

A black and white photograph of two men sitting on a stone wall, looking out over a calm lake towards a range of mountains. The man on the left is wearing a light-colored t-shirt and a large backpack. The man on the right is wearing a dark tank top and a backpack. The sky is overcast with soft clouds.

# Annual Report 2016

MOVESTIC LIVFÖRSÄKRING AB

**movestic**  
Liv & Pension

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# Movestic in brief

## Our core business

As experts on savings and insurance, we have hand-picked a competitive range of smart solutions. We do not want to offer everything, but instead focus on what we are good at – finding and offering the best quality funds, ready-made fund packages and insurance solutions for individuals. We give our customers the ability to make wise decisions that pay off in the long run.

## The idea behind our offering

We put a lot of effort into fund selection. It should be possible to invest both broadly and narrowly, in many different categories. Long-term savings plans can be complemented with personal insurance cover, tailored to the situation of the individual customer. Our insurance policies cover all the needs of both employers and employees, as well as members of various organisations.

## What makes us different?

We are a relatively young insurance company with a nimble organisation. We believe in smart solutions, carefully adapted to the needs and life situations of our customers. Savings and security are complex matters, and using a professional advisory service gives savers personal and well-balanced advice, whether they are active or passive investors. This is why our savings products are only available by registered insurance brokers.

# 13%

Market share – third most selected for procured occupational pension plans



Owned by Chesnara Plc, listed on the London Stock Exchange

# 28

**mdkr**

Total assets under management

# 4

**mdkr**

Total premium volume

# 137

**persons**

employed

# 1/2

**million**

life and savings policies



Head office in Stockholm

# The Year in Brief

## Q1

► Movestic applies the Solvency II regulations fully, without taking advantage of the transitional rules. The Solvency II rules have significantly higher capital requirements, which means added protection for our customers.

► Three Movestic Funds are given top scores in Morningstar's Sustainability Rating.

## Q2

► Launch of Spar-PT. On Facebook, adventurer Aron Andersson and Movestic's Staffan Helin give advice on long term goals for both savings and training.

► Five new Movestic Funds are launched in June. Movestic Biotechnology, Movestic Europa, Movestic Real Estate, Movestic Healthcare and Movestic Index.

## Q3

► Movestic holds a seminar in Almedalen on the theme Young Women and Pensions. Participants include Gudrun Schyman and Alice Teodorescu. This seminar attracted the highest number of views on DI's website.

► Linnéa Ecorcheville is appointed as Lars Nordstrand's successor as CEO of Movestic. She will take up her position on April 1st 2017, when Lars retires.

► Movestic applies for permission to start its own fund company in Luxembourg.

## Q4

► Movestic's owner, Chesnara, announces the acquisition of Legal & General Nederland, an active and profitable life insurance company with a portfolio of 170,000 insurance policies and 2.2 billion euro in assets under management.

► Movestic Bull & Bear is launched – two new leveraged funds that offer customers the opportunity of additional return on growing and declining markets, respectively.



## Comments from the CEO

2016 turned out to be yet another positive year for Movestic's customers, who enjoyed good returns on their pension plans and more favourable policy conditions for a number of our insurance products. The beginning of the year saw negative trends on the global financial markets, however, after a period of uncertainty and turbulence, an increasingly positive view of the stock markets emerged. Last year was also a good year for those of our customers who understand the importance of investing in actively managed quality funds, and of choosing a slightly higher risk profile for their long-term savings. Movestic's financial key ratios kept developing in a positive direction, and we increased our market share in the occupational pension plan segment.

### FOCUS ON QUALITY

Movestic is now the third most selected company for new sales of procured occupational pension plans, and has overtaken most of the competitors. Our range of funds has kept growing, with new quality funds being added. Seven new Movestic Funds were launched in 2016, led by some of the world's best fund managers. Last year, a clear majority of the funds we offer performed better than comparable funds in their respective categories, according to Morningstar – proof that we have chosen well on our customers' behalf.

Matters relating to climate and sustainability are critical to our shared future. It is important to offer our customers opportunities to invest in ways that help us to achieve a sustainable future. This is why

sustainability is an important criterion when we select our funds. In 2016, Movestic's customers gained access to a greater number of funds with a pronounced focus on sustainability. They were also given access to sustainability certifications and other tools that can help them pick the funds they want to include in their long-term saving plans.

New, stricter rules on solvency ratios and capital requirements came into force in 2016. Occupational pension providers, like Movestic, were offered the opportunity to apply less strict interim regulations. We decided not to take this opportunity and, unlike many of our competitors, chose to fully apply the stricter capital requirements set out in Solvency 2. Movestic's customers should be able to trust that their savings are managed by a financially strong company that cares about its customers.

### **SOCIAL STRUCTURE LEADS TO LOW AND UNEQUAL PENSIONS**

Pension matters have become an increasingly hot topic for debate in Sweden. A growing number of people are realising that low pensions will become a serious problem for many people. The state pension will not cover the cost of living for large numbers of part-time workers, low earners, and women. The pension system is simply a reflection of the overall societal structure and employment market, where unequal employment conditions and other inequalities will have significant negative effects on large groups of pensioners. Private pension plans are an important component when we look for solutions to this dilemma. Unfortunately, the politicians decided to prioritise short-term tax income and remove the limited tax deductibility for pension plan premiums. This is a decision that should be torn up and the deductibility should be reinstated. Furthermore, the politicians should introduce a compulsory occupational pension, which would result in significant improvements for those workers that currently do not have access to this employee benefit. Naturally, there should also be a rule that any occupational pension earned should be taken into account when assets are divided after a divorce.

### **GOOD RETURNS, GOOD ADVICE AND SATISFIED CUSTOMERS**

Good returns on your long-term savings is the key to a rich and active life after retirement. In 2016, much of the media debate focused solely on the fees, and it was suggested that index funds would be the way to ensure good returns on savings. This simplistic view will fool many savers into selecting investment vehicles with low returns. The net return after fees is the only relevant measure. Using this as the starting point, it is clear that there are a number of investment alternatives with low or no fees that also give low or no returns. Movestic's range of funds contains a broad selection of high-quality funds, with different risk levels and investment strategies. Long-term savings should involve a reasonably high level of risk and active management to provide the opportunity of high returns after fees.

An increasingly complex world increases the need for professional advisory services. At Movestic, we want our customers to be given expert guidance, to enable them to choose investment vehicles and insurance products that will be sustainable in the longer term. Professional advice is necessary to help people to acquire adequate insurance cover and the best possible pension plan for their individual needs.

Satisfied customers are the key to Movestic's success. We will remain at the forefront when it comes to product offer and accessibility. Our enthusiastic co-workers always put the customers' interests first, to make sure we offer the best service and products on the market. This is at the core of Movestic's company culture and business model.

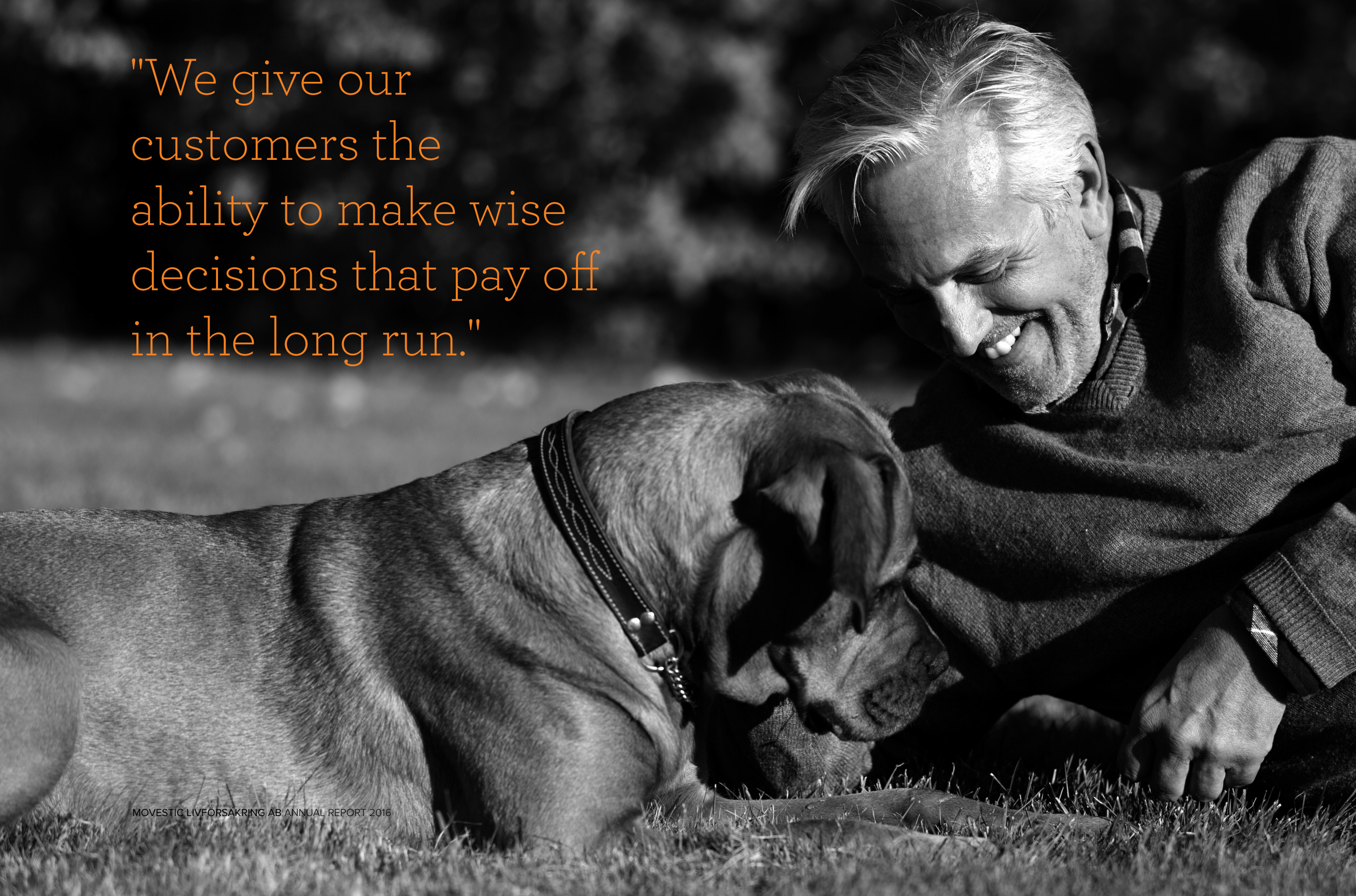
**Stockholm, January 2017**



**Lars Nordstrand**



"We give our  
customers the  
ability to make wise  
decisions that pay off  
in the long run."





# Movestic's position

Movestic keeps strengthening its position on the Swedish fund insurance market. In 2016, it became the third biggest company for new sales of procured occupational pension plan, and the fourth biggest on the occupational pension market overall. There will be a growing demand for expert advice in an increasingly complex society, and Movestic's products are only available through qualified insurance brokers.

Ever since the birth of Movestic, our aim has been to offer a hand-picked selection of the best funds and management services on the market. We want to make it easy for our customers to find the best options for them among our products. We offer a comprehensive range of savings products, both for customers who prefer to actively select each individual fund, and for those who prefer to let our experts put together attractive fund packages with opportunity to get good returns. Always with the option to choose sustainable funds. In 2016, we carried on adding to our range of Movestic Funds, for which, after careful consideration, we selected some of the world's best fund managers in their respective areas to take the reins.

## INSURANCE IN AN INCREASINGLY UNCERTAIN WORLD

Never before has Swedish household debt been higher than it is today. It is also the case that more and more Swedes lack the insurance cover needed to protect against even the most rudimentary events, which can

hit family members and their private finances hard. This is why we offer personal insurance policies that cover all eventualities. It is obvious to us that these insurance products must be available to purchase online. This is why we have spent the last two years working hard to develop digital solutions for both new and existing customers through Teckna Lätt – an online tool for taking out personal insurance.

## THE ROAD AHEAD

The focus for 2016 was to increase awareness of our brand, both in channels where we were already active and in new arenas – this work will continue in 2017. In relation to our competitors, we are a young and slightly smaller insurance company. Something we regard as strengths. We dare to be innovative and think outside the box, and have the ability to move fast to keep up with changing markets. With the backing of Chesnara, our strong and stock exchange-listed owners, we are able to offer our customers stability and security, at a time when both trust and modernity are hard currency.

## FACTS

The Swedish Insurance Market in figures<sup>1</sup>

▶ Swedish insurance companies have just over 20,000 employees.

▶ The annual premium income for life insurance is just over 220 BSEK.

▶ Swedish households have more than doubled their personal savings in 10 years.

▶ 24 percent of the premiums are sold by insurance brokers.

▶ Swedish life insurance companies hold investments worth over 3,500 BSEK in the global economy.

▶ The most common way to save is in an occupational pension plan.

<sup>1</sup>Source: Svensk Försäkring



# Our vision

Movestic's vision is to enable anyone who purchases our insurances to lead a secure and active life. This means that we want our customers to be able to focus on the things they enjoy, and feel safe in the knowledge that their savings and personal insurances will protect them should the need arise. In our middle years, the emphasis is often on work and family, and on the importance of building for the future. We want people at this stage in life to find it easy to select both savings products and personal insurance that meet their needs. And we want them to feel secure with Movestic. The ability to lead an active life, whether in mid-life or retirement, does not necessarily mean being physically active, but can for example mean the freedom to decide how to spend your time, and the ability to make your own life choices, without limitations. Quite simply, to actively make all important decisions about how you live your life, without restrictions.

