchange-rate changes	12	1	11	-29	-2	-27
Closing balance	1,100	435	664	986	383	603
<i>Unexpired risk</i>						
Opening balance	62	62	0	35	35	0
Provisions for the period	-6	-6	0	26	26	0
Closing balance	56	56	0	62	62	0
Total of unearned premiums and unexpired risks	1,156	492	664	1,048	445	603

Note 29 Claims outstanding

	31 Dec 2021			31 Dec 2020		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Claims incurred and reported	5,387	5,249	138	4,608	4,361	246
Claims incurred but not reported	6,138	4,807	1,331	5,863	4,754	1,109
Annuities	1,518	-	1,518	1,564	-	1,564
Claims adjustment costs	212	-	212	200	-	200
Total opening balance	13,255	10,056	3,199	12,235	9,115	3,120
Provisions for the period	132	67	65	1,071	946	125
Exchange-rate changes	66	3	63	-53	-5	-48
Effect of interest rate revaluations for annuities	15	-	15	2	-	2
Portfolio transfers	-	-	-	-	-	-
Total change for the year	213	70	143	1,020	941	79
Claims incurred and reported	5,419	5,267	152	5,387	5,249	138
Claims incurred but not reported	6,268	4,859	1,409	6,138	4,807	1,331
Annuities	1,546	-	1,546	1,518	-	1,518
Claims adjustment costs	235	-	235	212	-	212
Total closing balance	13,468	10,126	3,342	13,255	10,056	3,199

The provision for claims outstanding should cover anticipated future payments for all claims incurred, including claims that have not yet been reported to the company, known as IBNR provisions. The provision also includes anticipated future payments including all expenses for claims adjustment. Accepted actuarial methods are used as a basis for estimating provision requirements. The discount rate curve defined by the EIOPA is used to calculate annuities. This curve has been produced to correspond to a risk-free interest rate term structure and is based on market data for Swedish swap rates. A macroeconomic assumption of a long-term interest rate of 3.60% is also included. Other insurance is not discounted.



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Note 30 Pensions and similar commitments

	31 Dec 2021	31 Dec 2020
Provisions for pensions	13	0
Other provisions	32	24
Total provisions for pensions	45	24

Pension provisions of SEK 13 M (0) 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

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 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. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the FPK, is a multi-employer defined benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company is, as a rule, to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. FTP plan contributions for 2022 are expected to total SEK 58 M.

	31 Dec 2021	31 Dec 2020
Expenses for defined-contribution plans	171	29

Note 31 Other provisions

	31 Dec 2021	31 Dec 2020
Provision for interest subsidies for personal loans to former employees who have retired	24	7
Other provisions	12	2
Total	36	9

Note 32 Liabilities, direct insurance

	31 Dec 2021	31 Dec 2020
Liabilities to policyholders	635	595
Liabilities to insurance brokers	6	9
Liabilities to insurance companies	0	5
Total	641	609

Note 33 Other liabilities

	31 Dec 2021	31 Dec 2020
Liabilities, Group companies	618	76
Liabilities to the Parent Company	-	182
Liabilities, Länsförsäkringar Liv Försäkrings AB	2	1
Other liabilities	319	48
Total	939	307

Note 34 Other accrued expenses and deferred income

	31 Dec 2021	31 Dec 2020
Accrued holiday and overtime remuneration	91	18
Social security expenses	29	5
Special employer's contribution	45	7
Provisions for staff costs	10	8
Premiums, received but not due	217	180
Other accrued expenses	211	20
Other accrued deferred income	240	-
Total	843	238



Note 35 Financial assets and liabilities by category

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	Financial assets measured at FVPL			Financial assets measured at FVOCI			Fair value
	Measured at FVPL	Equity instruments	Financial assets measured at amortised cost	Debt instruments measured at FVOCI	Equity instruments	Total carrying amount	
31 Dec 2021							
ASSETS							
Interest-bearing securities issued by Group companies and loans to Group companies	517	-	-	-	-	517	517
Shares and participations	1,050	-	-	-	100	1,150	1,150
Shares in Länsförsäkringar Liv Försäkrings AB ¹⁾	-	-	-	-	8	8	8
Bonds and other interest-bearing securities	4,345	-	-	-	-	4,345	4,345
Derivatives	5	-	-	-	-	5	5
Other receivables	-	-	1,814	-	-	1,814	1,814
Cash and bank balances	-	-	838	-	-	838	838
Prepaid expenses and accrued income	-	-	33	-	-	33	33
Total	5,917	-	2,685	-	108	8,710	8,710

	Financial liabilities measured at FVPL	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
LIABILITIES				
Derivatives	20	-	20	20
Other liabilities	-	675	675	675
Accrued expenses and deferred income	-	211	211	211
Total	20	886	906	906

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

	Financial assets measured at FVPL			Financial assets measured at FVOCI			Fair value
	Measured at FVPL	Equity instruments	Financial assets measured at amortised cost	Debt instruments measured at FVOCI	Equity instruments	Total carrying amount	
31 Dec 2020							
ASSETS							
Interest-bearing securities issued by Group companies and loans to Group companies	64	-	-	-	-	64	64
Shares and participations	904	-	-	-	75	979	979
Bonds and other interest-bearing securities	1,823	-	-	-	-	1,823	1,823
Derivatives	31	-	-	-	-	31	31
Other receivables	-	-	1,330	-	-	1,330	1,330
Cash and bank balances	-	-	207	-	-	207	207
Prepaid expenses and accrued income	-	-	1	-	-	1	1
Total	2,822	-	1,537	-	75	4,435	4,435



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Note 35 Financial assets and liabilities by category, cont.

	Financial liabilities measured at FVPL	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
LIABILITIES				
Derivatives	10	-	10	10
Other liabilities	-	118	118	118
Accrued expenses and deferred income	-	20	20	20
Total	10	138	148	148

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

Fair value valuation techniques

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

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

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

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

	31 Dec 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
ASSETS								
Interest-bearing securities issued by Group companies and loans to Group companies	517	-	-	517	64	-	-	64
Shares and participations	1,050	-	100	1,150	904	-	75	979
Shares in Länsförsäkringar Liv AB	-	-	8	8	-	-	-	-
Bonds and other interest-bearing securities	3,785	-	560	4,345	1,406	-	417	1,823
Derivatives	0	5	-	5	0	31	-	31
LIABILITIES								
Derivatives	0	20	-	20	0	10	-	10

There were no significant transfers between Level 1 and Level 2 during 2021. There were no transfers from Level 3 in 2021. 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 earnings 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. Bonds and other interest-bearing securities that are not quoted in an active market comprise interest-bearing, unquoted loans that are valued using unobservable market data and are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for any impairment. Gains and losses are recognised in profit or loss under Investment income, revenue and Investment income, expenses.

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

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

Change Level 3	Shares in Länsförsäkringar Liv AB	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2020	-	45	325	369
Acquisitions	-	33	158	191
Divestments	-	-	-51	-51
Recognised in profit or loss	-	-2	-15	-17
Transfer to Level 3	-	-	-	-
Closing balance, 31 December 2020	-	75	417	492
Opening balance, 1 January 2021	-	75	417	492
Adjusted opening balance due to the merger	8	3	-	11
Acquisitions	-	19	175	194
Divestments	-	0	-48	-48
Recognised in profit or loss	-	3	16	19
Transfer to Level 3	-	-	-	-
Closing balance, 31 December 2021	8	100	560	668



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Note 36 Anticipated recovery and settlement periods, amounts expected to be recovered

	31 Dec 2021			31 Dec 2020		
	Not more than 1 year	More than 1 year	Total	Not more than 1 year	More than 1 year	Total
ASSETS						
Goodwill	-	-	-	-	-	-
Other intangible assets ¹⁾	251	96	346	1	-	1
Shares and participations in Group companies	-	16,076	16,076	-	1,351	1,351
Shares and participations in associated companies	-	45	45	-	17	17
Shares in Länsförsäkringar Liv	-	-	-	-	-	-
Försäkrings AB	-	8	8	-	-	-
Interest-bearing securities issued by Group companies and loans to Group companies	466	51	517	-	64	64
Shares and participations	-	1,150	1,150	-	979	979
Bonds and other interest-bearing securities	2,060	2,285	4,345	2	1,821	1,823
Derivatives	5	-	5	31	-	31
Deposits with companies that have ceded reinsurance	112	-	112	125	-	125
Reinsurers' portion of technical provisions	1,688	8,930	10,618	1,466	9,035	10,501
Receivables, direct insurance	509	-	509	475	-	475
Receivables, reinsurance	544	-	544	427	-	427
Other receivables	2,147	-	2,147	1,460	-	1,460
Deferred tax assets	-	10	10	-	7	7
Tangible assets ¹⁾	10	72	82	1	1	1
Cas and bank balances	838	-	838	207	-	207
Prepaid expenses and accrued income	381	-	381	76	-	76
Total Assets	9,011	28,722	37,733	4,272	13,274	17,546
LIABILITIES						
Technical provisions	3,534	11,091	14,624	3,017	11,287	14,303
Other provisions	-	81	81	-	33	33
Deposits from reinsurers	9	-	9	21	-	21
Current tax liabilities	-	-	0	-	-	0
Deferred tax liabilities	-	-	0	-	-	0
Liabilities, direct insurance	641	-	641	609	-	609
Liabilities, reinsurance	338	-	338	319	-	319
Derivatives recognised as liabilities	20	-	20	10	-	10
Other liabilities	939	-	939	307	-	307
Accrued expenses and deferred income	848	-	848	243	-	243
Total liabilities	6,328	11,171	17,499	4,525	11,320	15,845

¹⁾ The amount that is expected to be recovered within 12 months corresponds to depreciation/amortisation for the year.

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



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Note 37 Pledged assets and contingent liabilities

	31 Dec 2021	31 Dec 2020
Pledged assets		
Registered assets on behalf of policyholders¹⁾		
Shares and participations in Group companies	4,196	2,982
Shares and participations	1,149	978
Interest-bearing securities issued by Group companies and loans to Group companies	517	64
Bonds and other interest-bearing securities	4,345	1,823
Derivatives	0	0
Receivables, direct insurance	404	372
Other receivables	1,562	1,209
Cash and bank balances	473	266
Total registered assets	12,646	7,695

¹⁾In an insolvency situation, preferential rights accrue to policyholders to the extent stipulated in the Insurance Business Act. Assets in the preferential rights register are to be used to cover commitments to policyholders. The company's technical provisions in the Solvency II balance sheet amounted to SEK 3,319 M on 31 December 2021. The amounts in the table are for assets measured at fair value according to the Insurance Business Act.

