

Länsförsäkringar Liv

Annual Report

2016



The 2016 fiscal year

Significant events

- Profit for the Länsförsäkringar Liv Group amounted to SEK 2,682 M (5,089), mainly due to positive investment income.
- Changing conditions to New Trad remained an important part of strengthening the company's balance sheet. The offer to change insurance conditions was sent to customers with a total insurance capital of SEK 35 billion. Conditions were changed to New Trad for a total of SEK 14 billion, of which SEK 2 billion in 2016.
- The bonus rate for New Trad was an average of 5.5% in 2016 and was 4% at 31 December. The bonus rate for Old Trad was 2% during the year.
- A new framework of regulations for insurance operations, Solvency II, was introduced on 1 January 2016. These regulations significantly changed the rules on capital requirements for insurance operations. Länsförsäkringar Liv has permission to calculate its capital requirement using a partial internal model. The capital ratio calculated according to Solvency II amounted to 195%, up from 182%, due to stronger own funds.
- The total return in 2016 amounted to 4.3% for New Trad and to 5.9% for Old Trad. Collective consolidation was 114% (114) for New Trad and 125% (120) for Old Trad.

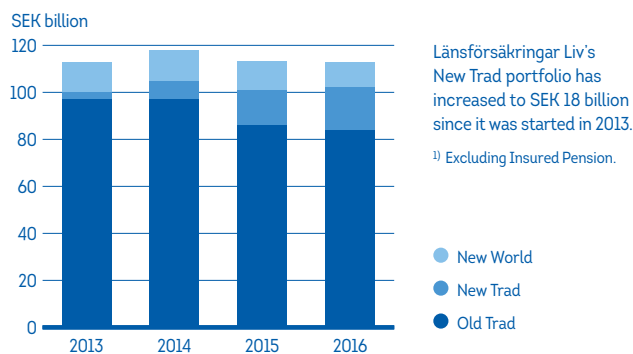
Managed assets, SEK billion

116

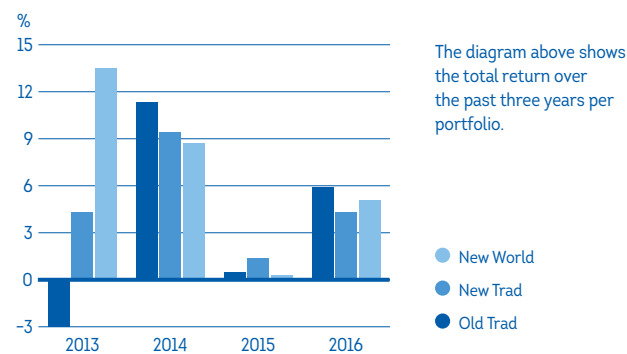
Number of policies

709,000

Managed assets per portfolio¹⁾



Total return per portfolio



Key figures

SEK M	2016	2015	2014	2013
Investment assets, New Trad	17,983	15,004	8,591	3,022
Investment assets, Old Trad	84,718	86,636	97,572	97,526
Investment assets, New World	11,349	11,737	12,703	12,997
Capital ratio, %	195	182	-	-
Collective consolidation ratio, New Trad, %	114	114	120	115
Collective consolidation ratio, Old Trad, %	125	120	120	107
Total return, New Trad, %	4.3	1.4	9.4	4.3
Total return, Old Trad, %	5.9	0.5	11.3	-3.0
Total return, New World, %	5.1	0.3	8.7	13.5

Managing SEK 116 billion in traditional life assurance

Länsförsäkringar Liv is the Länsförsäkringar Alliance's life-assurance company for traditional management. Länsförsäkringar Liv manages a total of SEK 116 billion divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. The operations are conducted according to mutual principles, which entails that earnings are not distributed to owners; they remain with the company's customers.



Länsförsäkringar in brief

Customer-owned regional insurance companies with local presence

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.7 million customers and approximately 6,200 employees.

3.7 million customers

23 local regional insurance companies

Länsförsäkringar AB

Länsförsäkringar
Bank AB

Länsförsäkringar Sak
Försäkrings AB

Länsförsäkringar
Fondliv Försäkrings AB

**Länsförsäkringar Liv
Försäkrings AB***

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

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Statement by the President It is gratifying to be able to deliver such strong earnings despite uncertain markets and falling interest rates dominating the year. We have further strengthened the balance sheet, which increases our scope for action and enhances security for our customers. The inflow of new customers in New Trad continued and our customers are among the most satisfied according to the most recent Swedish Quality Index (SQI) survey. However, low interest rates and uncertainty in the financial markets continue to present challenges, particularly in terms of our ability to deliver competitive returns in the parts of our portfolio that feature high guaranteed interest rates.

Our customers have choice

The financial markets

A more positive growth outlook, particularly for the US following the presidential election, meant that 2016 ended with both rising stock markets and increasing long-term interest rates. Nevertheless, 2016 was far from a stable year. It started with declining equities markets and was followed by a slight recovery before turmoil emerged again in June after the UK referendum on EU membership resulted in sharp share price falls. However, the equities market subsequently made a quick recovery.

The equities trend in most geographic markets was positive. The Swedish equities market increased 9% during the year, while European equities were up 7% and US equities rose 11%. The Japanese market reported a negative return of 1% and emerging markets rose 10%.

There was widespread concern for weak growth and deflation in fixed-income markets during the year, although some hopes for higher growth were harboured after the US presidential election. Long-term interest rates fell after year-end, despite an upturn at the end of the year, leading to an increase in the value of investments in Swedish government bonds with long terms. The

Swedish ten-year interest rate fell from 1.25% to 0.55% during the year.

Credit spreads also narrowed during the year, thus helping to boost the value of interest-bearing investments and primarily benefiting life-assurance companies with a high percentage of fixed-income investments, such as our Old Trad portfolio.

Our customers

We received confirmation of the strength of our brand and the confidence among our customers during this past year. The annual Swedish Quality Index (SQI) survey showed that Länsförsäkringar has the highest confidence among private customers and the third highest among corporate customers. Our local presence and high level of service via the regional insurance companies are key factors. We will continue to live up to this going forward.

We are continuing to develop our work on ensuring that we make responsible and sustainable investments, combined with generating high returns. We received high ratings from two of the largest insurance brokerages, Max Matthiessen and Söderberg & Partners, except for Old Trad's rating from Söderberg & Partners.

According to the 2016 Sustainable Brand Index survey, Länsförsäkringar is the most sustainable brand in the insurance industry.

It is important that our customers can quickly and easily see the value trend of their insurance. Länsförsäkringar's award-winning mobile app and the normal online customer meeting allows customers to continuously see updates on the value of their insurance policies. The digital dialogue with our customers is a priority area that we will continue to develop.

A long-term approach must always be taken regarding pension savings, with the understanding that there will be both good and bad years over a normal savings period. Customers have a stable value growth trend in traditional management based on our long-term asset management and the technique of an equalised bonus rate. Pension savings should also be viewed as a way of evening out and strengthening income after retirement, rather than financial planning with a one-sided focus on the highest possible returns.

Returns for Old Trad in the past year were at a high level, particularly considering the limited scope of the investment portfolio. However, returns for New Trad did not meet our targets.

“ The Swedish Financial Supervisory Authority approved our Solvency II internal model in June, which creates an excellent basis for optimally correlating our risks and capital requirement.

It is especially important that this portfolio delivers competitive returns since many of our customers are changing from Old to New Trad. This is also the portfolio that is the primary comparison with our competitors' results. Pleasingly, we have, to date, been able to give our customers a competitive bonus rate since solid collective consolidation has been built up in the portfolio.

We view delivering stable and high value growth on our customers' pension savings as one of our most important tasks. Our aim is to continue to develop and strengthen our asset management.

The total return for New Trad amounted to 4.3%. The largest contribution to the positive return came from interest-bearing assets due to narrowing credit spreads and falling interest rates. The equities portfolio made a positive contribution to the total return. US equities generated the highest returns, followed by equities in emerging markets and Swedish equities. Alternative investments made a positive contribution, while properties made a slightly negative contribution to returns. New Trad has generated a total return of 20.6% since it was started in June 2013. The New Trad investment portfolio has greater risk scope and

can thus be more diversified with a larger percentage of higher risk assets than Old Trad, which is expected to yield higher returns in the long term. Our ability to further diversify the portfolio with a higher percentage of alternative classes of assets, such as private equity and properties, increases in pace with the volume of managed assets increasing.

The total return for Old Trad amounted to 5.9%, which was a solid result. The Old Trad portfolio primarily comprises interest-bearing investments that have reported a positive change in value as a result of long-term interest rates falling overall during the year. Narrowing credit spreads also had a positive impact on returns. Other parts of the portfolio are invested in such higher-risk assets as equities, properties and alternative investments, which in total had a positive effect on returns.

The total return for New World amounted to 5.1%. The positive return was mainly due to the trend in equities investments. US equities generated the highest returns, followed by equities in emerging markets and Swedish and European equities. 70% of assets comprise equities, meaning that returns are significantly impacted by the

performance of the equities market. 30% of the assets comprise government and mortgage bonds and cash and bank balances, which also made a positive contribution to the total return due to falling interest rates.

Solvency II regulations

The joint EU regulations, Solvency II, with more stringent requirements governing insurance companies and their risks, reporting, publication of information and capital requirements, came into effect in January 2016. We have worked for many years on producing a partial internal model that best and most correctly reflects our risks and thus our capital requirement. The Swedish Financial Supervisory Authority approved our internal model in June 2016, which we are very pleased about.

Stockholm, February 2017



Jörgen Svensson

President of Länsförsäkringar Liv

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corporate Registration Number 516401-6627, hereby submit the Annual Report and consolidated financial statements for the 2016 fiscal year.

Ownership and Group structure

Länsförsäkringar Liv Försäkringsaktiebolag (publ), referred to below as Länsförsäkringar Liv, is a wholly owned subsidiary of Länsförsäkringar AB (Corp. Reg. No. 556549-7020), which in turn is owned by the 23 regional insurance companies together with 16 local insurance companies.

The company is operated in accordance with mutual principles, which means that the earnings remain with the customers. The company is not consolidated in the Länsförsäkringar AB Group's income statement and balance sheet. The Länsförsäkringar Liv Group comprises the Parent Company (Länsförsäkringar Liv), and a number of property management subsidiaries.

Focus of operations

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

In traditional life assurance, customers' capital is normally invested in interest-bearing securities, equities, properties and alternative investments. Old Trad, where the main focus is to meet relatively high guarantee levels over the long term, comprises a conservative investment portfolio, of which approximately 85% is invested in interest-bearing assets. The investment portfolio for New Trad, which has lower guaranteed interest, can be more flexible. Equities exposure was 34% and the percentage of interest-bearing assets was 52% at

year-end. Investments in New World are normally comprised as follows: 30% interest-bearing securities and 70% equities.

Financial markets

2016 was an eventful year mainly dominated by political uncertainty, but it also started with economic unease and a sharp decline in the price of oil. Fears about the global economy, such as growth prospects for China, impacted the financial markets in the form of stock-market downturns and falls in interest rates. However, the US labour market continued to strengthen and the economic outlook in primarily developed economies and China improved in the second half of the year. This trend allowed the Federal Reserve to cautiously continue to normalise its monetary policy and raise its key interest rate at the end of the year, only the second increase since 2006. Europe continued to recover during the year, partly due to the ECB's highly expansive measures, such as commencing its corporate sector purchase programme. The political situation was also a key focal point of the year. The UK voted to leave the European Union and the Republican candidate Donald Trump won the US presidential election. Trump's victory at the polls impacted market expectations of growth and inflation in the US for the next few years since greater fiscal stimulus packages are expected to strengthen growth in an economic climate that is already booming, which thus increases the risk of higher inflation and interest rates.

Global long-term interest rates rose in the autumn from historically low, and in certain cases negative, levels, an upswing that accelerated after the US presidential election. Interest rates on covered bonds fell during the year and investor demand was high. The majority of global equities markets reported positive returns for the year and the stock-market trend in SEK

in the US and in emerging markets was particularly favourable.

The Swedish economy continued to perform at a healthy rate and was largely in line with expectations. However, inflation presented a negative surprise, and means that the economy is now in the unusual situation of having a more expansive monetary policy despite Sweden experiencing an economic boom. Housing prices continued to rise but the rate gradually declined over the course of the year.

Low interest rates and high uncertainty in the capital markets present a challenging environment for an investor with long-term guaranteed commitments, such as Länsförsäkringar Liv.

Significant events during the year

Low interest rates entailed a continued need for measures to strengthen Länsförsäkringar Liv's solvency. The company's situation improved in terms of key figures and strength of the balance sheet, but the company remains sensitive to sharply negative scenarios due to Old Trad's exposure to credit risks. In 2016, the company continued to take measures to strengthen the balance sheet and key figures. Changing conditions to New Trad was an important part of the work. The offer to change conditions to New Trad was sent to customers with a total insurance capital of SEK 35 billion, with customers with a value of SEK 14 billion changing their conditions to New Trad, of which SEK 2 billion was changed in 2016.

The introduction of the EU's new Solvency II rules for insurance operations on 1 January 2016 significantly changed the rules on capital requirements for insurance operations. The performance for the year is described below according to the new rules.

In June 2016, Länsförsäkringar Liv became the first Swedish company to receive 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 are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula. The company's partial internal model is considered to better reflect the company's risks and solvency capital requirements compared with the standard formula of the rules.

Own funds for Länsförsäkringar Liv increased from SEK 1,702 M at the start of the year to SEK 22,308 M, attributable to positive earnings. The capital requirement amounted to SEK 11,433 M (11,345) and the capital ratio to 195%, up 13 percentage points since the start of the year.

Earnings and financial position

Profit for the Länsförsäkringar Liv Group amounted to SEK 2,682 M (5,089). This result was due to positive investment income, continued changed conditions to New Trad, which reduced technical provisions, and a positive operating profit. The year-on-year decline was mainly the result of lower volumes of changed insurance conditions for New Trad. In 2016, the company introduced a new discount curve and new operating-cost assumptions adapted to the Solvency II rules, and changed its payout-period assumption in accordance with company experience. However, these actuarial changes had a marginal overall effect on earnings.

Long-term market interest rates fell in the first half of the year and rose again in the autumn. Long-term interest rates declined a total of about 0.7 percentage points in 2016, which negatively impacted earnings. Interest rates normally have a major effect on the company's earnings since the technical liabilities are discounted by the market interest rate. However, the company has chosen a strategy that pro-

jects earnings from interest-rate changes by matching liabilities to assets. Increased technical liabilities due to the decline in interest rates are counterbalanced by the increasing value of the investment assets. Despite the company being largely protected from general interest-rate changes, falling interest rates had a negative effect on earnings in 2016.

Changing conditions to New Trad positively impacted earnings. Changing from Old Trad to New Trad means that the guaranteed interest rate is lowered, which in turn has a positive effect on the company's liabilities and earnings. The reduced guarantee allows capital to be invested in other types of assets that have higher expected returns, which is why New Trad is expected to generate higher bonuses over time.

Net investment income recognised in profit and loss was SEK 6,027 M (373). The total return in Länsförsäkringar Liv's Old Trad portfolio was 5.9% (0.5). The total return amounted to 4.3% (1.4) for New Trad and to 5.1% (0.3) for New World.

Premium income

Premium income in Länsförsäkringar Liv in 2016 amounted to SEK 1,905 M (2,113), down 10%. Since new sales were discontinued, the portfolio of insurance policies has continued to decline. Paid-up insurance and external transfers combined with no additional new insurance policies mean that the portfolio will continue to decline. Payments are continuing to be made for premium paying insurance policies, but premium income declines as the number of policies reduces. One-off payments have essentially ceased since new sales were discontinued.

Claims payments

Claims paid amounted to SEK 5,683 M (5,959). The amount includes the value of transfers of SEK 753 M (1,108) from

Länsförsäkringar Liv. Of capital transferred from Länsförsäkringar Liv, SEK 414 M (664) went to Länsförsäkringar Fondliv.

Change in technical provisions

Technical provisions amounted to SEK 87,407 M (88,539) at year-end. Including interest-rate fluctuations, which drove up the value of provisions by about SEK 1.6 billion, the decline in technical provisions was approximately SEK 2.7 billion. The reason was a negative cash flow with payments and external transfers exceeding premium income. Changing conditions to New Trad also contributed to the decline.

Asset Management

Investment income net was SEK 6,027 M (373). Investment assets according to the balance sheet including conditional bonus rose to SEK 116,407 M (115,354) during the year.

New Trad

New Trad is a management form to which customers are offered the opportunity to change the conditions of their traditional insurance policies. New conditions are applied to the insurance in New Trad, including lower fees and lower guarantees. The reduced guarantee allows capital to be invested in other types of assets that have higher expected returns. New Trad is expected to generate higher bonuses over time. Länsförsäkringar Liv continued to invite customers to change the conditions of their traditional insurance to New Trad during 2016. New Trad had managed assets of SEK 18 billion (15) at year-end. On 31 December 2016, asset allocation in the New Trad portfolio was: 52% interest-bearing securities, 34% equities, 11% alternative investments and 3% property. The return on the various asset classes was as follows: interest-bearing securities 5.5% (neg: 0.2),

equities 6.2% (1.9), alternative investments 3.4% (3.0) and properties 9.9% (30.0). Investment income for New Trad amounted to 4.3% (1.4) in 2016.

The total return for New Trad primarily derives from the fixed-income portfolio, with the interest-rate fall in the first half of the year contributing to the return. The equities asset class was the main positive contributor in the second half of the year, although in 2016 all asset classes except for currencies generated positive returns.

At year-end, collective consolidation for New Trad was 114% (114) and the bonus rate was 4%. The bonus rate was an average of 5.5% during 2016. The average bonus rate since New Trad started in 2013 has been 7%.

Old Trad

A narrow risk scope combined with sustained low interest rates and uncertainty in the financial markets meant that the percentage of long-term interest-bearing investments remained high for Old Trad. The investment mix was essentially unchanged during the year. On 31 December 2016, asset allocation in Old Trad was as follows: 86% interest-bearing securities, 4% equities, 8% alternative investments and 2% property. The return on the various asset classes was as follows: Interest-bearing securities 5.7% (neg: 1.8), equities 14.8% (4.1), alternative investments 4.3% (27.9) and properties 24.5% (13.6). Managed assets in Old Trad amounted to SEK 84.7 billion (86.6) and the return was 5.9% (0.5).

Collective consolidation in Old Trad amounted to 125% (120) at year-end. The bonus rate for Old Trad was 2% for the full-year 2016. The average bonus rate for Old Trad over the past ten years was 2.9%.

New World

New World is a traditional insurance policy whereby customers are guaranteed to recoup at least the premiums paid, subject to deductions for expenses and yield tax. In New World, approximately 30% of cus-

tomers' capital is normally invested in bonds and 70% in equities spread over different markets. Managed assets in New World amounted to SEK 11.3 billion (11.7).

The return in December 2016 amounted to 5.1% (0.3).

Insured Pension

Insured Pension combines opportunities to profit from stock-market upswings, while protecting from stock-market slumps. Savings comprise a bond that extends over the entire savings period and a share option that follows the trends on the stock markets. As a result, the savings perform differently for different savers. Managed assets in Insured Pension amounted to SEK 1.7 billion (1.6).

