



Annual Report 2017
MOVESTIC LIVFÖRSÄKRING AB

movestic
Liv & Pension

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Comments from the CEO

Digitalisation and new regulatory frameworks offer better conditions for our customers, and greater consumer protection. The same changes also offer major opportunities for companies that have the ability to adapt quickly and to meet their customers' needs for easy to understand, accessible products and services.

We live in a time when digitalisation is high on the agendas of all businesses, and as operators within the pension and insurance industry, this is one issue we are keen to embrace. The demands for simplification and accessibility are even greater in our industry, as it offers products and services with a high level of complexity. There is also an ongoing debate about pensions, which is increasing awareness among consumers that a significant part of the responsibility for making sure they have enough to live on after retirement now rests with the individual. This increase in awareness has led to additional interest in our products, and means that we must respond to our customers in a way that helps them to manage this responsibility. To achieve this, we need to provide uncomplicated and accessible services that offer clear benefits.

SERVICES THAT SIMPLIFY AND INCREASE EFFICIENCY

During 2017, we took a number of steps in this direction. As an example, we bought an automatic advisory service, intended to provide a complement to the general financial advice our customers receive from their broker. The automatic advisory service is a digital tool that will help our customers to invest in savings products that suit their own preferences, desired risk level, and age. The service will be launched in 2018 and we hope it will make it easier for our customers to save for retirement.



Within the personal insurance segment, we have also worked to simplify and improve our offering. We now offer the opportunity to take out life insurance cover online, direct from our website. We have also prepared for digitalisation of both our health declaration and claim forms, all to make it easier for our customers to manage their contacts with us.

This type of digitalisation is not only necessary to meet our customers' demands for simplicity and accessibility, it is also a way to achieve significant cost-efficiencies in the longer term.

NEW REGULATIONS SHAKE THINGS UP AND CREATE OPPORTUNITIES

In addition to various digitalisation efforts, much of our work in 2017 centred on preparing for adaptation to new EU regulations. Mifid II, PRIIPs, IDD and GDPR are some examples. The new regulations place high demands on control and transparency, and give much needed greater protection for consumers. At the same time, they require major changes by all players in our market. However, as a relatively young company, we are better placed than most to introduce the required changes, as we have a more modern, and more manageable, infrastructure. We are, in other words, well prepared for the new regulations to come into force later this year.

SUSTAINABILITY THE NATURAL CHOICE

It is good news that sustainability matters are now a regular item on many business agendas. To us, sustainability is about taking responsibility for the world around us, from different perspectives, and in all parts of our operation. This can include anything from finding more efficient and climate-smart ways of working, to carbon offsetting when we fly and making other sustainable choices in our daily work. However, where we can really make a difference is by influencing the way our customers save. In our position this is about using the influence we have on the fund companies we have included on our platform, and to actively encourage them to take further steps towards sustainability. Even further along the chain, at the broker and customer levels, we try to influence by gradually making it easier to choose sustainable savings products.

The results of our sustainability efforts are clear from various external assessments. We have, for example, increased our ratings in both Max Matthiessen's and Söderberg & Partners' reports on

how insurance providers work with sustainable investments. The very latest report by Söderberg & Partners, published early in 2018, names us as one of the leading providers in this area, and gives us the highest possible rating. This is a position that we will put a lot of effort into maintaining. Not only because we are passionate about helping to make the world a more sustainable place, but also because we are convinced that long-term focus on sustainability and good returns go hand in hand.

GOOD RETURNS AND ANOTHER POSITIVE RESULT IN 2017

Many people who have chosen to save for their pension with Movestic has picked us because of our range of funds. We have a strong tradition of being able to handpick funds with better long-term returns than other products in the same category. 2017 was no exception; the funds we offered gave good returns for most asset types and categories. The very best results came from different types of emerging market funds, which performed significantly better than the market average. This made 2017 a good year, both for us and for our customers. The financial key ratios kept developing positively, and we retained our market position within the occupational pension segment.

FOCUS FOR THE FUTURE

Our aim for 2018 is to take a leading role in the digital transformation. This means that we will keep introducing digital services that fit in with our business model and meet our customers' needs for simple and accessible solutions.

We will also continue our efforts to adapt our operation to future regulatory changes. To meet the requirements for full transparency is one part of this. Over the last year it became clear that there are still reasons to strengthen the moral compass in many industries, including the one we are in. Our ambition to make it easy to save for retirement is simply not enough. It must also be easy to understand *what* you are saving in, and *what* you pay for. Anything else would be unsustainable in 2018.