	31 Dec 2021	31 Dec 2020
Other pledged assets		
Pledged bank funds	1	4
	31 Dec 2021	31 Dec 2020
Commitments		
Remaining amount to invest in investment assets	114	305

Agreement with Länsförsäkringar Liv
Länsförsäkringar AB and Länsförsäkringar Fondliv have signed a service agreement with Länsförsäkringar Liv due to Länsförsäkringar Liv's run off. In the Group's note 44 Pledged assets and contingent liabilities provides additional information about the agreement.

Note 38 Disclosures on related parties

Organisation

Länsförsäkringar AB is owned by the 23 regional insurance companies and 14 local insurance companies. The operations of Länsförsäkringar AB and its subsidiaries are organised into five business units: Non-life, Agrida, Bank, Life and Traditional Life Assurance, and with the following units: Strategy and Change Management, Economy and Finance, Customer and Channel Support, IT and Legal Affairs.

Länsförsäkringar AB purchases and owns equipment that is subsequently leased to Group companies and Länsförsäkringar Liv.

Länsförsäkringar AB leases office premises from the property owner Utile Dulci 2 HB and, in turn, leases parts of these premises to the Group companies and Länsförsäkringar Liv.

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 9 Employees, staff costs and remuneration of senior executives.

Länsförsäkringar AB and Länsförsäkringar Fondliv have signed a service agreement with Länsförsäkringar Liv due to Länsförsäkringar Liv's runoff. The Group's note 37 Pledged assets and contingent liabilities provides additional information about this agreement.

Related parties

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

Pricing

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 corporate group based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Agreements

Significant agreements for Länsförsäkringar AB are primarily outsourcing agreements with Länsförsäkringar Liv regarding asset management, IT, service and development. Furthermore, agreements have been entered into with Länsförsäkringar Mäklarservice regarding sales and with the regional insurance companies regarding reinsurance contracts for the Länsförsäkringar Alliance and agreements regarding commission for sales, claims adjustment and reinsurance management.

Related-party transactions

2021	Income	Expenses	Receivables	Liabilities
Group companies	2,686	35	2,380	626
Associated companies	31	0	0	0
Länsförsäkringar Liv	158	69	14	2
Regional insurance companies	2,686	93	8,773	7,606
Other related parties	37	169	39	1

2020	Income	Expenses	Receivables	Liabilities
Parent Company	20	189	88	186
Group companies	169	-20	1,360	77
Länsförsäkringar Liv	0	13	2	1
Regional insurance companies	67	849	7,489	8,314
Other related parties	3	9	0	0

Bank balances from Länsförsäkringar Bank AB amount to:

	2021	2020
Cash and cash equivalents with Länsförsäkringar Bank AB	1,562	1,209



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Note 39 Supplementary disclosures on income-statement items by insurance class

2021	Total	Accident and health	Motor third party liability	Motor, other classes	Marine, air and cargo	Fire and other property damage	General liability	Legal expenses	Credit and guarantee insurance	Total, direct insurance	Assumed re-insurance
Premiums earned, gross	4,195	1,210	51	359	151	99	317	3	8	2,198	1,997
Claims payments, gross	-3,560	-862	-93	-332	-116	-30	-120	-1	-2	-1,556	-2,004
Operating expenses, gross	-505	-244	-7	-23	-36	-12	-64	-1	-3	-390	-115
Profit/loss from ceded reinsurance	74	-2	39	7	2	-26	-11	0	-3	6	68
Profit/loss	204	102	-10	11	1	31	122	1	0	258	-54
Premium income, gross	4,290	1,227	54	411	156	100	351	3	10	2,312	1,978

Note 40 Off-balance sheet financial arrangements

Länsförsäkringar AB has external suppliers of IT operations at a cost of SEK 756 M (733). 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.

Note 41 Events after balance-sheet date

Fredrik Bergström stepped down as the President and CEO of Länsförsäkringar AB on 14 February 2022. In connection with this, Malin Rylander Leijon, who most recently served as the CFO of Länsförsäkringar AB, was appointed President and CEO for Länsförsäkringar AB, and Jonas Ekegren was appointed CFO of Länsförsäkringar AB on 15 February 2022.

Following a period of geopolitical tension, Russia invaded Ukraine on the financial markets have had a moderate impact on the Länsförsäkringar AB Group's capital position. There is considerable uncertainty but Länsförsäkringar AB is monitoring developments. We currently predict only a limited decline in growth in Europe and an upturn in inflation partly from rising energy prices.



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Note 42 Disclosures on the merger

Merger difference, SEK M

Other intangible assets	456
Shares and participations in Group companies	14,535
Shares in Länsförsäkringar Liv	8
Shares and participations	3
Bonds and other interest-bearing securities	2,925
Total investment assets	17,471
Other receivables	846
Other assets	245
Other prepaid expenses and accrued income	199
Total assets	19,217
Other provisions	48
Other liabilities	682
Other accrued expenses and deferred income	422
Merger difference, before approved dividends	18,065
Dividends determined at the Annual General Meeting of Gamla Länsförsäkringar AB held on 19 April 2021	-698
Merger difference, after approved dividends	17,367

The difference between the transferring company's value of assets and liabilities at the beginning of the merger is recognised, less approved dividends, as the merger difference in equity.

Transferring company's comprehensive income SEK M	1 Jan-2 May 2021
Investment income	-15
Other non-technical income	1,144
Other non-technical expenses	-1,200
Operating profit	-72
Taxes	1
Profit for the period	-71
Change in fair value of equity instruments measured at FVOCI	-
Comprehensive income for the period	-71

Gamla Länsförsäkringar AB's (publ), Corporate Registration Number 556549-7020, earnings for 1 Jan-2 May 2021 are included in Länsförsäkringar AB's comprehensive income for the period.

Measurement of assets and liabilities on merger

The assets and liabilities taken over on the merger were measured based on the circumstances on the merger date and guided by the valuation principles that the acquiring company applies when preparing annual reports. On the merger date assets and liabilities were transferred at carrying amounts and adjustments were made to comply with Länsförsäkringar Sak's accounting policies, meaning the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and the Financial Supervisory Authority's regulations and general guidelines regarding annual accounts at insurance undertakings and institutions for occupational retirement provision FFFS 2019:23. No remeasurement due to the different accounting policies was identified.

Gamla Länsförsäkringar AB's assets and liabilities before the merger SEK M

Total assets	22,313
Equity	-20,502
Provisions	-47
Liabilities	-1,763
Total equity, provisions and liabilities	-22,313



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Note 43 Appropriation of profit

According to the balance sheet of Länsförsäkringar AB's non-restricted equity of SEK 18,599,972,138 is at disposal of the Annual General Meeting.

The Parent Company's non-restricted equity comprises (SEK)

Fair value reserve	-469,083,091
Retained earnings	17,623,421,402
Net profit for the year	1,445,633,826
Total	18,599,972,138

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

To be distributed to the owner	1,751,329,776
To be carried forward	16,848,642,362
Total	18,599,972,138

The dividend is calculated 10,424,582 shares.

The dividend from Länsförsäkringar AB's equity has been proposed after considering the rules on solvency capital requirement under the Swedish Insurance Business Act.

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 181% (197).

For the consolidated situation, the solvency ratio for the insurance group corresponds to 144% (147) after the proposed appropriation of profits.

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

The Board of Directors believes that the insurance company's equity as reported in the Annual Report is sufficiently high in relation to the nature, scope and risks of the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act. For more information on the insurance company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.



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) No1606/2002 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.

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Stockholm, the date set out in electronic signing

Caesar Åfors
Chairman

Maria Engholm
Deputy Chairman

Christian Bille
Board member

Susanne Båsk
Board member

Bengt-Erik Jansson
Board member

Lennart Käll
Board member

Beatrice Kämpe Nikolausson
Board member

Karin Mattsson
Board member

Maria Wallin Wällberg
Board member

Susanne Lindberg
Employee Representative

Linnéa Niklasson
Employee Representative

Hans Holm
Employee Representative

Malin Rylander Leijon
President

The Annual Report and the consolidated financial statements above were approved for publishing by the Board of Directors on 10 March 2022. 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 6 May 2022.

Our audit report was submitted on the date set out in electronic signing
KPMG AB

Mårten Asplund
Authorized Public Accountant

Magnus Ripa
*Authorized Public Accountant
Auditor in charge*



Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Länsförsäkringar AB (publ) for the year 2021, except for the corporate governance statement on pages 50–57. The annual accounts and consolidated accounts of the company are included on pages 36–162 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the

financial position of the group as of 31 December 2021 and their financial performance 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.

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

Basis for Opinions

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

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

Provisions for claims outstanding reported as part of the technical provisions

See disclosure 35 and accounting principles in note 2 in the annual account and consolidated accounts for detailed information and description of the matter.

The corresponding note for the Parent Company is note 29.