Risk operations

Risk operations for Länsförsäkringar Liv comprise products for life-assurance cover, survivor's protection, accident and health-insurance cover and invalidity benefit. Risk operations are largely integrated with the company's savings and occupational-pension products.

The risk result after reinsurance for Länsförsäkringar Liv amounted to SEK 290 M (112). Since the company no longer underwrites new insurance, premium income for the risk operations has declined to SEK 528 M (558). The claims ratio improved year-on-year to 49% (62) due to lower claims outcome and thus reduced needs for provisions.

The risk-cover capacity that provides suitable protection for customers is ensured by Länsförsäkringar's own retention and an extensive reinsurance programme. The reinsurance programme comprises an obligatory component whereby a certain quota of business is automatically reinsured, and a voluntary component whereby high individual risks are reinsured, and catastrophe insurance in the event of a unique major event.

Solvency

Länsförsäkringar Liv's solvency has been measured since 2016 as a capital ratio according to Solvency II. This performance measure shows the amount of the company's own funds in relation to a risk-based capital requirement. Länsförsäkringar Liv has worked actively since the end of 2011 on measures to strengthen the company's balance sheet. The company has followed an action plan decided by the Board. The plan contains a number of measures for enhancing the efficiency of the company's operations and balance sheet. Strengthened solvency provides the company with greater flexibility and the option of investing in asset classes with higher expected returns.

In 2016, the company pursued a strategy whereby the investment portfolio was largely matched against liabilities to protect the company's surplus against falling interest rates. Part of the matching strategy in 2016 was to generate a certain surplus when interest rates rise. ALM analyses are used to optimise the investment portfolio portfolios so that the correlation between risk and return is as advantageous as possible. New Trad improved solvency during the year since, after changing conditions, the insurance policies have lower guarantees and thus reduce the need for reserves in the company's balance sheet. The capital ratio under Solvency II, amounted to 195% (182) on 31 December 2016.

Five-year summary

The five-year summary is on page 11.

Risks and risk management

One of the key objectives for Länsförsäkringar Liv is to ensure that the company can meet its guaranteed commitments to customers by a satisfactory margin. This particularly applies to the Old Trad management form where guarantees are relatively high. The historically low interest rates place even higher requirements on the company's risk management. Accordingly,

risk-taking is an integrated part of the governance of the operations, and aims at maintaining a satisfactory balance between the level of risk and the conditions for generating returns. The company also works with prospective analyses to ensure long-term capitalisation.

Länsförsäkringar Liv is primarily exposed to market risks and life-assurance risks. The risks that entail the highest capital requirement under market risks are: equities risk, credit risk (spread risk), and interest-rate risk, and market risks are limited by applying limits to capital requirements from the investment activities. The operations are characterised by a low risk profile and Länsförsäkringar Liv meets legal and supervisory capital requirements by a healthy margin.

Länsförsäkringar Liv has applied the Solvency II regulations for all of the company's regulations since 1 January 2016. In June 2016, Länsförsäkringar AB and its insurance subsidiaries became the first Swedish group of companies to receive permission from the Swedish Financial Supervisory Authority to calculate the capital requirement for insurance operations using a partial internal model. The company calculates the solvency capital requirement for market risk according to the partial internal model and the capital requirement for other risks is calculated by applying the standard formula.

A more detailed description of the risks to which the company is exposed and how these risks are managed is presented in note 2 Risk and capital management.

Employees

Employeeeeship, leadership and performance

Dedicated employees and strong leadership are important prerequisites for achieving favourable results. Länsförsäkringar Liv works together with the other companies in the Länsförsäkringar AB Group following a joint model for performance management.

Länsförsäkringar Liv's employee profile, leader profile and values are the platforms

for remaining a successful organisation characterised by shared core values and an ability to rapidly adapt to the external environment. A clear and Group-wide view allows everyone to contribute to the company's continued development. The employee profile and leader profile also help the company to recruit, develop and promote employees and managers. Employeeeeship at Länsförsäkringar Liv involves every employee assuming responsibility for their own development in terms of performance, skills and health, and employeeeeship also includes actively pursuing operational improvements. The work atmosphere, commitment and employee opinion of leadership are measured every year in an employee survey.

The Employee Satisfaction Index (NMI), Commitment Index (EI) and Leadership Index (LSI) are all at high levels.

Health and work environment

The personnel policy describes management responsibilities regarding work environment and health issues, and the responsibility of all employees for their own health and contributing to a productive work environment. All organisational changes in the business are preceded by risk assessments and are an explicit managerial responsibility in cooperation with the health and safety representative. All employees have health care insurance that provides rapid access to private health care. This insurance includes medical consultations, personal counselling and preventive health services.

A clear rehabilitation process is implemented in the operations. Länsförsäkringar has a generously subsidised preventive health care offering at its own facilities, with exercise classes, fitness and weight training, the option of massage and one hour of exercise a week during working hours. Agreements have been signed with occupational health care services for medical check-ups and work-related illnesses or ergonomic problems.

Equality and diversity

All levels of the company endeavour to achieve an even distribution between men and women in managerial positions. Surveys are regularly conducted to study how employees perceive equality at the company. The 2016 survey showed an improvement by 97% perceiving Länsförsäkringar Liv to be an equal opportunity workplace.

Salary levels for men and women in similar positions at all levels were quality assured during the year according to applicable salary survey rules. Active work is taking place in new recruitment to increase ethnic diversity.

No cases of discrimination were reported in 2016.

Personnel, salaries and remuneration

Information regarding the average number of employees, salaries and remuneration, as well as details concerning salary and other remuneration of corporate management, are provided in note 10 Employees, staff costs and remuneration of senior executives. The Board of Directors of Länsförsäkringar Liv has established a remuneration policy in accordance with articles 258 and 275 of the Commission Delegated Regulation (EU) 2015/35. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

Sustainability

Länsförsäkringar Liv works actively on sustainability in several areas.

Environment

Länsförsäkringar Liv and the Länsförsäkringar AB Group continued their environmental work in 2016 and efforts to reduce the impact of the operations on the environment and making the offering environmentally compatible. The environmental management system and the regional insurance companies have ISO 14001 certification to ensure that environmental activities are

conducted in a structured and sustainable manner.

In accordance with the company's environmental policy, Länsförsäkringar Liv assumes its responsibility for the negative impact on the environment caused by its operations. Business travel, which results in emissions of greenhouse gases such as carbon dioxide, is reduced by using technology to hold meetings by telephone, video and in digital channels. The environmental impact of the business travel that does take place is reduced largely by using rail in accordance with the travel guidelines of the business travel policy. Company cars meet the definition of green cars in the company car policy. The company also has charging stations for electric cars in its own car parks to stimulate the use of cars that do not operate on fossil fuels. Bikes and public transport travel cards can be borrowed for shorter journeys, which provides an incentive for environmentally friendly travel.

Digital services provide major opportunities for reducing paper-based communication to customers, while simultaneously improving service and quality of the information. The development of digital services helps reduce the environmental impact of paper manufacturing and transportation of paper-based communication and makes information more accessible to customers. Customers can help reduce paper-based communication by choosing not to receive physical copies. Only 10% of customers wanted a paper copy of their insurance value statements in 2016, and this figure is declining every year. The Länsförsäkringar Alliance's digital target involves producing the market's best and most popular digital services for banking, insurance, pensions

and real-estate brokerage. Personal customer meetings – when the customer needs them – are and will remain a priority.

A key function that also has an environmental impact is the purchasing of products and services. According to the purchasing policy and the Code of Conduct for Suppliers, the environmental impact of purchasing processes will be minimised. Financial, social and environmental aspects are integrated into the purchasing policy to manage sustainability risks and safeguard the principles of the UN Global Compact. A Code of Conduct for Suppliers, based on the UN Global Compact, is in place and defines requirements regarding human rights, labour conditions, environment and business ethics.

Länsförsäkringar's office properties are environmentally classified as energy-efficient and designed to promote health and sustainability, in line with the Sweden Green Building Council's certification scheme and the GreenBuilding system. Only Good Environmental Choice electricity and district heating that is largely produced from renewable fuels are used. The staff canteen offers organic and locally produced food and meat-free Mondays.

Responsible investment

Länsförsäkringar Liv's investments follow Länsförsäkringar's ethical guidelines, which are based on international conventions on the areas of environment, human rights, child labour, labour law, corruption and controversial weapons. Under Länsförsäkringar Liv's owner policy, no direct investments are made in companies that conduct operations in controversial weapons, such as cluster munitions, landmines and nuclear

weapons. At the end of 2014, Länsförsäkringar AB signed the United Nations-supported Principles for Responsible Investment. All investments in equities and credit bonds are analysed with the assistance of an external consultant to identify companies that breach international conventions. There are two main alternatives in the event of contraventions of guidelines – divest the asset or seek to influence the company through lobbying and dialogue. Länsförsäkringar Liv primarily makes use of dialogue and lobbying to influence companies to act responsibly.

In 2015, Länsförsäkringar AB signed the international Montreal Carbon Pledge initiative, under which investors across the world pledge to measure and publicly disclose the carbon footprint of their investment portfolios. Work began in 2016 on reducing the carbon footprint of the Länsförsäkringar Liv's investments by divesting mining and energy companies that derive more than 50% of their income from coal. At the same time, activities were started to gradually increase the percentage of investments in green bonds. Länsförsäkringar AB supports the Carbon Disclosure Project (CDP), which collates environmental data from companies that is used by investors for financial analyses, including measuring carbon footprints. In 2016, Länsförsäkringar held talks with several other investors to persuade more companies to report to the CDP and to encourage companies to take action to reduce their impact on the environment. During the year, Länsförsäkringar was actively involved with Insurance Sweden's working group to produce an industry-wide method for measuring the carbon footprint of equities investments. Figures on the carbon

footprint of Länsförsäkringar Liv's equities investments will be published in the first half of 2017.

Significant events after the end of the fiscal year

Länsförsäkringar Liv announced on 31 January that it was to participate in Svenska Handelsfastigheter's new share issue. This means that Länsförsäkringar Liv will make a property investment of SEK 600 M over a period of several years. The properties form an asset that is deemed well-suited to the company's long-term commitments. The investment in Svenska Handelsfastigheter is made in both New and Old Trad.

Expectations regarding future development

The company's long-term work on strengthening the balance sheet and improving opportunities for future returns has been successful. The situation has improved considerably since the action plan commenced in 2011. However, the situation for the company is that it is sensitive to scenarios of falling interest rates and/or falling values of risk assets due to the guarantee risks in Old Trad. Accordingly, work on strengthening the company's balance sheet will continue in 2017. Changing conditions to New Trad remains an important measure in this work.

Proposed appropriation of profit

The proposed appropriations as specified below will be presented to, and the income statement and balance sheet for the Group and Parent Company will be adopted at the Annual General Meeting in May 2017.

Group

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

Parent Company

In 2016, recognised profit amounted to SEK 2,358,739,872.

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

Net profit for the year	2,358,739,872
Total	2,358,739,872

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

Defined-contribution occupational pension insurance	779,846,801
Occupation-linked health insurance and premium exemption	161,369,368
Individual traditional life assurance	1,365,948,140
Non-cancellable accident and health insurance and premium exemption	48,554,962
Accident and health	3,020,601
Total	2,358,739,872

The Board of Directors proposes that the Annual General Meeting authorise the Board in the 2017 fiscal year to use up to SEK 1,300 M of the funds in the collective consolidation fund for final allocations in connection with payments of pension and other claims payments, transfers of insurance capital and repurchases.

Total return table

Investment assets in Old Trad, SEK M	Total return, %	Market value, 31 Dec 2016	%	Market value, 31 Dec 2015	%
Interest-bearing	5.7	72,547	85.7	74,078	85.5
Equities	14.8	3,741	4.4	3,350	3.9
Alternative investments ¹⁾	4.3	6,805	8.0	7,597	8.7
Property	24.5	1,625	1.9	1,611	1.9
Total	5.9	84,718	100	86,636	100
Investment assets in New Trad, SEK M	Total return, %	Market value, 31 Dec 2016	%	Market value, 31 Dec 2015	%
Interest-bearing	5.5	9,350	52.0	7,149	47.7
Equities	6.2	6,119	34.0	5,999	40.0
Alternative investments ¹⁾	3.4	1,934	10.8	1,129	7.5
Property	9.9	580	3.2	727	4.8
Total	4.3	17,983	100	15,004	100
Investment assets in New World, SEK M	Total return, %²⁾	Market value, 31 Dec 2016	%	Market value, 31 Dec 2015	%
Interest-bearing	2.9	3,362	29.6	3,630	30.9
Equities	7.9	7,987	70.4	8,107	69.1
Total	5.1	11,349	100	11,737	100
Total		114,050		113,377	

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

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

Reconciliation total return table with balance sheet

	31 Dec 2016	31 Dec 2015
Shares and participations in Group companies	436	411
Interest-bearing securities issued by Group companies and loans to Group companies	3,504	3,953
Shares and participations in associated companies	220	220
Shares and participations	18,862	16,543
Bonds and other interest-bearing securities	78,165	80,812
Loans with collateral in fixed property	1,761	1,793
Derivatives	6,281	4,819
Other financial investment assets	1,739	1,618
Total investment assets	110,968	110,169
Assets for conditional bonus	4,810	4,959
Cash and cash equivalents	4,527	3,844
Accrued interest and rental income	612	762
Derivatives, liabilities	-4,176	-3,216
Total	116,741	116,518
Adjustments		
Shares and participations in Group and associated companies and loans to Group companies	-1,310	-1,285
Market value, property	1,933	1,508
Cash and cash equivalents not included in total return table	-1,862	-1,510
Insured Pension	-1,733	-1,593
Other	281	-261
Total	114,050	113,377

Five-year summary

	2016	2015	2014	2013	2012
Earnings, Group, SEK M					
Premium income for own account	1,720	1,919	2,639	3,388	4,319
Investment income, net	6,027	373	12,023	-1,744	7,659
Claims payments	-5,683	-5,959	-6,627	-7,645	-7,491
Disbursed and balanced bonus	-1,032	-1,222	-1,475	-1,888	-1,891
Technical result, insurance operations	2,838	5,388	2,248	5,495	5,447
Net profit for the year	2,682	5,089	1,903	5,174	4,872
Financial position, SEK M					
Investment assets measured at fair value, Group	111,597	110,395	115,971	106,777	121,964
Technical provisions, Group	87,408	88,539	97,172	91,585	104,942
Solvency capital, Parent Company	23,142	21,503	17,651	17,226	13,970
Of which, surplus value in Group companies and associated companies	716	334	341	395	412
Of which, deferred tax	-	-	-	-	-
Collective consolidation capital, Parent Company	17,956	15,471	16,895	6,309	10,325
Own funds, Parent Company	22,308	20,606 ²⁾	-	-	-
Own funds, Parent Company (according to FRL wording on 31 Dec 2015) ⁴⁾	-	21,169	17,310	16,831	13,558
Minimum capital requirement, Parent Company	3,238	3,246 ²⁾	-	-	-
Solvency capital requirement, Parent Company	11,433	11,345 ²⁾	-	-	-
Own funds, group (Länsförsäkringar AB) ¹⁾	40,602	36,905 ²⁾	-	-	-
Solvency capital requirement, group (Länsförsäkringar AB) ¹⁾	30,121	28,233 ²⁾	-	-	-
Required solvency margin, Parent Company (according to FRL wording on 31 Dec 2015) ⁴⁾	-	3,872	4,214	3,991	4,527
Own funds, insurance group (according to FRL wording on 31 Dec 2015) ⁴⁾	-	9,437	7,619	-	-
Required solvency margin, insurance group (according to FRL 2010:2043 wording on 31 Dec 2015) ⁴⁾	-	6,072	6,293	-	-
Key figures for Parent Company, % unless otherwise specified					
Management cost ratio	0.4	0.4	0.4	0.3	0.3
Direct yield	1.3	1.8	1.5	2.7	4.8
Total return, Old Trad	5.9	0.5	11.3	-3.0	6.1
Total return, New World ³⁾	5.1	0.3	8.7	13.5	12.2
Total return, New Trad	4.3	1.4	9.4	4.3	-
Collective consolidation ratio, Old Trad	125	120	120	107	111
Collective consolidation ratio, New Trad	114	114	120	115	-
Solvency rate (according to FRL wording on 31 Dec 2015) ⁵⁾	-	128	122	118 (123)	113 (116)
Solvency rate, multiple (according to FRL wording on 31 Dec 2015) ⁴⁾	-	5.6	4.2	4.3	3.1
Capital ratio	195	182 ²⁾	-	-	-
Average bonus rate before tax and expenses, Old Trad	2.0	2.0	1.0	0.2	0.0
Average bonus rate after tax, Old Trad					
Endowment insurance (tax rate 30%)	1.6	1.7	0.4	-0.3	-0.5
Pension insurances (tax rate 15%)	1.9	1.8	0.7	-0.1	-0.4
Average bonus rate before tax and expenses, New Trad	5.5	9.2	6.6	5.0	-
Average bonus rate after tax, New Trad					
Pension insurances (tax rate 15%)	5.4	8.9	6.3	4.8	-

¹⁾ The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB and Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, except where the insurance-operation rules require deductions from profits in subsidiaries that are not transferable to another company unless the subsidiary in question is an insurance company.