## WE OFFER

- ▶ Occupational pension plans
- ▶ Private savings
- ▶ Available to select for SAF-LO
- ▶ Asset insurance
- ▶ Savings in custody accounts
- ▶ Life insurance
- ▶ Accident insurance
- ▶ Sickness insurance
- ▶ Healthcare insurance
- ▶ Child insurance
- ▶ Serious sickness insurance
- ▶ Premium waivers

# Our customer promise

"We help you to make smart choices for an active life". This is the promise we give our customers. It means that we take responsibility for making sure the range of products we make available to our customers is carefully selected, sustainable, and offers comprehensive cover. To stay ahead we continuously assess existing products and develop new ones. For the last few years, our customers have been able to take out personal insurance policies online, and we offer ready-made packages to suit most circumstances. We keep an eye out for quality funds that will add value to our existing offering, which we aim to keep small, but complete. We believe that customers who receive professional advice have better insurance cover and savings solutions tailored to their individual needs, which is why our products are only sold via registered brokers. If we, the experts, have already carried out the initial screening before it is time for the customer to select a product, the selection process becomes much simpler and easier to navigate. We want to inspire our customers to make smart choices.

## WE OFFER

- ▶ Fewer, but more specialised funds – easy for customers to find the right options.
- ▶ Professional advice – our products are sold via expert advisors.
- ▶ Active management or index funds – nothing in between.
- ▶ Exclusivity – some funds are only available from us.
- ▶ Movestic Funds – with world-leading fund managers.
- ▶ Sustainability – at least 75 percent of our funds are sustainable.
- ▶ Personal insurance – insurance cover for all stages in life.
- ▶ Teckna Lätt – personal insurance online.

# Movestic's social responsibility

Community and social involvement is an integrated part of Movestic's activities. We get involved in areas where we have the opportunity to make a difference, and where our expertise can contribute to a positive development in society. Here are some of the initiatives we took in 2016.



## MOVE – A BUSINESS NETWORK FOR WOMEN

In the spring of 2016, we launched MOVE, which is a business network for female insurance brokers. Only 21 percent of the Swedish insurance brokers are women, and this network aims to offer them a platform and a forum for exchanging experiences, gaining new knowledge, and cooperating across organisational boundaries.



## EQUALITY AND THE WOMEN'S LOW PENSIONS

In Almedalen, we highlighted the subject of equal pensions, together with the publication Dagens Industri. Participants included Gudrun Schyman and Alice Teodorescu. This seminar attracted the highest number of views on the Dagens Industri website during the Almedalen Week.



## THE SWEDISH CHILDHOOD CANCER FOUNDATION

No child should die from cancer! We support the Swedish Childhood Cancer Foundation in their work to prevent and fight cancer, and to improve the quality of life for children suffering from cancer. For the last couple of years, we have worked with the adventurer Aron Andersson, a partnership that will continue in 2017. So far, our collaboration with Aron has resulted in half a million SEK being collected for the Childhood Cancer Foundation.



## SPAR-PT

Movestic's Facebook campaign, Spar-PT, inspires followers to get started in ways they can maintain over the longer term, and emphasises the importance of using expert advisors to achieve the best possible results. Staffan Helin from Movestic has joined forces with Aron Anderson to explain how to get started, set the right targets, and avoid any pitfalls along the way, both when it comes to savings and to exercise.

# Sustainable investments

We are convinced that our focus on sustainability, environment and ethics adds long-term value for anyone investing in funds. Sustainability is an integrated component in our investment assessments because we believe that companies with long-term sustainability targets will be more successful over time. Our investment policies state that at least 75 percent of our regular range of funds must be sustainable, a target we currently exceed.

## Reviews and assessments

We review the fund companies on our platform on an annual basis, which means that we show the fund companies how they perform in relation to their competitors, and demand continuous improvements. We encourage the fund companies to be active owners, to vote at annual general meetings, and to hold both proactive and reactive dialogues about sustainability with the companies they own.

We also offer ten Movestic Funds, for which the management has been outsourced to handpicked external fund managers. These funds are reviewed in more detail, through thorough questioning, proactive meetings, annual conversations about their work with sustainability, and regular sustainability screenings.



## PARTNERS AND MEMBERSHIPS



# Directors' Report

The Board of Directors and CEO of Movestic Livförsäkring AB, Corp. ID 516401-6718, hereby submit the annual report for 2016, the company's seventeenth financial year. Seat of the Board: Stockholm.

## ORGANISATION AND LINES OF BUSINESS

Movestic Livförsäkring AB offers a comprehensive range of savings products and insurance policies. Within the saving and pension segment, the Company offers fund insurance, with focus on occupational pension plans and private and company-owned endowment insurance. The risk segment includes life, accident and health insurance. Since July 2009, Movestic Livförsäkring AB is a wholly owned subsidiary of the British company, Chesnara plc (Corp ID 4947166), which has its registered office in Preston, England

Movestic Livförsäkring AB has a wholly owned subsidiary, Movestic Kapitalförvaltning AB, which manages fund packages within Movestic's fund offering. Since 2014, the fund packages are managed within a new structure, a so called SICAV, as a result of changes to EU regulations. On the 31st December 2016 the total assets under management amounted to 28 BSEK, of which 16 BSEK was managed within the SICAV. In the autumn of 2016, Movestic Livförsäkring AB submitted an application to set up a fund company in Luxembourg. This company would be responsible for the administrative management of the funds included in the SICAV.

On the 31st December 2016, Movestic had 137 employees. Of these, 45 percent were female and women made up 54 percent of the managers. The average age of all employees was 40. The proportion of women on the management team was 45 percent, which is an increase from the previous year (40).

## IMPORTANT EVENTS DURING THE YEAR

### Stronger position within our core segment

2016 was a year when developments on the investment markets

were affected by a number of big events of international magnitude, as well as historically low interest rates. Despite the unsettled global conditions, Movestic's customers saw their retirement assets develop well in 2016. Our range of funds, which includes a broad spectrum of interest funds, equity funds and alternative funds, such as hedge funds, give our customers every opportunity to achieve good long-term return irrespective of the market climate.

In 2016, Movestic strengthened its position within its core segment, occupational pension plans. Using insurance brokers to distribute our products has remained the right choice, and Movestic was able to improve its performance in independent market surveys, where for example its service level rated highly.

The cooperation with brokers and partners within risk insurance developed positively in 2016, and volume trends are stable.

### Continued focus on sustainability

Movestic intensified its work with sustainability further in 2016. We joined two initiatives, UNPRI and Global Compact, both of which are global sustainability standards for our industry, and we are putting even more effort into working closely with the fund companies around impact and evaluation.

In addition to making sure the funds we offer have a good level of sustainability, Movestic also works to ensure the focus on sustainability is reflected in our day-to-day operation. We make sure our office is environmentally friendly, buy carbon offsets when we travel for work, and look after the health and wellbeing of our employees. The reason is that we believe that being sustainable at both the larger and smaller scales actually makes a difference.

### Attractive range of funds

Movestic's range of funds again ranked highly in the annual independent insurance and broker survey (CMA), both in relation to fund offering, management, and innovativeness.

During the year, we continued to expand the range of funds we sell under our own name – the Movestic Funds. The aim of the Movestic Funds is to give our customers the opportunity to invest in funds



managed by handpicked fund managers, selected by us because of their excellent track record within fund management and extensive knowledge about the markets on which they operate.

### **Risks and risk management**

During the year, Movestic also carried on improving its risk management system, to ensure this is well adapted to the company's business activities and environment. Some examples of this work are further formalisation of risk limits and improved routines for risk reporting.

The final responsibility for making sure that the Company has an effective risk management system in place rests with the Board of Directors. The Audit and Risk Committee assists the Board by monitoring the Company's financial reports, internal controls, and risk management system. Movestic's risk management framework consists of policy documents, strategies, processes and routines to identify, evaluate, monitor, manage and report risks to which the Company is, or may become, exposed.

To ensure Movestic has effective systems for risk management and internal control, a governance system based on three lines of defence has been set up.

The first line of defence includes the CEO, the operational managers, and their staff. The first line of defence is responsible for the risks that arise, or could potentially arise, within their department or area of responsibility.

The second line of defence consists of the independent control functions; risk management, compliance, and the actuarial function. Together they are responsible for continuously developing and improving the company's risk management systems.

The third line of defence consists of the internal audit function, an independent review function that reports directly to Movestic's board of directors. This function is responsible for assessing and reviewing the company's systems for governance, risk management and internal control, and for issuing recommendations for potential improvements.

Movestic will keep working to maintain and develop an effective risk management system throughout the next financial year. Information on the risks to which the company is exposed and how they are managed is available in note 3.

### **REGULATORY FRAMEWORK**

#### *Solvency II*

On the 1st January 2016, the new solvency requirements for insurance companies within the EU, as set out in the Solvency II Directive, came into force. Movestic decided to apply the new regulations fully from the beginning, and to not take advantage of the interim regulations available to providers of occupational pension insurance. The Company's capital requirements are determined according to the standard model.

Movestic reported in accordance with the quantitative reporting requirements in Pillar 3 during 2016, and has worked to further incorporate the results of its own risk and solvency assessment in its business planning processes.

The Company's board of directors has been involved in the solvency work carried out during the year, by challenging both the overall risk management system, the calculations carried out as part of the solvency work, and the conclusions drawn from the own risk and solvency assessment.

The preparation of the reports on solvency and financial position (SFCR and RSR) started in 2016. The reports will be presented in May 2017.

#### *Accounting*

In relation to the new accounting rules for insurance agreements, IFRS 17, a new standard is expected to be issued in the early part of 2017 and Movestic has started assessing the impact this may have on the reporting of insurance agreements.

#### *Auditing*

EU's auditing package came into force in June 2016 and will be applied from the financial year 2017. The package includes more stringent rules on the independence of the auditors and stricter rotation requirements.

### **NEW CEO**

Lars Nordstrand has advised the Company that he intends to retire in 2017. Linnea Ecorcheville has been appointed as his replacement. She will take up her position on April 1st 2017.

## EXPECTED FUTURE DEVELOPMENTS

The competition on the Swedish insurance market is expected to remain stiff over the next few years. Due to the increasing demands from customers for accessibility and information, Movestic will intensify its efforts to improve its internal efficiency, with the aim to further increase the degree of digitalisation. The development within IT to better tailor the system support to the business operation will remain a priority.

## RESULT AND FINANCIAL POSITION

The positive development of assets under management has continued, resulting in an increase of 14.5% for the year. Income from investment agreements amounted to 392.8 MSEK (413.9).

The Company's risk operation maintained a stable technical result. The gross premium income amounted to 405.8 MSEK (405.9).

The Company's net result after appropriations and tax increased by 22% percent and amounted to 105.4 MSEK (86.5).

At the end of the year, the capital base according to the Solvency II regulations amounted to 2,114 MSEK including foreseeable distribution to shareholders amounting to 30 MSEK. The capital requirement amounted to 1,451 MSEK.

## PROPOSED APPROPRIATION OF PROFITS

SEK	2016
At the disposal of the general meeting of shareholders:	
<i>Non-restricted equity</i>	
Profit brought forward	509 310 659
Profit for the year	105 416 363
<b>Total</b>	<b>614 727 022</b>
The Board of Directors and CEO propose the following:	
Distribution to shareholders	30 000 000
Carry forward to new account	584 727 022
	<b>614 727 022</b>

## BOARD OF DIRECTORS' OPINION ON THE PROPOSED DISTRIBUTION OF PROFITS

The proposal regarding distribution of profits has been prepared in accordance with the rules on protection of the Company's restricted equity and the precautionary principle, as set out in the Swedish Companies Act, chapter 18, §4. The Board of Directors has taken into account 1) the required size of the equity based on the nature, scope and risks of the operation and 2) the Company's consolidation requirements, liquidity, and general position.

The Company's financial position does not give reason to believe anything other than that it can be expected to meet its commitments, both in the short and long term. The Board of Directors' view is that the Company's own funds are adequate considering the scope of the operation and the risks to which it is exposed.

# Five-year summary

RESULT, MSEK	2016	2015	2014	2013	2012
Premiums earned (net of reinsurance), non-life insurance operation	49,9	50,5	48,6	41,2	35,6
Premiums written (net of reinsurance), life insurance operation	122,9	123,5	127,0	129,2	132,5
	<b>172,9</b>	<b>174,0</b>	<b>175,6</b>	<b>170,4</b>	<b>168,1</b>
Investment income in insurance business, net	-5,1	-11,9	-5,0	-3,3	-12,1
Claims incurred (net of reinsurance), non-life insurance operation	-31,5	-23,3	-28,2	-18,5	-13,5
Claims incurred (net of reinsurance), life insurance operation	-54,1	-60,7	-61,0	-55,7	-62,2
	<b>-85,6</b>	<b>-84,0</b>	<b>-89,2</b>	<b>-74,2</b>	<b>-75,7</b>
Technical result of the non-life insurance operation	-3,8	10,1	-0,5	1,7	-3,7
Technical result of the life insurance operation	70,4	74,4	33,2	16,3	16,5
<b>Net profit for the year</b>	<b>105,4</b>	<b>86,5</b>	<b>42,6</b>	<b>18,4</b>	<b>13,1</b>
<b>FINANCIAL POSITION</b>					
Investment assets	457,7	407,5	211,6	158,2	138,1
Investment assets for which the policyholder bears the risk	27 707,9	24 237,5	21 852,6	17 649,3	14 217,9
Technical provisions, net	345,8	311,8	287,9	249,5	235,9
Investment assets	27 851,8	24 321,5	21 946,4	17 777,0	14 328,7
Net asset value	660,9	555,5	469,0	426,4	407,9
-Of which deferred tax	0,0	0,0	0,0	0,0	-0,2
Own funds <sup>1</sup>	2 113,6	n/a	n/a	n/a	n/a
- Of which basic own funds	2 113,6	n/a	n/a	n/a	n/a
- Of which ancillary own funds	0,0	n/a	n/a	n/a	n/a
Minimum Capital Requirement <sup>1</sup>	362,6	n/a	n/a	n/a	n/a
Solvency Capital Requirement <sup>1</sup>	1 450,6	n/a	n/a	n/a	n/a
Capitalbase <sup>2</sup>	n/a	495,3	421,2	368,9	341,9
Required solvency capital <sup>2</sup>	n/a	112,3	111,9	119,1	121,8
Solvency ratio <sup>2</sup>	n/a	4,4	3,8	3,1	2,8
Capital base for the group <sup>2 3</sup>	n/a	496,7	421,1	368,9	341,9
Required solvency capital for the group <sup>2 3</sup>	n/a	127,9	127,6	133,8	135,7

<sup>1</sup> Calculated in accordance with the Solvency 2 regulations, which came into force January 1, 2016.