Description of key audit matter	Response in the audit
<p>The parent company's provision for claims outstanding, reported as part of technical provisions, amounts to SEK 13 468 million as of December 31, 2021, which constitutes 36 percent of the company's total assets. The group's provision for claims outstanding, reported as part of technical provisions, amounts to SEK 17 592 million.</p> <p>The parent company and the group uses established actuarial valuation models to support the calculations of the provision for claims outstanding. The complexity of the models may cause risk for errors as a result of inadequate/incomplete data or the design or application of the models.</p> <p>The parent company's and group's provision for claims outstanding consists of a variety of different products with different characteristics such as settlement period, injury patterns, assumptions about morbidity, inflation, discount rate, mortality (life annuities) and overheads.</p> <p>This is an area involving significant judgments of uncertain future outcome, primarily including the timing and size of incurred claims which will be settled with the policyholders.</p>	<p>We have assessed the applied actuarial assumptions by comparing the valuation methods with the company's own experience and investigations, regulatory requirements and industry benchmarks.</p> <p>We have performed tests on a sample basis to assess management's data extraction process as input to the actuarial calculations.</p> <p>We have involved our own actuarial specialists to assist us in challenging the methodology and the assumptions used in the projected cash flows and in the valuation of the provisions.</p> <p>We have performed our own calculations verifying the adequacy of the provision and compared it to the expected future contractual obligations.</p> <p>We have also considered the completeness of the underlying facts and circumstances that are presented in the disclosures in the accounts and assessed whether the information is adequate to understand management judgements.</p>

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Loan origination and provisions for loan losses

See disclosure 2, 15, 23 and accounting principles in note 1 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>Lending within Länsförsäkringar banking operations primarily comprises mortgages to private individuals. Loans are granted locally in Sweden, via the regional insurance companies, based on standardised, centrally established credit regulations at Länsförsäkringar Bank.</p> <p>The group's loans to the public amounted to SEK 361 991 million as of 31 December 2021, corresponding to 51 % of the group's total assets. The group's reserves for loan losses in the loan portfolio amounted to SEK 529 million after taking into account the regional insurance companies provision in accordance with the settlement model, and SEK 606 million if not taking that into account.</p> <p>The reserves for loan losses in the group's loan portfolio correspond to corporate management's best estimate of potentially occurring losses in the loan portfolio as per the balance-sheet date. For the group, there are complex calculations including critical judgements and estimates that are being made by management regarding the provisions for loan losses. This is the reason to why we believe that this is a key audit matter.</p>	<p>We have tested the bank's and its subsidiaries' key controls in the lending process, including credit decisions, credit examinations, rating classifications and loan loss provisions.</p> <p>Controls tested included both manual controls and automatic controls in the Application system. We also tested general IT controls including authorisation Management for the relevant systems.</p> <p>We have assessed the group's interpretation of the IFRS 9 accounting standard in order to see that they have interpreted it in a reasonable way. We have tested the entity's key controls related to the loan loss provision process. We have also tested samples of the indata that goes into the entity's models and the reasonableness of the calculations that are being made in the expected credit loss computations. We have reviewed and assessed the validation of the expected credit loss models that have been performed. In our audit we have used our own credit modelling experts to assist us in the various audit procedures that we have performed.</p> <p>In addition we have assessed the information presented in the annual report regarding the information presented regarding the provisions for loan losses.</p>

Measurement of financial instruments

See disclosure 2, 47 and accounting principles in note 1 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>Länsförsäkringar has financial instruments measured at fair value in the balance sheet. Some of these financial instruments do not have current market prices, which means that the fair value is determined using valuation techniques based on market data. These financial instruments are classed as Level 2 in the IFRS valuation hierarchy and correspond to assets of a value of SEK 4 125 million and liabilities of SEK 1 029 million for the group.</p> <p>Most of the Group's derivatives contracts, including interest-rate and cross-currency swaps, comprise Level 2 financial instruments. Level 2 derivatives contracts are measured using valuation techniques based on market interest rates and other market prices.</p> <p>The valuation of Level 2 financial instruments includes assessments by the company, since these instruments are measured using models. In light of this, these financial instruments have been deemed to be a particularly significant audit matter.</p> <p>Länsförsäkringar has very few financial instruments that are valued as fair value based on models that are not observable by third parties (level 3 according to IFRS valuation hierarchy).</p>	<p>We tested key controls in the valuation process, including confirmation and approval of assumptions and methods used in model-based calculations, controls of data quality and change management for internal valuation techniques.</p> <p>Controls tested included both manual controls and automatic controls in the application system. We also tested general IT controls including authorisation management for the relevant systems.</p> <p>With the assistance of our internal valuation specialists, we challenged the methods and assumptions used in measuring unquoted/illiquid financial instruments.</p> <p>We assessed the methods of the valuation techniques against industry practice and valuation guidelines</p> <p>We have verified the values of the financial instruments by comparing the assumptions applied by the bank for the entire portfolio with suitable benchmark values and pricing sources, and have investigated significant deviations in one of the monthly accounts during the year.</p> <p>The result of this examination was also randomly tested in the annual accounts as part of roll-forward procedures.</p> <p>We have assessed the circumstances presented in the disclosures in the Annual Report and in the consolidated financial statements and whether the information is sufficiently extensive as a description of corporate management's assessments.</p>

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 1-35 and 167 - 199. 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 identi-

fied 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 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.



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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.

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Länsförsäkringar AB (publ) for the year 2021 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.



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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 Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

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

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

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

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 RevR 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 for Insurance Companies. KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Länsförsäkringar AB (publ) by the general meeting of the shareholders on the 19 April 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm March 10 2022

KPMG AB

KPMG AB

Mårten Asplund
Authorized Public Accountant

Magnus Ripa
*Authorized Public Accountant
Principal*



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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 Sustainability Report is presented on pages 18–35 and 169–190, and the scope of the statutory Sustainability Report is provided on page 189. The Sustainability Report was externally audited. Refer to page 191 for the auditor's report.

Unless otherwise stated, the Sustainability Report pertains to Länsförsäkringar AB and its subsidiaries 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 2021. The previous sustainability report was published on 15 March 2021.

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 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. Group management validated the results in December 2018.

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.

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 risk may lead to higher insurance costs and 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 soci-

ety. If climate risk impacts the operations 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 metrics

Information about how the data has been collated is provided in the GRI index on pages 185–188.

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 Länsförsäkringar AB's Sustainability Report can be directed to the Head of Sustainability, Christina Kusoffsky Hillesøy, via e-mail: christina.hillesoy@lansforsakringar.se.



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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

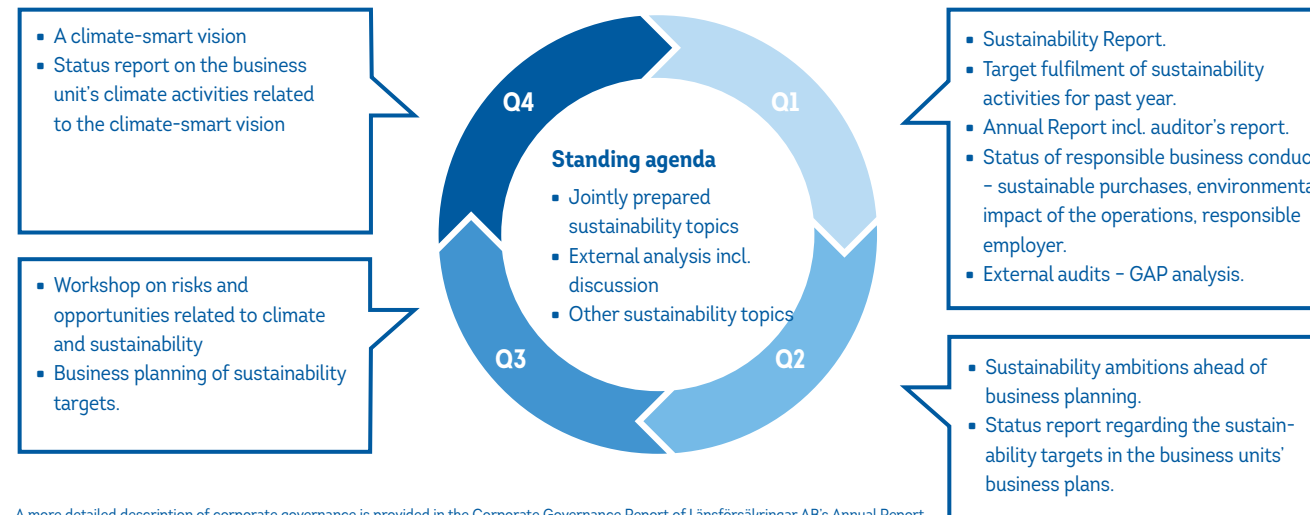
Länsförsäkringar AB's Board assumes the overall responsibility for governing sustainability activities and decides on the governance documents that form the basis of such work.

The President and CEO has established a Sustainability Committee, which comprises corporate management, the Head of Sustainability and Heads of Asset Management, Länsförsäkringar Liv, Länsförsäkringar Fondliv, Risk Management, Communication, HR and the Sustainability Department. The Committee meets at least four times a year to discuss, decide on and follow up priority sustainability topics, sustainability-related business objectives and the climate-smart vision.

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.

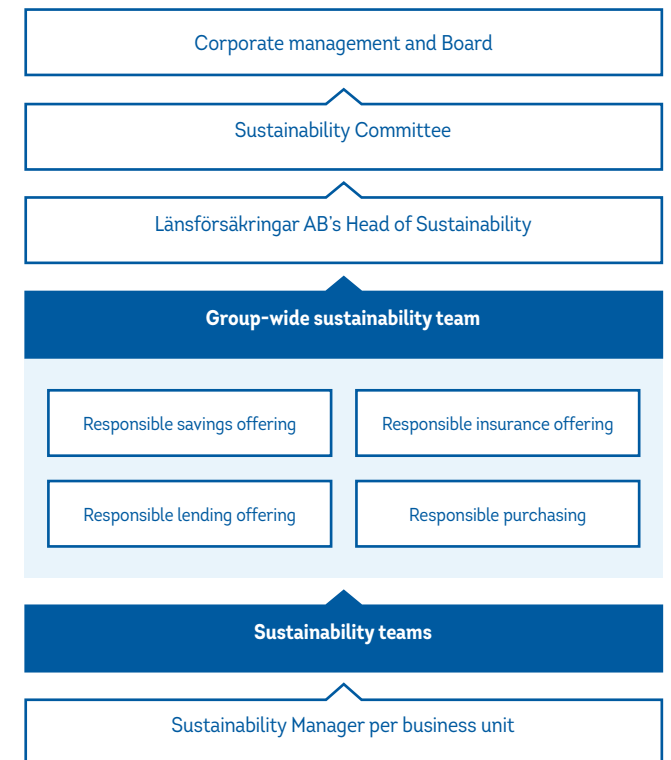
Four sustainability teams in the focus areas of responsible lending offering, insurance offering, savings offering and responsible purchasing ensure that sustainability efforts are aligned and devel-

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.

GOVERNANCE OF SUSTAINABILITY ACTIVITIES





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oped 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 in all eight focus areas are monitored 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. The team also prepares the Group's climate report following TCFD recommendations.

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 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. Refer also to the corporate governance report on page 50.