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

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

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

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

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Income statement

Technical recognition of life-assurance operations SEK M	Note	Group		Parent Company	
		2016	2015	2016	2015
Premium income					
Premium income before ceded reinsurance	3	1,905	2,113	1,905	2,113
Premiums for ceded reinsurance		-185	-194	-185	-194
Total premium income after ceded reinsurance		1,720	1,919	1,720	1,919
Investment income, revenue	4, 5	4,933	4,865	4,901	5,025
Unrealised gains on investment assets	4, 6	3,983	1,412	3,598	1,236
Claims payments					
Claims paid before ceded reinsurance	7	-5,859	-6,076	-5,859	-6,076
Reinsurers' portion		122	109	122	109
Total claims paid after ceded reinsurance		-5,737	-5,967	-5,737	-5,967
Change in provision for claims outstanding before ceded reinsurance		56	2	56	2
Reinsurers' portion		-2	6	-2	6
Total change in provision for claims outstanding after ceded reinsurance		54	8	54	8
Total claims payments after ceded reinsurance		-5,683	-5,959	-5,683	-5,959
Change in other technical provisions after ceded reinsurance					
Life-assurance reserves	27	1,072	8,619	1,072	8,619
Technical provisions for life assurance for which the policyholder bears the risk					
Conditional bonus		149	878	149	878
Operating expenses	8, 9, 10	-447	-442	-447	-444
Investment income, expenses	4, 11	-2,824	-1,372	-2,782	-1,356
Unrealised losses on investment assets	4, 12	-65	-4,532	-65	-4,532
Technical result, life-assurance operations		2,838	5,388	2,463	5,386
NON-TECHNICAL RECOGNITION					
Technical result, life-assurance operations		2,838	5,388	2,463	5,386
Other non-technical expenses		-110	-284	-	-
Profit before tax/Profit before appropriations and tax		2,728	5,104	2,463	5,386
Tax allocation reserve		-	-	70	63
Tax	13	-46	-15	-174	-306
NET PROFIT FOR THE YEAR		2,682	5,089	2,359	5,143

Statement of comprehensive income

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Net profit for the year	2,682	5,089	2,359	5,143
Other comprehensive income	-	-	-	-
Items that cannot be transferred to profit and loss				
Revaluation of defined-benefit plans	-	-2	-	-
Total other comprehensive income for the year, net after tax	-	-2	-	-
Comprehensive income for the year	2,682	5,087	2,359	5,143

Performance analysis 2016

SEK M	Total	Direct insurance in Sweden Occupational pension	
		Defined- contribution traditional insurance	Health insurance & premium exemption
Premium income before ceded reinsurance	1,905	995	350
Premiums for ceded reinsurance	-185	-22	-97
Total premium income after ceded reinsurance	1,720	973	253
Investment income, revenue	4,901	2,542	92
Unrealised gains on investment assets	3,598	1,691	-
Claims payments			
Claims paid before ceded reinsurance	-5,859	-2,788	-197
Reinsurers' portion	122	13	44
Total claims paid after ceded reinsurance	-5,737	-2,775	-153
Change in provision for claims outstanding before ceded reinsurance	56	-	-6
Reinsurers' portion	-2	-	8
Total change in Provision for claims outstanding after ceded reinsurance	54	-	2
Total claims payments after ceded reinsurance	-5,683	-2,775	-151
Change in other technical provisions before ceded reinsurance			
Life-assurance reserves	1,072	-18	0
Technical provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	149	110	-
Operating expenses	-447	-208	-41
Investment income, expenses	-2,782	-1,452	-
Unrealised losses on investment assets	-65	-31	-
Technical result, life-assurance operations	2,463	832	153
Tax allocation reserve	70	-	53
Tax	-174	-51	-47
NET PROFIT FOR THE YEAR	2,359	781	160
Run-off result	466	-	363
Technical provisions, before ceded reinsurance			
Life-assurance reserves	85,192	46,737	3
Provision for claims outstanding	2,216	16	1,214
Total	87,408	46,753	1,217
Provisions for life assurance for which the policyholder bears the insurance risk			
Conditional bonus	4,810	3,318	-
Reinsurers' portion of technical provisions			
Provision for claims outstanding	477	2	312
Collective consolidation funds	22,030	5,656	1,600

Performance analysis 2016, cont.

SEK M	Direct insurance in Sweden Other life assurance		
	Individual traditional insurance	Health and premium exemption	Accident and health
Premium income before ceded reinsurance	444	87	29
Premiums for ceded reinsurance	-44	-22	-
Total premium income after ceded reinsurance	400	65	29
Investment income, revenue	2,198	64	5
Unrealised gains on investment assets	1,907	-	-
Claims payments			
Claims paid before ceded reinsurance	-2,730	-131	-12
Reinsurers' portion	34	31	-
Total claims paid after ceded reinsurance	-2,696	-100	-12
Change in provision for claims outstanding before ceded reinsurance	1	63	-2
Reinsurers' portion	-	-10	-
Total change in Provision for claims outstanding after ceded reinsurance	1	53	-2
Total claims payments after ceded reinsurance	-2,695	-47	-14
Change in other technical provisions before ceded reinsurance			
Life-assurance reserves	1,090	-	-
Technical provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	39	-	-
Operating expenses	-146	-35	-17
Investment income, expenses	-1,330	-	-
Unrealised losses on investment assets	-34	-	-
Technical result, life-assurance operations	1,428	47	3
Tax allocation reserve	-	16	1
Tax	-62	-14	-
NET PROFIT FOR THE YEAR	1,366	49	3
Run-off result	-	103	-
Technical provisions, before ceded reinsurance			
Life-assurance reserves	38,448	3	-
Provision for claims outstanding	49	866	70
Total	38,497	869	70
Provisions for life assurance for which the policyholder bears the insurance risk			
Conditional bonus	1,492	-	-
Reinsurers' portion of technical provisions			
Provision for claims outstanding	4	159	-
Collective consolidation funds	13,762	935	77

Balance sheet

ASSETS, SEK M	Note	Group		Parent Company	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Property and equipment					
Property and equipment	14	2	2	2	2
Total property and equipment		2	2	2	2
Investment assets					
Investment properties	15	1,719	1,295	-	-
Investments in Group companies and associated companies					
Shares and participations in Group companies	16	-	-	436	411
Interest-bearing securities issued by Group companies and loans to Group companies	17	2,857	3,306	3,504	3,953
Shares and participations in associated companies	18	213	209	220	220
Other financial investment assets					
Shares and participations	19	18,862	16,543	18,862	16,543
Bonds and other interest-bearing securities	20	78,165	80,812	78,165	80,812
Loans with collateral in fixed property		1,761	1,793	1,761	1,793
Derivatives	21, 33	6,281	4,819	6,281	4,819
Other financial investment assets		1,739	1,618	1,739	1,618
Total investment assets		111,597	110,395	110,968	110,169
Investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus	22	4,810	4,959	4,810	4,959
Reinsurers' portion of technical provisions					
Provision for claims outstanding		477	481	477	481
Receivables					
Other receivables	23	1,909	1,378	1,893	1,372
Total receivables		1,909	1,378	1,893	1,372
Other assets					
Current tax assets		236	101	236	101
Cash and cash equivalents		4,527	3,844	4,527	3,844
Total other assets		4,763	3,945	4,763	3,945
Prepaid expenses and accrued income					
Accrued interest income	24	612	762	612	762
Prepaid acquisition costs	25	143	195	143	195
Other prepaid expenses and accrued income		0	0	10	0
Total prepaid expenses and accrued income		755	957	765	957
TOTAL ASSETS		124,312	122,117	123,678	121,885

Balance sheet, cont.

EQUITY, PROVISIONS AND LIABILITIES, SEK M	Note	Group		Parent Company	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Equity					
Share capital	26	8	8	8	8
Collective consolidation fund		20,360	16,307	19,671	15,560
Other reserves					
Net profit for the year		2,682	5,087	2,359	5,143
Total equity		23,050	21,402	22,038	20,711
Untaxed reserves					
Tax allocation reserve		-	-	388	458
Technical provisions before ceded reinsurance					
Life-assurance reserves	27	85,192	86,264	85,192	86,264
Provision for claims outstanding	28	2,216	2,275	2,216	2,275
Total technical provisions		87,408	88,539	87,408	88,539
Provisions for life assurance for which the policyholder bears the investment risk before ceded reinsurance					
Conditional bonus	22	4,810	4,959	4,810	4,959
Provisions for other risks and expenses					
Provisions for pensions and similar commitments	29	27	27	27	26
Deferred tax liabilities	13	86	102	-	-
Other provisions		126	8	122	7
Total provisions for other risks and expenses		239	137	149	33
Deposits from reinsurers		477	481	477	481
Liabilities					
Liabilities, direct insurance	30	160	212	160	212
Liabilities, reinsurance		6	15	6	15
Derivatives	21, 33	4,176	3,216	4,176	3,216
Other liabilities	31	3,774	2,964	3,868	3,088
Total liabilities		8,116	6,407	8,210	6,531
Accrued expenses and deferred income					
Other accrued expenses and deferred income		212	192	198	173
TOTAL EQUITY, PROVISIONS AND LIABILITIES		124,312	122,117	123,678	121,885

Statement of changes in equity

SEK M	Group					Parent Company			
	Share capital	Collective consolidation fund	Equity method reserve	Retained earnings incl. net profit for the year	Total	Share capital	Collective consolidation fund	Retained earnings incl. net profit for the year	Total
Opening equity, 1 January 2015	8	15,635	-	1,894	17,537	8	14,816	1,966	16,790
Net profit for the year	-	-	-	5,089	5,089	-	-	5,143	5,143
Other comprehensive income for the year	-	-	-	-2	-2	-	-	-	-
Comprehensive income for the year	-	-	-	5,087	5,087	-	-	5,143	5,143
Appropriation of profit	-	1,894	-	-1,894	-	-	1,966	-1,966	-
Transfer, equity method reserve	-	-	-	-	-	-	-	-	-
Disbursed bonus	-	-1,222	-	-	-1,222	-	-1,222	-	-1,222
Closing equity, 31 December 2015	8	16,307	-	5,087	21,402	8	15,560	5,143	20,711
Opening equity, 1 January 2016	8	16,307	-	5,087	21,402	8	15,560	5,143	20,711
Net profit for the year	-	-	-	2,682	2,682	-	-	2,359	2,359
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	2,682	2,682	-	-	2,359	2,359
Appropriation of profit	-	5,087	-	-5,087	-	-	5,143	-5,143	-
Divestment of subsidiaries	-	-2	-	-	-2	-	-	-	-
Disbursed bonus	-	-1,032	-	-	-1,032	-	-1,032	-	-1,032
Closing equity, 31 December 2016	8	20,360	-	2,682	23,050	8	19,671	2,359	22,038

All equity is classified as restricted.

Cash-flow statement

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Net profit for the year before tax	2,728	5,104	2,532	5,449
Income and yield tax paid	-411	-441	-407	-439
Disbursed bonus and pension collective agreements from collective consolidation fund	-1,032	-1,222	-1,032	-1,222
Adjustment for non-cash items	-5,342	-7,982	-5,482	-8,018
Total	-4,057	-4,541	-4,389	-4,230
Change in other operating receivables and liabilities				
Assets	2,547	5,317	2,127	5,717
Liabilities	2,193	-796	2,074	-1,647
Cash flow from operating activities	683	-20	-188	-160
Investing activities				
Loans to Group and associated companies	-	-	871	140
Investments in property and equipment	0	-0	0	-0
Cash flow from investing activities	0	-0	871	140
Net cash flow for the period	683	-20	683	-20
Cash and cash equivalents, 1 January	3,844	3,864	3,844	3,864
Change in cash and cash equivalents	683	-20	683	-20
Cash and cash equivalents, 31 December	4,527	3,844	4,527	3,844

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

Supplementary information about cash flows

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Interest payments, inward	2,661	2,827	2,661	2,827
Interest payments, outgoing	-550	-275	-538	-274
Dividends received	-	248	27	485
Specification of non-cash items:				
Changes in technical provisions	-1,080	-8,627	-1,080	-8,627
Change in value and results of investment assets	-4,111	1,467	-4,234	1,488
Value changes in investment assets for which the policyholder bears the risk	-149	-878	-149	-878
Other	-2	56	-19	-1
Total	-5,342	-7,982	-5,482	-8,018

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

Notes to the financial statements

All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

Company information

The Annual Report and consolidated financial statements for Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corp. Reg. No. 516401-6627, pertains to the fiscal year 1 January–31 December 2016. Länsförsäkringar Liv Försäkringsaktiebolag (publ) is a mutual limited liability insurance company, with its registered office in Stockholm. The company's address is Tegeluddsvägen 11-13, SE-106 50 Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, with its registered office in Stockholm. The company and its subsidiaries are not consolidated in Länsförsäkringar AB's consolidated financial statements since Länsförsäkringar Liv's earnings accrue in their entirety to the policyholders.

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

Compliance with standards and legislation

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

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

The Annual Report was approved for publication by the Board of Directors and President on 1 March 2017. Final adoption of the Annual Report will take place at the 2017 Annual General Meeting.

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

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

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

Judgements and estimates in the financial statements

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

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

Significant judgements applied to the Group's accounting policies

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

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

Significant sources of estimation uncertainty

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

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

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

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

New and amended accounting policies

New standards and amendments to standards adopted by the EU that are to be applied from 1 January 2016 did not entail any significant changes to the Group's earnings or financial position. The amendments applied by the Group since 1 January 2016 are described below.

Annual Accounts Act for Insurance Companies (1995:1560)

The Annual Accounts Act for Insurance Companies (1995:1560) has been amended and is to be applied to fiscal years beginning on or after 1 January 2016. The amendment entails that the proposed appropriation of profit is also to be presented in the notes. Other than this, the new regulations did not entail any significant changes to the financial statements.

Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12)

Regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12) have replaced the Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies

(FFFS 2008:26). In the new regulations, the provisions on key figures have been adjusted to the requirements and concepts applied with the introduction of the Solvency II Directive and the division of the insurance classes has been adjusted to the national supervisory reporting. The regulations will take effect on 1 January 2016 and be applied for the first time to annual accounts, annual reports and consolidated financial statements for fiscal years beginning after 31 December 2015 and interim reports prepared for periods of such fiscal years. Other than the changed requirements regarding disclosures and key figures, the new regulations did not entail any significant changes to the financial statements.

New accounting regulations that have not yet been applied

A number of new or amended accounting regulations will take effect in future fiscal years and were not applied in advance in the preparation of these financial statements. The expected effects that the application of these new or revised accounting regulations may have on the consolidated financial statements are described below.

IFRS 9 Financial instruments

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

IFRS 9 will take effect for fiscal years beginning on or after 1 January 2018 and early adoption is permitted. The standard is to be applied retrospectively with certain exceptions.

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

Financial asset	Fair value through profit and loss	Amortised cost	Fair value through other comprehensive income
Bonds and other interest-bearing securities	X		
Shares and participations	X		X
Derivatives	X		
Cash and bank balances		X	
Other receivables		X	

New principles are introduced for the impairment of financial assets measured at amortised cost and for debt instruments measured at fair value through other comprehensive income. The impairment model requires recognition of a 12-month expected credit losses on initial recognition and, in the event of a significant increase in the credit risk, the loss allowance is to be based on the full lifetime expected credit losses. For other receivables measured at amortised cost, an analysis is conducted to produce the most appropriate model for calculating expected credit losses.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will take effect for fiscal years beginning on or after 1 January 2018 and will then replace all previously

issued standards and interpretations on income. IFRS 15 contains a single, five-step model for recognising revenue from contracts with customers that is not encompassed by other standards (for example, IFRS 4 or IFRS 9). The basis of the standard is a contract on the sale of goods or services between two parties. A customer agreement is initially to be identified, which generates an asset for the seller (rights, a promise to receive consideration) and a liability (obligations, a promise to transfer the goods or services). Under the model, income is to be recognised when an obligation to deliver the promised goods or services to the customers is fulfilled. The EU has adopted the standard. In the Group, Länsförsäkringar Liv has performed an analysis of the effects of IFRS 15, and implementation is ongoing. The assessment is that the standard will not have any significant effect on the consolidated financial statements, although disclosure requirements will be enhanced. Since the effects of the standard are expected to be limited, comparative information will not be restated in the standard's first year of application.

Future amendments to IFRSs that have not yet been published

The expected effects that the application of these future new or amended IFRSs may have on the consolidated financial statements are described below.

IFRS 17 Insurance contracts

The IASB is working on a new version of IFRS 4 Insurance Contracts that will replace the existing standard. The new standard is called IFRS 17. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The updated standard will also impose new disclosure requirements to increase comparability between different companies.

The final standard is not expected to be published until the first quarter of 2017. The amendment is expected to take effect for fiscal years beginning on or after 1 January 2021. Länsförsäkringar is running a project in the Group to analyse the effects of the new standard. The project is in the pilot study stage.

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

Consolidated financial statements

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

Associated companies are companies in which ownership comprises a part of a permanent connection and in which the Parent Company exercises a significant influence. The share in associated companies' earnings after tax is recognised in the consolidated income statement. Associated companies are recognised in the consolidated financial statements in accordance with the equity method.

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

Related parties

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

See note 37 Disclosures on related-party transactions, etc. for more information.

Translation of foreign currencies

Transactions in foreign currency are translated to SEK at the exchange rate on the transaction date. Assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Unrealised exchange-rate differences thus arising are recognised in profit and loss as exchange-rate gains/losses net under Investment income, revenue or Investment income, expenses. The currency futures utilised to financially hedge currency exposure in the balance sheet are measured at fair value and effects on earnings are recognised under both interest income and exchange-rate gains/losses.

Insurance contracts

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

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

Contracts with discretionary participation features

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

Premium income

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

Claims payments

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

Investment income

Investment income, revenue and expenses

Investment income includes rental income, interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets and cash and cash equivalents. Dividends received, any impairment of financial assets, operating expenses for investment property and external expenses for asset management are included in investment income. Investment income also includes realised gains or losses on investment assets. Realised gains and losses are calculated as the difference between the purchase consideration received and the cost of the asset.

Unrealised gains and losses on investment assets

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

Operating expenses

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

Leasing

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

Tax

Yield tax

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

Tax

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

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

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

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

Property and equipment

Property and equipment are recognised as an asset in the balance sheet if it is probable that Länsförsäkringar Liv will receive future economic benefits and the cost of the asset can be calculated reliably.

Property and equipment are recognised at cost less accumulated depreciation and any impairment.

The carrying amount of a tangible asset is derecognised from the balance sheet in connection with disposal or divestment, or when no future economic benefits are expected from the use, disposal or divestment of the asset. Gains or losses arising on the divestment or disposal of an asset comprise the difference between the sales price and the carrying amount of the asset, less direct selling expenses. This difference is recognised as other non-technical income or expenses.

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 is recognised as operating expenses in profit and loss. The useful life is five years. The depreciation method and the residual values and useful lives of the assets are re-tested every year-end.

Investment assets

Investment properties

The Group holds land and buildings for the purpose of generating rental income and increases in value. Accordingly, these holdings are classified as investment

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

Financial assets and liabilities

Recognition and derecognition in the balance sheet

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

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

Offsetting financial assets and liabilities

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

Classification and measurement

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

Financial assets measured at fair value through profit and loss

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

Loans and receivables

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

Financial liabilities measured at fair value through profit and loss

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

Other financial liabilities

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

Method for determining fair value

The methods for determining fair value and the level of the valuation hierarchy from which inputs are used for calculating the fair value are stated in note 35 Fair value valuation techniques.

Financial instruments quoted in an active market

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

Financial instruments not quoted in an active market

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

Impairment tests for property and equipment and shares and participations in subsidiaries and associated companies

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 substantially independent cash flow of a specific asset, the assets are to be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flows known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The impairment of assets attributable to a cash-generating unit is distributed proportionally in relation to assets included in the unit.

The recoverable amount is the higher of fair value less selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

Impairment tests for financial assets

On each reporting occasion, the company assesses whether a financial asset is in need of impairment by evaluating objective evidence of a need for impairment of a financial asset. Objective evidence comprises observable circum-

stances that have occurred and affect the possibility of recovering the cost.

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

Reversal of impairment losses

Recognised impairment is reversed when there is no longer an indication that the impairment requirement still exists or a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied.

Impairment of loans and receivables recognised at amortised cost are reversed if a later increase of the recoverable amount can objectively be attributed to an event that occurred after the impairment was applied.

Cash and cash equivalents

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

Prepaid acquisition costs

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

Untaxed reserves

Untaxed reserves are eliminated in the consolidated financial statements and 22% of the item is recognised as deferred tax liabilities and 78% as restricted equity.

Technical provisions

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

Life-assurance reserve

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

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

Assumptions regarding mortality are structured as generation mortality and include a trend-based increase in life expectancy in relation to year of birth. These assumptions are based on the company's experience of mortality in its own portfolio and on Statistics Sweden's assumptions for future increases in life expectancy. Assumptions regarding premium changes, repurchases/transfers, changed payment periods, taxes and operating expenses including asset management expenses are determined based on the company's experience and, in certain cases, by applying expert judgement regarding future

outcomes. Länsförsäkringar Liv's life expectancy and operating expenses assumptions are satisfactory and prudent, respectively, and other assumptions are considered to be realistic or, in certain cases, prudent.