<sup>2</sup> Calculated in accordance with the Solvency 1 regulations, which expired December 31, 2015.

<sup>3</sup> The insurance group includes Modernac S.A.

<sup>4</sup> Direct return and total return has been calculated in accordance with the regulations from the Swedish Financial Supervisory Authority.

KEY RATIOS %	2016	2015	2014	2013	2012
<b>Non-life insurance operations</b>					
Claims ratio, %	63,0	46,1	58,0	45,0	38,0
Operating expenses ratio, %	44,7	35,5	44,0	50,0	73,4
Combined ratio, %	107,7	81,6	102,0	94,9	111,4
<b>Life insurance operations</b>					
Management costs, %	1,5	1,7	1,9	2,1	1,9
<b>Asset management</b>					
Direct return, % <sup>4</sup>	0,0	0,0	0,0	0,0	0,1
Total return, % <sup>4</sup>	7,5	4,7	12,5	13,6	7,5
<b>Financial position</b>					
Consolidation ratio, %	382,3	319,2	267,0	250,2	242,7

# Income Statement

TECHNICAL ACCOUNT OF THE NON-LIFE INSURANCE OPERATION, KSEK	Note	2016	2015
<b>Premiums earned (net of reinsurance)</b>			
Premiums written (gross)		122 745	122 393
Premiums for ceded reinsurance		-71 266	-72 386
Changes in Provisions for unearned premiums and unexpired risks		-2 032	1 252
Reinsurer's share of Change in provisions for unearned premiums and unexpired risks		497	-726
		<b>49 945</b>	<b>50 532</b>
Allocated investment return transferred to technical account	5	-473	-166
Other technical income (net of reinsurance)		672	1 498
<b>Claims incurred (net of reinsurance)</b>			
Claims incurred and paid	6		
Gross		-40 283	-47 715
Reinsurer's share		29 713	32 389
Change in Provision for claims outstanding			
Gross		-34 172	-25 295
Reinsurer's share		13 265	17 320
		<b>-31 477</b>	<b>-23 301</b>
Operating expenses	7	-22 333	-17 923
Other technical expenses (net of reinsurance)		-177	-565
<b>Technical result of the non-life insurance operation</b>		<b>-3 844</b>	<b>10 075</b>

TECHNICAL ACCOUNT OF LIFE INSURANCE OPERATION, KSEK	Note	2016	2015
<b>Premiums written (net of reinsurance)</b>			
Premiums written	4	285 039	282 317
Premiums for ceded reinsurance		-162 105	-158 820
		<b>122 933</b>	<b>123 498</b>
Investment income	8	971	452
Unrealised gains from investments	9	7 150	390
Income from investment contracts		392 833	413 924
<b>Claims incurred (net of reinsurance)</b>			
Claims incurred and paid	6		
Gross		-140 031	-117 380
Reinsurer's share		96 410	73 948
Change in Provision for claims outstanding			
Gross		-35 938	-26 498
Reinsurer's share		25 416	9 215
		<b>-54 142</b>	<b>-60 715</b>
<b>Changes to other technical provisions (net of reinsurance)</b>			
Technical provisions for life insurance			
Gross		-710	6
Reinsurer's share		325	225
		<b>-385</b>	<b>231</b>
Operating expenses	7	-386 275	-390 796
Investments, charges	8	-12 728	-12 327
Unrealised losses from investments	9	-1	-230
<b>Technical result of the life insurance operation</b>		<b>70 355</b>	<b>74 427</b>

NON-TECHNICAL ACCOUNT, KSEK	Note	2016	2015
Technical result of the non-life insurance operation		-3 844	10 075
Technical result of the life insurance operation		70 355	74 427
Investment income		995	71
Allocated investment return transferred to non-life ins. operation	5	473	166
Group contribution		37 437	1 816
<b>Profit before appropriations and tax</b>		<b>67 979</b>	<b>84 739</b>
<b>Profit before tax</b>		<b>105 416</b>	<b>86 555</b>
Taxes	10	0	-10
<b>Net profit for the year</b>		<b>105 416</b>	<b>86 545</b>
<b>Statement of comprehensive income</b>			
Net profit for the year		105 416	86 545
Other comprehensive income		0	0
<b>Comprehensive income for the year</b>		<b>105 416</b>	<b>86 545</b>



# Performance analysis Life insurance operation

Amounts in KSEK	Total	Direct insurance Swedish risk							Direct insurance of foreign risks
		Company pension plan			Other life insurance				
		Unit Linked	Premium based Traditional Insurance	Occupational health & premium exempt	Individual Traditional insurance	Unit Linked	Irrevocable sickness and accident insurance, pbf	Group life & TGL	
Technical accounts for the life insurance operation									
Premiums earned (net of reinsurance), note 1	122 933	1 080	0	52 957	16 094	120	1 282	51 342	58
Investment income	971	34	1	768	33	7	13	93	21
Unrealised gains from investments	7 150	2 284	82	3 418	332	468	56	415	94
Income from investment contracts	392 833	307 867	6 428	0	15 316	63 221	0	0	0
Claims incurred (net of reinsurance), note 2	-54 143	-365	0	-25 829	-8 782	-41	-242	-18 653	-232
Changes in other technical provisions (net of reinsurance)	-385	0	0	1 093	-135	0	23	-1 372	6
Operating expenses	-386 274	-227 056	-11 151	-30 278	-33 274	-56 325	-693	-25 029	-2 468
Investment charges	-12 728	-9 465	0	-1 095	-43	-1 943	-18	-133	-30
Unrealised losses on investments	-1	0	0	-1	0	0	0	0	0
Allocated investment return transferred to the financial account	0	0	0	0	0	0	0	0	0
Technical result for the life insurance operation	70 355	74 380	-4 640	1 034	-10 460	5 508	421	6 663	-2 551
Technical provisions (gross)									
Life insurance provisions	40 447	0	0	14 893	9 249	0	210	16 095	0
Claims outstanding	579 694	2 116	0	488 395	9 064	236	7 159	39 570	33 154
	620 141	2 116	0	503 289	18 313	236	7 369	55 665	33 154
Technical provisions for life insurances for which the policyholder bears the risk (gross)									
Life insurance provisions	2 556 561	0	755 759	0	1 800 802		0	0	0
Claims outstanding	25 151 382	20 866 413	0	0	0	4 284 969	0	0	0
	27 707 943	20 866 413	755 759	0	1 800 802	4 284 969	0	0	0

Foreign risks apply entirely to Norway.

# Performance analysis Life insurance operation (cont.)

		Direct insurance Swedish risk							
		Company pension plan			Other life insurance				
Amounts in KSEK	Total	Unit Linked	Premium based Traditional Insurance	Occupational health & premium exempt	Individual Traditional insurance	Unit Linked	Irrevocable sickness and accident insurance, pbf	Group life & TGL	Direct insurance of foreign risks
Reinsurer's share of technical provisions									
Life insurance provisions	20 441	0	0	6 575	4 248	0	60	9 559	0
Claims outstanding	337 361	1 435	0	279 634	5 464	160	3 736	19 723	27 209
	357 802	1 435	0	286 209	9 712	160	3 796	29 282	27 209
Note 1 Premiums earned (net of reinsurance)									
Premiums written, gross	285 039	3 768	0	121 796	36 774	420	1 792	120 211	276
Premiums for ceded reinsurance	-162 105	-2 689	0	-68 839	-20 680	-300	-510	-68 869	-219
	122 933	1 080	0	52 957	16 094	120	1 282	51 342	58
Note 2 Claims incurred (net of reinsurance)									
Claims incurred									
Gross	-140 031	-810	0	-37 968	-32 452	-90	-742	-63 104	-4 864
Reinsurer's share	96 410	565	0	21 749	24 652	63	369	45 077	3 936
Changes to claims outstanding									
Gross	-35 938	-359	0	-32 049	-1 901	-40	391	-6 717	4 738
Reinsurer's share	25 416	239	0	22 440	919	27	-259	6 091	-4 042
	-54 142	-365	0	-25 829	-8 782	-41	-242	-18 653	-232

Foreign risks apply entirely to Norway.

# Performance analysis Non-life insurance operation

Amounts in KSEK	Total	Direct insurance Swedish risk
		Health and accident
<b>Technical accounts for the non-life insurance operation</b>		
Premiums earned (net of reinsurance), note 1	49 945	49 945
Allocated investment return transferred to the technical account	-473	-473
Other technical income	672	672
Claims incurred (net of reinsurance), note 2	-31 477	-31 477
Operating expenses	-22 333	-22 333
Other technical expenses (net of reinsurance)	-177	-177
<b>Technical result of the non-life insurance operation</b>	<b>-3 844</b>	<b>-3 844</b>
<b>Technical provisions (gross)</b>		
Provisions for unearned premiums and unexpired risks	8 183	8 183
Provisions for claims outstanding	329 573	329 573
	<b>337 756</b>	<b>337 756</b>
<b>Reinsurer's share of technical provisions</b>		
Provisions for unearned premiums and unexpired risks	5 062	5 062
Provisions for claims outstanding	249 260	249 260
	<b>254 322</b>	<b>254 322</b>
<b>Note 1 Premiums earned (net of reinsurance)</b>		
Premiums written, gross	122 745	122 745
Premiums for ceded reinsurance	-71 266	-71 266
Changes to Provisions for unearned premiums and unexpired risks	-2 032	-2 032
Reinsurer's share of Change to provisions for unearned premiums and unexpired risks	497	497
	<b>49 945</b>	<b>49 945</b>
<b>Note 2 Claims incurred (net of reinsurance)</b>		
<b>Claims incurred</b>		
Gross	-40 283	-40 283
Reinsurer's share	29 713	29 713
<b>Change in provisions for claims outstanding</b>		
Gross	-34 172	-34 172
Reinsurer's share	13 265	13 265
	<b>-31 477</b>	<b>-31 477</b>

# Balance sheet Assets

ASSETS, KSEK	Note	12-31-2016	12-31-2015
<b>Intangible assets</b>			
Other intangible assets	11	73 105	60 194
		<b>73 105</b>	<b>60 194</b>
<b>Investments</b>			
<i>Investments in group companies and associated companies</i>			
Shares and participations in group companies	12	12 100	12 100
Shares and participations in associated companies	12	9 183	9 183
Interest-bearing loans to associated companies		7 500	7 162
<b>Other financial investment assets</b>			
Shares and participations	13	3 671	482
Bonds and other interest-bearing securities	14,16	421 635	375 972
Other financial investments	15	3 604	2 578
		<b>457 694</b>	<b>407 477</b>
<b>Investments for the benefit of life policyholders for which the policyholders bear the investment risk</b>			
Assets for conditional bonuses		2 556 561	2 373 025
Unit linked assets		25 151 382	21 864 522
	<b>16</b>	<b>27 707 943</b>	<b>24 237 547</b>
<b>Reinsurer's share of technical provisions</b>			
Provisions for unearned premiums and unexpired risks	17	5 062	4 566
Life insurance provisions	18	20 447	20 117
Claims outstanding	19	586 621	545 102
		<b>612 130</b>	<b>569 785</b>
<b>Receivables</b>			
Receivables, direct insurance	20	70 569	166 757
Other receivables	21	94 947	13 919
		<b>165 515</b>	<b>180 675</b>
<b>Other assets</b>			
Tangible assets	22	4 854	5 885
Cash and bank		233 901	203 740
		<b>238 755</b>	<b>209 625</b>
<b>Pre-paid expenses and accrued income</b>			
Deferred acquisition costs	23	724 431	664 313
Other prepayments and accrued income	24	41 106	59 253
		<b>765 538</b>	<b>723 566</b>
<b>TOTAL ASSETS</b>		<b>30 020 679</b>	<b>26 388 868</b>



# Balance sheet

## Equity, provisions and liabilities

EQUITY, PROVISIONS AND LIABILITIES, KSEK	Note	12-31-2016	12-31-2015
<b>Equity</b>			
Share capital		13 000	13 000
Restricted fund for capitalized intangible assets		33 199	0
Profit brought forward		509 311	455 965
Net profit for the year	25	105 416	86 545
		<b>660 926</b>	<b>555 510</b>
<b>Technical provisions (gross)</b>			
Unearned premiums and unexpired risks	17	8 183	6 151
Life insurance provisions	18	40 447	39 731
Claims outstanding	19	909 264	835 697
		<b>957 894</b>	<b>881 580</b>
<b>Technical provisions for life insurances for which the policyholders bear the risk (gross)</b>	26		
Conditional bonuses		2 556 561	2 373 025
Unit linked obligations		25 295 236	21 948 434
		<b>27 851 797</b>	<b>24 321 459</b>
<b>Other Provisions</b>	27		
Provision for pensions and similar commitments		4 478	3 203
Taxes		0	12 701
Other provisions		4 014	277
		<b>8 492</b>	<b>16 181</b>
<b>Liabilities</b>			
Liabilities, direct insurance	28	38 786	121 049
Liabilities, reinsurance		62 621	103 260
Other liabilities	29	374 092	324 754
		<b>475 498</b>	<b>549 063</b>
<b>Accrued expenses and deferred income</b>			
Reinsurers' share of deferred acquisition costs		3 769	3 279
Other accrued expenses and deferred income	30	62 303	61 798
		<b>66 072</b>	<b>65 077</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>30 020 679</b>	<b>26 388 868</b>

# Statement of changes in equity

Amounts in KSEK	Restricted equity		Unrestricted equity		Total equity
	Share capital	Fund for capitalized intangible assets	Profit brought forward	Net profit for the year	
<b>Equity at the beginning of 2015</b>	<b>13 000</b>	<b>–</b>	<b>413 378</b>	<b>42 587</b>	<b>468 965</b>
Distribution of profit	–	–	42 587	42 587	–
Net profit for the year	–	–	–	86 545	86 545
Comprehensive income for the year	–	–	–	86 545	86 545
<b>Equity at year-end 2015</b>	<b>13 000</b>	<b>–</b>	<b>455 965</b>	<b>86 545</b>	<b>555 510</b>
<b>Equity at the beginning of 2016</b>	<b>13 000</b>	<b>–</b>	<b>455 965</b>	<b>86 545</b>	<b>555 510</b>
Distribution of profit	–	–	86 545	86 545	–
Transfer to fund for capitalized intangible assets	–	40 798	-40 798	–	–
Net profit for the year	–	–	–	105 416	105 416
Comprehensive income for the year	–	–	–	105 416	105 416
<b>Equity at year-end 2016</b>	<b>13 000</b>	<b>40 798</b>	<b>501 712</b>	<b>105 416</b>	<b>660 926</b>

On 31 December 2016, the number of shares in Movestic Livförsäkring AB was 13 000 with a quota value of SEK 1 000. All shares carry one vote.