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 Sustainable Development Goals (SDGs). All business units and units have set activities and targets regarding diversity, purchasing and reduced environmental impact in their 2021 and 2022 business plans.



EXAMPLES OF IDENTIFIED CLIMATE OPPORTUNITIES

Brand name

STRATEGY

Länsförsäkringar AB has had a long-term strategy for many years focusing on being sustainable over time, which is reflected in the brand and forms a solid foundation for contributing to the climate transition.

Products and services:

Investments

STRATEGY

Länsförsäkringar AB can invest in projects and companies that contribute to the climate transition and engage with portfolio companies to set climate targets and transition their operations.

Products and services:

Bank

STRATEGY

Länsförsäkringar AB can provide products that finance or support the climate transition.

Products and services:

Insurance

STRATEGY

Länsförsäkringar AB can contribute its expertise on climate risk and methods to reduce the risk of claims. Länsförsäkringar can help customers by providing claims prevention information.



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Targets 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. In 2021, a target was adopted for Länsförsäkringar AB to be climate-positive by 2045.

Länsförsäkringar AB supports the Task Force on Climate-related Financial Disclosures (TCFD) and a climate report according to the TCFD's guidelines for 2019 and 2020 is published on Länsförsäkringar's website. From 2021, the report is also integrated with the Annual report. Read the TCFD index on page 190.

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), Sustainable Insurance (PSI) and Responsible Banking (PRB). 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 2021 with clarifications regarding Länsförsäkringar AB's climate targets.

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.

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

GOVERNANCE DOCUMENTS

Responsible offering	Owned by
Sustainability Policy	Head of Strategy and Change Management
Policy on responsible investments and corporate governance	Head of Asset Management
Credit policy and credit instructions	Credit Manager
Policy on anti-money laundering and terror financing	Head of Anti-Money Laundering Bank and terror financing
Risk policy	Head of Risk Management
Responsible business conduct	Owned by
Sustainability Policy	Head of Strategy and Change Management
Code of Conduct for Employees	Head of Strategy and Change Management
Personnel policy	HR Director
Equality and diversity plan	HR Director
Remuneration Policy	HR Director
Guidelines for company cars and business travel procedures	HR Director
Purchasing and procurement policy	Head of Purchasing
Tax policy	Head of Tax
Code of Conduct for Suppliers	Head of Strategy and Change Management
Guidelines on identifying and managing conflicts of interest	Head of Compliance
Policy on improper benefits	Head of Compliance
Long-term environmental and social responsibility	Owned by
Research fund regulations	Board of the Research Fund

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 2,800 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.

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Priority stakeholders	Communication channels	Issues	Activities in 2021
Owners and Board	Reporting, training, Board meetings, various forums, 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 product offering for savings, banking and insurance, environmental and social responsibility, transparency and tools to select sustainable products.	Expanded range of sustainability-focused funds. Included disclosure labelling for funds in the fund list. 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, career opportunities, performance and skills development, diversity, inclusion and equality.	Skills development in the form of individual learning, training, seminars, lectures and internal mobility. Employee surveys. Monthly manager-employee reviews. Pulse surveys. Activity-based workplace projects. Digital training.
Suppliers	Procurement, audits and meetings.	Environmental and social responsibility, sustainability risks in the supply chain.	Internal training on supplier audits, specifying requirements in procurement processes and dialogue with suppliers on sustainability risks.
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 and claims prevention.	Provided sustainability research results. Conducted dialogues with industry organisations about insurance risk. Joint training and lectures. Dialogues and feedback with industry organisations about the European Commission's Action Plan for 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 product offering, common social challenges, environmental and social risks, and transparency.	Greater transparency on sustainability, responded to questionnaires. Meetings to discuss sustainability topics.



Länsförsäkringar AB and the UN Sustainable Development Goals

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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.

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.

GOAL 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.



GOAL 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:

Promote gender equity in working groups and management groups. Promote gender equity in the boards of portfolio companies through nomination committees.



GOAL 7: AFFORDABLE AND CLEAN ENERGY



Target:

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

Länsförsäkringar's contribution:

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



GOAL 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. Inform and offer training in the importance of equal personal finances.





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GOAL 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.



GOAL 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.



GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION



Target:

12.2 Sustainable management and efficient use of natural resources.

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.



GOAL 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.



GOAL 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.



GOAL 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. Work to prevent insurance fraud.



GOAL 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.





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SUSTAINABILITY AT LÄNSFÖRSÄKRINGAR

PSI – Principles for Sustainable Insurance

PSI is a UN initiative of principles on integrating sustainability into insurance offerings. Länsförsäkringar AB has been a member since the end of 2016 and submits a PSI report describing its sustainability work every year based on the four principles.

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.



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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).

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

PRB – Principles for Responsible Banking

PRB is a UN initiative of principles on integrating sustainability into the banking operations. Länsförsäkringar AB became a member in 2021 and will report to PRB on how the principles are implemented in the operations.

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 por-

nography 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. The member banks have adopted a joint climate roadmap for achieving net zero emissions by 2045. 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.

Swedish Childhood Cancer Fund

Agria is a partner of the Swedish Childhood Cancer Fund and organises annual fundraising activities through Agria Pony Club.

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 is a corporate partner of the Red Cross and has signed an agreement that allows 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.

Co-operatives Sweden

Co-operatives Sweden promotes the cooperative form of enterprise by increasing knowledge, disseminating cooperative ideas and driving opinion formation. Länsförsäkringar is a member.

Task Force on Climate-related Financial Disclosures (TCFD)

The 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 the TCFD and has reported climate-related risks and opportunities following TCFD recommendations since 2019.



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LÄNSFÖRSÄKRINGAR'S RESEARCH FUND

Ongoing research projects and tests

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

Climate change

Improved climate adaption of residential areas, *Linköping University* 2020

Financial effects of climate policy, *University of Gothenburg* 2020

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

Mutual business models

Machine learning methods for pricing non-life insurance, *Stockholm University* 2021

Ongoing research projects and tests

Tests and pilot studies

Methods for removing snow from rooftop solar panels, *RISE* 2019

Partial repairs of bathrooms, *RISE* 2020

Mapping forest in incorrect sites, *Skogforsk* 2020

Sustainable cleaning for façades and decking tiles, *RISE* 2021

Testing water leak detectors, *RISE* 2021

Hydrogen at farms, *RISE* 2021

Testing smoke detectors, *Lund University* 2021

Assembly systems and mounting solar panels, *RISE* 2021



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AGRIA'S RESEARCH FUND

Selection of ongoing research projects

Start

Selection of ongoing research projects	Start
The role of animals for humans and society	
Dogs, humans and society, <i>University of Gothenburg</i>	2019
New methods and tools for a better work environment in the equine industry, <i>RISE</i>	2019
Young riders' right to participation – a contingent right, <i>Karin Redelius, Swedish School of Sport and Health Sciences GIH</i>	2020
Equine-related sports and leisure activities among persons with intellectual disabilities, <i>Marie Gustausson, Linköping University</i>	2020
Riding in practice – how to instruct riders, <i>Anna Byström, Swedish University Of Agricultural Sciences</i>	2020
In-depth understanding and visualisation of socio-economic effects of the horse industry: Expanded model for horse industry in Sweden and Norway, <i>Tobias Heldt, Dalarna University</i>	2020
Support from social service dogs for pupils with problematic absence from school, <i>Lena Lidfors, Swedish University Of Agricultural Sciences</i>	2022
Veterinary Medicine, Animal Science and Technology	
Optimising antibiotic treatment times for cystitis in dogs, <i>University of Copenhagen</i>	2017
Epidemiology of knee joint illnesses in dogs, <i>Swedish University of Agricultural Sciences</i>	2017
Physical burdens in dog agility performances, <i>Faculty of Veterinary Medicine, University of Helsinki</i>	2019
Bile acid in faeces of cats with IBD or gastrointestinal cancer, <i>University of Copenhagen</i>	2019
Identification of genetic risk factors for hip dysplasia in dogs, <i>University of Copenhagen</i>	2020
QimmeqHealth: Health care for the declining population of Greenlandic sled dogs, <i>Emilie Andersen-Ramberg, University of Copenhagen</i>	2020
Ahead of a change in law - weaning pigs without zinc oxide requires new strategies, <i>Per Wallgren, National Veterinary Institute</i>	2020
Are we feeding trotting horses in a way that causes muscle damage? <i>Malin Connysson, Wängen AB</i>	2021



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EMPLOYEE STATISTICS LÄNSFÖRSÄKRINGAR AB GROUP INCLUDING LÄNSFÖRSÄKRINGAR LIV

Employee response to employee survey¹⁾

%	2021	2020	2019
Believe that diversity in working groups is valued	90	88	87
Believe that Länsförsäkringar AB is an equal opportunity workplace	92	90	90
Believe that they receive regular feedback from their manager	86	81	82
Believe that one's own skills are developed in line with changing work requirements	81	79	79
Believe that they have a reasonable stress level in their work	73	73	71
Believe that they can recover between work shifts ²⁾	78	78	82

¹⁾ The response rate for the employee survey was 91% in 2021, 92% in 2020 and 94% in 2019.

²⁾ New question for 2020. Equivalent question for 2019 was "Believe that they have a good work/life balance."

Employees

Number	2021	2020	2019
Permanent employees	2,297	2,204	2,111
of whom, men	991	934	883
of whom, women	1,306	1,270	1,228
Permanent employees recruited during the year	265	229	330
Permanent employees who have left and now work at another company in the Länsförsäkringar Alliance	14	11	9
Permanent employees who left during the year	194	155	160
Employee turnover, permanent employees, %	8.6	7.7	8.3

New employees recruited during the year

Number	2021		2020		2019	
	Women	Men	Women	Men	Women	Men
0-30 years of age	37	27	24	25	56	31
31-40 years of age	31	54	29	47	55	52
41-50 years of age	41	31	34	30	50	37
51-60 years of age	20	20	22	14	33	14
61-	0	4	2	2	2	0
Total	129	136	111	118	196	134

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.