Provision for claims outstanding

The provision for claims outstanding comprises three different balance-sheet items. These are provision for disability annuities, established claims and non-established claims. The provision for disability annuities corresponds to the discounted capital value of the company's commitments in accordance with the insurance contract. For disability annuities at fixed amounts, the nominal interest-rate assumption was determined based on the EIOPA's yield curve for Solvency II. A yield curve for break-even inflation, calculated as the difference between nominal and real government bond rates, was used for indexed disability annuities.

The provision for established claims corresponds to the expected capital value of the company's future expenses due to the incurred health claim. It includes reported and approved claims that have not yet been paid and future operating expenses. It also includes the fixed-income operations.

The provision for non-established claims pertains to claims that have not yet been reported but which have been made using statistical methods based on previous experience for the respective products.

Conditional bonus

The provision for conditional bonus for the Insured Pension management form is determined as the difference on an aggregated level between the market value of investment assets on behalf of the policyholders and the life-assurance reserves. The provision for conditional bonus for New World is determined as the difference between insurance capital and the life-assurance reserves on an individual level. Provisions for conditional bonus may not be negative for the specific insurance.

Reinsurance

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

Länsförsäkringar Liv does not underwrite assumed reinsurance.

Remuneration of employees

Current remuneration

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

Remuneration for termination of employment

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

Defined-contribution pension plans

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

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

The FPK is currently unable to provide necessary information, which is why the pension plan above is recognised as a defined-contribution plan.

Nor is any information available on future surpluses and deficits in the plan, and whether these surpluses and deficits would then affect the contributions for the plan in future years.

Defined-benefit pension plans

The Group's net commitments for defined-benefit plans are calculated separately for each plan by making an estimate of the future remuneration that the employees will have earned over their employment in both current and prior periods. This remuneration is discounted to a present value. The discount rate is the interest rate on the balance-sheet date of a high-quality corporate bond with a term corresponding to that of the Group's pension commitments. When there is no functioning market for such corporate bonds, the market interest rate on government bonds with a corresponding term is used instead. The calculation is performed by a qualified actuary by applying the Projected Unit Credit Method.

Actuarial gains and losses may arise in conjunction with the determination of the present value of the commitments. These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions have changed.

The carrying amount of pensions and similar commitments recognised in the balance sheet corresponds to the present value of the commitments at year-end, unrecognised actuarial gains and losses and unrecognised expenses for service during prior periods.

When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of the unrecognised actuarial losses and unrecognised expenses for service during prior periods and the present value of future repayments from the plan or reduced future deposits to the plan. When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during prior periods is recognised in profit and loss straight-line over the average period until the remuneration is earned in its entirety. An expense is recognised directly in profit and loss if the remuneration has been fully earned. When there is a difference between how the pension cost is determined in the legal entity and in the Group, a provision or receivable pertaining to a special employer's contribution based on this difference is recognised. The present value of the provision and the receivable is not calculated. All expenses for defined-benefit plans are recognised as staff costs in operating profit.

Cash-flow statement

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

Contingent liabilities

Obligations, which derive from events that have occurred that do not meet the requirements for being recognised as a liability or a provision, are recognised under Contingent liabilities. The reason for this is that it is not likely that an outflow of resources will be required and/or the obligation cannot be calculated with sufficient reliability.

Parent Company accounting policies

The Parent Company's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12, with the additions introduced), and the Swedish Financial Reporting Board's recommendation RFR 2. The Parent Company applies legally restricted IFRS. This means that all IFRS and inter-

pretations approved by the EU are applied as far as possible within the framework of Swedish legislation and taking into consideration the connection between accounting and taxation. The Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRS.

Amended accounting policies

The Annual Accounts Act for Insurance Companies (1995:1560) has been amended and is to be applied to fiscal years beginning on or after 1 January 2016. The amendment entails that disclosures on Memorandum items have been moved to the notes.

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

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

Shares and participations in Group and associated companies

The Parent Company's shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements. Associated companies are companies in which ownership comprises a part of a permanent connection and in which the company exercises a significant but not a controlling influence.

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

Shareholders' and Group contributions

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

Defined-benefit pension plans

The Parent Company applies different principles for the calculation of defined-benefit plans to those stipulated in IAS 19 Employee Benefits. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

Untaxed reserves

Changes in untaxed reserves are recognised in the Parent Company's accounts, according to Swedish practice, in profit and loss under appropriations. The accumulated value of the provisions is recognised under the heading Untaxed reserves in the balance sheet. Untaxed reserves are offset, where appropriate, against loss carryforwards or are subject to taxation when they are dissolved.

Tax allocation reserve

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

Risk-management system at Länsförsäkringar Liv

Länsförsäkringar Liv conducts life-assurance operations. The company offers various forms of pension savings and risk insurance. The financial products and services that Länsförsäkringar Liv offers involve risk-taking. Since Länsförsäkringar Liv is operated according to mutual principles, the company's risks are borne by the policyholders. The management of risk-taking is to contribute to the provision of financial products at a controlled risk level with a reasonable return. One of the key objectives is to ensure that Länsförsäkringar Liv can meet its guaranteed commitments to customers with a satisfactory margin. Accordingly, the most critical risks are those that could contribute to the company's insolvency and the company not being able to meet the commitments to its policyholders. Therefore, the aim is for Länsförsäkringar Liv to have an efficient and robust risk-management system to continuously identify, measure, monitor, manage and report the risks associated with the business activities. The company's risk-management system comprises an organisation with well-defined authorities and responsibilities, and includes risk strategy, risk appetite, risk-management processes, risk-measurement methods, the process for an Own Risk and Solvency Assessment (ORSA) governance documents and reporting procedures. Länsförsäkringar Liv provides a more detailed description and quantified capital requirements for risk in its 2016 Solvency and Financial Condition Report (SFCR).

Risk management organisation

The Board of Directors of Länsförsäkringar Liv is responsible for ensuring appropriate risk management and follow-up of the company's risks. Risk management contains strategies, processes and reporting procedures necessary for continuously identifying, measuring, monitoring, managing and reporting the risks associated with the business activities.

The risk-management process comprises continuous work and annual activities, and can differ between the various types of risk. Continuous risk-management work includes handling risk and identifying new risks. An Own Risk and Solvency Assessment (ORSA) is performed every year and in conjunction with major changes in the operations or economic environment. Following applicable regulations, the Board establishes the frameworks for the company's risk management and risk control based on a number of governance documents. The company's President is responsible for incorporating all governance documents into the operations and for establishing more detailed regulations for risk management within the framework determined by the Board. The governance documents are updated and approved at least annually. Examples of governance documents that regulate risk management and risk control are Länsförsäkringar Liv's risk policy, ALM policy, investment guidelines, insurance guidelines, risk assessment policy, instructions for reserve levels, reinsurance policy and solvency policy.

The Board's Risk and Capital Committee supports the Board in risk and capital adequacy issues and serves as a forum for analysing and holding in-depth discussions on Länsförsäkringar Liv's level of risk and capital requirements. The Board's Audit Committee is responsible for monitoring the company's financial reporting, including the efficiency of the company's internal governance, control and risk management. The Audit Committee also monitors the company's corporate governance systems and the internal control of the operational risks.

There is an Investment Committee at management level in Länsförsäkringar Liv which acts as a preparatory body for the Risk and Capital Committee. The Investment Committee examines and prepares the Asset Management Unit's proposed investment orientations based on established targets, financial environment analyses and specified frameworks. Representatives for Länsförsäkringar Liv's corporate management, the Asset Management Unit, the Compliance Function and the Risk Control function participate in the Committee. The company has established an ALM Committee, whose task is to monitor ALM risks. The Committee has representatives from Länsförsäkringar Liv, asset management and Länsförsäkringar AB.

The Risk Control function is responsible for the independent risk control, which is separate from the business operations and reports to the President and Board. The Risk Control function is also responsible for keeping the President and Board continuously informed of the companies' overall risk profile by submitting risk reports at least four times a year. Furthermore, the func-

tion conducts annual risk analyses for business risks and operational risks in Länsförsäkringar Liv.

The Compliance function provides support for ensuring that the operations maintain a full regulatory compliance. The function identifies and reports on risks that may arise as a result of non-compliance with regulatory requirements.

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

Solvency II

Länsförsäkringar Liv applies Solvency II to its entire operations and from the 1 January 2016 has reported to the Swedish Financial Supervisory Authority in accordance with these regulations. It has thus ceased to report in accordance with the Financial Supervisory Authority's traffic-light model. The Financial Supervisory Authority approved the partial internal model for Länsförsäkringar AB companies to calculate their capital requirements under the Solvency II rules. Using the partial internal model, Länsförsäkringar Liv can work with measures of capital requirement for market risks that are better aligned with the specific risks of the company than those in the standard formula of the rules. Länsförsäkringar Liv calculates the solvency capital requirement for interest-rate risk, equities risk, property risk, credit-spread risk and currency risk by using the approved internal model. Other risks are modelled in accordance with the standard formula.

Capital management

Risk exposure, capital requirements and available capital are continuously monitored and reported to the Board every quarter or more often if dictated by the circumstances. Governance of risk-taking takes place in conjunction with, for example, decisions on how the company's capital is to be managed, when insurance products are designed and when reinsurance is procured. The preparations of proposals on investment orientations include an analysis of the impact of the proposals on solvency and debt coverage, the risk profile and returns. The assets are invested with respect to the nature and term of the commitments. The company's investment risks are governed based on commitments to customers. The assets are invested with a suitable risk diversification to ensure that the expected returns are sufficient for the company to be able to meet its insurance commitments. Matching between assets and insurance commitments is achieved by setting mandates and strategic allocations based on, for example, long-term ALM analyses, and by risk-based governance according to Länsförsäkringar's internal model for solvency capital calculations. The aim of the investment operations in Old Trad is to match insurance commitments, within an approved interval, and also generate high risk-adjusted returns. The degree of matching in Old Trad increased during the year. In New Trad, which has greater risk scope, the aim is to generate higher returns than the established benchmark.

Länsförsäkringar Liv's solvency and debt coverage ratio exceed the statutory levels under the Solvency II regulations. The capital ratio under Solvency II was 195 % (182%), measured in accordance with the internal model approved by the Swedish Financial Supervisory Authority for calculation of Länsförsäkringar Liv's solvency capital requirements.

Risk profile

The operations are characterised by a low risk profile and Länsförsäkringar Liv meets legal and supervisory capital requirements by a healthy margin. A smaller insurance portfolio combined with customers transferring their insurance capital to New Trad contributed to lower insurance liabilities, while investment income was slightly positive during the year. At the same time, customers' changes of management portfolio resulted in a higher share of equities in the investment assets, which contributed to higher capital requirements under the Financial Supervisory Authority's traffic-light model.

The diagram below shows the specification of risk by main risk type in Länsförsäkringar Liv as per 31 December 2016 and 31 December 2015 in accordance with Solvency II and Länsförsäkringar's partial internal model (LIM). Diversification effects have been distributed proportionally. The following factors characterise Länsförsäkringar Liv's risk-taking:

- The operations are primarily targeted to private individuals, employees and self employed persons working in small and medium-sized businesses.

- All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution of life-assurance risks throughout Sweden.
- Länsförsäkringar Liv is primarily exposed to market risks and life-assurance risks.
- Among market risks, equities risk, credit risk (spread risk) and interest-rate risks are the risks that entail the highest capital requirements. Equities risk increased in 2016 as a result of customers transferring their insurance capital to the New Trad management portfolio, which has a higher share of equities. Credit risk (spread risk) derive primarily from holdings in Swedish covered mortgage bonds and Investment Grade corporate bonds. Interest-rate risk is reduced by matching the technical provisions with assets of similar properties. Market risks are limited by applying limits to capital requirements from the investment activities.
- One of the major life-assurance risks is the risk that the average life span of policyholders increases more than the assumptions made which could lead to the technical provisions being insufficient to meet Länsförsäkringar Liv's guaranteed commitments.

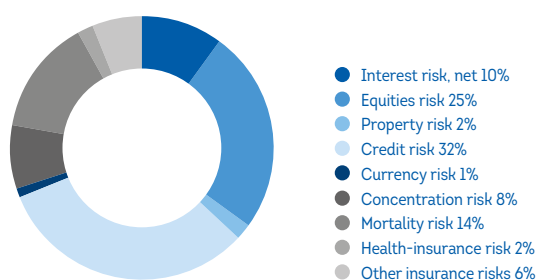
Figure 1. Classification of risk at Länsförsäkringar Liv

The diagram below shows the classification of risk that is applied within Länsförsäkringar Liv.

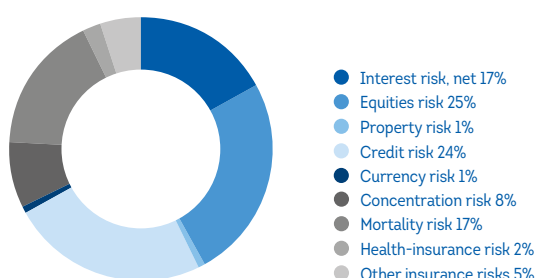
Life-assurance risk	Market risk	Counterparty risk
<ul style="list-style-type: none"> ▪ Mortality risk ▪ Longevity risk ▪ Expenses risk ▪ Cancellation risk ▪ Catastrophe risk 	<ul style="list-style-type: none"> ▪ Interest-rate risk ▪ Equities risk ▪ Property risk ▪ Spread risk ▪ Currency risk ▪ Concentration risk in investment assets 	<ul style="list-style-type: none"> ▪ Counterparty risk in ceded reinsurance ▪ Counterparty risk in financial derivatives ▪ Other counterparty risk
Operational risk	Health-insurance risk	Liquidity risk including financing risk
<ul style="list-style-type: none"> ▪ Product and process risks ▪ Personnel risks ▪ Security risks ▪ IT risks ▪ Legal risks 	<ul style="list-style-type: none"> ▪ Strategic risk ▪ Earnings risk ▪ Reputation risk 	<ul style="list-style-type: none"> ▪ Concentration risk in insurance operations

Figure 2. Länsförsäkringar Liv's risk profile under Solvency II

Risk profile 2016



Risk profile Q4 2015



INSURANCE RISKS

Life-assurance risk

Life-assurance risks are the risks that arise in conjunction with undertaking to insure the life of individual people. Life-assurance risks can be divided into a number of sub-groups: longevity risk, mortality risk, expenses risk, cancellation risk and catastrophe risk.

Longevity and mortality risk

Longevity risk is the risk of losses arising due to the insured living longer than assumed. Longevity risk is naturally strongly related to mortality risk since they are opposites.

Mortality risk are limited by risk assessment regulations applied by Länsförsäkringar Liv. Risk assessments mainly take into account the costs of a potential insured event and the age, employment conditions, financial circumstances and health status of the insured. Medical examinations may also take place in certain cases. Information provided in claims adjustment processes is regularly checked. Mortality risks are also limited through reinsurance. Länsförsäkringar Liv has reinsured all of its mortality risk through excess loss reinsurance.

Life expectancy in Sweden is successively increasing over time, entailing a growing need for provisions for those policyholders where longevity risk is dominant. This is primarily managed by regularly updating life-expectancy assumptions and including an assumption on the trend in life-expectancy increases.

Longevity and mortality risk can also be limited by making a variety of changes, for example, by reducing the payment period, making payment at an earlier date, repurchases or transfers. To reduce this risk, a change rule framework is in place that aims to limit the risk of anti-selection.

Expenses risk

In addition to the purely insurance risks, there are also such risks as expenses risk, which is the risk of losses arising due to the estimated costs for conducting the company's operations not covering the company's actual costs. The level and amounts of administrative operating expenses are continuously monitored.

Cancellation risk

Cancellation risk is the risk of losses arising due to a change in the premium payments, repurchases or transfers deviating from that which has been assumed. The risk of increased cancellations impacting earnings capacity is limited by cancellation terms, meaning that sales remuneration is repaid if early cancellation takes place.

Catastrophe risk

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. Catastrophe risk is limited by the catastrophe reinsurance that Länsförsäkringar AB has, in which Länsförsäkringar Liv participates. The retention is at least SEK 20 M and the cover encompasses amounts up to SEK 600 M.

Health-insurance risk

Health-insurance risk is the risk that arises in conjunction with undertaking to insure the health of individual people. Health-insurance risk is the risk of losses arising due to the insured's disability and morbidity being greater than assumed. Morbidity risk includes the probability of a person falling ill and recovering. Health-insurance risk is limited by assessing risk according to the company's risk assessment regulations. Regular checks of information provided in connection with claims adjustment are regularly performed in accordance with the company's claims-adjustment policy. Assumptions regarding illness incidence and recovery are regularly updated.

If the risks described above were not limited, they could lead to a negative outcome and ultimately have a negative impact on equity. For guaranteed commitments, this could mean in the future that the technical provisions will be insufficient to meet the company's commitments to its policyholders. The technical provisions correspond to the company's guaranteed commitments and are calculated per insurance contract after assumptions are made for mortality, morbidity, the probability of recovery, cancellations, operating

expenses, tax, interest and inflation. These assumptions are made following regulations which are intended to ensure that the company is always able to meet its undertakings.

Life span in Sweden is gradually increasing, which means lower requirements for provisions for insurance with a high mortality risk (when insurance has been taken out against premature death). On the other hand, this trend entails a great need for provisions for those policyholders where longevity risk is dominant. Table 1 shows the sensitivity to reasonably probable changes in several key actuarial assumptions.

Table 1. Sensitivity analysis, longevity and health-insurance risks

Assumption before reinsurance	Change in assumption, %	Change in provision, SEK M	
		2016	2015
Mortality (incl. longevity risk)	-20%	+1,415	+1,760
Morbidity	+50%	+211	+212
Expense ratio	+10%	+483	+359
Nominal discount rate ¹⁾	-1%	-	+6,092
Nominal discount rate ²⁾	-0.5%	+3,162	-

¹⁾ Change in value of technical provisions.

²⁾ Change in value of technical provisions. With the transition to the Solvency II regulations, the company has also changed the discount rate curve in the IFRS reporting the company for calculating life-assurance reserves and provision for disability annuities at fixed amounts. The sensitivity analysis is based on the discount rate curve defined by the EIOPA, including a macroeconomic assumption of a long-term interest rate of 4.2%.

Concentration of insurance risk

Länsförsäkringar Liv has few commitments to large companies and primarily targets private individuals, employees and self employed persons working in small and medium-sized businesses. All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution throughout Sweden. Accordingly, Länsförsäkringar Liv's insurance risks are highly diversified. Concentration risk is primarily counterbalanced by limits for exposure per reinsurer and discretionary reinsurance of the insured for very large individual risks. Länsförsäkringar Liv has taken out catastrophe reinsurance to further limit its risks.

Market risk

Market risk is the risk of losses arising due to changes, in level or volatility, of interest rates, financial asset prices and exchange rates. In the management of Länsförsäkringar Liv's assets, assessments are made of the potential for a favourable return and the risk level involved in the creation of investment strategies and investment decisions of an operational nature. The main asset classes in portfolio management are interest-bearing securities, equities, alternative investments and property. Derivative instruments are utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile. To determine the level of risk that can be taken in management activities, an analysis of assets and liabilities and their properties such as expected returns, risk and correlation is carried out. Forecasts of the performance of the insurance operations are also included in the analysis, and the purpose is to determine an optimal risk level, with a high and competitive return or by protecting or improving key figures, within the framework of legal restrictions and applicable investment guidelines.