Linnéa Ecorcheville, CEO

This is Movestic

Our offering

Movestic offers a comprehensive range of pension plans and insurance policies. We want our products and services to help our customers make wise choices for an active life. This is why we have handpicked and packaged different savings and insurance solutions, with the aim to offer carefully selected funds and fund management services, as well as insurance cover for every stage in life.

Who we serve

Movestic serves both private individuals and employers wishing to give their workers a good pension and extra security. Our product range also covers all the needs of business owners, as well as solutions for organisations, associations and societies wishing to offer their members high quality insurance cover.

With the customer in focus

We are experts on insurance solutions within the savings and security segments and use our expertise to create products and services that make our customers feel safe and secure, both when it comes to their pension, but also in relation to unforeseen and unwanted events. Based on the needs of different target groups, we select funds, put together fund packages, and design policies that will suit each group's individual needs and circumstances.

Professional advice

We are convinced that professional advisory services that take into account the unique situation of each individual client, help people to make better decisions about savings. This is why our savings products are only available via insurance brokers licensed by Insuresec. The result is that our offering is carefully assessed at each and every customer meeting, which in turn requires our products and services to be of a high quality and meet the needs of our customers.

A challenger – yesterday, today and tomorrow

From newcomer to established player on the pension and insurance market – this describes Movestic's journey from the launch in 2000, when the company was set up as part of the Kinnevik Group. Today we are owned by Chesnara plc, a British company listed on the London Stock Exchange. With financially strong owners behind us and a strong internal culture of being a challenger, we continue to move ahead and welcome the opportunities that arise as part of the digital transformation of our industry.



Quick facts about Movestic

520,000

▶ No of policies

4,6 billion

▶ Annual premium volume (SEK)

32 billion

▶ Assets under management (SEK)

135 people

▶ No of employees



▶ Headquarters in Stockholm



▶ Owners: Chesnara plc, listed on the London Stock Exchange

2000

▶ Founded

No 3

▶ Market position: 3rd most selected pension provider*

11,6 %

▶ Market share*

The year in brief

Q1

- ▶ Movestic's funds are included in the Hållbarhetsprofilen (Sustainability Profile), developed by the industry forum, Swesif. This certification makes it easier for savers to compare funds from an ethics and sustainability perspective.
- ▶ The Luxembourg-based subsidiary Movestic Fund Management S.A. becomes operational and is made responsible for managing Movestic's own funds.
- ▶ Movestic makes it possible for customers to purchase private insurance direct on movestic.se.
- ▶ Movestic is given a higher rating in Söderberg & Partners' report on how providers of unit-linked plans work with sustainable investments.



Q2

- ▶ Linnéa Ecorcheville takes up the post of CEO of Movestic, replacing Lars Nordstrand who has retired.
- ▶ 400 members of SFM (the Swedish Insurance Broker Association) names Movestic's Broker Desk as one of the best in the industry.
- ▶ By adding Parvest Aqua, Parvest SMaRT Food and Allianz Green Bond, Movestic increases its range of funds with a clear sustainability focus.
- ▶ Movestic introduces a new, simpler and more customer-friendly online function for fund switching.
- ▶ CEO Linnéa Ecorcheville takes part in a televised seminar in Almedalen, on the theme 'health apps in combination with insurance'.
- ▶ Movestic's Sustainability Summary is published, as the pension industry's first sustainability guide for savers. The summary gives a comprehensive overview of our funds based on different aspects of sustainability, and is intended as an aid for customers wishing to invest sustainably.



Q3

- ▶ Movestic receives a good rating in its first assessment by UNPRI, the UN Initiative for responsible investments. Movestic receives a rating above, or on par with, the median rating for its peer group in all areas.
- ▶ A digitalised fund trading function is implemented, making the Company's fund trading administration significantly more efficient.
- ▶ The Insurance Broker Association Tydliga awards Movestic the title Life Insurance Company of the Year 2017.



Q4

- ▶ Movestic acquires the FinTech company Sparplatsen and its investment robot, to be able to offer its customers a digital investment advice service.
- ▶ Öhman Grön Obligationsfond, an actively managed interest fund investing in green corporate bonds, is included in Movestic's fund offering.
- ▶ Movestic launches the online news service 'Mina fondnyheter', which gives customers access to individual news items relating to the funds in which they have invested.
- ▶ Movestic is given a higher rating in Max Matthiessen's report on how providers of unit-linked products work with sustainable investments.



Movestic & the world around us

Movestic enjoys a strong position on the Swedish market for unit-linked products. In 2017 we were the third largest company within our core segment, procured occupational pension, and the fourth largest within occupational pension overall. In a changing world, we are also in an excellent position to further improve our standing in the future.