# Cash flow statement

Amounts in KSEK	2016	2015
<b>Current operations</b>		
Profit/loss after financial items	105 416	86 555
Adjustments for items not included in cash flow 1	4 236	4 994
	<b>109 652</b>	<b>91 549</b>
Taxes paid	-63 207	-59 439
<b>Cash flow from current operations before changes in working capital</b>	<b>46 444</b>	<b>32 109</b>
<b>Cash flow from changes in assets and liabilities of the operating business</b>		
Changes to investment assets, net	-50 217	-195 872
Changes to investment assets for which the policyholders bear the risk, net	59 942	-9 930
Changes in other operating receivables	-4 130	-50 683
Changes in other operating liabilities	-17 784	300 780
<b>Cash flow from current operations</b>	<b>34 256</b>	<b>76 404</b>
<b>Investment activities</b>		
Acquisition of intangible assets	-40 798	-31 166
Acquisition of tangible assets	-976	-2 476
<b>Cash flow investment activities</b>	<b>-41 773</b>	<b>-33 642</b>
<b>Financing activities</b>		
Group contribution, received	37 437	1 816
Loans taken	62 658	-121 286
Repayments of loans	-62 415	-85 359
<b>Cash flow from financing activities</b>	<b>37 679</b>	<b>-204 829</b>
Cash flow for the year	30 161	-162 067
Net cash at beginning of the year	203 740	365 807
<b>Net cash at end of the year</b>	<b>233 901</b>	<b>203 740</b>

Amounts in KSEK	2016	2015
<b>Additional information for the cash flow statement</b>		
<b>Interest</b>		
Interest received	136	1 536
Interest paid	-1 666	-1 714
<b>Liquid assets</b>		
<i>The following components are included in liquid assets:</i>		
Cash and bank	233 901	203 740
Change in pre-paid acquisition costs	-59 629	-39 970
Unrealised change in the value of investment assets	-227	-160
Write-offs and depreciations	29 894	21 083
Changes in technical provisions	33 349	24 500
Unrealised gains from currency exchange rates	849	-368
Other	0	-91
<b>Adjustment for items not included in the cash flow</b>	<b>4 236</b>	<b>4 994</b>

# Notes

All amounts in **KSEK** unless otherwise stated.

## NOTE 1 - VALUATION AND ACCOUNTING PRINCIPLES

### General information

The parent company of the group of companies of which Movestic Livförsäkring is a subsidiary, and where an annual report for the group is prepared, is Chesnara plc. Movestic Livförsäkring does not prepare an annual report for the group, in accordance with the Swedish Accounts Act for Insurance Companies, chapter 7 § 3.

This annual report was approved for publication by the Board of Directors on the 22 March 2017.

### Basis of the preparation of this report

This annual report has been prepared in accordance with the Swedish Accounts Act for Insurance Companies (ÅRFL) and regulations and general advice regarding annual reports for insurance companies from the Swedish Financial Supervisory Authority (FFFS 2015:12 including amendment regulations), as well as the Swedish Financial Reporting Board, RFR 2. Movestic Livförsäkring applies the so called 'IFRS limited by law', by which is meant the international accounting standard that has been approved for application in combination with those limitations specified in RFR 2 and FFFS 2015:12 including amendment regulations. This means that all EU approved IFRS rules and statements are applied as far as is possible within the framework of Swedish law and with consideration to the connection between accounting and taxation.

As a rule, gross values of assets and liabilities are used in the report. However, net values are shown where there is a legal right to set off assets and liabilities, and these are to be wound up together or at the same time

All amounts are in KSEK unless otherwise stated.

### Changed accounting principles

#### New and amended standards and interpretations

##### *The Swedish Accounts Act and the Swedish Accounts Act for Insurance Companies*

The amendment became effective on January 1<sup>st</sup>, 2016 and restricts the right to distribute equity relating to capitalised development costs to shareholders, as a sum equal to that which has been capitalised must be placed in a special tied fund, the Fund for development costs. This applies only to new cost capitalisations, i.e. any capitalisation that took place on or after the 1 January 2016. The fund for development costs decreases as a result of amortisation, depreciation or sale.

##### *FFFS 2015:12*

FFFS 2008:26 has been replaced by FFFS 2015:12 including amendment regulation 2016:3, to adapt the regulations to already agreed amendments to the Swedish Accounts Act and the Swedish Accounts Act for Insurance Companies. The new regulation includes the introduction of new terms, minor changes to the formats of the income statement and balance sheet, some updates of the references to the abovementioned acts, as well as a number of changes of an editorial nature

In addition to the standards mentioned above, a number of new and amended standards and interpretations became effective during the financial year of 2016. They are not deemed to have had any significant effects on the Company's financial reporting.

#### New and amended standards and interpretations that have not yet become effective

At the time when the Company's financial reports are drawn up, as per the 31 December 2016, there are some standards and interpretations that have been published, but have not yet become effective. The new and amended standards and interpretations that are expected to have an impact on the Company's financial reporting in the period when they are first applied are described below.

##### *IFRS 9, Financial instruments*

IFRS 9, Financial instruments will replace the existing rules on reporting, valuation, depreciation and hedge accounting. The standard is effective from the 1st January 2018. Our preliminary assessment is that this will not have any material consequences, as the current standard already values most financial instruments at their fair value, with changes through the income statement, and as the Company does not use hedge accounting.

##### *IFRS 15, Revenue from contracts with customers*

IFRS 15, Revenue from contracts with customers replaces all previously published standards and interpretations relating to revenue recognition. The standard has been published and will be effective from the 1 January 2018. Our preliminary assessment is that the reporting of revenue from premiums in the insurance operation will not be affected. Income from investment agreements will certainly be covered by this standard, however, we do not believe it will have a significant effect on how we report or evaluate revenue.

##### *IFRS 16, Reporting of leasing agreements*

IFRS 16, Leases was published in 2016. It is expected to be approved by the EU and apply from the 1 January 2019. This standard is not expected to have a significant impact on the Company's financial reporting once it becomes effective, as we have not entered into any substantive leasing agreements as a lessee.

##### *IFRS 17, Reporting of insurance contracts*

IASB is also in the process of preparing a standard for reporting and valuation of insurance agreements, which is expected to be issued early in 2017. The Company is closely monitoring the progress of this work, to assess the extent to which it will affect us, in particular when it comes to the way in which the standard will apply to legal entities, and how the first-time application should be coordinated with the implementation of IFRS 9.

Finally, a number of smaller, specific amendments to individual IFRS standards have been approved, however none of these are expected to affect the Company.

### Current accounting principles

#### Reporting of insurance contracts

According to IFRS 4, the definition of an insurance contract is a 'contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.' In an assessment of whether or not a contract is an insurance contract, two criteria must be met. The first is that the contract must include an insurance risk, and that second that this risk must be significant.

All insurance contracts between the Company and customers that do not carry sufficient insurance risk are classified as investment agreements and shown as financial instruments in accordance with IAS 39: Reporting and Valuation. This means, for example, that payments into and out of the customers' saved capital are shown directly on the balance sheet. The resulting net change in value to the connected investment assets is shown in the income statement, under the heading 'changes to other technical provisions'. Contracts that carry a significant insurance risk are classified as insurance contracts in accordance with IFRS 4, and reported in the income statement.

**Intangible assets**

Other intangible assets are shown at the acquisition value for those expenses incurred when purchasing or developing the asset, with deductions for accumulated write-downs and possible depreciation. Write-downs are based on acquisition costs for the equipment and individually estimated periods of usage. The remaining value and periods of usage for the assets are reassessed at each closing day and adjusted as needed. The usage period for existing computer programs and similar licence rights are deemed to be not more than 3 years for simpler standard programs, and not more than 5 years for other computer programs and licence rights. The costs for development or maintenance of software are reported as they arise. Costs closely connected to the production of identifiable and unique software products, controlled by the Company and with probable financial benefits lasting more than one year and outweighing the costs, are shown as intangible assets. Costs closely connected to the development of software include personnel costs for the program development.

The amendment of The Swedish Accounts Act and the Swedish Accounts Act for Insurance Companies became effective on January 1<sup>st</sup>, 2016 and restricts the right to distribute equity relating to capitalised development costs to shareholders, as a sum equal to that which has been capitalised must be placed in a special tied fund, the Fund for development costs. This applies only to new cost capitalisations, i.e. any capitalisation that took place on or after the 1 January 2016. The fund for development costs decreases as a result of amortisation, depreciation or sale.

The reported values of assets are reassessed at each closing day. If there is an indication that depreciation is required, the asset's recovery value is calculated. The recoverable amount corresponds to the highest of an asset's expected net selling price and its value in use. The latter is determined based on the value of the future cash flows expected to arise from the asset. Depreciation is reported when an asset's reported value is less than its recovery value. The depreciation is reported through the income statement.

**Investments in group companies and associated companies**

Shares in group companies and associated companies are valued at acquisition value. Should the actual value on the closing day be considered to be less than the acquisition value, the value is written down. This write-down is reported in the income statement. Should the value be deemed to be increasing again, the write-down is reversed on the income statement.

**Financial assets and liabilities – classification and reporting**

Sales and acquisitions of financial instruments are reported on the day of the transaction. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred together with more or less all risks and rights connected with the ownership.

In accordance with IAS 39, Reporting and Valuation, Financial Assets and Liabilities, financial instruments are divided into the following categories:

*Financial assets and liabilities valued at their actual value on the income statement*

This category includes financial assets listed on an active market, or for which the Company deems a reliable actual value can be calculated.

The valuation is set to the actual value, recalculated through the income statement. Realised and unrealised gains and losses caused by changes in actual value are included in the profit and loss account for the period in which they occur. The actual value of financial instruments traded on an active market is based on listed market prices on the balance day.

*Loan receivables and customer receivables*

This category includes financial assets with payments that are determined or possible to determine, and that are not listed on an active market, such as claims against policyholders and funds in the bank. The valuation is set as the accrued acquisition value, which is determined based on the effective interest rate calculated at the time of the acquisition.

Loan and customer receivables are reported at the amounts the Company expects to receive, i.e. after the deduction of bad debts.

*Other financial liabilities*

This category includes all financial liabilities not included in the category 'Valued at actual value through the profit & loss account'. Valuation is set to the accrued acquisition value.

The classification of financial assets and liabilities follows the Company's internal reporting and monitoring systems.

**Investment assets for which the life insurance holder carries the investment risk**

These assets consist of investment assets for which the policyholders carry the investment risk and are reported on the lines 'assets for conditional dividends' (custody accounts) and 'fund insurance assets'. After review, custody accounts previously reported as 'fund insurance assets' have this year been reclassified as 'assets for conditional dividends', see note 23. The assets are reported at their actual value. The actual values are based on listed market prices on the balance day, which are set to the latest price paid. Any change in value that occurs is reported at its net value in the Income statement, as these changes in value belong wholly to the policyholders.

**Liquid assets**

Liquid assets consist of cash and bank balance.

**Tangible assets**

Equipment and inventories are reported at their historical acquisition values with deductions for write-downs made according to the estimated periods of usage. The remaining value and period of use for the assets is reassessed on each closing day and adjusted when required. For the calculation of depreciation times, the assets are divided into the following groups, based on estimated period of use:

- Computers and similar equipment, 3 years
- Other machines and inventories, 3-5 years

The acquisition value includes, apart from the purchasing price, also expenses directly connected to the purchase.

**Prepaid acquisition costs**

Expenditure for acquisitions of both insurance and investment contracts are activated through the balance sheet. The depreciation time for products within private pension and asset insurance is 10-14 years, depending on the type of product and year of purchase. For policies taken out in 2011 or later, a flat depreciation period of 10 years is applied for private pension plans and asset insurance. For occupational pension plans, the depreciation period is 17 years. The reported value of the prepaid acquisition costs is reassessed at each closing day, based on the value of the future cash flows expected to arise from the asset. Should the reported value be lower than the value of the expected future cash flows, the value is written down. No fees are charged when entering into investment contracts which should be paid in instalments over the contract period, in accordance with IAS 18.

**Group contributions**

Group contributions are reported in accordance with RFR2, which means that group contributions received from subsidiaries are reported as financial income. Outgoing group contributions from the parent company to subsidiaries are reported as an increase in the number of shares held in subsidiaries.

**Technical provisions**

Technical provisions are made up of provisions for unearned premiums and unexpired risks, Provisions for outstanding claims, and Life insurance provisions, and correspond to our liabilities according to existing insurance contracts.

The provisions for unearned premiums are intended to cover the expected claims and operating costs for the remaining lifetime of insurance contracts already entered into. The provisions for unearned premiums and unexpired risks for direct insurance are calculated on the basis of the actual allocation of premiums written (pro rata temporis).