Investment guidelines are based on compliance with legal restrictions, such as debt coverage and solvency requirements, but also stipulate limits based on Länsförsäkringar Liv's internal model, such as the lowest level in relation to available capital and risk-based capital requirements in parallel with limits based on other types of risk measures, for example, lowest permitted credit quality for counterparties in derivatives and repurchase agreements or lowest solvency rate in various stressed scenarios. Länsförsäkringar Liv's Board makes decisions on allocation mandates and current risk limits for each management form and for the company as a whole.

Interest-rate risk

Interest-rate risk is the risk that the net value of assets, liabilities and insurance undertakings may decline due to changed market interest rates. The interest-bearing asset portfolio includes interest-rate risk from government

bonds and credit bonds. Interest-rate risk is also inherent in insurance liabilities by policyholders being entitled to a guaranteed interest rate under many life assurance contracts and by life-assurance reserves being discounted by the current market interest rate.

Länsförsäkringar Liv governs its own risk-taking by taking into account the sensitivity of the insurance undertakings to changes in interest rates, with conscious choices about the extent to which the undertakings are matched against assets with corresponding properties. This primarily takes place by using various types of interest-rate derivatives. Länsförsäkringar Liv has a high matching level for assets in the traditional management portfolio. A narrow risk scope means that the percentage of long-term interest-bearing investments needs to be high. The desired interest-rate risk is described and decided in an interval of matching level expressed as a ratio between the interest-rate sensitivity of assets and liabilities regarding the applicable discount curve according to the Financial Supervisory Authority's rules. Part of the company's matching strategy is to generate a surplus when interest rates rise.

The insurance undertakings are presented in table 6 on the maturity analysis for financial assets and liabilities and insurance undertakings that appears at the end of this note.

Equities risk

Equities risk is the risk of losses arising due to changes in the level or volatility of share prices or prices of alternative investments. The company's equities exposure is low and primarily attributable to the equities funds found in the New Trad and New World portfolios. In addition, equities risk is also found to a certain extent in unquoted shares, known as private equity, and hedge fund holdings.

Equities risk is reduced by diversifying investments between different industries and geographic areas. On 31 December 2016, the percentage of equities in the balance sheet amounted to 17% (15) of the investment assets.

Property risk

Property risk is the risk of losses arising due to changes in the level or volatility of property prices. The property prices are an effect of the assumptions made on applicable yield requirements and rental levels.

Länsförsäkringar Liv has limited property risk from property holdings that is partly concentrated to properties located in Stockholm city centre. On 31 December 2016, the percentage of property holdings, including property funds, amounted to 2% (2) of the investment assets.

Credit-spread risk

Credit-spread risk is the risk of losses arising due to changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates. The company has spread-risk exposure in Swedish mortgage bonds and in European and US corporate loans.

Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions and the desired level of risk-taking in the investment portfolio. Table 4 below shows that most of the interest-bearing investments have an AAA rating.

The sensitivity inherent in the company's earnings for the market risks above is presented below.

Table 2. Sensitivity analysis, market risks

Sensitivity analysis		Impact on profit before tax, SEK M	
		2016	2015
Interest-rate risk, net ¹⁾	1 percentage point lower interest rate	-	-2,599
Interest-rate risk, net ²⁾	50 basis point lower interest rates	-617	-
Equities risk ³⁾	10% low share prices	-2,372	-2,695
Property risk	10% lower market value	-172	-130
Credit-spread risk	1 percentage point higher credit spread	-3,233	-2,915

¹⁾ Interest-rate sensitivity for the insurance companies was calculated in 2015 according to the Swedish Financial Supervisory Authority's traffic-light model.

²⁾ Net changes in value of investment assets including accrued interest rates, less changes in technical provisions. The sensitivity analysis is based on the discount rate curve defined by the EIOPA, including a macroeconomic assumption of a long-term interest rate of 4.2% for the calculation of technical provisions.

³⁾ Including hedge funds.

Currency risk

Currency risk is the risk that the net value of assets, liabilities and insurance undertakings may decline due to changed exchange rates. Länsförsäkringar Liv's technical provisions are recognised in SEK.

The currency exposure that exists is due to investment assets in other currencies and the risk being limited by the use of currency derivatives. The total net currency exposure on 31 December 2016, including Länsförsäkringar funds, amounted to 2% (0.1) of total investment assets. Exposure by currency is shown in table 3.

Table 3. Impact on earnings at year-end of a 10% change in the exchange rate with SEK

Currency	Impact on earnings before tax, SEK M	
	2016	2015
AUD	0	1
CHF	2	1
DKK	-3	0
EUR	-115	-139
GBP	5	4
HKD	-43	
JPY	-2	-3
KRW	-13	
MXN	-5	
MYR	-10	
NOK	2	3
PLN	-1	
RUB	-6	1
SGD	-8	
TWD	-15	
USD	468	270
INR	-11	-3
Other currencies	-12	12

Counterparty risk

Counterparty 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. Länsförsäkringar Liv's exposure to counterparty risk primarily arises through the use of financial derivatives. Derivatives are purchased to protect the balance sheet against 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.

Counterparty risk in financial derivatives is managed by limits for derivative exposures per counterparty, and by ISDA and CSA agreements with all counterparties regarding OTC derivatives. These agreements regulate how receivables in derivatives contracts are to be regulated between the contract parties, for example, the amount of receivables permitted, how they are to be paid and at what frequency. In practice, this means that for the majority of cases the collection and provision of collateral takes place on a daily basis. The size of the permitted exposure depends on the rating of the counterparty. Table 4 shows the maximum credit-risk exposure without consideration of credit enhancement and corresponds to the carrying amount of the assets on the balance-sheet date.

Table 4. Credit quality of fully functioning financial assets

Specification of financial assets, SEK M	2016	2015
Cash and cash equivalents		
A	4,527	3,844
Total	4,527	3,844
Bonds and other interest-bearing securities¹⁾		
AAA – Swedish Government	5,972	6,997
AAA – Government securities other than those issued by the Swedish Government	2,289	311
AAA	44,439	48,581
AA	3,486	3,738
A	5,333	6,288
BBB	9,087	7,862
BB	3,131	3,134
B	2,026	2,434
CCC	277	260
CC	6	1
D	6	-
NR	4,263	4,276
Total	80,309	83,882

¹⁾ Market values including accrued interest.

The company is also exposed to counterparty risk from the reinsurer Sweden Re. Länsförsäkringar Liv reinsures mortality and morbidity risks as well as catastrophe risk in life assurance. The aim is for the company to avoid assuming greater individual liability than that stated in the insurance guidelines and reinsurance policy. Reinsured risks instead become the responsibility of the reinsurer. 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 Länsförsäkringar Liv to meet. For this reason, reinsurers are selected among well-reputed companies with high credit ratings, although there is also a certain risk in these cases that the reinsurer could default on its obligations. To minimise the need for external reinsurance, Länsförsäkringar Liv is to maintain a sufficiently large retention in accordance with the company's reinsurance policy.

Counterparty risk in ceded reinsurance is limited in the first instance by selecting counterparties with high credit ratings. Sweden Re has an A rating from Standard & Poor's and the outstanding receivable on 31 December 2016 totalled SEK 477 M (481).

Concentration of market risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. Concentration risk in relation to market risk is deemed to be small. Having as a general rule that these investments can be used for debt coverage also means that the risk of excessively high individual commitments is kept low. However, from time to time, there may be individual investments that may comprise a certain concentration of market risk.

Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per counterparty in financial derivatives and the diversification of investment assets. Concentration risk in loans is limited by applying exposure limits for each issuer or group of issuers that have a mutual connection and for the exposure for credit instruments per rating level. The company's single largest shareholding was in Bergvik Skog AB (publ), which accounted for 4% (3) of the investment assets. Notes 16 and 18 present the company's holdings in Group companies and associated companies.

ALM risk

ALM (asset liability management, also known as matching risk) risk pertains to the risk of losses occurring as a result of changes in one or more market-risk-related variables (such as interest rates, share prices, exchange rates, inflation) resulting in a change in the value of the assets that is not offset by a corresponding change in the value of the liabilities.

ALM risk in the form of matching deviations between assets and liabilities is identified by analysing duration gaps, curve risks, currency risks and other

market risks. The long-term interaction between assets and liabilities is also analysed by carrying out stochastic simulations.

Liquidity risk including financing risk

Liquidity risk is the risk of losses arising due to the company's undertakings not being fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss. Insurance companies are subject to a prohibition on loans to related parties according to law and regulations. The reason for this is that business operations are based on premiums being received in advance and being managed until insurance compensation is to be paid out.

Liquidity risk is managed by adjusting the need for cash and surplus liquidity based on liquidity forecasts established by the company for the payment of securities transactions and claims payments and, where necessary, other inward and outward payments, such as premiums and operating expenses. This process takes place for different periods to gain an understanding of whether there is a risk of a shortage of liquidity so as to be able to manage it in time. Liquidity risk is minimised by the predominant proportion of investments being made in securities with high liquidity that are listed on well-established exchanges. To further limit liquidity risks, the management agreements describe how investments are to be made in unlisted assets. Sometimes investments are made consciously in less liquid and unlisted assets to achieve a higher return.

Länsförsäkringar Liv signs CSA agreements with counterparties in financial derivatives. The agreements require that collateral be pledged for derivatives that have a negative value for the company. This collateral is pledged in the form of cash funds that are transferred to the counterparties, thus entailing a liquidity risk for the company. For derivatives with positive values for the company, collateral is received which can reduce this risk.

Table 5 below presents the discounted net cash outflows for technical provisions by year.

Table 5. Discounted net cash outflows for technical provisions

Duration, year	Percentage of cash flow, %	
	2016	2015
0-5	31.8	30.6
5-10	25.9	22.7
10-15	18.4	17.2
15-20	11.5	12.5
20-30	9.3	12.0
30-	3.1	5.0

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

SEK M	2016					2015				
	<3 months	3 months-1 year	1-5 years	> 5 years	Total	<3 months	3 months-1 year	1-5 years	> 5 years	Total
Assets										
Interest-bearing securities issued by Group companies and loans to Group companies	272	61	2,559		2,892	960	55	2,201	187	3,403
Bonds and other interest-bearing securities ¹⁾	1,281	3,308	35,693	40,083	80,364	2,425	3,310	37,574	44,504	87,813
Loans with collateral in fixed property	16	1,759			1,775	16	48	1,775		1,840
Other receivables	1,827				1,827	1,360				1,360
Prepaid expenses and accrued income	612				612	762				762
Liabilities										
Technical provisions ²⁾	1,443	4,533	23,278	62,964	92,218	1,454	4,535	22,661	64,847	93,497
Other liabilities	3,522				3,522	2,944				2,944
Accrued expenses and deferred income	190				190	164				164
Total cash flows, net	-1,147	595	14,974	-22,881	-8,460	961	-1,121	18,889	-20,156	-1,427
Derivatives, in and outflows, net	407	394	1,214	2,490	4,505	592	389	1,183	2,667	4,831
Total cash flows, net	-740	989	16,188	-20,391	-3,955	1,553	-732	20,072	-17,489	3,404

¹⁾ The balance-sheet item Bonds and other interest-bearing securities includes Fixed-income funds. These have no contractual maturities and thus are not included in the table above.

²⁾ Technical provisions are recognised gross, before ceded reinsurance.

Table 6 shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. Amounts comprise undiscounted cash flows.

Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events. Operational risks are a part of Länsförsäkringar Liv's operations. By conducting preventive measures and applying suitable risk management and control, Länsförsäkringar Liv can reduce the probability of operational risks materialising and thus reduce their consequences.

The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting. 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.

As part of the work on operational risk, the responsibility for business-critical processes and their risks has been delegated, analysed and documented. In connection with this, controls for identifying the greatest risks in the critical processes, known as key controls, have been introduced. Reporting on the outcome of implemented key controls is part of identifying improvements in the quality and efficiency of the processes and enhancing the management of critical risks. Reporting also creates an overview of the aggregated control environment.

A joint method, reporting formats and system support are used in the entire Länsförsäkringar AB Group to identify incidents that have occurred and shortcomings in work methods and processes. Incidents are logged, valued, reported and monitored. Furthermore, a continuity plan is adopted annually by executive management.

Business risk

Business risk is the risk of losses arising due to effects of strategic decisions, weaker earnings and effects arising from a bad reputation. Business risk is the risk of losses arising due to business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases.

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

Note 3 Premium income			
Group and Parent Company	2016		2015
	Gross premium income before ceded reinsurance is distributed as follows in the life-assurance operations		
Direct life assurance	1,438		1,615
Direct accident and health insurance	467		498
Total	1,905		2,113
Gross premium income for direct life assurance is distributed in the following categories			
Premiums for individual life assurance	1,190		1,376
Group insurance premiums	248		239
Total	1,438		1,615
Periodic premiums	1,243		1,382
Single premiums	195		233
Total	1,438		1,615
Premiums for contracts that do not carry bonus rights	324		252
Premiums for contracts that carry bonus rights	1,114		1,363
Total	1,438		1,615

All premiums pertain to insurance in Sweden.

Note 4 Investment income, per measurement category				
	Group		Parent Company	
	2016	2015	2016	2015
Investment income, per measurement category				
Financial assets measured according to fair value option	7,310	1,837	7,310	1,837
Held for trading	-703	-850	-703	-850
Loans and receivables	-76	-27	-76	-27
Items not distributed by category				
Exchange-rate losses, net	-713	-592	-713	-592
Dividends in Group companies and associated companies	8	17	35	255
Depreciation/amortisation and impairment of shares and participations	-	-	-	-20
Asset management expenses	-102	-92	-102	-92
Other financial expenses	-168	-123	-168	-123
Non-financial items included in investment income, net	32	203	5	-15
Total	5,588	373	5,588	373

Note 5 Investment income, revenue				
	Group		Parent Company	
	2016	2015	2016	2015
Rental income	72	77	0	0
Dividends				
Dividends received	259	230	259	230
Dividends received from Group companies and associated companies	8	18	35	255
Total dividends	267	248	294	485
Interest income				
Interest-bearing securities issued by and loans to Group companies	42	46	42	46
Bonds and other interest-bearing securities	1,530 ¹⁾	1,689 ¹⁾	1,530 ¹⁾	1,689 ¹⁾
Derivatives	349	281	349	281
Other interest income	93 ²⁾	106 ²⁾	106 ²⁾	106 ²⁾
Total interest income	2,014	2,122	2,027	2,122
Capital gains, net				
Interest-bearing securities issued by and loans to Group companies	10	49	10	49
Shares and participations	1,830	1,097	1,830	1,097
Bonds and other interest-bearing securities	740	1,266	740	1,266
Other investment assets	0	6	0	6
Total capital gains	2,580	2,418	2,580	2,418
Investment income, revenue	4,933	4,865	4,901	5,025

¹⁾ Of which negative interest rate in the Group/Parent Company on interest-bearing securities of SEK 32 M.

²⁾ Of which negative interest rate in the Group/Parent Company cash and bank balances of SEK 10 M.

Note 6 Unrealised gains on investment assets				
	Group		Parent Company	
	2016	2015	2016	2015
Investment properties	385	176	-	-
Interest-bearing securities issued by and loans to Group companies	16	-	16	-
Shares and participations	308	1,236	308	1,236
Bonds and other interest-bearing securities	2,542	-	2,542	-
Loans with collateral in fixed property	-	-	-	-
Derivatives	732	-	732	-
Other financial investment assets	-	-	-	-
Total	3,983	1,412	3,598	1,236

Note 7 Claims paid before ceded reinsurance			
Group and Parent Company	2016		2015
	Claims payments		-5,017
Cancellations, repurchases and external transfers		-832	-1,090
Claims adjustment costs		-10	-9
Total		-5,859	-6,076

Note 8 Operating expenses

	Group		Parent Company	
	2016	2015	2016	2015
Operating expenses in life-assurance operations distributed according to functions				
Acquisition	-103	-62	-103	-62
Change in the prepaid acquisition costs item	-51	-62	-51	-62
Administration expenses	-366	-402	-366	-404
Commission and profit shares in ceded reinsurance	73	84	73	84
Total	-447	-442	-447	-444
of which, purchasing from the Länsförsäkringar AB Group	-288	-331	-288	-331
Total amount of direct insurance commission	-95	-117	-95	-117
Total amount of research and development expenses that have been expensed	-	-	-	-

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

Total expenses comprise the following

	Group		Parent Company	
	2016	2015	2016	2015
Acquisition	-154	-124	-154	-124
Claims adjustment	-10	-9	-10	-9
Administration	-293	-318	-293	-320
Financial management	-102	-92	-102	-92
Property management	-24	-36	-0	-0
Total	-583	-579	-583	-579

Costs for acquisition and administration are recognised in profit and loss under operating expenses, claims adjustment costs are recognised under claims payments in note 7 Claims paid, costs for financial management are recognised in note 11 Investment income, expenses under asset management expenses, and costs for property management are recognised as direct costs for properties in note 15 Investment properties.