Employee age range

Number	2021	2020	2019
0-30 years of age	218	222	219
31-40 years of age	560	538	511
41-50 years of age	674	644	649
51-60 years of age	651	635	584
61-	194	165	148
Average age, women	45	45	44
Average age, men	44	44	44

Manager age range

Number	2021		2020		2019	
	Women	Men	Women	Men	Women	Men
0-30 years of age	1	3	1	2	3	2
31-40 years of age	19	24	25	28	17	27
41-50 years of age	55	52	59	53	69	55
51-60 years of age	39	54	44	53	48	48
61-	15	11	9	9	5	7
Total	129	144	138	145	142	139
Total	273		283		281	
Average age	48	48				



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EMPLOYEE STATISTICS LÄNSFÖRSÄKRINGAR AB GROUP INCLUDING LÄNSFÖRSÄKRINGAR LIV

Sickness absence

%	2021	2020	2019
Total sickness absence	2.4	2.6	3.7
Long term healthy ¹⁾	80	75	71

¹⁾ Ill a maximum of two times and for a maximum of five days during a 12-month period.

Gender distribution among managers

%	2021		2020		2019	
	Women	Men	Women	Men	Women	Men
Employees	57	43	58	42	58	42
Corporate management	44	56	44	56	50	50
Heads of department	53	47	54	46	40	60
Group managers and team leaders	46	54	48	52	53	47

Gender distribution among management and Board

Number	2021		2020		2019	
	Women	Men	Women	Men	Women	Men
Corporate management including President	4	5	4	5	5	5
Management teams	23	31	28	35	27	30
Board members	31	49	31	56	35	46

ENVIRONMENTAL IMPACT OF THE OPERATIONS

Energy use

MWh	2021	2020	2019
Electricity consumption – operating electricity	2,619	3,184	3,774
Electricity consumption – property electricity	1,006	1,170	1,126
District heating ¹⁾	1,461	817	1,042
District cooling ²⁾	14	16	71
Cooling medium, refills ²⁾	–	–	–
Total	5,100	5,187	6,013

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.

Business travel

Tens of km, travelled	2021	2020	2019
Flights	57,796	80,636	509,563
Company car journeys	32,669	55,191	128,154
Private car journeys	8,251	12,187	24,362
Rail journeys	38,498	27,749	128,641
Total	137,215	175,762	790,719

Sorted waste for materials recycling, kg

	2021	2020 ¹⁾
Cardboard	11,108	–
Waste paper	7,720	–
Corrugated cardboard	3,780	–
Glass containers	560	–
Plastic	370	–
Electrical equipment	1,100	–
Iron and metal scrap	430	–
Fluorescent tubes and waste containing mercury	170	–
CFC equipment	100	–
Shrink/stretch film	60	–
Batteries	20	–

¹⁾ There are no comparative figures for 2020 due to the change to a new supplier of office services in the second half of 2020.

Carbon emissions

Tonnes	2021	2020	2019
Scope 1			
Company car journeys	24.5	48.8	117.6
Cooling medium, refills	–	–	–
Scope 2			
District heating ¹⁾	58.4	39.7	63.5
Scope 3²⁾			
Business travel, flights	64.8	86.2	540.5
Business travel, private car journeys	12.5	17.8	36.3
Operating electricity ¹⁾	3.6	33.4	38.5
Property electricity ¹⁾	1.4	12.3	11.5
District heating ¹⁾	5.6	2.5	4.3
District cooling ¹⁾	0.0	0.0	0.0
Total carbon emissions in the operations	170.8	240.8	812.0
Carbon emissions per employee	0.1	0.1	0.4

Broken down by scope according to the GHG protocol.

¹⁾ Market-based emissions according to the GHG protocol, for electricity and district cooling only Scope 3 emissions. Emissions factors come from each type of energy supplier. The reduction in emissions from operating electricity and property electricity between 2021 and 2020 was primarily due to new calculations of emissions factors under the GHG protocol.

²⁾ Emissions factors from the travel agency regarding flights, from the Swedish Transport Administration regarding private cars and from lease partners regarding company cars. For company cars, the emissions factor is calculated as an average of all company cars. Emissions from rail journeys in 2021 amounted to 1.5 kg, emissions factor from SJ.



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Activities and key figures related to responsible savings offering

Focus area	Key figures	2021	2020	2019	
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⁾	169 (6%)	155 (5%)	132 (5%)	
Promoting sustainable investments	Investments in sustainability-focused bonds in the investment portfolios, % of total managed assets	16	13	7	
Minimising climate risks in investments	Carbon footprint for listed shares in the investment portfolios, tonnes CO ₂ e/SEK M ²⁾	8	10	12	
	Carbon footprint in the investment portfolios, measured according to Insurance Sweden's recommended method, tonnes CO ₂ e/SEK M ³⁾	7	8	Not available	
	% of total capital in the investment portfolios with a measured carbon footprint	38 ⁴⁾	32 ⁴⁾	48	
	% of total capital in the fund company's funds with a measured carbon footprint ⁵⁾	80	69	46	
Active corporate governance and engagement	Number of general meetings at which votes were cast ⁶⁾	120	91	67	
	Participation in nomination committees	27	21	18	
	Number of companies covered by reactive sustainability dialogues ⁷⁾	62	108	60	
	Number of companies covered by preventative sustainability dialogues ⁸⁾	251	210	259	
	Share of reactive and preventative sustainability dialogues, %				
	Environmental matters	70	71	76	
	Social matters	16	20	19	
	Business ethics matters	14	9	5	

¹⁾ Refers to companies who meet the sustainability exclusion criteria that applied at the end of each year.
²⁾ 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. See graph page 182.
³⁾ 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.
⁴⁾ No updated comparison of 2020 and 2021's carbon footprint for the portfolio's SSA holdings (government bonds and bonds issued by supranational and intergovernmental organisations) was made with 2019.

⁵⁾ See graph page 182.
⁶⁾ Refers to annual and extraordinary general meetings.
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 Länsförsäkringar AB's behalf.

EXCLUSION CRITERIA ON 31 DECEMBER 2021

- Mining companies exposed to thermal coal 5%.¹⁾
- Energy companies exposed to thermal coal 5%, with the exception of companies in transition.¹⁾
- Companies involved in unconventional extraction of oil and gas 5%.
- Companies involved in prospecting and conventional extraction of oil and gas 5%, with the exception of companies in transition.
- Manufacturers of tobacco products 5%.
- Commercial online gambling and gambling companies with 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.

➔ *Our website has a list of all criteria, companies and countries.*

¹⁾ Selected 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.



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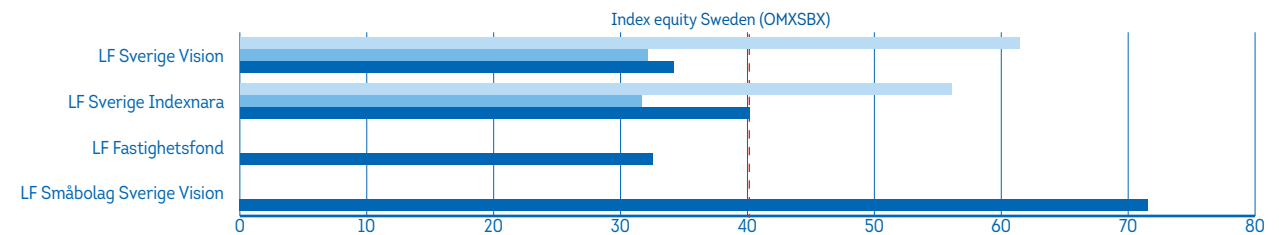
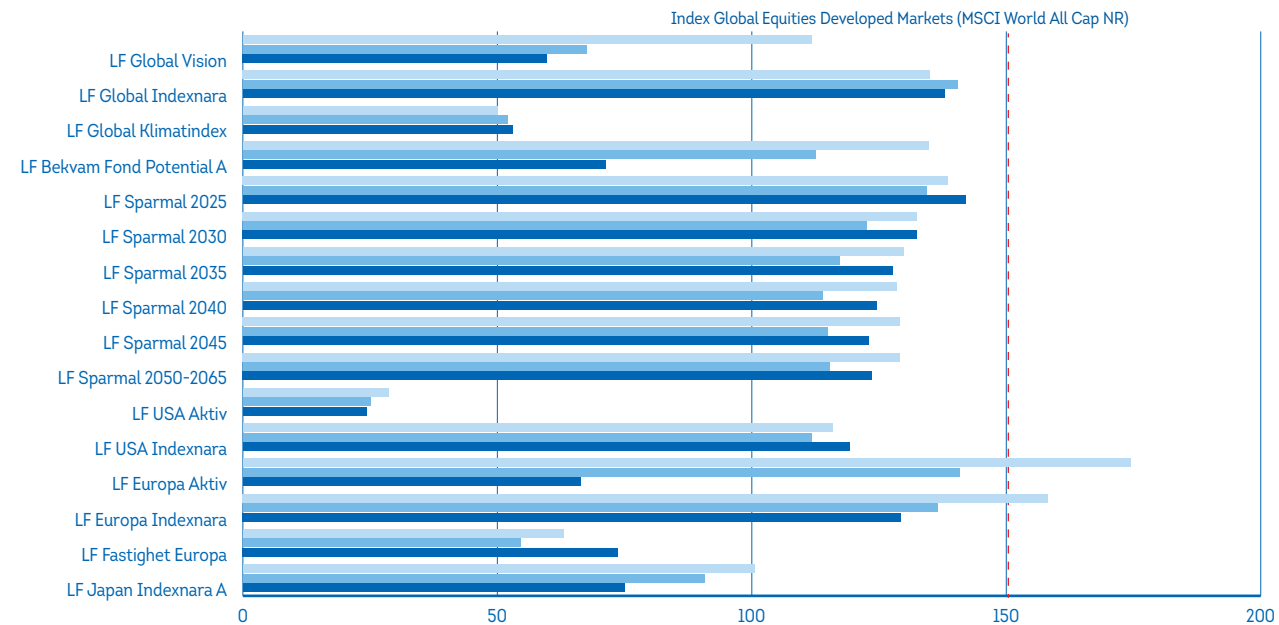
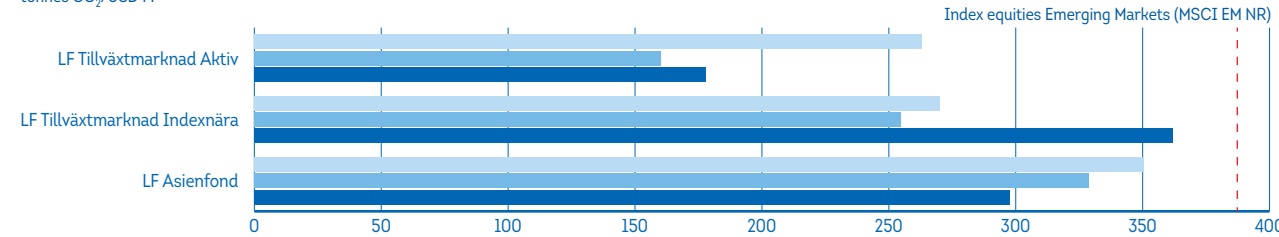
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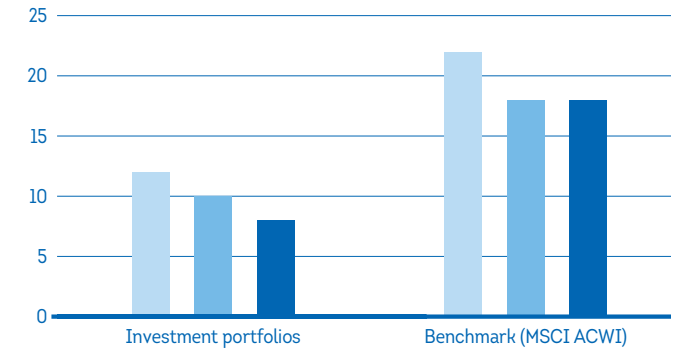
Carbon footprint for Länsförsäkringar Fondförvaltning's equities and mixed funds, compared with selected benchmark, weighted average carbon intensity