The provision for outstanding claims has been calculated based on all available facts relating to individual claims and claims development. The provision for outstanding claims includes expected claims payments and claims handling costs for all reported claims and for claims which have not yet been reported, so called IBNR-provision. The provision is calculated using statistical methods and individual estimates of specific claims, often through a combination of both. The calculation is based on a conservative analysis of the known but outstanding claims, as well as on an estimation of size, number and time of the not yet reported claims. This estimation is based on historic reporting patterns.

*Liability adequacy test*

On each closing date, the company carries out a liability adequacy test in accordance with IFRS 4. A test is carried out on whether or not the reported insurance contract liabilities are adequate. This is done by estimating future cash flows relating to accepted insurance contracts. The future cash flows are discounted and compared to the reported value of the provisions, reduced by associated pre-paid acquisition costs and intangible assets. Any deficits are reported through the profit & loss account.

**Technical provisions for life insurances for which the policyholder carries the risk**

Provisions for life insurances for which the policyholders carry the investment risk in the fund insurance operation consist of the sum of the real value of units allocated to existing policies and monies which have been paid in, but not yet invested in fund units. Provisions for life insurances for which the policyholders carry the investment risk where the assets have been invested in a custody account consist of the sum of the real value of the assets. The actual values are based on listed market prices on the balance day, which are set to the latest price paid. Provisions for custody accounts are classified as 'assets with conditional dividends'.

**Effects of transactions in foreign currencies**

The functional currency is SEK. All accounting transactions in foreign currencies are converted at the exchange rate that applied on the day of the transaction. Assets and liabilities in foreign currencies are reported at closing day rate. Exchange rate gains and losses which occur when monetary assets and liabilities are converted are reported in the income statement, net, under the item Investment income or Investment costs.

**Premiums written**

A premium is the payment an insurance company receives from the policyholder to accept the transfer of the insurance risk. For non-life insurance, the premiums written are reported according to the due-date principle. This means that the premiums written are reported on the income statement when the insurance policy comes into force. For life insurance, the premiums written are reported according to the cash principle, i.e. when they are paid.

**Premiums earned**

Premiums earned for non-life insurance is that part of the premiums written which applies to the reporting period. The part of the premiums written from insurance contracts that apply to time periods after the closing day is allocated to the premium reserve on the balance sheet.

**Income from investment contracts**

Income from investment contracts is reported as income as and when the services are provided to the contract holders, which takes place at regular intervals during the lifetime of the agreement.

**Insurance claims**

The total claims paid for the period include both those claims paid during the period and changes to provisions for outstanding claims. Insurance claims include, apart from payments made, also costs for claims handling.

**Investment income from the insurance operation**

The total investment income for non-life insurance is reported in the non-technical result. Part of the investment income is transferred from the result of the asset management to the technical result for the non-life insurance operation. The non-life insurance operation is allocated an investment income amounting to the average of the incoming and outgoing technical provisions for the non-life operation, net of reinsurance. The interest rate is equivalent to a risk-free interest rate, which is set at the rate of a 90-day treasury bill.

**Operating expenses**

The costs of investment and insurance agreements are reported as expenses when they arise, apart from in respect of commission for new premiums written, increases in agreed premiums, and commissions on premiums. These are activated and reported as pre-paid acquisition costs. The amortisation of these acquisition costs should correspond to the future income from the agreements concerned.

The costs of claims handling are reported under the item Paid insurance claims.

**Operational leasing**

All leasing agreements are classified as operational and reported in accordance with the rules for operational leasing. Costs related to operational leasing agreements are reported in the income statement for the year, on a

straight-line basis over the period of lease.

**Remunerations to employees**

The Company secures pension benefits for employees in accordance with laws and agreements.

Charges relating to fee-based pension plans, for which the Company's commitment is limited to the charges the Company has agreed to pay, are reported as a cost in the income statement for the period to which they relate.

Commitments regarding retirement and family pensions for employees born in 1971 or earlier are safeguarded through insurance with FPK, unless otherwise agreed. This is a benefit-based scheme that includes a number of employers. As following the regulations in the Swedish Safeguarding Act is a prerequisite for tax deductibility, the regulations in IAS 19 relating to benefit-based plans do not have to be applied to legal persons. Instead, a simplified rule can be used, which states that a company can report a benefit-based plan as a fee-based plan in cases where pension premiums are paid to an insurance company, friendly society, or similar. The scheme is therefore reported as a cost and charged to the result for the period to which it applies.

**Tax**

The Company's operation is subject to yield tax and income tax.

*Income tax*

The total tax shown in this year's result consists of actual tax and deferred tax. Taxes are reported on the income statement, except when the underlying transaction is shown directly against the equity, when the corresponding tax effect is reported under equity. Actual tax includes tax which should be paid or received for the current year as well as adjustments of actual tax for previous periods. Deferred tax is calculated according to the balance-method, based on temporary differences between reported and taxable values of assets and liabilities. The amounts are calculated based on how temporary variations are expected to even out through the application of tax rates and taxation rules which have been decided or announced as per the closing day. Deferred tax claims for temporary variations relating to deductions for losses are only shown if it is probable that they will lead to reduced tax payments in the future.

*Yield tax*

The yield tax is based on standard calculations of the yield from net assets being managed on behalf of policyholders. The cost is calculated each year, and reported as an operating expense within the life insurance operation.

Tax charges deducted from the policy to cover the yield tax are reported under the heading Income from investment agreements.

**Cash flow analysis**

The cash flow analysis for Movestic Livförsäkring has been prepared according to the indirect method, i.e. it is based on the pre-tax result, with adjustments for items which do not affect the liquidity, and those changes to the balance sheet that have affected the cash flow.

The cash flow has been divided into three segments:

*The current operation*

Consists of flows from the main operation: premium payments and paid claims, as well as operating expenses.

*Investment activities*

Consists of cash flows that arise because of acquisitions or disposals of tangible assets.

*Financing activities*

Consists of changes in loans taken or given and owner transactions.



NOTE 2 - IMPORTANT ASSUMPTIONS AND JUDGEMENTS THAT AFFECT THE ACCOUNTING

When financial reports are prepared it is assumed that the board of directors and company management make assumptions and judgements that affect the application of the accounting principles and the reported values of assets, liabilities, income and costs. These judgements and assumptions are based on, among other things, historical experiences and knowledge about the insurance industry. Those assumptions that have had a major impact on the financial reports for the financial year 2016 are commented on below.

Technical provisions

The provision for outstanding claims should cover expected future payments for all claims, including claims not yet reported to Movestic Livförsäkring, so called IBNR-provisions. The provision is calculated with the aid of statistical methods and individual assessments of specific claims, often a combination of both. These provisions are vital to the evaluation of the Company's reported result and position, as any variation from actual future claims payments will result in a run-off profit/loss, which will be reported in the coming year.

NOTE 3 – RISKS AND RISK HANDLING

Risk handling is an integral part of any insurance operation. Movestic is, through its operations within risk, fund and custody account insurance segments, with focus on company pension schemes, private and company-owned asset insurances, and private pension plans, primarily exposed to financial market risks, insurance risks, operational risks and business risks.

The Company's risk handling framework is based on three lines of defence. The first line of defence consists of the CEO, the business area and operational managers, and their staff. The on-going risk handling within the various areas of responsibility has been delegated to risk-takers within the operation. The first line of defence is also responsible for reporting incidents to the second line of defence.

The second line of defence consists of the independent control functions, Compliance, Risk Control and the Actuarial Function. The functions in the second line of defence are responsible for monitoring, control, review and evaluation of the risk management activities of the first line of defence, and help the CEO and Board of Directors to meet their responsibility for making sure that an effective risk management system is in place.

The third line of defence is the Internal Audit function, an independent auditing function that reports direct to Movestic's Board of Directors.

Structure of the risk handling activities

The final responsibility for making sure that the Company has an effective risk handling system rests with Movestic's Board of Directors. The Board of Directors has appointed a Audit and Risk Committee, which will assist the Board by monitoring Movestic's financial reporting, internal controls, and risk management system. The risk handling system consists of policy documents, strategies, processes and routines for identifying, evaluating, monitoring, handling and reporting risks to which the company is or may become exposed. An in-house risk and solvency assessment is carried out annually and whenever the Company's risk profile alters significantly. The Board determines, based on current regulations, the framework for Movestic's risk handling via internal rules set out in different steering documents. The Company's CEO is responsible for making sure that all steering documents are implemented in the operation and for providing more detailed instructions. The steering documents are updated and adopted on an annual basis.

The Risk Control Function shall help the Board, CEO and other employees and departments in their work to maintain effective risk handling and is responsible for updating and improving the Company's risk handling system on an ongoing basis. The Risk Control Function monitors the Company's risk profile and acts to prevent excessive risk taking. The Risk Controller, who reports direct to the CEO, is responsible for providing a comprehensive and objective picture of the risks to which the Company is exposed to the Board and the CEO. The Officer also gives recommendations to the Board and the CEO in relation to any changes or improvements required to ensure compliance with all laws and regulations related to the Company's handling of risks.

The Compliance Function should help the Company to follow legislation, regulations, good business practice or standards, and other internal rules relating to the running of a business which requires a permit. This function shall also help the operation to identify and determine significant risks of lack of compliance. The Compliance Function is independent of, and objective in relation to, the business operation and therefore reports direct to the CEO. Reports to the CEO are submitted on an ongoing basis and a Compliance Report is prepared for each board meeting. The Compliance Officer also leads the work to ensure that the Company's internal rules are designed to comply with all legal requirements and other regulations.

The Actuarial Function should contribute to the Company's risk handling system, especially by ensuring that the handling and calculation of technical provisions and capital requirements meet internal and external rules and regulations. This includes the capital requirements calculated as part of the Own Risk and Solvency Assessment (ORSA).

The Internal Audit is an independent auditing function that reports direct to Movestic's Board of Directors. Its task is to review and assess the Company's systems for governance, risk handling and internal controls, and to recommend improvements within these areas. The Internal Audit function is outsourced and regulated through a service contract.

Financial risks

Financial risks include market, credit and liquidity risks. Each year, Movestic Livförsäkring's Board adopts an investment policy for the Company, which includes the direction and target for investments, limits per instrument, as well as the rights to make decisions regarding investment activities.

Market risks

By market risk is meant the risk that changes to interest rates, exchange rates and share prices have a negative effect on the value of the Company's assets.

Below is a sensitivity analysis for market risks (MSEK):

Risk element	Exposure	Risk parameter	Change	Effect on result	Effect on equity
Interest-bearing assets	421.6	Changed interest rates	1%	0.8	0.8
Shares and participations	3.7	Changed share prices	10%	0.3	0.3
Currencies	4.6	Changed exchange rates	10%	0.4	0.4

The effect of the Company's exposure to market risks has been calculated as the change in the actual value of exposed assets if the underlying market risks change. When calculating the effect on the result and equity, tax was taken into consideration.

The Company invests mainly in liquid assets and debt covering assets are held in other interest-bearing assets. The interest rate exposure is limited, as the assets are mainly short-term.

Within the fund insurance operation, the future earnings from fees relating to the customers' assets under management are important. Movestic Livförsäkring is subjected to the risk that future earnings are reduced as a result of a general decline in stock market or currency market prices, or as a result of fluctuating interest rates.

Liquidity risk

By the term liquidity risk is meant the risk that Movestic Livförsäkring is unable to fulfil its payment commitments by the due dates, without a significant increase in the costs for obtaining funds.

Movestic Livförsäkring's exposure to liquidity risk is limited, as insurance premiums are collected in advance and large claims payments are usually known long before they are due. To reduce the remaining liquidity risk, the Company's cash flows are analysed continuously. Most of the Company's assets are invested in securities which can be sold on a subsidiary market at short notice, without the price being greatly affected. Investments are made in

## NOTES

listed securities with good liquidity, why the liquidity risk is considered to be limited.

The financial liabilities are met by the Company's financial assets and by the reinsurers' share of the technical liabilities, all of which can be converted into liquid assets at short notice.

Financial liabilities, MSEK	< 1 year	1-5 years	> 5 years
Provisions for policies for which the policyholders carry the investment risk	597.0	2 392.2	24 862.6
Technical provisions	171.8	346.5	439.6
Liabilities, direct insurance	38.8	0.0	0.0
Liabilities, reinsurance	49.1	13.5	0.0
Other liabilities	103.6	224.5	50.0
	<b>960.3</b>	<b>2 976.7</b>	<b>25 352.2</b>

### Credit and counterparty risk

By credit and counterparty risk is meant the risk that a counterparty is unable to fulfil its commitments towards Movestic Livförsäkring.

The greatest exposure is against financial institutions, through assets deposited with banks. The credit risk associated with these financial assets is deemed to be low.

Claims against policyholders carry a limited credit risk, as non-payment leads to cancellation of the insurance policy and the Company's responsibility towards the customer therefore ends.

The greatest exposure to credit risk applies to reinsurers, both through reinsurance claims and through reinsurers' share of outstanding claims. The Company's Reinsurance Policy states that agreements can only be entered into with external reinsurers with a credit rating of A or higher from Standard & Poor's. The creditworthiness of the reinsurers is reviewed regularly to ensure that the desired reinsurance cover is maintained.

The risk of credit loss also exists in relation to insurance brokers. This could happen in situations where the Company has an outstanding cancellation debt or legal cancellation liability and an intermediary goes bankrupt.

The table below describes the credit and market risks to which Movestic Liv is exposed, allocated per credit rating from Standard & Poor's

Credit exposure, MSEK	2016	2015
Investments		
Interest-bearing loans to associated companies	7.5	7.2
Bonds and other interest-bearing securities <sup>1)</sup>	421.6	305.9
Bonds and other interest-bearing securities, credit rating AAA	0.0	70.0
Receivables, direct insurance		
Intermediaries <sup>2)</sup>	1.5	1.3
Receivables reinsurers (including reinsurer's share of technical provisions)		
Reinsurers, credit rating AA-	376.7	343.1
Reinsurers, undetermined credit rating <sup>3)</sup>	235.4	226.7
Cash and bank		
Counterparty with credit rating AA-	233.9	203.3
Counterparty with undetermined credit rating	0.0	0.5

<sup>1)</sup> Pertains to holdings in investment fund

<sup>2)</sup> Customary controls of overdue receivables are performed on an ongoing basis. As per December 31 2016 amounts past due amount to 0,0 MSEK (0,0 MSEK). The carrying amount represents receivables after impairment.