	Group		Parent Company	
	2016	2015	2016	2015
Total costs are distributed as follows				
Staff costs, etc.	-59	-56	-59	-56
Costs for premises, etc.	-0	-0	-0	-0
Amortisation/depreciation, etc.	-66	-84	-66	-84
Other	-458	-439	-458	-439
Total	-583	-579	-583	-579

Note 9 Fees and remuneration of auditors

	Group		Parent Company	
	2016	2015	2016	2015
KPMG AB				
Audit assignment	2	1	2	1
Audit operations in addition to the audit assignment	0	1	0	1
Tax consulting	1	0	1	0
Total	3	2	3	2

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

Note 10 Employees, staff costs and remuneration of senior executives

Group and Parent Company		2016	2015
Average number of employees			
<i>Sweden</i>			
Men		14	15
Women		18	17
Total number of employees		32	32
Salaries and other remuneration, as well as social security expenses, other employees			
Salaries and remuneration		19.3	19.2
of which, variable salary		-	-
Social security expenses		14.6	16.8
of which, pension costs		7.1	8.6
Total		33.9	36.0
Board of Directors and senior executives, 17 (19)			
Salaries and remuneration		13.9	13.0
of which, fixed salary to President		3.8	3.7
of which, variable salary to President		-	-
of which, fixed salary to other senior executives		7.6	6.9
of which, variable salary to other senior executives		-	-
Social security expenses		10.8	9.7
of which, pension costs		5.0	4.5
Total		24.7	22.7
Total salaries, other remuneration and social security expenses			
Salaries and remuneration		33.2	32.2
of which, variable salary		-	-
Social security expenses		25.4	26.4
of which, pension costs		12.0	13.1
Total		58.6	58.6

Remuneration of the Board

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

Remuneration of senior executives

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

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

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

Remuneration and other benefits for senior executives	Basic salary/ Board fee	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
					Defined- contribution
Parent Company 2015, SEK 000s					
Jörgen Svensson, President	3,651	-	1,764	5,415	50
Karl-Olof Hammarkvist, Chairman of the Board	398	-	-	398	-
Gunnar Wetterberg, Board member	284	-	-	284	-
Anders Grånäs, Board member	278	-	-	278	-
Henrik Perlmutter, Board member	212	-	-	212	-
Karin Starrin, Board member	221	-	-	221	-
Marie-Louise Zetterström, Board member	284	-	-	284	-
Birgitta Carlander, Board member	287	-	-	287	-
Ingemar Larsson, Board member	118	-	-	118	-
Örian Söderberg, Board member	117	-	-	117	-
Ann Söderblom, Board member	125	-	-	125	-
Karin Lindblad, former Board member	87	-	-	87	-
Ulrica Jansson Messing, former Board member	115	-	-	115	-
Other senior executives (6 people)	6,613	241	2,698	9,552	40
Total 2015	12,790	241	4,462	17,493	

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

Pensions

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

Severance pay

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

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

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

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

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

Composition of Remuneration Committee and mandate

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

Policies for remuneration of corporate management

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

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

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

Other benefits

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

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

Number of women among senior executives, %

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Board members	50	52	50	46
Other senior executives	50	33	33	33

Note 11 Investment income, expenses

	Group		Parent Company	
	2016	2015	2016	2015
Operating expenses, investment properties	-24	-36	-	-0
Asset management expenses	-102	-92	-102	-92
Other financial expenses	-168	-123	-168	-123
Interest expense				
Interest-bearing securities issued by and loans to Group companies	-	-0	-	-0
Bonds and other interest-bearing securities	-13	-1	-13	-1
Derivatives	-525	-257	-525	-257
Other interest expense	-1	-16	-1	-16
Total interest expense	-539	-274	-539	-274
Impairment				
Shares and participations	-17	-	-	-20
Total impairment	-17	-	-	-20
Exchange-rate losses, net	-712	-592	-712	-592
Capital losses, net				
Bonds and other interest-bearing securities	-3	-2	-3	-2
Derivatives	-1,259	-253	-1,259	-253
Total capital losses	-1,262	-255	-1,262	-255
Investment income, expenses	-2,824	-1,372	-2,782	-1,356

Note 12 Unrealised losses on investment assets

	Group		Parent Company	
	2016	2015	2016	2015
Interest-bearing securities issued by and loans to Group companies	-	-70	-	-70
Bonds and other interest-bearing securities	-	-3,818	-	-3,818
Loans with collateral in fixed property	-32	-12	-32	-12
Derivatives	-	-621	-	-621
Other assets	-33	-11	-33	-11
Total	-65	-4,532	-65	-4,532

Note 13 Taxes

	Group		Parent Company	
	2016	2015	2016	2015
Current tax expense				
Yield tax on pension funds	-	-	-111	-284
Tax	-58	-28	-60	-22
Adjustment of tax pertaining to prior years	-3	0	-3	0
Deferred tax				
Deferred tax pertaining to temporary differences	15	13	-	-
Total recognised tax expense	-46	-15	-174	-306
Deferred tax liabilities pertaining to the following:				
Untaxed reserves	87	102	-	-
Total	87	102	-	-

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

	Group		Parent Company	
	2016	2015	2016	2015
Tax rates applied:				
Yield tax on pension funds, pension insurance	15%	15%	15%	15%
Yield tax on pension funds, endowment insurance	30%	30%	30%	30%
Average government funding rate for taxation, pension insurance	0.58%	1.62%	0.58%	1.62%
Government funding rate for taxation, endowment insurance	1.4%	0.9%	1.4%	0.9%
Tax rate for calculating income tax	22%	22%	22%	22%
Tax rate for calculating deferred tax	22%	22%	22%	22%

Note 14 Property and equipment

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Cost				
Opening cost, 1 January	3	3	3	3
Divestments/scrapping	-0	-0	-0	-0
Acquisitions for the year	0	0	0	0
Closing cost, 31 December	3	3	3	3
Depreciation				
Opening accumulated depreciation, 1 January	-1	-1	-1	-1
Accumulated depreciation for divestments/scrapping	0	0	0	0
Depreciation for the year	-0	-0	-0	-0
Closing accumulated depreciation, 31 December	-1	-1	-1	-1
Carrying amount, 31 December	2	2	2	2

Note 15 Investment properties**Holdings**

Group	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value ¹⁾	Change in value ¹⁾
Investment properties, value on 31 December 2016	1,094	1,719	12.3%	4.8%	-506	-29.4%
Investment properties, value on 31 December 2015	1,038	1,295	11.8%	5.6%	-373	-29.0%

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

Change in value for the period

Group	Cost		Fair value	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Opening balance	1,038	990	1,295	1,092
Additional investments in existing assets	57	48	57	48
Reclassification	-1	-0	-	-
Sales	-	-	-	-
Profit from adjustments of fair value	-	-	367	155
Closing balance	1,094	1,038	1,719	1,295

Impact on profit for the period

	Group	
	31 Dec 2016	31 Dec 2015
Rental income	74	80
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	-29	-22

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

Summary of values

Group	Tax assessment value	Fair value	Cost
Subsidiaries	620	1,719	1,094
Total for the Group	620	1,719	1,094

Similar to prior years, the Group's properties were valued externally by independent valuation companies. Fair value was calculated by applying a combination of the location-price method, based on reported purchases of comparable properties, and a return-based cash-flow method. For further information on how fair value was determined, see note 35 Fair value valuation techniques.

Note 16 Shares and participations in Group companies

Company name	Corporate Registration Number	Registered office	Number of shares/participations	Share of equity, %	Equity 2016	Profit 2016	Carrying amount	Fair value
Länsförsäkringar Komplement AB	556660-1257	Stockholm	1,000	100%	0	0	0	0
Fastighets KB Automobilpalatset	969680-4195	Stockholm	1,000	100%	270	27	348	914
Fastigheten Dykarhuset AB	556678-4004	Stockholm	1,000	100%	34	-7	88	245
Total 31 December 2016					304	20	436	1,159
Total 31 December 2015					288	37	411	757

All shares and participations are unquoted.

Cost	Parent Company	
	31 Dec 2016	31 Dec 2015
Opening balance	252	369
Added and deducted assets	-2	-117
Closing balance	250	252
Accumulated changes in value		
Opening balance	159	302
Change in value for the year	27	-143
Closing balance	186	159
Total carrying amount	436	411
Fair value	1,159	757

Note 17 Interest-bearing securities issued by Group companies and loans to Group companies

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Listed bonds issued by Länsförsäkringar Hypotek	2,245	2,539	2,245	2,539
Listed bonds issued by Länsförsäkringar Bank	612	337	612	337
Promissory notes from Swedish Group companies	-	-	647	647
Fixed-term subordinated debentures to Swedish Group companies (Länsförsäkringar Bank)	-	28	-	28
Loans to Group companies (Länsförsäkringar AB)	-	402	-	402
Total fair value	2,857	3,306	3,504	3,953

Note 18 Shares and participations in associated companies

Company name	Corporate Registration Number	Registered office	Number of shares/participations	Share of equity, %	Equity 2016	Profit 2016	Group's carrying amount	Fair value	Parent Company's carrying amount	Fair value
FAB S-Holt i Kista	556678-4715	Stockholm	499	49.9	0	0	213	213	220	213
Kista Qvadrat KB	916511-5057	Stockholm	499	49.9	110	16	0	0	0	0
Total 31 December 2016					110	16	213	213	220	213
Total 31 December 2015					111	35	209	209	220	209

All shares and participations are unquoted.

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

Total amount for associated companies	Income	Earnings	Assets	Liabilities	Equity	Fair value
Group and Parent Company, 31 December 2016	38	16	127	17	110	213
Group and Parent Company, 31 December 2015	60	35	127	16	111	209

Cost	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Opening balance	209	211	220	225
Added and deducted assets	4	-2	-	-5
Closing balance	213	209	220	220

Note 19 Shares and participations

Group and Parent Company	31 Dec 2016	31 Dec 2015
Quoted shares and participations	16,787	14,319
Unquoted shares and participations	5,194	5,434
Total	21,981	19,753
Cost	14,108	12,120
Total carrying amount	21,981	19,753
Less, assets for conditional bonus	-3,119	-3,210
Total	18,862	16,543

Note 20 Bonds and other interest-bearing securities

Group and Parent Company	31 Dec 2016	31 Dec 2015
Issued by		
Swedish government	5,906	7,143
Swedish mortgage institutions	24,834	26,212
Other Swedish issuers	16,381	17,286
Foreign states	4,179	4,125
Other foreign issuers	27,903	27,136
Total	79,203	81,902
Amortised cost	71,469	77,285
Market status		
Securities quoted	77,832	80,823
Securities unquoted	1,371	1,079
Total	79,203	81,902
Carrying amounts compared with nominal amounts		
Total surplus	6,051	4,634
Total deficit	-210	-464
Total carrying amount	79,203	81,902
Less, assets for conditional bonus	-1,038	-1,090
Total	78,165	80,812

Note 21		Derivatives			
Group and Parent Company	Carrying amount		Nominal amount		
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	
Derivatives with positive values or valued at zero					
Equity-related	1	-	-	-	
Interest	5,810	4,152	22,067	23,251	
Currency	528	768	35,906	33,245	
Total	6,339	4,920	57,973	56,496	
Derivatives with negative values					
Equity-related	-	2	-	25	
Interest	4,123	3,139	30,685	25,821	
Currency	53	75	-1,726	1,869	
Total	4,176	3,216	28,959	27,715	
Total carrying amount for derivatives with positive values					
	6,339	4,920			
Less, assets for conditional bonus					
	-58	-101			
Total	6,281	4,819			

Note 22		Assets and provisions for conditional bonus	
Group and Parent Company	31 Dec 2016	31 Dec 2015	
Opening balance		4,959	5,837
Change in value		-149	-878
Closing balance		4,810	4,959

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

Note 23		Other receivables			
Group and Parent Company	Group		Parent Company		
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	
Receivables from Länsförsäkringar AB Group	44	33	44	36	
Other receivables	1,865	1,345	1,849	1,336	
Total	1,909	1,378	1,893	1,372	

Note 28		Provision for claims outstanding				
Group and Parent Company		Established claims	Non-established claims	Provision for claims and disability annuities	Total	Total
					31 December 2016	31 December 2015
	Opening balance	55	204	2,016	2,275	2,288
	Other changes	-4	-14	-41	-59	-13
	Closing balance	51	190	1,975	2,216	2,275

Note 24		Accrued interest income	
Group and Parent Company	31 Dec 2016	31 Dec 2015	
Accrued interest from Länsförsäkringar AB Group	23	42	
Other accrued interest	589	720	
Total	612	762	

Note 25		Prepaid acquisition costs	
Group and Parent Company	31 Dec 2016	31 Dec 2015	
Insurance contracts			
Opening balance	195	257	
Capitalised costs during the year	14	22	
Depreciation according to plan for the year	-66	-84	
Closing balance	143	195	

Note 26		Share capital	
Parent Company	31 Dec 2016	31 Dec 2015	
Number of shares, issued and paid	8,000	8,000	
Quotient value per share, SEK	1,000	1,000	
Number of shares outstanding	8,000	8,000	

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

Note 27		Life-assurance reserve	
Group and Parent Company	31 Dec 2016	31 Dec 2015	
Opening balance	86,264	94,884	
Premiums paid	1,190	1,376	
Claims paid	-5,383	-5,599	
Costs withdrawn	-279	-268	
Investment income contributed to life-assurance reserves	-	-	
Change in reserves due to amended interest-rate assumptions	1,562	-1,139	
New mortality assumptions	-	-1,464	
Mortality results	-2	-53	
Tax expense withdrawal, life-assurance reserve	-126	-130	
Change due to basic change to New Trad	-779	-1,872	
Introduction for assumption on asset management expense	1,424	-	
Adjustment of LA (risk margin)	882	-	
Other changes	439	529	
Closing balance	85,192	86,264	

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

Note 29	Provisions for pensions and similar commitments	
Group	31 Dec 2016	31 Dec 2015
Provisions for pensions	23	23
Provision for early retirement in accordance with pension agreement	4	4
Total	27	27

Defined-benefit pension plans

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

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

Defined-benefit pension plans	31 Dec 2016	31 Dec 2015
Present value of unfunded commitments	28	27
Total deficit of defined benefit pension plans	28	27
Liabilities in statement of financial position	28	27

Change in defined-benefit commitment:	2016	2015
Commitment, 1 January	27	26

Pension costs		
Costs for service during current year	0	0
Interest expense	0	0
Past service cost and gains and losses on settlements	1	1
Special employer's contribution	-0	-0
Total pension costs	1	1

Remeasurements		
Gain/loss as a result of changed financial assumptions	0	-
Experience-based gains	2	2
Special employer's contribution related to remeasurement	1	0
Total revaluations	3	2
Paid remuneration	-2	-2
Payments in conjunction with settlement	-1	0
Paid special employer's contribution	0	0
Assumed pension commitments	-	0
Commitments, 31 December	28	27

Significant calculation assumptions	2016	2015
Discount rate	0.4%	0.7%
Expected rate of salary increase	2.5%	2.5%
Percentage expected to utilise agreement of voluntarily retirement at age 62	40%	40%

Population	2016	2015
Active	4	4
Old-age pensioners	4	4
Total	8	8

Defined-contribution pension plans

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

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

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

	2016	2015
Expenses for defined-contribution plans	9	9

Note 30	Liabilities, direct insurance	
Group and Parent Company	31 Dec 2016	31 Dec 2015
Liabilities to policyholders	152	202
Liabilities to insurance brokers	8	10
Total	160	212

Note 31	Other liabilities			
	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Liabilities to Group companies	-	-	112	131
Liabilities to Länsförsäkringar AB Group	154	157	154	157
Other liabilities	3,620	2,807	3,602	2,800
Total	3,774	2,964	3,868	3,088

Note 32 Pledged assets and contingent liabilities

	Group		Parent Company	
	31 Dec 2016 ¹⁾	31 Dec 2015 ²⁾	31 Dec 2016 ¹⁾	31 Dec 2015 ²⁾
For own liabilities, pledged assets				
Assets registered for technical provisions:	86,931	114,659	86,931	114,659
Total	86,931	114,659	86,931	114,659

¹⁾ Assets pledged for the benefit of policyholders to cover technical provisions in accordance with Chapter 6, Section 11 of the Insurance Business Act. The amount recognised as pledged assets corresponds to the technical liabilities after deductions for reinsurers' portion in the balance sheet. All assets recognised in the benefit register amounted to SEK 115,196 M.

²⁾ The total above consists of registered assets in accordance with Chapter 6, Section 30 of the Swedish Insurance Business Act, according to the wording on 31 December 2015. 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 undertakings are covered for liabilities in accordance with the Swedish Insurance Business Act. The technical liabilities, which correspond to registered assets, amounted to SEK 93,498 M.

Other pledged assets	1	8	1	8
Total	1	8	1	8

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Contingent liabilities				
Part-owner of Fastighets KB Automobilpalatset	-	-	22	25
Total	-	-	22	25

Commitments				
Remaining amount to invest in investment assets	2,647	1,547	2,647	1,547

Note 33 Information about offsetting

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The Bank Group has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by these types of agreements.

The agreements entitle the parties to offset liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

Group and Parent Company

31 Dec 2016	Financial assets and liabilities that are offset or subject to netting agreements						
	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	6,339	-	6,339	-2,038	-3,401	900	
Liabilities							
Derivatives	-4,176	-	-4,176	2,038	1,427	-711	
Total	2,163	-	2,163	0	-1,974	190	

31 Dec 2015	Financial assets and liabilities that are offset or subject to netting agreements						
	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	4,920	-	4,920	-2,520	-1,669	731	
Liabilities							
Derivatives	-3,216	-	-3,216	2,520	-	-696	
Total	1,704	-	1,704	-	-1,669	35	

Note 34 Financial assets and liabilities by category

Group	Financial assets measured at fair value through profit and loss				Total carrying amount	Fair value
	Financial assets measured according to fair value option	Held for trading	Loans and receivables			
31 Dec 2016						
Assets						
Interest-bearing securities issued by Group companies and loans to Group companies	2,867	-	-		2,867	2,867
Shares and participations	21,981 ¹⁾	-	-		21,981	21,981
Bonds and other interest-bearing securities	78,066 ¹⁾	-	-		78,066	78,066
Loans with collateral in fixed property	1,761	-	-		1,761	1,761
Derivatives	-	6,339 ¹⁾	-		6,339	6,339
Other financial investment assets	1,739	-	-		1,739	1,739
Other receivables	-	-	1,827		1,827	1,827
Accrued interest income	-	-	612		612	612
Cash and cash equivalents	-	-	4,527		4,527	4,527
Total	106,414	6,339	6,966		119,719	119,719

Group	Financial liabilities measured at fair value through profit and loss				Total carrying amount	Fair value
	Financial liabilities measured according to fair value option	Held for trading	Other financial liabilities			
Liabilities						
Derivatives	-	4,176	-		4,176	4,176
Other liabilities	-	-	2,662		2,662	2,662
Accrued expenses and deferred income	-	-	190		190	190
Total	-	4,176	2,852		7,028	7,028

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

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

Group	Financial assets measured at fair value through profit and loss				Total carrying amount	Fair value
	Financial assets measured according to fair value option	Held for trading	Loans and receivables			
31 Dec 2015						
Assets						
Interest-bearing securities issued by Group companies and loans to Group companies	3,306	-	-		3,306	3,306
Shares and participations	19,753 ¹⁾	-	-		19,753	19,753
Bonds and other interest-bearing securities	82,460 ¹⁾	-	-		82,460	82,460
Loans with collateral in fixed property	1,793	-	-		1,793	1,793
Derivatives	-	4,920 ¹⁾	-		4,920	4,920
Other financial investment assets	1,618	-	-		1,618	1,618
Other receivables	-	-	1,360		1,360	1,360
Accrued interest income	-	-	762		762	762
Cash and cash equivalents	-	-	3,844		3,844	3,844
Total	108,930	4,920	5,966		119,816	119,816

Group	Financial liabilities measured at fair value through profit and loss				Total carrying amount	Fair value
	Financial liabilities measured according to fair value option	Held for trading	Other financial liabilities			
Liabilities						
Derivatives	-	3,216	-		3,216	3,216
Other liabilities	-	-	2,820		2,820	2,820
Accrued expenses and deferred income	-	-	183		183	183
Total	-	3,216	3,003		6,219	6,219

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

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

Note 34 Financial assets and liabilities by category, cont.