SIMPLER SOLUTIONS ARE REQUIRED

Just like all other industries, insurance companies are in the midst of a digital transformation. As we provide products that are highly complex, but also a necessity for each individual person, simplification and accessibility are important. We are also noticing a growing interest in our products as more people become aware of the increasing personal responsibility for making sure you have enough to live on after retirement. This shift in responsibility leads to a need for customer-friendly digital tools that help the customers to manage their savings and steer their pensions in the desired direction.

The same need for simplicity and accessibility also applies to personal insurance. Never before have Swedish household debts been higher than they are today. It is also the case that they increasingly lack insurance cover for even the most basic events; events that can hit their private finances hard.

BETTER FOR CONSUMERS

In addition to the changing needs of customers, a number of new EU regulations have been introduced, most recently in the shape of Mifid II and Priips, soon also IDD and GDPR. These introduce higher demands on transparency and information provision, on the distribution of insurance products, and on the ways in which personal data is processed. To adapt to these regulations will involve major changes for the industry, but it will also generate opportunities to improve consumer protection. Meanwhile, there are other proposals moving in the same direction, such as making it easier for private individuals to move their pension plans between different providers.

A CHANGING BROKER MARKET

Most of Movestic's sales are made through insurance brokers. The broker market is also changing fast. Movestic is working to put in place effective processes and digital tools that will help create added value for the customers we share.

THE ROAD AHEAD

New legal requirements, the soon to be introduced more permissible transfer rights, and changing consumer behaviour – these are developments that force insurance companies to make adaptations that are both costly and resource demanding. To remain relevant to our customers, the industry must simplify its products and services, and

make them more accessible, both by highlighting the value they offer and by creating user-friendly interfaces. This is one area where Movestic is at an advantage. As a young company with a reputation for innovation and a strong owner behind us, we can act swiftly and make the most of our ability to come up with new ideas. We are committed to keep investing in digital development, and to maintain a strong focus on customer benefits and value-generation.

Mifid 2: EU's Markets in Financial Instruments Directive
Priips: EU regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products, aimed at non-professional investors
IDD: EU's Insurance Distribution Directive
GDPR: EU's General Data Protection Regulation

The Swedish Insurance Market in figures

- ▶ Swedish insurance companies have some 21 000 employees.
- ▶ Swedish insurance companies hold investments worth over 4 200 billion SEK in the global economy.
- ▶ Sweden has 355 registered insurance companies.
- ▶ The annual premium income for life insurance companies is just over 230 billion SEK.
- ▶ The most common way to save is in an occupational pension plan.
- ▶ In 2017, the total premium income for the insurance industry increased by 12 %.



Staying active – today and tomorrow

We want our customers to be able to focus on what really matters to them, and to feel safe in the knowledge that their savings and insurances will cover them when they need it. The ability to lead an active life, whether in mid-life or retirement, does not necessarily mean being physically active, but can for example involve 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 believe this is easier to achieve with a high level of financial stability and good insurance cover.

MOVESTIC OFFERS

- ▶ Occupational pensions
- ▶ Savings in custody accounts
- ▶ Accident insurance
- ▶ Healthcare insurance
- ▶ Premium waivers
- ▶ Private savings
- ▶ Life insurance
- ▶ Sickness insurance
- ▶ Serious illness insurance



We make the choice easy

Our offering should be carefully selected, sustainable, quality-assured, and offer comprehensive cover – this is the promise we want to make to our customers. To be able to make this promise, we continuously review our products, and keep working to develop new ones. It is easy to take out private insurance with us over the internet, and we offer ready-made packages that suit most circumstances. Our range of funds is comprehensive and we regularly assess our offering to ensure it maintains the quality we want. If we, the experts, have already carried out the initial screening, it becomes much easier for the customer to make a choice that fits their needs.

MOVESTIC OFFERS ITS CUSTOMERS

- ▶ **A broad range of carefully selected products.**
- ▶ **A simple offering with ready-made fund packages or investment suggestions.**
- ▶ **An offering characterised by sustainability and quality.**
- ▶ **Active management or index funds – nothing in-between.**
- ▶ **Funds from some of the global leaders within fund management.**
- ▶ **Movestic Funds – with world-leading fund managers.**
- ▶ **Insurance cover for every stage in life.**
- ▶ **Professional advice – our products are sold by licenced advisers.**

A sustainable Movestic for a sustainable society



To work actively and consciously with sustainability is central to Movestic and reflected within a number of areas – from those that are very close to our core business, with focus on our staff, customers and partners, to a broader sustainability perspective, where we try to take responsibility and influence the world around us.