<sup>3)</sup> Pertains to ceded reinsurance to Modernac S.A.

### Insurance risks

Life insurance risks are risks that arise as a result of undertakings to insure the life and health of individual persons. Examples of such risks are the risk of sickness and disability, mortality, operating expenses, cancellations, underwriting risks and risks relating to the establishment of a reserve. *Mortality risks* are the risks that the survival times of our policyholders do not meet the Company's expectations. *The risk of disability and sickness* refers to the risk that the rate of disability and sickness among the policyholders is greater than expected. *The operating expenses* refer to the risk that the Company's assumptions for operating costs do not cover its actual costs for running the operation in the longer term. *Cancellation risk* is the risk that terminations, lapses or outgoing transfers have a negative effect on the Company's earnings. *Underwriting risk* is the risk of losses due to incorrect pricing, risk concentration, incorrect reinsurance cover or irregular variations in the frequency and/or size of insurance claims. *Reserve-related risk* is the risk that the Company does not have sufficient reserves to cover the payments of claims made.

Within the risk insurance operation, the Company is mainly exposed to the risk of increased mortality, disability or sickness from the insurance policies provided to groups and individuals. These risks are managed partly through reinsurance, by analysing the results per insurance segment and settlement outcomes, and by ensuring the correct pricing of risks. In 2016, the company had reinsurance cover for insurance risks in the shape of quota share reinsurance, with an average retention of 30%. The company also held catastrophe reinsurance. The reinsurance program also includes financial reinsurance, which covers fund insurance commissions.

Within the fund insurance and custody account operation, the main insurance risks consist of unfavourable movements within the customer portfolio, such as lapses and transfers of policies, and the risk that customers stop paying the premiums relating to their agreements. To some extent, this risk is reduced by fees being charged to customers who buy back or move their assets and to distributors that terminate agreements before the end of the contract period.

**Claims cost development**

The tables below shows, per claims year, how the estimated claims cost changes as our knowledge about the claims increases. For each claims year in the period 2011-2016, the table shows a positive claims trend compared to our initial estimates.

		2011	2012	2013	2014	2015	2016
<b>Gross in MSEK per claims year</b>							
Estimated final claims cost							
	At the close of the claims year	298.7	309.0	324.0	319.1	320.5	384.6
	One year later	193.2	207.3	260.3	243.4	244.3	
	Two years later	175.9	197.9	230.2	206.9		
	Three years later	167.2	188.3	209.8			
	Four years later	154.7	170.3				
	Five years later	149.0					
Current estimate of total claims cost		149.0	170.3	209.8	206.9	244.3	384.6
Cumulative payments		119.4	130.0	140.4	91.1	87.3	92.6
Current provisions		29.7	40.3	69.4	115.7	157.0	292.0
Provisions for previous claims years							205.2
<b>Total provisions</b>							<b>909.3</b>
		2011	2012	2013	2014	2015	2016
<b>Net in MSEK per claims year</b>							
Estimated final claims cost							
	At the close of the claims year	125.3	114.9	129.0	153.9	122.7	123.3
	One year later	64.2	59.7	85.2	82.2	66.4	
	Two years later	48.4	53.8	76.2	52.3		
	Three years later	44.3	54.5	45.0			
	Four years later	46.5	31.2				
	Five years later	28.2					
Current estimate of total claims cost		28.2	31.2	45.0	52.3	66.4	123.3
Cumulative payments		19.3	20.6	23.9	15.8	17.7	18.5
Current provisions		8.8	10.6	21.1	36.5	48.7	104.8
Provisions for previous claims years							86.8
<b>Total provisions</b>							<b>317.3</b>

**Operational risks**

Operational risk is defined as the risk of losses caused by inadequate or failed internal processes, human error or faulty systems. Rumour risks and legal risks caused by inadequate processes or negligent behaviour by employees are also included in operational risks. The business operation is responsible for managing operational risks and the Risk Control function is responsible for continuous monitoring, evaluation and reporting of operational risks. The evaluation and monitoring of operational risks takes the form of a self-assessment of the risks, carried out in collaboration with managers and co-workers. An assessment must be carried out at least once a year and follow-ups are carried out when required.

The risks are calculated by estimating the probability that an undesired event occurs as a result of a specific risk and the consequences such an event would have for the day-to-day operation. The identified risk can then be managed via measures put in place by the Risk Control function, to support the implementation of improved routines, processes and partnerships.

The overall risk exposure is reported to the Company's CEO and Board of Directors on a regular basis.

**Business risks**

Business risk refers to large scale structural risk factors. Business risks can be divided into the following categories: Strategic risk is the risk of losses caused by the Company's general business strategy, business decisions or failure to act in response to changes in society or the industry.

Political risk refers to the risk of losses due to political or societal changes, such as changes to legislation and other external regulations.

Other business risks are risks that do not fit into either of the previous categories, such as the risk of losses due to competition from other companies or price pressure on a competitive or politically controlled market and which cannot be covered by reducing costs.

The Risk Control function assesses the business risks to which the Company is exposed on a regular basis, together with relevant strategic and operational managers. Business risks are measured, monitored and reported according to similar principles as those used for operative risks, but using an approach adapted to this particular risk category. Business risks are re-evaluated at least once a year and are, where needed, included in the annual self-assessment of risk and solvency.

**Solvency risks**

Solvency risk is the risk that the Company is unable to meet set solvency requirements, including both regulatory requirements and other agreed target levels. The Company's solvency situation is reviewed on an ongoing basis, and known risks related to solvency are documented and reported to the Board of Directors. Prepared forecasts of the solvency situation are used to highlight potential future solvency risks, so that appropriate action can be taken where needed.

**NOTE 4 - PREMIUMS WRITTEN**

	2016	2015
Direct Insurance in Sweden	407 507	404 519
Direct insurance in other EES	276	191
	<b>407 784</b>	<b>404 710</b>
<b>Life insurance operation</b>	<b>2016</b>	<b>2015</b>
Individual policies	154 964	156 676
Group policies	130 075	125 641
	<b>285 039</b>	<b>282 317</b>

All premiums pertain to risk insurance and are premiums paid in installments.

**NOTE 5 - ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE OPERATION**

	2016	2015
Transferred investment income	-473	-166
Rate of interest	-0,66%	-0,29%

The transferred investment income has been calculated on the average of the non-life insurance operations in and outgoing technical provisions for own account. The rate of interest used is risk-free interest set to the value of 90-day treasury bills.

**NOTE 6 - CLAIMS INCURRED**

	2016			2015		
	Gross	Ceded	Net	Gross	Ceded	Net
<b>Claims incurred, non-life insurance operation</b>						
Claims paid	-35 577	29 059	-6 519	-38 010	30 624	-7 386
Cost of claims handling	-4 705	655	-4 051	-9 705	1 765	-7 940
	<b>-40 283</b>	<b>29 713</b>	<b>-10 570</b>	<b>-47 715</b>	<b>32 389</b>	<b>-15 326</b>
	2016			2015		
	Gross	Ceded	Net	Gross	Ceded	Net
<b>Claims incurred, life insurance operation</b>						
Claims paid	-134 359	96 064	-38 295	-107 538	73 638	-33 900
Cost of claims handling	-5 672	346	-5 326	-9 842	309	-9 532
	<b>-140 031</b>	<b>96 410</b>	<b>-43 621</b>	<b>-117 380</b>	<b>73 948</b>	<b>-43 432</b>

**NOTE 7 - OPERATING EXPENSES**

<b>Non-life insurance operation</b>	2016	2015
Acquisition costs	-40 080	-28 275
Change in pre-paid acquisition costs	547	-301
Administration costs	-6 061	-807
Commission and profit share from ceded reinsurance	23 260	11 461
	<b>-22 333</b>	<b>-17 923</b>

<b>Life insurance operation</b>	2016	2015
Acquisition costs	-319 129	-291 603
Change in pre-paid acquisition costs	70 852	40 305
Administration costs	-177 782	-174 954
Commission and profit share from ceded reinsurance	39 785	35 455
	<b>-386 275</b>	<b>-390 796</b>

Cost of claims handling <sup>1)</sup>	-10 377	-19 547
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<b>Total operating expenses</b>	<b>-418 985</b>	<b>-428 266</b>
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1) Claims handling costs are included in Claims paid on the Income statement, see Note 6

<b>Type of cost</b>	2016	2015
Personnel costs	-147 009	-135 465
Costs of premises	-8 593	-8 420
Depreciations	-17 873	-21 083
Yield tax <sup>2)</sup>	-36 969	-56 028
Other <sup>3)</sup>	-208 541	-207 269
	<b>-418 985</b>	<b>-428 266</b>

2) Taxes deducted from the policy to cover the cost of the yield tax are reported under the heading Income from investment agreements from 2013. The corresponding figures from previous years have been recalculated. 3) 'Other' includes costs relating to commissions, commissions and profit-shares from reinsurers, remuneration to auditors and other costs.

<b>Fees and remuneration to auditors</b>	2016	2015
<i>Deloitte AB</i>		
Auditing tasks	-1 217	-1 700
Auditing services	0	0
Tax advice	0	0
	<b>-1 217</b>	<b>-1 700</b>

Auditing tasks refers to the remuneration paid to auditors for the work they carry out to comply with the auditing required by law. The tasks include reviewing the annual report and the book-keeping, the work of the Board of Directors and the CEO. Payments for auditing advice given in relation to the auditing task are also included. 'Other services' refers to other quality assurance work.

**NOTE 8 - INVESTMENT INCOME, LIFE INSURANCE OPERATION**

	2016	2015
<i>Income</i>		
Interest income	179	334
Exchange gain	792	0
Realised gains	0	118
	<b>971</b>	<b>452</b>
<i>Expenses</i>		
Interest expenditure	-12 532	-11 645
Exchange loss	-196	-682
	<b>-12 728</b>	<b>-12 327</b>

Investment income which does not concern incomes from assets covered by the policyholders' beneficiary rights are included in the non-technical report.

**NOTE 9 - UNREALISED VALUE CHANGE OF OTHER INVESTMENTS**

	2016	2015
<i>Value increase</i>		
Shares and participations	0	1
Interest-bearing securities	7 150	390
	<b>7 150</b>	<b>390</b>
<i>Value decrease</i>		
Shares and participations	-1	-230
	<b>-1</b>	<b>-230</b>

**NOTE 10 - TAXES**

	2016	2015
<i>Current tax</i>		
Tax cost for the period	0	0
Deferred tax relating to temporary variations	0	-10
	<b>0</b>	<b>-10</b>

The effective tax on the Company's pre-tax result is different from the Company's nominal tax rate as a result of the following items:

	2016	2015
Net profit for the year	105 416	86 555
- of which business subject to yield tax	70 548	86 099
- of which business subject to income tax	34 868	455
Profit for income tax purposes	34 868	455
Tax based on a nominal tax rate of 22 %	-7 671	-100
Non-taxable income	5	1
Non-tax deductible costs	-478	62
Increase of tax losses without corresponding activation of deferred tax	8 143	466
<b>Reported tax cost</b>	<b>-10</b>	<b>-10</b>

Deferred tax assets amounting to a deferred taxable value of 1,650 KSEK (8,265 KSEK) have not been recognised on the balance sheet. The non-reported amounts correspond to the proportion of the unused tax losses for which it is not deemed probable that taxable profits will be available against which the losses can be utilised on future tax returns.

**NOTE 11 - OTHER INTANGIBLE ASSETS**

	12-31-2016	12-31-2015
<i>Accumulated acquisition value</i>		
Opening acquisition value	208 702	177 536
Purchases	40 798	31 166
<b>Closing acquisition value</b>	<b>249 500</b>	<b>208 702</b>
<i>Accumulated amortisation according to plan</i>		
Opening amortisation	-148 508	-129 747
Depreciation for the year	-15 866	-18 761
Write-downs	-12 021	0
<b>Closing depreciations and write-downs</b>	<b>-176 395</b>	<b>-148 508</b>
<b>Closing net value</b>	<b>73 105</b>	<b>60 194</b>

**NOTE 12 -SHARES IN GROUP COMPANIES AND ASSOCIATED COMPANIES**

					2016	2015
	Corporate identity no.	Location	Number of shares	Share of equity%	Book value	Book value
<i>Shares in Group companies</i>						
Movestric Kapitalförvaltning AB	516401-6718	Stockholm	1 400	100	12 100	12 100
<i>Shares in associated companies</i>						
Modernac S.A.	332319-2520	Luxemburg	6 370	49	9 183	9 183
					<b>21 283</b>	<b>21 283</b>

**NOTE 13 - SHARES AND PARTICIPATIONS**

	12-31-2016		12-31-2015	
	Acquisition value	Fair value	Acquisition value	Fair value
<i>Shares and participations</i>				
Sweden	244	245	158	158
Europe	3 783	3 426	322	324
	<b>4 027</b>	<b>3 671</b>	<b>481</b>	<b>482</b>
- of which listed	4 027	3 671	481	482

**NOTE 14 - BONDS AND OTHER FIXED-INCOME SECURITIES**

	12-31-2016		12-31-2015	
	Acquisition value	Fair value	Acquisition value	Fair value
Securities issued by:				
The Swedish Government	0	0	70 086	70 035
Other issuers	392 895	421 635	304 428	305 937
	<b>392 895</b>	<b>421 635</b>	<b>374 514</b>	<b>375 972</b>

Under Bonds and other interest-bearing securities, the Company reports assets held in interest-bearing securities and holdings in investment funds where more than 50% of the holding consists of interest-bearing assets.