Parent Company	Financial assets measured at fair value through profit and loss				
	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
31 Dec 2016					
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	2,867	-	637	3,504	3,504
Shares and participations	21,981 ¹⁾	-	-	21,981	21,981
Bonds and other interest-bearing securities	78,066 ¹⁾	-	-	78,066	78,066
Loans with collateral in fixed property	1,761	-	-	1,761	1,761
Derivatives	-	6,339 ¹⁾	-	6,339	6,339
Other financial investment assets	1,739	-	-	1,739	1,739
Other receivables	-	-	1,827	1,827	1,827
Accrued interest income	-	-	612	612	612
Cash and cash equivalents	-	-	4,527	4,527	4,527
Total	106,414	6,339	7,603	120,356	120,356

Parent Company	Financial liabilities measured at fair value through profit and loss				
	Financial liabilities measured according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	-	4,176	-	4,176	4,176
Other liabilities	-	-	-	-	-
Accrued expenses and deferred income	-	-	-	-	-
Total	-	4,176	-	4,176	4,176

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

Parent Company	Financial assets measured at fair value through profit and loss				
	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
31 Dec 2015					
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,306	-	647	3,953	3,953
Shares and participations	19,753 ¹⁾	-	-	19,753	19,753
Bonds and other interest-bearing securities	82,460 ¹⁾	-	-	82,460	82,460
Loans with collateral in fixed property	1,793	-	-	1,793	1,793
Derivatives	-	4,920 ¹⁾	-	4,920	4,920
Other financial investment assets	1,618	-	-	1,618	1,618
Other receivables	-	-	1,360	1,360	1,360
Accrued interest income	-	-	762	762	762
Cash and cash equivalents	-	-	3,844	3,844	3,844
Total	108,930	4,920	6,613	120,463	120,463

Parent Company	Financial liabilities measured at fair value through profit and loss				
	Financial liabilities measured according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	-	3,216	-	3,216	3,216
Other liabilities	-	-	2,944	2,944	2,944
Accrued expenses and deferred income	-	-	164	164	164
Total	-	3,216	3,108	6,324	6,324

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

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

Note 35 Fair value valuation techniques

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

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

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

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

Group

	Level 1	Level 2	Level 3	Total carrying amount
31 Dec 2016				
Assets				
Investment properties	-	-	1,719	1,719
Interest-bearing securities issued by Group companies and loans to Group companies	2,587	270	-	2,857
Shares and participations	16,787	-	5,194	21,981
Bonds and other interest-bearing securities	77,832	-	1,371	79,203
Loans with collateral in fixed property	-	1,761	-	1,761
Derivatives	25	6,314	-	6,339
Other financial investment assets	1,739	-	-	1,739
Liabilities				
Derivatives	3	4,174	-	4,176
31 Dec 2015				
Assets				
Investment properties	-	-	1,295	1,295
Interest-bearing securities issued by Group companies and loans to Group companies	2,904	402	-	3,306
Shares and participations	14,319	7	5,427	19,753
Bonds and other interest-bearing securities	81,381	-	1,079	82,460
Loans with collateral in fixed property	-	1,793	-	1,793
Derivatives	13	4,907	-	4,920
Other financial investment assets	1,618	-	-	1,618
Liabilities				
Derivatives	20	3,196	-	3,216

There were no significant transfers between Level 1 and Level 2 during 2016 or during 2015. There were no transfers from Level 3 in 2016 or 2015.

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

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

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

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

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

Change Level 3

	Investment properties	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2015	1,092	3,977	955	6,024
Acquisitions	-	54	301	355
Divestments	-	-92	-44	-136
Recognised in profit and loss	203	1,488	-133	1,558
Closing balance, 31 December 2015	1,295	5,427	1,079	7,801
Opening balance, 1 January 2016	1,295	5,427	1,079	7,801
Acquisitions	-	113	315	428
Divestments	-	-231	-77	-307
Recognised in profit and loss	424	-123	53	354
Closing balance, 31 December 2016	1,719	5,186	1,371	8,276

Not 35 Fair value valuation techniques, cont.

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

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

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

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

Parent Company

31 Dec 2016	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Interest-bearing securities issued by Group companies and loans to Group companies	2,586	270	-	2,857
Shares and participations	16,788	-	5,186	21,974
Bonds and other interest-bearing securities	76,695	-	1,371	78,066
Loans with collateral in fixed property	-	1,761	-	1,761
Derivatives	25	6,314	-	6,339
Other financial investment assets	1,739	-	-	1,739
Liabilities				
Derivatives	3	4,174	-	4,176
31 Dec 2015				
Assets				
Interest-bearing securities issued by Group companies and loans to Group companies	2,904	402	-	3,306
Shares and participations	14,319	7	5,427	19,753
Bonds and other interest-bearing securities	81,381	-	1,079	82,460
Loans with collateral in fixed property	-	1,793	-	1,793
Derivatives	13	4,907	-	4,920
Other financial investment assets	1,618	-	-	1,618
Liabilities				
Derivatives	20	3,196	-	3,216

There were no significant transfers between Level 1 and Level 2 during 2016 or during 2015. There were no transfers from Level 3 in 2016 or 2015.

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

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

Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association).

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

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

Change Level 3

	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2015	3,977	955	4,932
Acquisitions	54	301	355
Divestments	-92	-44	-136
Recognised in profit and loss	1,488	-133	1,355
Closing balance, 31 December 2015	5,427	1,079	6,506
Opening balance, 1 January 2016	5,427	1,079	6,506
Acquisitions	113	315	428
Divestments	-231	-77	-307
Recognised in profit and loss	-123	53	-69
Closing balance, 31 December 2016	5,186	1,371	7,557

Note 36 Recovery dates

	Group 2016		Group 2015		Parent Company 2016		Parent Company 2015	
	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year
Assets								
Property and equipment	-	2	-	2	-	2	-	2
Investment properties	1,719	-	-	1,295	-	-	-	-
Shares and participations in Group companies	-	-	-	-	-	436	-	411
Interest-bearing securities issued by Group companies and loans to Group companies	409	2,448	932	2,374	409	3,095	932	3,021
Shares and participations in associated companies	-	213	-	209	-	220	-	220
Shares and participations	-	18,862	-	16,543	-	18,862	-	16,543
Bonds and other interest-bearing securities	7,834	70,331	7,426	73,386	7,834	70,331	7,426	73,386
Loans with collateral in fixed property	1,761	-	-	1,793	1,761	-	-	1,793
Derivatives	6,281	-	1,760	3,059	6,281	-	1,760	3,059
Other financial investment assets	-	1,739	-	1,618	-	1,739	-	1,618
Assets for conditional bonus	134	4,676	152	4,807	134	4,676	152	4,807
Provision for claims outstanding	106	371	111	370	106	371	111	370
Other receivables	1,909	-	1,378	-	1,893	-	1,372	-
Current tax assets	236	-	101	-	236	-	101	-
Cash and cash equivalents	4,527	-	3,844	-	4,527	-	3,844	-
Accrued interest and rental income	612	-	762	-	612	-	762	-
Prepaid acquisition costs	66	77	63	132	66	77	63	132
Other prepaid expenses and accrued income	0	-	0	-	9	-	0	-
Total	25,594	98,719	16,529	105,588	23,868	99,809	16,523	105,362
Liabilities								
Life-assurance reserve	5,585	79,607	5,946	80,318	5,585	79,607	5,946	80,318
Provision for claims outstanding	385	1,831	369	1,906	385	1,831	369	1,906
Conditional bonus	134	4,676	152	4,807	134	4,676	152	4,807
Provisions for pensions and similar commitments	-	27	-	27	-	26	-	26
Deferred tax liabilities	86	-	102	-	-	-	-	-
Other provisions	7	119	4	4	3	119	3	4
Deposits from reinsurers	106	371	111	370	106	371	111	370
Liabilities, direct insurance	162	-	212	-	162	-	212	-
Liabilities, reinsurance	6	-	15	-	6	-	15	-
Derivatives	4,176	-	817	2,399	4,176	-	817	2,399
Other liabilities	8,115	-	2,964	-	3,866	-	3,088	-
Other accrued expenses and deferred income	213	-	192	-	213	-	173	-
Total	18,975	86,631	10,884	89,831	14,636	86,630	10,886	89,830

Organisation

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

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

Related legal entities and related parties

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

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

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

Guidelines for managing conflicts of interest

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

Cost price policy

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

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

Basic services include the basic service offering provided by Länsförsäkringar AB to Länsförsäkringar Liv through the Group-wide units. Group overheads pertain to costs consisting of Länsförsäkringar AB's President and staff, as well as expenses that are directly due to the fact that Länsförsäkringar AB with its subsidiaries is a Group. The mandatory services also include common development and service, maintenance and development of the shared brand, as well as management and operation of the Alliance's joint IT systems provided by Länsförsäkringar AB. In addition, there is a price list for individual services, for example, project management. Individual services pertain to services that are individually priced and which Länsförsäkringar Liv may choose to purchase from Länsförsäkringar AB when necessary.

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

Decision-making process

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

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

Monitoring

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

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

Länsförsäkringar Liv's transactions with related parties

The following section provides a description of the most significant related-party transactions in 2016.

1) IT services and products from Länsförsäkringar AB

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

2) Service and development from Länsförsäkringar AB

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

Mandatory services within Länsförsäkringar Alliance

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

Individual service within Länsförsäkringar Alliance

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

Basic service in the Länsförsäkringar AB Group

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

Costs for Group overhead

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

3) Bonds in Länsförsäkringar Hypotek AB

Länsförsäkringar Liv's traditional life-assurance company owns listed bonds issued by Länsförsäkringar Hypotek AB with a fair value of SEK 2,245 M (2,539).

4) Regional insurance companies' distribution remuneration

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

5) Service offerings between Länsförsäkringar Liv and Länsförsäkringar Fondliv

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

6) Asset management in Länsförsäkringar AB and with external managers

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

7) Management remuneration from Länsförsäkringar Fondförvaltning AB

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

8) Occupational pensions for employees of the Länsförsäkringar Alliance

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

9) Bonds and subordinated debts in Länsförsäkringar Bank AB

Länsförsäkringar Liv owns listed bonds issued by Länsförsäkringar Bank AB with a fair value of SEK 612 M (337), as well as listed subordinated debts in Länsförsäkringar Bank AB with a fair value of SEK 28 M (28).

Note 37 Disclosures on related-party transactions, etc. cont.

10) Loans to Humlegården Holding I-III AB

In conjunction with the divestment of property-owning companies to Humlegården Holding I-III AB, based on market terms, loans amounting to SEK 1.7 billion were paid to the purchasers.

11) Loans to companies within the Life Group

There are a number of promissory notes between Länsförsäkringar Liv and the wholly owned property companies, as well as between the companies within the property group. Interest income for transactions within Länsförsäkringar Liv is presented in the table below.

12) Agreement on property management with Humlegården Fastigheter AB:

Länsförsäkringar Liv pays remuneration calculated at cost price to Humlegården Fastigheter AB for the management of Länsförsäkringar Liv's Stockholm properties.

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

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

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

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

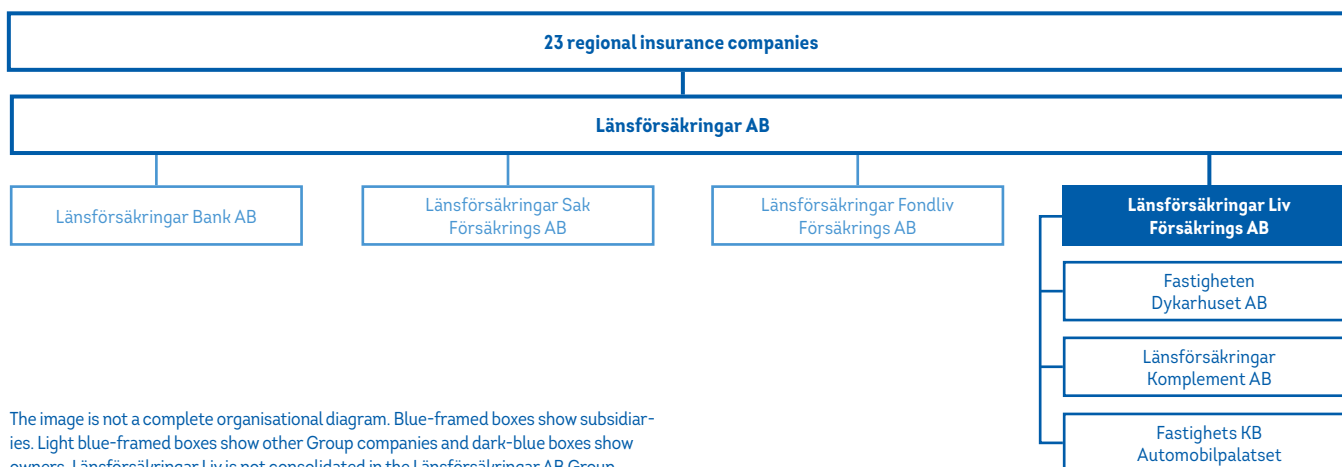
15) Länsförsäkringar Liv's divestment of Länsförsäkringar Fondliv to Länsförsäkringar AB

In 2011, Länsförsäkringar Liv divested all shares in Länsförsäkringar Fondliv to Länsförsäkringar AB. An additional purchase price of SEK 50 M was received in 2015 as according to the agreement.

16) Agreements regarding AML services with Länsförsäkringar Bank AB:

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

Operational structure



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

Note 37 Disclosures on related-party transactions, etc. cont.

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

Länsförsäkringar Liv's transactions with related parties

Nature	Counterparty	2016		2015		Reference
		Income	Expenses	Income	Expenses	
IT products and services	Länsförsäkringar AB	-	33	-	47	1
Service and development, of which	Länsförsäkringar AB	-	87	-	92	2
- Individual service		-	26	-	19	
- Mandatory services		-	5	-	4	
- Basic service		-	51	-	58	
- Group overhead		-	5	-	11	
Interest	Länsförsäkringar Hypotek AB	56	-	64	-	3
Distribution remuneration, 2016 including remuneration capital	23 regional insurance companies	-	95	-	117	4
Service offerings	Länsförsäkringar Fondliv AB	3	163	29	192	5
Asset Management	Länsförsäkringar AB	-	102	-	97	6
Management remuneration	Länsförsäkringar Fondförvaltning AB	70	-	88	-	7
Occupational pension premiums for employees of the Länsförsäkringar Alliance	Länsförsäkringar Alliance	34	-	43	-	8
Interest	Länsförsäkringar Bank AB	1	-	7	-	9
Interest	Humlegården Holding I-III	64	-	64	-	10
Property management	Humlegården Fastigheter AB	-	5	-	6	12
Catastrophe reinsurance	Länsförsäkringar Sak AB	-	3	-	2	13
Compensation for transfer of capital	Länsförsäkringar Fondliv AB	8	-	16	-	14
Additional purchase price for sale of Länsförsäkringar Fondliv	Länsförsäkringar AB	-	-	50	-	15
AML services	Länsförsäkringar Bank	-	-	-	-	16
Total		236	488	361	553	

Note 37 Disclosures on related-party transactions, etc. cont.

Transactions between Länsförsäkringar Liv and its subsidiaries

Nature	Counterparty	2016		2015		Reference
		Income	Expenses	Income	Expenses	
IT products and services	Länsförsäkringar Liv AB's subsidiaries	1	0	1	0	11
Total		1	0	1	0	

Related-party receivables and liabilities - Group

Counterparty	31 Dec 2016		31 Dec 2015	
	Receivables	Liabilities	Receivables	Liabilities
Länsförsäkringar Hypotek AB	2,267	-	2,581	-
Länsförsäkringar Bank AB	341	-	501	-
Länsförsäkringar AB	283	26	421	28
Länsförsäkringar Fondliv AB	15	126	41	118
Länsförsäkringar Fondförvaltning AB	5	-	7	-
Regional insurance companies	-	8	-	10
Länsförsäkringar Sak AB	-	1	-	1
Humlegården Holding I-III AB	1,761	-	1,793	-
Total	4,672	161	5,344	157

Related-party receivables and liabilities - Parent Company

Counterparty	31 Dec 2016		31 Dec 2015	
	Receivables	Liabilities	Receivables	Liabilities
Fastighets AB Storsundet	-	-	-	0
Fastighets KB Automobilpalatset	411	76	411	55
Fastigheten Dykarhuset AB	236	36	236	73
KB Hålstenen 2	-	-	-	3
Total	647	112	647	131

Note 38 Significant events after the end of the fiscal year

Länsförsäkringar Liv announced on 31 January that it was to participate in Svenska Handelsfastigheter's new share issue. This means that Länsförsäkringar Liv will make a property investment of SEK 600 M over a period of several years. The properties form an asset that is deemed well-suited to the company's long-term commitments. The investment in Svenska Handelsfastigheter is made in both New and Old Trad.

Note 39 Proposed appropriation of profit

The proposed appropriations as specified below will be presented to, and the income statement and balance sheet for the Group and Parent Company will be adopted at the Annual General Meeting in May 2017.

Group

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

Parent Company

In 2016, recognised profit amounted to SEK 2,358,739,872.

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

Net profit for the year	2,358,739,872
Total	2,358,739,872

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

Defined-contribution occupational pension insurance	779,846,801
Occupation-linked health insurance and premium exemption	161,369,368
Individual traditional life assurance	1,365,948,140
Non-cancellable accident and health insurance and premium exemption	48,554,962
Accident and health	3,020,601
Total	2,358,739,872

The Board of Directors proposes that the Annual General Meeting authorise the Board in the 2017 fiscal year to use up to SEK 1,300 M of the funds in the collective consolidation fund for final allocations in connection with payments of pension and other claims payments, transfers of insurance capital and repurchases.

The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2017.

Stockholm, 7 March 2017

Karl-Olof Hammarkvist
Chairman

Johan Agerman
Board member

Birgitta Carlander
Board member

Sten Dunér
Board member

Ingemar Larsson
Board member

Henrik Perlmutter
Board member

Karin Starrin
Board member

Örian Söderberg
Board member

Anna Söderblom
Board member

Gunnar Wetterberg
Board member

Marie-Louise Zetterström
Board member

Bitte Franzén Molander
Employee representative

Kristina Padel Roström
Employee representative

Jörgen Svensson
President

My audit report was submitted on 9 March 2017.

Gunilla Wernelind
Authorised Public Accountant

Auditor's Report

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

Translation from the Swedish original.

Report on the annual accounts and consolidated accounts

Opinions

I have audited the annual accounts and consolidated accounts of Länsförsäkringar Liv Försäkringsaktiebolag (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 4–49 in this document.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 0–3. The other information comprises also of report "Bokslutskommuniké 2016" (but does not include the annual accounts and consolidated accounts and my auditor's report thereon). The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Insurance Companies and, concerning the consolidated accounts, in accordance

with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

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

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my opinions.

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

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the Managing Director of Länsförsäkringar Liv Försäkringsaktiebolag (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

Stockholm 9 March 2017

Gunilla Wernelind
Authorized Public Accountant

Corporate Governance Report

Introduction

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

Länsförsäkringar Liv complies with the applicable parts of the Swedish Corporate Governance Code (the Code). The main reason for deviations is that Länsförsäkringar Liv is not a stock-market company. Deviations from the provisions of the Code and explanations for such deviations are presented below in the "Deviations from the Code" section on page 57.

This Corporate Governance Report is unaudited.