tonnes CO₂/USD M



Carbon footprint for listed shares in the investment portfolios, compared with selected benchmark, weighted average carbon intensity

tonnes CO₂e/SEK M income



December 2019
December 2020
September 2021



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The Taxonomy Regulation and the supplementing delegated acts (jointly referred to as the “Taxonomy Regulations”) that came into effect on 1 January 2022 are part of the EU’s action plan to achieve the target of a climate neutral Europe by 2050. The Taxonomy Regulations contain criteria for assessing whether or not economic activities are environmentally sustainable. The regulations are being developed and as of 1 January 2022 screening criteria have been prepared for two of the EU’s six environmental objectives: environmental objective 1 – climate change mitigation and environmental objective 2 – climate change adaptation. The European Commission is drawing up the criteria for the other four environmental objectives. Under the Taxonomy Regulations, companies and groups (referred to below as “companies”) subject to the Non-Financial Reporting Directive (NFRD²⁾) are to include information in their sustainability reports about how their operations align with the taxonomy. Länsförsäkringar AB’s reporting for 2021 will be expanded in 2022 when more clearer guidelines, more reliable data and good examples for reporting methods are available.

Exposures to economic activities subject to the Taxonomy Regulations

	Länsförsäkringar AB Group				
	Taxonomy-eligible assets, SEK M	Taxonomy non-eligible assets, SEK M	No information available, SEK M	Total assets, SEK M	Percentage of total assets, %
Financial assets	278,526	–	51,679 ¹⁾	330,205	46
Trading portfolio and on-demand interbank loans	–	272	–	272	0
Exposures to central governments, central banks and supranational issuers	n/a	45,760	–	45,760	6
Derivatives	n/a	4,132	–	4,132	1
Exposures to non-NFRD ²⁾ companies	n/a	98,998	–	98,998	14
Exposure to companies for which no data is available	n/a	–	205,995 ³⁾	205,995	29
Other assets in the balance sheet ⁴⁾	n/a	26,226	–	26,226	4
Total assets	278,526	175,388	257,674	711,589	100

¹⁾ Loans to households other than retail mortgages.

²⁾ NFRD = the EU Non-Financial Reporting Directive, which contains a requirement for a sustainability report for certain large companies that have more than 500 employees.

Exposure involves both financial assets and investment assets.

³⁾ Investment assets with exposure to companies where information is lacking for assessment of whether they are subject to the NFRD and/or the Taxonomy Regulations. Unit-linked insurance assets invested in externally managed funds that could not be analysed are also included.

⁴⁾ Other assets in the balance sheet, for example, goodwill, other intangible assets, tangible assets, cash and cash equivalents and exposures to municipalities and county councils.

Transition rules apply to financial companies such as the Länsförsäkringar AB Group, for the 2021 and 2022 fiscal years, meaning that disclosures are to be provided about investments and other exposures subject to the criteria of the Taxonomy Regulations. Disclosures on how the operations meet the criteria are to be provided from 2023.

The table alongside was prepared based on information reported on how the Länsförsäkringar AB Group’s assets are subject to the Taxonomy Regulations. Since the criteria for environmental objectives 1 and 2 and the taxonomy reporting requirement came into effect on 1 January 2022, no reported counterparty information is available regarding investment assets and financial assets subject to the Taxonomy Regulations.

Credit institutions may and shall provide disclosures on lending for residential real estate exposures within retail exposures as an economic activity that is subject to the criteria of the Taxonomy Regulations. “Taxonomy-eligible assets” in the table comprise the Länsförsäkringar Bank Group’s retail mortgages.

“Exposures to non-NFRD companies” includes the disclosures that financial companies are to provide about the exposures of their operations to companies not subject to the NFRD. The Länsförsäkringar AB Group’s investment assets and financial assets that are not subject to the NFRD were identified using the most recently available data from external data sources, primarily Bloomberg.

Länsförsäkringar AB’s strategy for responsible investing and lending and sustainability is stated in the company’s sustainability



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policy. For investments, the Policy on responsible investments and corporate governance clarifies the strategy. The aim of Länsförsäkringar AB's activities in responsible investments is to contribute to sustainable added value based on economic and sustainability-related aspects. Länsförsäkringar AB seeks to encourage all companies in its investment portfolios and funds to comply with principles for responsible business, such as the UN Global Compact, and works on material sustainability topics for the industry. The aim is also to contribute to the UN SDGs and to be climate-positive by 2045. Targets for investments and lending are found on pages 20–24.

Voluntary disclosures based on estimates

Since no counterparty information is available, Länsförsäkringar AB has estimated how much of the Group's investment assets and financial assets are subject to the Taxonomy Regulations.

The Länsförsäkringar Bank Group's loan portfolio is mostly comprised of retail loan customers and small and medium-sized businesses. Less than 1% of total lending take place with NFRD companies that are estimated to be Taxonomy-eligible. This estimate was made by assessing whether the company's operations comprise sector codes that are subject to environmental objectives 1 and 2 under the Taxonomy Regulations.

Länsförsäkringar AB's estimate of the percentage of the investment portfolios it manages itself that are subject to the Taxonomy Regulations is based on information from external data sources. The data sources used include Bloomberg, Clarity AI and external fund managers. Since no company has reported under the Taxonomy Regulations yet, information from external sources is an estimate based on information previously provided by companies, such as public reports. Estimates were calculated as follows:

- Stage 1: Identify which investments comprise companies subject to reporting requirements under the Taxonomy Regulations.
- Stage 2: Identify companies with operations in sectors eligible to the criteria for environmental objective 1 or 2.
- Stage 3: Calculate the proportion of the investment portfolios that are Taxonomy-eligible based on each company's share of the investment portfolio's market value.

3% of the market value in the companies in the investment portfolios is estimated to be Taxonomy-eligible.

Länsförsäkringar AB's estimate of the share of unit-linked insurance assets that are subject to the Taxonomy Regulations was limited in 2021 to Länsförsäkringar Fondförvaltning's direct investment

funds. These funds represent 41% of the total unit-linked insurance assets. Estimates of the proportion of investments in the direct investment funds that are subject to the Taxonomy Regulations were made according to the same process described above. Of the underlying holdings in the direct investment funds, 10% of these companies' market value is estimated to be Taxonomy-eligible.

Non-life insurance premiums subject to the Taxonomy Regulations

Insurance companies, including Länsförsäkringar AB, are subject to environmental objective 2 (climate change adaptation) and according to the transition rules are to disclose the proportion of non-life insurance operations that are Taxonomy-eligible and that are not eligible. This means that for their non-life insurance (including reinsurance), insurance companies are to report the insurance premiums that include cover for a climate-related event included in the Taxonomy Regulations' environmental objective 2.

To identify the insurance policies that are Taxonomy-eligible, Länsförsäkringar has identified non-life insurance products (i.e. both direct insurance and reinsurance) that include insurance for various climate-related events. The assessment was carried out by actuaries and product specialists and based on product terms and past claims statistics. Based on applicable conditions, each product was reviewed to identify which products contain cover for a climate-related event, meaning the products that pay compensation for claims caused by, for example, storms, weather-related flooding or weather-related fires.

For ceded reinsurance, the calculation of the total premium refers to all reinsurance programmes, of which only property programmes are deemed to contain climate risk elements. The external reinsurance programme for property that provides cover per event is allocated according to a key prepared by a reinsurance broker to

calculate the share of the premium that is exposed to natural catastrophe claims, which is assumed to be the same as a climate risk element. The premium for the part of the ceded reinsurance which protects the annual earnings of the member company, is assumed to have a climate risk of 27.5%.

For assumed reinsurance, the compulsory reinsurance pools are valued according to a model for ceded reinsurance (above) and the Group's share of the pools.

Länsförsäkringar AB's sustainability strategy is stipulated in the company's sustainability policy. Claims-prevention efforts and sustainable repairs are two key parts of the sustainability activities in the non-life insurance operations. Every claim that can be avoided is a gain for the environment. Claims-prevention advice is offered to customers to teach them about how they can protect themselves and their family, their home and their forest from climate risks. The aim is also to contribute to the UN SDGs and to be climate-positive by 2045. Sustainability targets for non-life insurance are presented on pages 25–27.

Voluntary disclosures based on estimates

Länsförsäkringar AB has estimated the proportion of total non-life insurance premiums that refer to the climate element of the insurance policy. 1% of the total premium income for direct insurance, 39% of total premium income for assumed reinsurance and 34% of total premiums for ceded reinsurance are calculated as the climate element of the insurance policy.