**NOTE 15 - OTHER FINANCIAL INVESTMENTS**

	12-31-2016		12-31-2015	
	Acquisition value	Fair value	Acquisition value	Fair value
Company-owned asset insurance	3627	3 604	2 406	2 578
	<b>3627</b>	<b>3 604</b>	<b>2 406</b>	<b>2 578</b>

Company-owned asset insurance to safeguard commitment related to direct pension.



## NOTE 16 - PLEDGED, AND COMPARABLE, ASSETS FOR OWN LIABILITIES AND FOR COMMITMENTS REPORTED AS PROVISIONS

	12-31-2016	12-31-2015
Interest-bearing securities <sup>1)</sup>	318 490	373 146
Cash and bank	0	161 612
Investment assets for which policyholders bear the investment risk <sup>2)</sup>	27 851 797	24 098 496
	<b>28 170 287</b>	<b>24 633 254 <sup>3)</sup></b>

1) Assets corresponding to the sum of best estimate of future cashflows in accordance with FRL including SFS 2015:700, chapter 5 §§6,7 and 9-12 including a risk margin in accordance with §13.

2) Assets corresponding to participations in funds that are connected to the insurance, and are selected by the policyholder.

3) Corresponds to provisions on the balance sheet of KSEK 24 633 254 (22 234 336).

## NOTE 17 - UNEARNED PREMIUMS AND UNEXPIRED RISKS

	12-31-2016			12-31-2015		
	Gross	Ceded	Net	Gross	Ceded	Net
Opening balance	6 151	-4 566	1 585	7 404	-5 292	2 111
Changes to provisions	2 032	-496	1 536	-1 252	726	-526
<b>Closing balance</b>	<b>8 183</b>	<b>-5 062</b>	<b>3 121</b>	<b>6 151</b>	<b>-4 566</b>	<b>1 585</b>

## NOTE 18 - LIFE INSURANCE PROVISIONS

	12-31-2016			12-31-2015		
	Gross	Ceded	Net	Gross	Ceded	Net
Opening balance	39 731	-20 117	19 614	39 746	-19 899	19 847
Exchange-rate changes	6	-5	1	-9	7	-2
Changes to provisions	710	-325	385	-6	-225	-231
<b>Closing balance</b>	<b>40 447</b>	<b>-20 447</b>	<b>20 000</b>	<b>39 731</b>	<b>-20 117</b>	<b>19 614</b>

## NOTE 19 - CLAIMS OUTSTANDING

	12-31-2016			12-31-2015		
	Gross	Ceded	Net	Gross	Ceded	Net
Opening balance	835 697	-545 102	290 595	787 321	-521 376	265 945
Exchange-rate changes	3 456	-2 838	618	-3 417	2 810	-608
Changes to provisions	70 110	-38 681	31 429	51 793	-26 536	25 258
<b>Closing balance</b>	<b>909 263</b>	<b>-586 621</b>	<b>322 643</b>	<b>835 697</b>	<b>-545 102</b>	<b>290 595</b>

### Specification closing balance

#### Non-life insurance operations

Incurred and reported claims	197 671	-162 608	35 063	133 991	-112 154	21 837
Incurred but not reported claims (IBNR)s	131 899	-86 651	45 248	161 408	-123 841	37 567
	<b>329 571</b>	<b>-249 259</b>	<b>80 311</b>	<b>295 399</b>	<b>-235 994</b>	<b>59 404</b>

#### Life insurance operations

Provision for confirmed claims	421 740	-242 474	179 266	389 263	-220 212	169 051
Provision for unconfirmed claims	157 954	-94 887	63 066	151 036	-88 895	62 141
	<b>579 694</b>	<b>-337 361</b>	<b>242 332</b>	<b>540 300</b>	<b>-309 107</b>	<b>231 192</b>

<b>Total outstanding claims</b>	<b>909 264</b>	<b>-586 621</b>	<b>322 643</b>	<b>835 697</b>	<b>-545 102</b>	<b>290 595</b>
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## NOTE 20 - RECEIVABLES, DIRECT INSURANCE

	12-31-2016	12-31-2015
Receivables, policyholders	69 075	165 476
Receivables, insurance brokers	1 494	1 281
<b>Closing balance</b>	<b>70 569</b>	<b>166 757</b>

**NOTE 21 - OTHER RECEIVABLES**

	12-31-2016	12-31-2015
Deferred income tax recoverable	53 710	13 477
Amounts owed by affiliated undertakings	7 221	0
Other receivables	34 016	442
<b>Closing balance</b>	<b>94 947</b>	<b>13 919</b>

**NOTE 22 - TANGIBLE ASSETS**

	12-31-2016	12-31-2015
<i>Accumulated acquisition value</i>		
Opening acquisition value	21 273	18 797
Purchases	976	2 476
<b>Closing acquisition value</b>	<b>22 249</b>	<b>21 273</b>
<i>Accumulated depreciation according to plan</i>		
Opening depreciation	-15 388	-13 065
Depreciation for the year	-2 007	-2 322
<b>Closing depreciation according to plan</b>	<b>-17 395</b>	<b>-15 388</b>
<b>Closing net value</b>	<b>4 854</b>	<b>5 885</b>

**NOTE 23 - DEFERRED ACQUISITION COSTS****Deferred acquisition costs, investment agreements**

	12-31-2016	12-31-2015
Opening acquisition value	1 118 690	997 714
Capitalisation for the year	151 435	120 976
<b>Capitalisation for the year</b>	<b>1 270 125</b>	<b>1 118 690</b>
Opening amortisation	-460 263	-379 712
Amortisation for the year	-92 065	-80 552
<b>Closing amortisation and write-down for the year</b>	<b>-552 328</b>	<b>-460 263</b>
<b>Closing net value</b>	<b>717 796</b>	<b>658 426</b>

The amortisation period for products within private and asset insurance is 10-14 years depending on type of product and underwriting year. For policies taken out in 2011 or later, a flat amortisation time of 10 years applies for private and asset insurances. The amortisation time for occupational pension plans is 17 years.

**Deferred acquisition costs, insurance operation**

	12-31-2016	12-31-2015
<b>Closing net value</b>	<b>6 635</b>	<b>5 887</b>
<b>Total closing net value</b>	<b>724 431</b>	<b>664 313</b>

**NOTE 24 - OTHER PREPAYMENTS AND ACCRUED INCOME**

	12-31-2016	12-31-2015
Accrued commission income	2 669	1 953
Accrued income from investment contracts	32 782	49 202
Other prepayments	5 655	8 099
<b>Closing balance</b>	<b>41 106</b>	<b>59 253</b>

Accrued commission income refers to accrued profit sharing commission.

**NOTE 25 - PROPOSED APPROPRIATION OF PROFITS**

At the disposal of the general meeting of shareholders is SEK 614 727 022. The Board of Directors and CEO propose that that SEK 30 000 000 is distributed to the shareholders and that SEK 584 727 022 is carried forward to new account.

**NOTE 26 - TECHNICAL PROVISION FOR LIFE INSURANCE POLICIES FOR WHICH THE POLICYHOLDERS BEAR THE RISK (GROSS)****Conditional bonuses**

	12-31-2016	12-31-2015
<b>Opening balance</b>	<b>2 373 025</b>	<b>1 989 509</b>
Payments received	512 463	598 928
Payments made	-452 298	-258 914
Value change	156 762	82 500
Other changes	-33 390	-38 998
<b>Closing balance</b>	<b>2 556 561</b>	<b>2 373 025</b>

The conditional bonuses refer to custody account

**Unit linked**

	12-31-2016	12/31/2014
<b>Opening balance</b>	<b>21 948 434</b>	<b>19 956 923</b>
Paymesnts received	3 223 762	2 922 624
Payments made	-1 052 842	-1 293 609
Value change	1 568 891	264 985
Other changes	-393 009	97 511
<b>Closing balance</b>	<b>25 295 236</b>	<b>21 948 434</b>

Of the total fund insurance agreements and agreements with conditional bonuses, KSEK 143 853 (KSEK 83 911) was uninvested per Dec 31 2016. These have been reduced by management and risk fees amounting to KSEK 152 788 (KSEK 135 939).

**NOTE 27 - OTHER PROVISIONS****Provisions for pensions and similar commitments**

	12-31-2016	12-31-2015
Asset insurance	3 604	2 578
Special payroll tax	874	625
<b>Closing balance</b>	<b>4 478</b>	<b>3 203</b>

The provision relates to company-owned asset insurance to safeguard commitment related to direct pensions.

**Taxes**

	12-31-2016	12-31-2015
Yield tax	0	12 701
<b>Closing balance</b>	<b>0</b>	<b>12 701</b>

**Other provisions**

	12-31-2016	12-31-2015
Opening balance	277	975
Provisions made during the year	5 498	1 129
Utilisation of reserve	-1 761	-1 827
<b>Closing balance</b>	<b>4 014</b>	<b>277</b>

Other provisions consist entirely of provision for re-structuring

**NOTE 28 - LIABILITIES, DIRECT INSURANCE**

	12-31-2016	12-31-2015
Liabilities, policyholders	31 720	99 782
Liabilities, insurance brokers	7 067	21 266
	<b>38 787</b>	<b>121 049</b>

**NOTE 29 - OTHER LIABILITIES**

	12-31-2016	12-31-2015
Liabilities, VAT	807	762
Debts to suppliers	6 559	12 725
Employees' taxes (PAYE)	8 173	7 012
Other interest-bearing liabilities	343 586	299 908
Premium tax	3 539	3 892
Other liabilities	11 429	454
	<b>374 092</b>	<b>324 754</b>

Other interest-bearing liabilities, KSEK 343 586 (KSEK 299 908), consists entirely of liabilities to reinsurers. The company has a quota share reinsurance agreement for its unit-linked business that includes a financial reinsurance section. This financial reinsurance section implies that the reinsurer pays its share of the up-front commission, which is repaid during a period of five to eight years. The liability is adjusted each quarter as new commission is accounted and repayment including interest is made. Interest is calculated according to an agreed model based on market interest rates.

**NOTE 30 - OTHER ACCRUED EXPENSES AND DEFERRED INCOME**

	12-31-2016	12-31-2015
Accrued interest expense	350	685
Accruals for employees	32 955	30 426
Asset management costs	1 246	249
Commissions	23 972	13 628
Other accrued liabilities	3 781	16 808
	<b>62 303</b>	<b>61 798</b>

## NOTE 31 - AVERAGE NUMBER OF EMPLOYEES, SALARIES AND REMUNERATION

Average number of employees	2016			2015		
	Men	Women	Total	Men	Women	Total
Sweden	75	62	137	71	62	133

Gender distribution of the Company management	2016			2015		
	Men	Women	Total	Men	Women	Total
Board of Directors	6	2	8	6	2	8
Other leading positions	5	5	10	6	5	11
Total	11	7	18	12	7	19

Salaries, other remuneration and social security contributions	2016	2015
Board of Directors and CEO	6 031	6 320
Other employees	76 838	70 177
<b>Total</b>	<b>82 869</b>	<b>76 497</b>
Social security contributions	52 350	48 696
<i>of which pension contributions</i>	18 221	17 134

### Information on salaries, remuneration and other benefits

#### Salaries and remuneration

No remuneration for being a member of the Board is paid to Company employees. The remuneration for the Managing Director and persons in other leading positions consists of a basic salary, variable remuneration, other benefits and pension.

#### Variable remuneration

Variable remuneration is paid in the form of salary.

#### Pensions

The CEO has a pension entitlement amounting to 25% of his pensionable salary. Other members of the Company Management have pension entitlements in accordance with the current collective agreement.

Commitments regarding retirement and family pensions for employees born in 1971 or earlier are safeguarded through insurance with FPK (The Pension Fund for the Swedish Insurance Industry). This is a benefit-based scheme that includes a number of employers. As following the regulations in the Swedish Safeguarding Act is a prerequisite for tax deductibility, the regulations in IAS 19 relation to benefit-based plans do not have to be applied to legal persons. Instead, a simplified rule can be used, which states that a company can report a benefit-based plan in cases where pension premiums are paid to an insurance company, friendly society, or similar. All the employers included in this scheme share the responsibility for its overall funding. This means that all members also share the actuarial risk associated with the scheme.

The latest available information from FPK come from the interim report published after the first six months of 2016. According to this report, the collective consolidation ratio amounts to 111 percent (113 percent as per the 31 December 2015), calculated based on allocatable assets in relation to commitments to the persons insured.

Assets under management amounted to BSEK 13.4 (BSEK 13.1 as per the 31 December 2015). The number of affiliated companies was 129 on the 31 December 2015 and the number of persons insured was 26,000.

The payments made by the Company to this scheme during 2016 amount to KSEK 6,973 (KSEK 5,781). For 2017, the payments are expected to be on par with the figures for 2016.

There is no information available about potential future surpluses or deficits of the scheme, or how these would affect the payments due from the Company in the coming years.

#### Severance pay

If the Company terminates the employment of the Managing Director or other members of the Company Management, the employee is entitled to a salary for a period of not less than 3 months and not more than 12 months.

#### Remuneration policy

The Board of Directors has adopted a Remuneration Policy. The Board determines the size of the remuneration payable to the operational management and sets bonus targets and bonus levels for all employees. The Board also decides whether or not the targets set for variable remuneration have been met. The Board Member responsible for preparing decisions on variable remuneration is the Group CEO of Chesnara, plc. If required, queries can be referred to the Remuneration Committee of the parent company, Chesnara, plc.

The Board can decide that no variable remuneration should be paid.

There are two alternative models for variable remuneration.

1. The CEO and certain persons in leading positions have a long-term incentive program based on two components. The first component relates to the development of the Company's EEV (European Embedded Value) and pays variable remuneration of between 0.125 and 0.5 percent of the increase in EEV for the year of earnings. The calculations take into account any capital injections received and the remuneration is capped to an amount set specifically for each employee. The result is measured as the change in the Company's EEV for the year. The calculations are carried out in accordance with the principles and guidelines of the European standard. The calculation model takes into account the fact that the result is influenced by the most important risks the Company is exposed to. The second component is based on target-related performance at company, department and individual level, where both financial and non-financial criteria are taken into account. This part of the variable remuneration pays a maximum of four monthly salaries. The total variable remuneration can amount to no more than 60 % of the basic annual salary."