Corporate governance

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

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

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

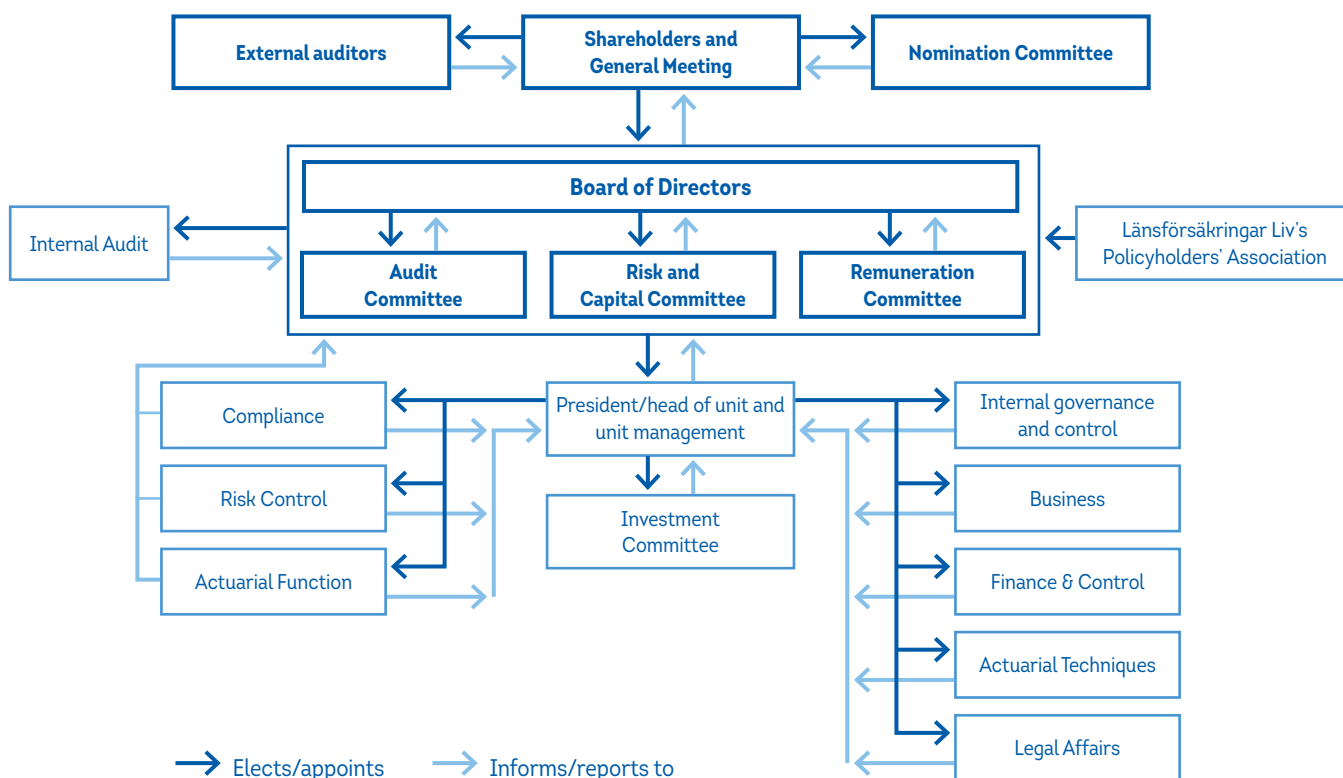
and internal-control system, while Länsförsäkringar Liv guarantees the governance and internal control within the company within the framework of the corporate governance system.

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

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

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

Länsförsäkringar Liv's governance structure, figure 1



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 activities, and is an integral part of the organisational structure and decision-making processes. Internal control at Länsförsäkringar Liv is based on a system comprising three lines of defence, which comprise operations in the first line, functions for compliance and risk control and the Actuarial Function in the second line and Internal Audit in the third line.

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

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

care are primarily managed by the regional insurance companies. Specialised expertise and resources are allocated in each responsible function in the company to ensure ordering, monitoring and control of the outsourced operations.

An overview of the organisation, outsourced operations and governance and reporting flows is provided in the figures below.

Shareholders and General Meeting

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

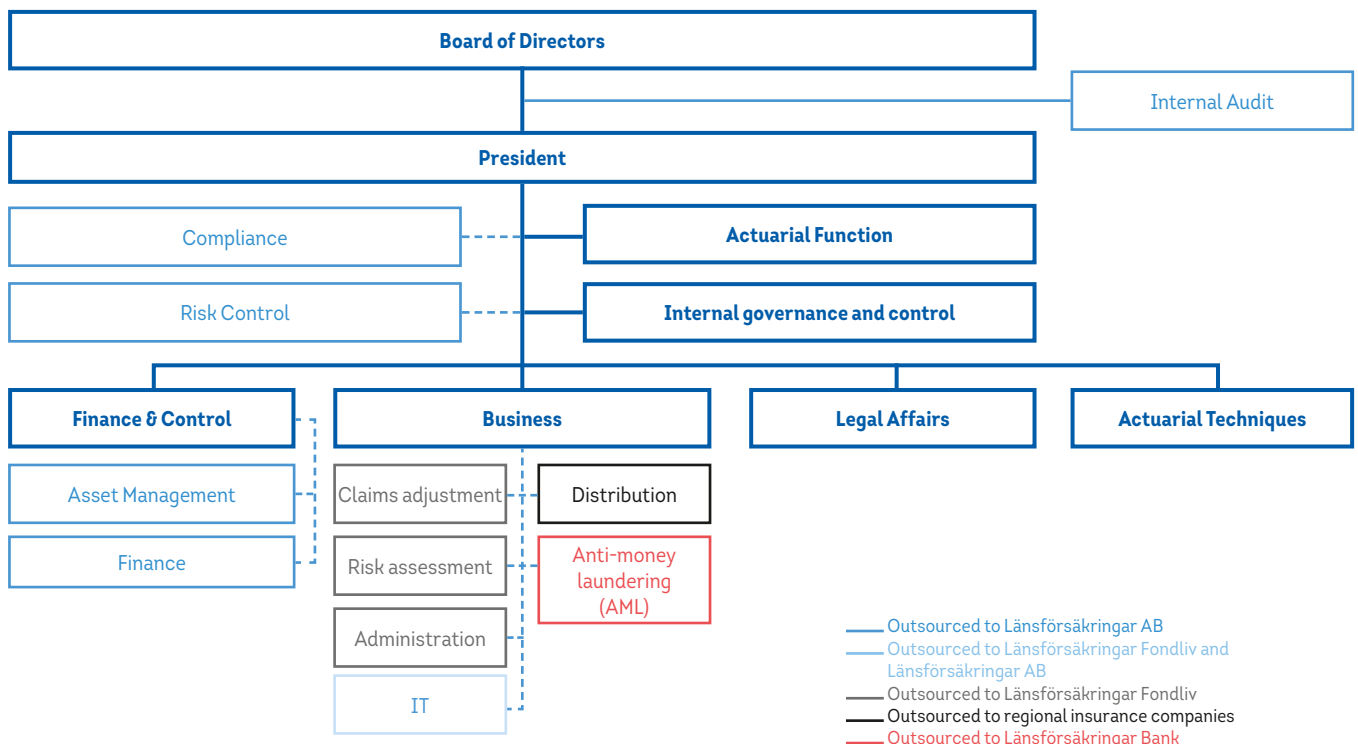
Decisions are made at the Annual General Meeting regarding the Annual Report, the election of members of the Board and auditors, fees and other remuneration of Board members and auditors, and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal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

Nomination Committee

Nomination process

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

Länsförsäkringar Liv's governance structure, figure 2



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

The Nomination Committee prior to 2017 Annual General Meeting

The Nomination Committee has comprised Otto Ramel (Chairman) (Länsförsäkringar Skåne), Ulf W Eriksson (Länsförsäkringar Värmland), Per-Åke Holgersson (Länsförsäkring Kronoberg), Conny Sandström (Länsförsäkringar Västerbotten) and Örian Söderberg (Länsförsäkringar Jönköping) since the 2014 Annual General Meeting of Länsförsäkringar AB.

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

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

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

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

External auditors

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

The auditor examines Länsförsäkringar Liv's Annual Report, as well as the administration of the Board and the President. The auditor presented her audit results and observations to the Board once during 2016. The auditor also participates in the meetings of the Board's Audit Committee. The auditor reviews Länsförsäkringar Liv's six-month accounts.

Länsförsäkringar Liv's Policyholders' Association

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

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

Board of Directors

Composition of Board

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

The Board currently comprises 13 regular members and one deputy. Nine of the members are appointed by the General Meeting, two by Länsförsäkringar Liv's Policyholders' Association and two members and one deputy by the trade unions. Seven of the members are independent. A presentation of the Board members can be found on pages 59 and 60 of the company's Annual Report.

Board responsibilities and allocation of duties

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

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

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

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

Chairman

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

Work of the Board

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

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

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

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

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

In 2016, the Board of Directors followed its established plan and received training in and gained greater knowledge of Länsförsäkringar's partial internal model (LIM), the company's Own Risk and Solvency Assessment, reinsurance and asset management matters and other major strategic issues.

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

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. The 2016 evaluation was based on an electronic survey completed by the Board members. The results were compiled, reported to and discussed by the Board and submitted to the Nomination Committee.

Risk and Capital Committee

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

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

At the first Board meeting held after the 2016 Annual General Meeting, Karl-Olof Hammarkvist was appointed Chairman, and Sten Dunér, Anna Söderblom and Gunnar Wetterberg were appointed members of the Risk and Capital Committee. The number of Risk and Capital Committee meetings and members' attendance are presented in the table on the right.

Audit Committee

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

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

At the first scheduled Board meeting after the 2016 Annual General Meeting, Birgitta Carlander (Chairman), Ingemar Larsson, Karin Starrin and Marie-Louise Zetterström were appointed members of the Audit Committee. The number of Audit Committee meetings and members' attendance are presented in the table below.

Remuneration Committee

The Remuneration Committee is to prepare issues on remuneration of the President and other members of corporate management and employees with overall responsibility for any of the company's control functions, as well as prepare decisions for measures to monitor application of the remuneration policy.

At the first scheduled Board meeting after the 2016 Annual General Meeting, Karl-Olof Hammarkvist (Chairman), Gunnar Wetterberg and Sten Dunér were appointed members of the Remuneration Committee. The number of Remuneration Committee meetings and members' attendance are presented in the table below.

Board meetings and attendance

The table below shows the number of meetings held in each body since 2016 and the attendance of each Board member.

	Independent members	Board of Directors	Risk and Capital Committee	Audit Committee	Remuneration Committee
Total number of meetings		10	5	4	2
Birgitta Carlander	X	9	-	4	-
Sten Dunér		9	5	1 ¹⁾	2
Bitte Franzén Molander		9	-	-	-
Anders Grånäs (Board member until AGM on 19 May 2016)		5	2	-	-
Karl-Olof Hammarkvist	X	9	5	-	2
Ingemar Larsson	X	10	-	2 ²⁾	-
Malin Rylander Leijon (Board member from AGM on 19 May 2016)		4	-	-	-
Susanne Lindberg (deputy)		7	-	-	-
Kristina Padel Roström		8	-	-	-
Henrik Perlmutter	X	10	-	-	-
Karin Starrin		10	-	4	-
Örian Söderberg		10	-	-	-
Anna Söderblom	X	9	2 ²⁾	-	-
Gunnar Wetterberg	X	9	4	-	2
Marie-Louise Zetterström	X	10	-	4	-

¹⁾ Stepped down as a Committee member on 9 June 2016.

²⁾ Became a Committee member on 9 June 2016.

President and corporate management

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

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

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

Control functions

Internal Audit

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

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

Compliance

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

Risk Control

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

Actuarial Function

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

Deviations from the Code

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

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

Deviation from the provisions of the Code with respect to the fact that the company is not a stock-market company and only has one shareholder. For more information, see the sections entitled "Shareholders and General Meeting" and "Nomination Committee" on page 54.

Period of office for Board members

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

Composition of Remuneration Committee

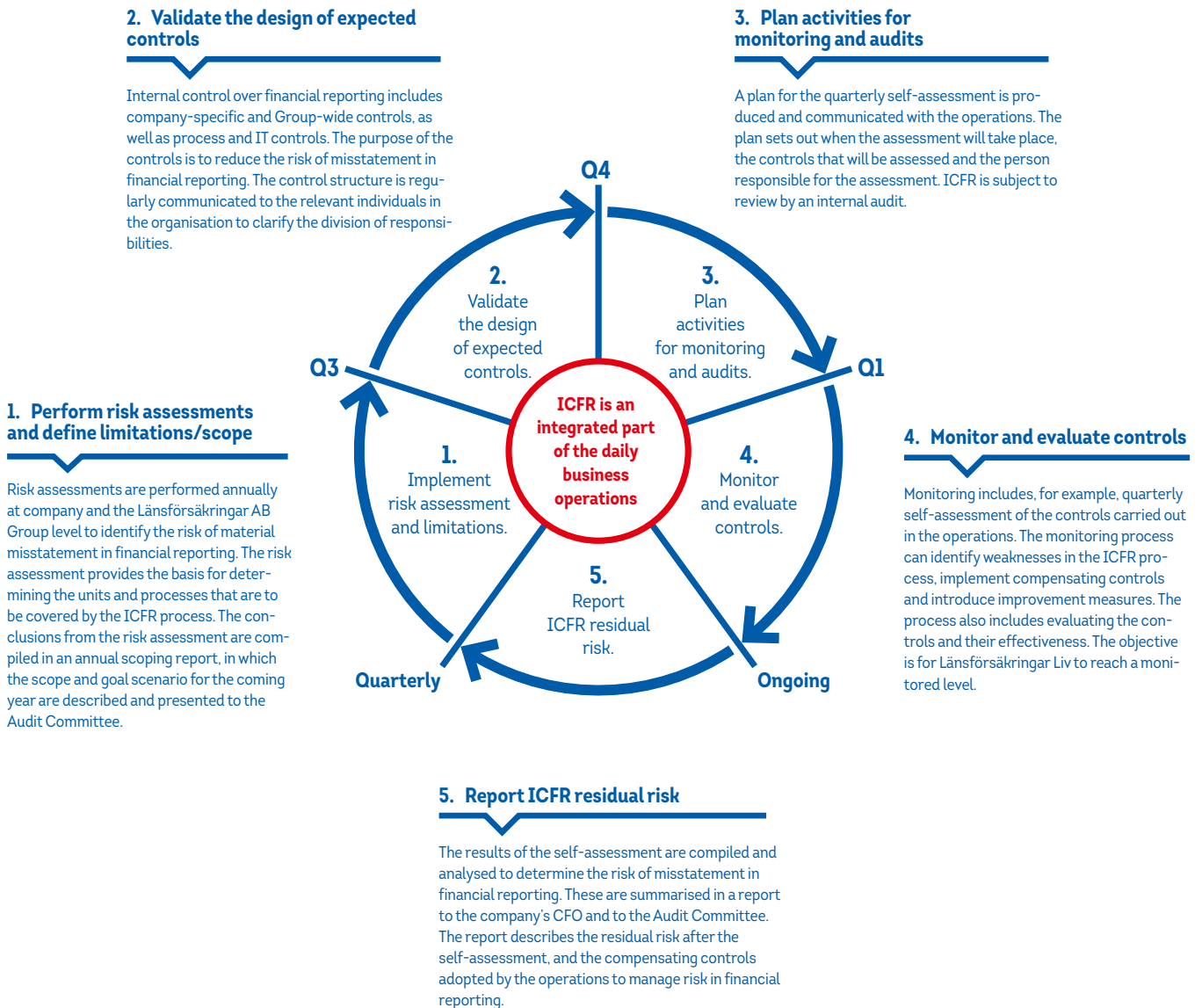
Deviation from the Code's requirements regards the independence of the members of the Committee in relation to the company and corporate management since the CEO of the Länsförsäkringar AB Group is a member of the Remuneration Committee as all of the companies in the Group have the same principles on remuneration.

Financial reporting

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

Internal control over financial reporting

Internal control over financial reporting (ICFR) is a process for evaluating the reliability of financial reporting. ICFR is defined as a process carried out by the Board, management and operations. The process is performed in an annual cycle as shown in the diagram below.



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

Board of Directors and auditors



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

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

1 Karl-Olof Hammarkvist

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

2 Johan Agerman

Born 1962. President of Länsförsäkringar AB. Elected: 2017. **Education:** Business Administration, Uppsala. AMPT, Stockholm School of Economics. **Other Board appointments:** Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv, Board member of Insurance Sweden, Swedish Insurance Employers' Association (FAO) and European Alliance Partners Company AG. **Previous experience:** CEO of Trygg-Hansa, Board Chairman of IDUR, Personal Lines Director Scandinavia RSA, IS&Change director and CIO RSA, CEO of Know IT Consulting AB.

3 Birgitta Carlander¹⁾

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

4 Sten Dunér

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

5 Ingemar Larsson

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

6 Henrik Perlmutter¹⁾

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

7 Karin Starrin

Born 1947. Former Director General and County Governor. Elected: 2013. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Halmstad University, Länsförsäkringar Halland, Board member of Hallands Akademi and Swedish Gambling Authority. **Previous experience:** Head of government agency, County Governor, member of parliament, Chairman of Municipal Executive Board.

8 Örjan Söderberg

Born 1952. President of Länsförsäkringar Jönköping. Elected: 2015. **Education:** Bachelor of Arts in Legal Science. **Other Board appointments:** Insurance Industry's Pension Fund (FPK). **Previous experience:** President of Länsförsäkringsbolagens Fondförvaltning AB, Länsförsäkringar Bank AB, Länsförsäkringar Wasa Fonder, Deputy President of Länsförsäkringar Stockholm.



9 Anna Söderblom

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



10 Gunnar Wetterberg

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

11 Marie-Louise Zetterström

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



Employee representatives

12 Bitte Franzén Molander

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

13 Kristina Padel Roström

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

Deputy: Susanne Lindberg.

Management

Jörgen Svensson

Born 1959.

President.

Previous experience: President of Länsförsäkringar Blekinge.

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

Various executive positions at Skandia and If.

Erling Andersson

Born 1955.

Head of Actuary Function.

Employed since 2001.

Previous experience: Corporate Senior Actuary at Länsförsäkringar Liv.

Actuary Skandia Liv.

Jakob Carlsson

Born 1967.

CFO.

Employed since 2007.

Previous experience: Head controller at SPP and Handelsbanken Liv.

Group controller at Alecta.

Veronika Engstrand

Born 1976.

Head of Legal Affairs.

Employed since 2015.

Previous experience: County administrative court clerk, insurance lawyer

at Financial Supervisory Authority, Head of insurance and pension law at

Financial Supervisory Authority.

Roger Lidberg

Born 1960.

Business Manager.

Employed since 1995.

Previous experience: Various senior positions at Länsförsäkringar

and Skandia.

Elizabeth Äng

Born 1963.

Corporate Senior Actuary.

Employed since 2012.

Previous experience: Corporate Senior Actuary at Skandia,

CRO Swedbank Försäkring.

Definitions

Direct yield

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

Required solvency margin

The Swedish Insurance Business Act's requirements of the lowest permitted level of own funds for a life-assurance company, which mainly comprise 4% of the technical provisions in addition to 3 per mil of the positive risk totals (mortality risks).

Management cost ratio

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

Own funds

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

Capital ratio

Own funds in relation to the solvency capital requirement.

Collective consolidation ratio

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

Collective consolidation capital

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

Solvency capital

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

Minimum capital requirement

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

Solvency rate

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

Solvency capital requirement

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

Solvency ratio

Own funds in relation to required solvency margin (the solvency ratio must be at least 1).

Total return

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

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Production: Länsförsäkringar Liv in partnership with Hallvarsson & Halvarsson.
Photos: Länsförsäkringar's image bank, Jimmy Eriksson. Print: GöteborgsTryckeriet.
We print on environmentally friendly paper.