Non-life insurance premiums subject to the Taxonomy Regulations	Total non-life insurance premiums, SEK M	Share of total non-life insurance premiums that include cover for a climate-related event (subject to the taxonomy), SEK M	%	Share of total non-life insurance premiums that do not include cover for climate-related events or are not included in the taxonomy, SEK M	%
Total premium income direct insurance (gross)	7,865	1,041	13	6,824	87
Total premium income assumed reinsurance (gross)	1,978	1,217	62	760	38
Total premiums after ceded reinsurance	-1,798	-1,053	59	-745	41



Global Reporting Initiative Index

The report has been prepared in accordance with the 2016 GRI Standards: Core option.
The sustainability disclosures can be found by following the pages references below.

GRI Standard	Page reference	Comments	UN Sustainable Development Goals	UN Global Compact
General disclosures				
Organisational profile				1-10
102-1	Name of the organisation	2		
102-2	Activities, brands, products, and services	10-11		
102-3	Location of headquarters		Stockholm	
102-4	Location of operations	198		
102-5	Ownership and legal form	3, 9		
102-6	Markets served	8-9		
102-7	Scale of the organisation	4		
102-8	Information on employees and other workers	179-180	Data from the HR system	5, 10
102-9	Supply chain	32		8
102-10	Significant changes to the organisation and its supply chain	3, 168		
102-11	Precautionary Principle or approach	171		
102-12	External initiatives	175-176		
102-13	Membership of associations	175-176		
Strategy				1-10
102-14	Statement from senior decision-maker	6-7		
102-15	Key impacts, risks, and opportunities	12-13, 16-35, 136		
Ethics and integrity/Business ethics and values				10
102-16	Values, principles, standards, and norms of behaviour	14-15, 30-31, 169-171		

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GRI Standard		Page reference	Comments	UN Sustainable Development Goals	UN Global Compact
Governance					10
102-18	Governance structure	50-56, 169-171			
Stakeholder engagement					
102-40	List of stakeholder groups	16-17, 172			
102-41	Collective bargaining agreements	29			3
102-42	Identifying and selecting stakeholders	168, 172			
102-43	Approach to stakeholder engagement	16-17, 168, 172			
102-44	Key topics and concerns raised	16-17, 168, 172	Including SCI - customer satisfaction and product responsibility		
Reporting practice					
102-45	Entities included in the consolidated financial statements	168			
102-46	Defining report content and topic Boundaries	168			
102-47	List of material topics	168			
102-48	Restatements of information	168	See also comments in GRI index		
102-49	Changes in reporting	168	Own indicator "Number of blacklisted companies in investments regarding sustainability" has been removed. Two new indicators were added: Number of sustainable products/services in the banking operations and Number of claims-prevention activities		
102-50	Reporting period	168			
102-51	Date of most recent report	168			
102-52	Reporting cycle	168			
102-53	Contact point for questions regarding the report	168	Christina Hillesøy, Head of Sustainability		
102-54	Claims of reporting in accordance with the GRI Standards	168			
102-55	GRI content index	185-188			
102-56	External assurance	191			



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GRI Standard		Page reference	Comments	UN Sustainable Development Goals	UN Global Compact
Financial standards					
103-1, 103-3	Management approach disclosures	169-171			
201-1	Direct economic value generated and distributed	17, 58			
201-2	Financial implications and other risks and opportunities due to climate change	190			
203-2	Significant indirect economic impacts	16-17			
Own indicator	Number of research projects and total amount invested in research (SEK)	35, 177-178		3, 11-13, 16	8-10
Anti-corruption					
103-1, 103-3	Management approach disclosures	30-31, 169-171			
205-1	Operations assessed for risks related to corruption	31	The entire Group was assessed.	16	10
205-2	Communication and training about anti-corruption policies and procedures	30-31	No statistics available specified by the categories of the Board, corporate management and other employment.	16	10
Environmental standards					
103-1, 103-3	Management approach disclosures	20-27, 32-34, 169-171		12-13	7-9
305-1	Energy direct (Scope 1) GHG emissions	180	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	180	Refers to carbon emissions.	13	
305-3	Other indirect (Scope 3) GHG emissions	180-182	Refers to carbon emissions.	13	



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GRI Standard		Page reference	Comments	UN Sustainable Development Goals	UN Global Compact
Social standards					
103-1, 103-3	Management approach disclosures	28-29, 32, 169-171	Statistics refer to employees in Sweden	3, 5, 10	1-6
401-1	New employee hires and employee turnover	179	Refers to employees in Sweden.	5, 10	
404-2	Programmes for upgrading employee skills and transition assistance programmes	28-29, 31			
405-1	Diversity of governance bodies and employees	179-180, 192-195	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 2021	5, 10	6
Own indicator	Percentage of 100 largest suppliers of the purchasing volume have signed the Code of Conduct	32			1-10
Disclosures - Financial services					
103-1-103-3	Management approach disclosures	20-27, 169-171		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, business ethics or social issues	181	Refers to the number of company dialogues in institutional portfolios and internally managed funds	1-17	1-10
Own indicator	Number of general meetings at which votes were cast	181			
Own indicator	Participation in nomination committees	181		5, 10	
Own indicator	Number of sustainable products/services in the banking operations	23	New target for 2022 is to increase the number to 4. In 2021, there were 2.		
Own indicator	Number of claims-prevention activities	25			



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	Disclosure	Page reference
Overall	Business model	8-11, 16-17
	Organisation and monitoring	169-171
	Key impacts, risks, and opportunities	12-13, 168, 170, 190
Social and personnel-related issues	Policy on social and personnel-related issues	169-171
	Social and personnel-related issues risks and risk management	28-29
	Social and personnel-related issues goals and outcomes	179-180
Climate and environmental issues	Climate and environment policy	169-171
	Climate and environmental risks and risk management	20-27, 33-34
	Climate and environmental goals and outcomes	20-27, 33-34, 180-182
Respect for human rights	Human rights policy	169-171
	Human rights risks and risk management	20-22, 28-29, 32
	Human rights goals and outcomes	20-22, 30-31, 181
Anti-corruption	Anti-corruption policy	169-171
	Anti-corruption risks and risk management	20-22, 30-31
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TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Länsförsäkringar AB 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 Group has used the TCFD recommendations for reporting since 2019. Disclosures in accordance with the TCFD's recommendations are found as stated in the page references below.

	Disclosure	Page reference
Governance	The Board's oversight of climate-related risks and opportunities.	169-171, note 2 ¹⁾
	Management's role in assessing and managing climate-related risks and opportunities	169-171, note 2
Strategy	Climate-related risks and opportunities	12, 18-27, 33-35, note 2
	Impact of climate-related risks and opportunities	Note 2, 170
	Resilience to different climate-related scenarios	Note 2
Risk management	The organisation's processes for identifying and assessing climate-related risks	20-27, 33-34, note 2
	The organisation's processes for managing climate-related risks	20-27, 33-34, note 2
	How the processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	20-27, 33-34, note 2
Metrics and targets	The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	20, 180-182, note 2
	Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	20-21, 33-34 180-182
	Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	20-27, 33-34, note 2

¹⁾Note 2 is on page 79.



Auditor's Limited Assurance Report on Länsförsäkringar AB's Sustainability Report and statement regarding the Statutory Sustainability Report

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➤ Auditor's limited assurance report

Other information

To Länsförsäkringar AB (publ), Corp. Id. 502010-9681 Translation from the Swedish original.

Introduction

We have been engaged by the Board of Directors and the Managing Director of Länsförsäkringar AB (publ) to undertake a limited assurance engagement of Länsförsäkringar AB's Sustainability Report for the year 2021. Länsförsäkringar AB (publ) has defined the scope of the Sustainability Report that also is the Statutory Sustainability Report on page 168.

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 168 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 (revised). 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 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, the date set out in electronic signing

Mårten Asplund
Authorised Public Accountant

Karin Sivertsson
Expert Member of FAR

Board of Directors

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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, 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).



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.



CHRISTIAN BILLE

Born 1962. President of Länsförsäkringar Halland. Elected 2021.

Education: M.Sc. in Business and Economics, Lund University.

Other Board appointments:

Board member of Länsförsäkringar Halland, LFant AB and Halmstads Flygplats AB. Chairman of Halland Invest AB and Skadedyrbekämpning i Väst AB.

Previous experience: President of Sparbanken Syd, Operating Manager Swedbank. Board member of Länsförsäkringar Bank, Länsförsäkringar Hypotek, Wasa Kredit, Agria Djurförsäkring and Länsförsäkringar Fondliv.



SUSANNE BÅSK

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 Enterprises. Chairman of the Swedish Insurance Employers' Association.

Previous experience: President of Nordea Finans AB. Board member of Länsförsäkringar Bank, Länsförsäkringar Fastighetsförmedling and Wasa Kredit.



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.



LENNART KÄLL

Born 1958. Professional Board member and own business. Elected 2021.

Education: M.Sc. in Business and Economics, IT/programmer.

Other Board appointments:

Chairman of Länsförsäkringar Stockholm and Sveriges Radio AB. Board member of SJ AB and Swedish Ski Association. Co-opted Board member of Grant Thornton Sweden AB.

Previous experience: President & CEO of Svenska Spel, President of Wasa Kredit, President & CEO of Ticket Travel Group, President of ICA Banken, President of SEB Finans. Deputy Chairman of Grönklittsgruppen, Swedish Bankers' Association, Unibanka (SEB) Latvia. Various senior positions in life assurance, non-life insurance and claims at Trygg-Hansa. Board member of Länsförsäkringar Bank and other companies.

Secretary of the Board*: Helena Thorlin. Born 1973. Head of Legal Affairs Länsförsäkringar AB. Employed 2021. *Olle Törnell was Secretary of the Board until 31 December 2021.

Education: LL.M., University of Gothenburg.

Previous experience: Law clerk at Solna District Court, lawyer at Gernandt & Danielsson Advokatbyrå, various positions at the Skandia Group such as Deputy Head of Legal Affairs, Acting CEO of Försäkringsaktiebolaget Skandia and as Head of Legal Affairs for the past six years.

Auditor: KPMG AB, with Mårten Asplund as auditor in charge.

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BEATRICE KÄMPE NIKOLAUSSON

Born 1972. President of Länsförsäkring Kronoberg. Elected 2020.

Education: MBA and M.Sc. in Business and Economics.

Other Board appointments: Deputy Chairman of Hällefors Tierp Skogar AB. Chairman of Hjalmar Petri-Group. Board member of Länsförsäkring Kronoberg, LF Affärsservice Sydost AB and Kv. New York Ek. förening. Preses Linnéakademien.