2. The category "'persons in other leading positions'" includes some employees who are not entitled to any variable remuneration, and others who are covered by an incentive program based on achieved targets. These persons can receive a maximum of four monthly salaries in variable remuneration. The targets used as a basis for variable remuneration for persons in leading positions are negotiated between the CEO and the person concerned. They are then adopted by the Board of Directors. The aim is for the targets to be designed in such a way that they lead to a long-term improvement of the Company's results. For these members of the management team, the extent to which they have achieved their targets is determined based on set criteria at the end of the year. "

For certain especially regulated employees with a variable remuneration in excess of 100 KSEK, 60% of the variable remuneration awarded by the Board should be deferred for three years. The deferred amount can be paid pro rata once a year during the deferment period, starting no earlier than one year after the time when the variable remuneration was decided upon.

#### Risk analysis

The risk analysis is based on the fact that the remuneration system is intended to encourage sound and effective risk management within the Company, and not to encourage excessive risk taking or counteract the long-term interests of the Company. The Company should strive to ensure that the total amount paid in remuneration does not compromise the Company's ability to show an overall positive result over an economic cycle. The Company's Remuneration Policy is based on long-term thinking and limited risk-taking. Against the background of the criteria set out in the Remuneration Policy and those routines and control functions implemented by the Company, the design of the remuneration system is currently not considered to pose any important risks.

## NOTE 31 - AVERAGE NUMBER OF EMPLOYEES, SALARIES AND REMUNERATION (CONT.)

### Remuneration to holders of leading positions 2016

	CEO	Other leading positions	Chairman of the Board	Other Board Members	Total
Salaries	4 278	11 996	0	680	16 954
Variable remuneration	1 753	1 869	0	0	3 622
Benefits	121	486	0	0	607
Pension contributions	1 304	4 023	0	0	5 327
Social security contributions	2 271	5 485	0	0	7 756
	<b>9 726</b>	<b>23 859</b>		<b>680</b>	<b>34 265</b>

### Remuneration to holders of leading positions 2015

	CEO	Other leading positions	Chairman of the Board	Other Board Members	Total
Salaries	4 044	12 576	0	660	17 280
Variable remuneration	2 085	1 863	0	0	3 948
Benefits	116	516	0	0	632
Pension contributions	1 261	4 237	0	0	5 498
Social security contributions	2 268	5 727	0	0	7 995
	<b>9 773</b>	<b>24 919</b>		<b>660</b>	<b>35 352</b>

Remuneration and benefits, relating to 2016 and 2015, divided between the categories holders of leading positions, employees who could affect the Company's risk level, and other employees are detailed below.

### Registered remuneration 2016

	Avg no of employees	Salaries	Variable remuneration <sup>1)</sup>	Benefits	Pension contributions	Social sec. Contributions	Total
Leading positions	10	16 955	3 622	607	5 327	7 756	34 266
Employees who can affect the Company's risk level <sup>2)</sup>	4	2 704	0	45	515	989	4 253
Other employees	123	63 210	1 681	1 529	12 379	25 385	104 184
<b>Total</b>	<b>137</b>	<b>82 869</b>	<b>5 303</b>	<b>2 181</b>	<b>18 221</b>	<b>34 130</b>	<b>142 703</b>

### Registered remuneration 2015

	Avg no of employees	Salaries	Variable remuneration <sup>1)</sup>	Benefits	Pension contributions	Social sec. Contributions	Total
Leading positions	11	17 280	3 948	632	5 498	7 995	35 352
Employees who can affect the Company's risk level <sup>2)</sup>	4	2 504	0	43	491	911	3 949
Other employees	118	59 913	1 841	1 500	10 969	22 535	96 758
<b>Total</b>	<b>133</b>	<b>79 697</b>	<b>5 789</b>	<b>2 174</b>	<b>16 958</b>	<b>31 442</b>	<b>136 059</b>

1 The variable remuneration consists to 100% of variable remuneration paid in cash.

2 'Employees able to affect the Company's risk level' refers to employees who belong to a personnel category that can influence the level of risk to which the Company is exposed in their line of duty.

### Change in liabilities for variable remuneration

	2016	2015
<b>Opening balance</b>	13 454	10 825
Remuneration earned during 2016	12 743	9 427
Paid remuneration, earned in previous years	-5 303	-4 112
Adjusted unpaid variable remuneration	-1 855	-2 686
<b>Closing balance</b>	<b>19 039</b>	<b>13 454</b>
-of which deferred remuneration	6 295	4 028

No severance payment has been made, recorded or stipulated in 2016.



## NOTE 32 - CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES, AND THEIR ACTUAL VALUE

	Assets valued at actual value in profit & loss account	Loan and customer receive- ables	Reported value	Fair value
<b>Financial assets 12-31-2016</b>				
Interest-bearing loans to associated companies		7 500	7 500	7 500
Shares and participations	3 671		3 671	3 671
Bonds and other interest-bearing securities	421 635		421 635	421 635
Assets for conditional bonuses	2 556 561		2 556 561	2 556 561
Unit linked assets	25 151 382		25 151 382	25 151 382
Other financial investments	3 604		3 604	3 604
Receivables, direct insurance		70 569	70 569	70 569
Other receivables		94 947	94 947	94 947
Cash and bank		233 901	233 901	233 901
Accrued income		33 289	33 289	33 289
<b>Total</b>	<b>28 136 854</b>	<b>440 206</b>	<b>28 577 059</b>	<b>28 577 059</b>
<b>Financial assets 12-31-2016</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Shares and participations	3 671	-	-	3 671
Bonds and other interest-bearing securities	421 635	-	-	421 635
Assets for conditional bonuses	2 556 561	-	-	2 556 561
Unit linked assets	25 151 382			25 151 382
Other financial investments	3 604	-	-	3 604
<b>Total</b>	<b>28 136 854</b>	<b>-</b>	<b>-</b>	<b>28 136 854</b>

	Assets valued at actual value in profit & loss account	Loan and customer receive- ables	Reported value	Fair value
<b>Financial assets 12-31-2015</b>				
Interest-bearing loans to associated companies		7 162	7 162	7 162
Shares and participations	482		482	482
Bonds and other interest-bearing securities	375 972		375 972	375 972
Assets for conditional bonuses	2 373 025		2 373 025	2 373 025
Unit linked assets	21 864 522		21 864 522	21 864 522
Other financial investments	2 578		2 578	2 578
Receivables, direct insurance		166 756	166 757	166 757
Other receivables		13 919	13 919	13 919
Cash and bank		203 740	203 740	203 740
Accrued income		29 689	29 689	29 689
<b>Total</b>	<b>24 616 580</b>	<b>421 266</b>	<b>25 037 846</b>	<b>25 037 847</b>
<b>Financial assets 12-31-2015</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Shares and participations	482	-	-	482
Bonds and other interest-bearing securities	375 972	-	-	375 972
Assets for conditional bonuses	2 373 025	-	-	2 373 025
Unit linked assets	21 864 522	-	-	21 864 522
Other financial investments	2 578			2 578
<b>Total</b>	<b>24 616 580</b>	<b>-</b>	<b>-</b>	<b>24 616 580</b>

## NOTE 32 - CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES, AND THEIR ACTUAL VALUE (CONT.)

Financial liabilities 12-31-2016	Liabilities valued at actual value in profit & loss account	Other financial liabilities	Reported value	Fair value
Conditional bonuses	2 556 561		2 556 561	2 556 561
Unit linked commitments	25 295 236		25 295 236	25 295 236
Liabilities, direct insurance		38 786	38 786	38 786
Liabilities, reinsurance		62 621	62 621	62 621
Other liabilities		374 092	374 092	374 092
Accrued expenses		62 303	62 303	62 303
<b>Total</b>	<b>27 851 797</b>	<b>537 802</b>	<b>28 389 599</b>	<b>28 389 599</b>

Financial liabilities 12-31-2016	Level 1	Level 2	Level 3	Total
Conditional bonuses	2 556 561	-	-	2 556 561
Unit linked commitments	25 295 236	-	-	25 295 236
<b>Total</b>	<b>27 851 797</b>	<b>-</b>	<b>-</b>	<b>27 851 797</b>

Financial liabilities 12-31-2015	Liabilities valued at actual value in profit & loss account	Other financial liabilities	Reported value	Fair value
Conditional bonuses	2 373 025		2 373 025	2 373 025
Unit linked commitments	21 948 434		21 948 434	21 948 434
Liabilities, direct insurance		121 049	121 049	121 049
Liabilities, reinsurance		103 260	103 280	103 260
Other liabilities		324 754	324 754	324 754
Accrued expenses		61 798	61 798	61 798
<b>Total</b>	<b>24 321 459</b>	<b>610 861</b>	<b>24 932 319</b>	<b>24 932 319</b>

Financial liabilities 12-31-2015	Level 1	Level 2	Level 3	Total
Conditional bonuses	2 373 025	-	-	2 373 025
Unit linked commitments	21 948 434	-	-	21 948 434
<b>Total</b>	<b>24 321 459</b>	<b>-</b>	<b>-</b>	<b>24 321 459</b>

### Financial assets and liabilities - valuation

When evaluated, each item is placed in one of the following categories:

#### Level 1

Valued at listed rates on an active market

#### Level 2

Calculated values based on valuation techniques. All the important input data required for the valuation is based on observable market information

#### Level 3

Calculated values based on assumptions and assessments. One of more important input data is not based on observable market information.

### Offsetting of financial instruments

Movestic Livförsäkring AB is not part in any derivative contracts

## NOTE 33 - LEASING

	2016	2015
<i>Operating leases</i>		
within a year	9 307	8 922
between one year and five years	14 795	21 960
longer than five years	-	-
Leasing expenses for the year amounted to MSEK 9 510 (MSEK 8 860).		

## NOTE 34 - INFORMATION ON AFFILIATED COMPANIES

### Affiliated companies

Affiliated companies are defined as all companies within the Chesnara Group and key personnel in leading positions in the company. Associated companies are also defined as affiliated.

### Transfer pricing

The pricing method used for related party transactions is either based on actual cost or market price. For services bought and sold with the subsidiary Movestic Kapitalförvaltning AB the cost based method is used. Marked price is for example used for inter-company interest and for insurance-related transactions with the associated company Modernac S.A.

### Transactions between Movestic Livförsäkring AB and affiliated companies

Purchase of service from affiliates MSEK 4.4 (MSEK 3.6) refers to an annual management fee paid to the parent company. The company has an agreement with subsidiary company Movestic Kapitalförvaltning concerning letting of office premises and administration services, MSEK 4.1 (MSEK 6.8) in 2016. Group contributions of MSEK 37.4 (MSEK 1.8) have been paid from Movestic Kapitalförvaltning AB to the parent company Movestic Livförsäkring AB. Reinsurance premiums of MSEK 107.0 (MSEK 107.0) have been paid to Modernac S.A., and insurance compensation of MSEK 57.7 (MSEK 54.2) and reinsurance commission including profit sharing commission of MSEK 38.6 (MSEK 20.2) have been received. Interest on loans of MSEK 0.8 (1.2) has been paid.

There exist no other transactions with key personnel in leading positions in addition to those specified in note 31.

### Compilation of transactions with affiliated companies

	Year	Sale of services to affiliates	Purchase of services from affiliates	Group contri- bution	Other (e.g., prem/ losses)	Receivables on affiliates per 31 December	Liabilities to affiliates per 31 December
<i>Parent company</i>							
Chesnara plc	2015	0	3 644	0	-	0	884
Chesnara plc	2016	0	4 408	0	-	0	0
<i>Subsidiary Companies</i>							
Movestic Kapi- talförvaltning AB	2015	6 850	5 537	1 816	0	13 477	0
Movestic Kapi- talförvaltning AB	2016	4 070	0	37 437	0	53 710	0
<i>Associated Companies</i>							
Modernac S.A.	2015	0	0	0	34 033	7 162	68 840
Modernac S.A.	2016	0	0	0	11 530	7 500	41 319

## NOTE 35 - EVENTS AFTER THE CLOSING DAY

Lars Nordstrand has advised the Company that he intends to retire in 2017. Linnéa Ecorcheville has been appointed as his replacement. She will take up her position on April 1st 2017.

STOCKHOLM THE 22 MARCH 2017




Peter Mason  
*Chairman of the board*



David Brand



John Deane



Linnéa Ecorcheville



David Rimmington



Ingrid Bojner



Lars Nordstrand  
CEO



Urban Schyberg

**Our Auditor's Report was submitted on the 22 March 2017**

**Deloitte AB**

[Signature on the Swedish orginial]

Henrik Nilsson  
*Authorised public accountant*



# Auditor's report

To the general meeting of the shareholders of Movestic Livförsäkring AB corporate identity number 516401-6718

## REPORT ON THE ANNUAL ACCOUNTS

### *Opinions*

We have audited the annual accounts of Movestic Livförsäkring AB for the financial year 2016-01-01 - 2016-12-31. The annual accounts of the company are included on pages 12-43 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Movestic Livförsäkring AB 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 statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Movestic Livförsäkring AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### *Other Information than the annual accounts*

The Board of Directors and the Managing Director are responsible for the other information. The other information does not include the annual accounts and our auditor's report thereon.

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

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

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

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for insurance companies. 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 that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company'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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

*Auditor's responsibility*

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

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

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

related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS***Opinions*

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Movestic Livförsäkring AB for the financial year 2016-01-01 - 2016-12-31 and the proposed appropriations of the company's profit or loss.

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

*Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Movestic Livförsäkring AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director  
The Board of Directors is responsible for the proposal for app-

ropriations 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 type of operations, size and risks place on the size of the company'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 financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and

maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, 22th March 2017

Deloitte AB

*[Signature on the Swedish orginial]*

Henrik Nilsson

Authorized public accountant