Previous experience: President of Munksjö Aspa Bruk AB, President of Alstom Power Sweden AB, Air Quality Control Systems, senior positions at Södra Skogsägarna, Södra Cell AB. Board member of Länsförsäkringar Bank, Länsförsäkringar Grupplivförsäkrings AB, Länsförsäkringar Fastighetsförmedling, Länsförsäkringar Fondliv och Länsförsäkringar Fondförvaltning.



KARIN MATTSSON

Born 1972. Elected 2020.

Education: Human Resources Specialist (B.A. Sociology).

Other Board appointments: Chairman of Länsförsäkringar Jämtland since 2017. Chairman of Prince Carl Philip and Princess Sofia's Foundation. Vice Chairman Wallenstam AB. Chairman of Swedish Ski Association. Board member of Skogsägarna Mellanskog, Astrid Lindgrens Värld AB and Svenska HockeyLigan.

Previous experience: Chairman of the Swedish Sports Confederation, Head of Skills Development at Federation of Swedish Farmers.



MARIA WALLIN WÅLLBERG

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, Board Chairman of IKSU and Esculapen AB and Board member of SweTree Technologies AB.

Employee representatives



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 Chairman of Nordic Financial Unions, Deputy Board member of Länsförsäkringar Fondliv and Länsförsäkringar Liv, Board member of Insurance Industry's Pension Fund (FPK), Deputy Chairman of Finans- och Försäkringsbranchens Arbetslöshetskassa. Deputy: Mirek Swartz.



LINNÉA NIKLASSON

Born 1958. Employee representative. Elected 2014.

Education: Systems developer, upper-secondary education in economics.

Other Board appointments: Chairman of Forena Länsförsäkringar AB, treasurer Forena Länsförsäkring, Forena Board. Deputy Board member Agria Djurförsäkring.

Previous experience: Deputy Board member Länsförsäkringar Sak, Object Specialist, Test Manager, Change Management at Länsförsäkringar AB IT unit, Systems Developer Agria, Chairman of Agria employee club, Group Manager accounts receivable ledger/IT. Deputy: Mirek Swartz.



HANS HOLM

Born 1959. Employee representative. Elected 2021.

Education: Officer in Swedish Armed Forces – Air Force, individual university courses in economics and law. Diploma in non-life insurance and life assurance from Swedish Institute of Insurance Training (IFU), certified CIO.

Other Board appointments: Deputy Chairman of SACO association at Länsförsäkringar AB, Deputy Board member of Agria Djurförsäkring.

Previous experience: Major in the Air Force, Board member of Länsförsäkringar Sak, senior roles and other positions at Försäkringsbolaget Ansvar AB. Controller, business developer, administration manager and other positions at Länsförsäkringar AB. Deputy: Anna Sandqvist.

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MALIN RYLANDER LEIJON

Born 1970. Employed 2001. President and CEO of Länsförsäkringar AB¹⁾.

Education: Administration Programme, specialising in Economics, Uppsala University.

Board appointments: Chairman of Länsförsäkringar Bank, Länsförsäkringar Fondliv and Agria Djurförsäkring. Board member of Länsförsäkringar Liv.

Previous experience: Auditor at SET Revisionsbyrå, various positions at the Länsförsäkringar AB Group, such as Head of Finance & Control at Länsförsäkringar Liv and most recently as CFO and Head of Finance at Länsförsäkringar AB. Board member of Länsförsäkringar Fondliv, Tribona AB and Utile Dulci 2 HB.



EVA ALLQVIST

Born 1961. Employed 2019. Head of Strategy and Change Management.

Education: LLM, 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.



SUSANNE BERGH

Born 1969. Employed 1989. Head of Customer and Channel Support.

Education: Diploma in market economics.

Board appointments: Member of Länsförsäkringar's Research Fund.

Previous experience: Various positions at the Länsförsäkringar AB Group, most recently as Head of Digital Channels at Länsförsäkringar Bank.



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 Försäkringsbranschens Pensionskassa, Länsförsäkringar Mäklarservice and Länsförsäkringar Gruppliv.

Previous experience: Head of Business at Länsförsäkringar Fondliv, Head of Commercial Business area at Länsförsäkringar Stockholm and senior positions at Livförsäkringsbolaget Skandia.



BJÖRN DALEMO

Born 1975. Employed 2019. Head of Non-life Insurance business unit.

Education: Economics/Statistics.

Board appointments: Chairman of Länsförsäkringar Gruppliv. Board member of Swedish Motor Insurers and Swedish Theft Prevention Association.

Previous experience: Senior positions in pricing, underwriting, and product and portfolio management. Board member of Agria Djurförsäkring.

¹⁾ Fredrik Bergström was President and CEO of Länsförsäkringar AB until 14 February 2022.

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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.



JONAS EKEGREN

Born 1971. Employed 2016. Acting CFO and Head of Finance²⁾.

Education: M.Sc. in Business and Economics, Örebro University.

Previous experience: Head of Business and Capital Planning at Länsförsäkringar AB, Head of Group Business Control and Reporting Nordea, Group Controller Nordea, Head of Business Control Handelsbanken Liv.

²⁾ Malin Rylander Leijon was CFO and Head of Finance until 14 February 2022.



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.



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.



HELENA THORLIN

Born 1973. Employed 2021. Head of Legal Affairs³⁾.

Education: LL.M., University of Gothenburg.

Previous experience: Law clerk at Solna District Court, lawyer at Gernandt & Danielsson Advokatbyrå, various positions at the Skandia Group such as Deputy Head of Legal Affairs, Acting CEO of Försäkringsaktiebolaget Skandia and as Head of Legal Affairs for the past six years.

³⁾ Olle Törnell was Head of Legal Affairs until 31 December 2021.

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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

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Income statement

SEK M	2021	2020
Premium income, net	1,122	1,191
Investment income, net	10,942	4,099
Claims payments	-5,235	-4,877
Change in technical provisions	5,246	1,992
Bonuses and discounts	-3	-348
Operating expenses	-370	-438
Other technical revenue and expenses	25	14
Technical result, life-assurance operations	11,727	1,633
Non-technical items	-	-
Profit before appropriations and tax	11,727	1,633
Tax allocation reserve	53	45
Tax	-89	-92
Net profit for the year	11,691	1,586
Other comprehensive income	-	-
Comprehensive income for the year	11,691	1,586

Balance sheet

SEK M	31 Dec 2021	31 Dec 2020
Assets		
Intangible assets	9	10
Tangible assets	2	2
Investment assets	115,033	111,031
Receivables	374	1,135
Other assets	3,345	4,877
Prepaid expenses and accrued income	0	1
Total assets	118,763	117,056
Equity, provisions and liabilities		
Equity	39,304	28,518
Untaxed reserves	192	246
Technical provisions	77,739	82,949
Provisions for other risks and expenses	33	32
Liabilities	1,295	5,109
Accrued expenses and deferred income	200	202
Total equity, provisions and liabilities	118,763	117,056



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Länsförsäkringar Norrbotten

Box 937
SE-971 28 Luleå
Visit: Köpmantorget
Tel: +46 920 24 25 00
E-mail: info@LFnorrboten.se

Länsförsäkringar Västerbotten

Box 153
SE-901 04 Umeå
Visit: Rådhusplanaden 11
Tel: +46 90 10 90 00
E-mail: info@LFvasterbotten.se

Länsförsäkringar Jämtland

Box 367
SE-831 25 Östersund
Visit: Prästgatan 31
Tel: +46 63 19 33 00
E-mail: info@lfz.se

Länsförsäkringar Västernorrland

Box 164
SE-871 24 Härnösand
Visit: Köpmangatan 13
Tel: +46 611 36 53 00
E-mail: info@lfy.se

Länsförsäkringar Gävleborg

Box 206
SE-801 03 Gävle
Visit: Drottninggatan 35
Tel: +46 26 14 75 00
E-mail: info@LFgavleborg.se

Dalarnas Försäkringsbolag

Box 3
SE-791 21 Falun
Visit: Slaggatan 9
Tel: +46 23 930 00
E-mail: info@dalarnas.se

Länsförsäkringar Värmland

Box 367
SE-652 14 Karlstad
Visit: Bogsprötsgratan 20
Tel: +46 54 775 15 00
E-mail: info@LFvarmland.se

Länsförsäkringar Uppsala

Box 2147
SE-750 02 Uppsala
Visit: Fyrisborgsgatan 4
Tel: +46 18 68 55 00
E-mail: info.uppsala@lansforsakringar.se

Länsförsäkringar Bergslagen

Box 1046
SE-721 26 Västerås
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Tel: +46 21 19 01 00
E-mail: info@lfbergslagen.se

Länsförsäkringar Stockholm

SE-169 97 Solna
Visit: Telegrafgatan 8A
Tel: +46 8 562 830 00
E-mail: stockholm@lansforsakringar.se

Länsförsäkringar Södermanland

Box 147
SE-611 24 Nyköping
Visit: Västra Storgatan 4
Tel: +46 155 48 40 00
E-mail: info@lfs.se

Länsförsäkringar Göteborg och Bohuslän

SE-404 84 Gothenburg
Visit: Vestagatan 6
Tel: +46 31 63 80 00
E-mail: info@gbg.lansforsakringar.se

Länsförsäkringar Skaraborg

Box 600
SE-541 29 Skövde
Visit: Rådhusgatan 8
Tel: +46 500 77 70 00
E-mail: info@LFskaraborg.se

Länsförsäkringar Östgöta

Box 400
SE-581 04 Linköping
Visit: Platensgatan 11
Tel: +46 13 29 00 00
E-mail: info@lfofstgota.se

Länsförsäkringar Älvsborg

Box 1107
SE-462 28 Vänersborg
Visit: Vallgatan 21
Tel: +46 521 27 30 00
E-mail: info@alvsborg.lansforsakringar.se

Länsförsäkringar Gotland

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Tel: +46 498 28 18 50
E-mail: info@lfgotland.se

Länsförsäkringar Jönköping

Box 623
SE-551 18 Jönköping
Visit: Barnarpsgatan 22
Tel: +46 36 19 90 00
E-mail: info@lfj.se

Länsförsäkringar Halland

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