STAFF IN FOCUS

We live in a changing world, where we continuously have to adapt to new regulatory requirements, and increasing demands from the market and our customers. To make the most of any opportunities and overcome any challenges, we place high demands on our staff members. At the same time Movestic is doing its utmost to ensure that our employees are happy, develop and feel well. For this reason, Movestic has put in place an occupational health policy, aimed at preventing and monitoring work-related health issues. Movestic wants to improve the balance between work and personal time, and works actively to improve the health and well-being of our employees.

All new employees at Movestic complete a tailor-made induction program, as well as the internal training courses in Movestic Academy, with the aim that everyone – irrespective of job title – will obtain a good insight into the Company's vision, services, and values.

Movestic has a positive attitude to internal mobility and regularly promotes existing employees to new positions. All managers complete a training program, which includes individual coaching and leadership courses.

We carry out an annual employee survey, the results of which are actively utilised at both company and department level, and lead to

concrete action plans aimed at improving both our company culture and working practices.


SUSTAINABILITY IN THE WORLD AROUND US

Corporate responsibility is a cornerstone in both our operation and our values. By helping our customers to build up a good pension and feel protected, we generate values that are of benefit to society as a whole. With our savings and insurance solutions, we help our customers to make wise choices for an active life. This is what we are passionate about in our everyday operation – but we are also aware that we must take responsibility from a broader perspective.

Movestic's aim is to reduce its environmental impact, not least by encouraging employees to act in an environmentally responsible manner. All staff members must take an active part in our environmental efforts, for example by suggesting improvements or reporting breaches of the Company's environmental policies. All purchase decisions and supplier selections include relevant environmental requirements, and we strive to reduce our consumption of energy and consumables, as well as the amount of waste we produce. We do this by, as far as possible, using electronic means of communication, avoiding paper mailings, and minimising the use of consumables. Equipment that is no longer in use is sent for resale or recycling. Whenever possible we replace business travel with telephone or video conferences; where this is not possible, we try to choose modes of transportation with a low environmental impact.

THE SAME FOR ALL

An equal society is a good society. With this as our starting point, we provide a system which counteracts the gender differences when

A black and white photograph featuring two women. The woman on the left is older, with dark hair and visible wrinkles, looking slightly to the right with a thoughtful expression. The woman on the right is younger, also looking to the right. The background is dark and out of focus.

»By helping our customers to build up a good pension and feel protected, we generate values that are of benefit to society as a whole.«

it comes to pensions. Movestic has highlighted the issue of equal pensions for several years, and continued to do so in 2017, by pointing out the factors that lead to women's pensions being on average 30 per cent lower than men's. Within our own industry, we run the business network MOVE – a forum where female insurance brokers can exchange experiences and build contact networks, which aims to help increase the proportion of female brokers.

Our employees have different backgrounds and experiences, something that improves Movestic's ability to meet the challenges and opportunities of tomorrow. One way to ensure diversity is the Company's policy on equal rights and zero tolerance of harassment and discrimination because of gender, ethnic origin, religion or sexual orientation. No reports of such incidents were received in 2017.

OUR BUSINESS MODEL

Movestic offers a comprehensive range of savings and insurance products. Within the saving and pension segment, we provide unit-linked products, with focus on occupational pension plans. Within the risk segment, we offer life, accident and health insurance. Movestic's insurance products are mainly distributed by insurance brokers. Further information on our business model is available under the headline 'This is Movestic' on page 5.

SUSTAINABILITY RISKS

Movestic operates in an industry based on confidence, where security and value-generation for its customers, both today and in the future, are vitally important. Everything we do in our business operation has an effect on the trust of our customers and partners, which is why we continuously work to ensure that our actions are in line with both relevant regulations and the interests of our customers.

When it comes to sustainability, personnel and social conditions are areas that should be subject to special focus, as their intrinsic risks could potentially have a negative impact on both Movestic and our customers. We work continuously to ensure that both our personnel policies and social conditions are sustainable, and supported by clear policies and guidelines.

There is a risk that Movestic, despite a high awareness of environmental matters, is unable to live up to the customers' expectations for responsibility and environmentally friendly products. This

risk still exists, despite Movestic's high ambitions when it comes to sustainability matters.

One vitally important risk segment is compliance and corruption. For this reason, Movestic works continuously to ensure that all legal requirements are complied with, and to prevent all forms of corruption.

A significant sustainability risk in our operation relates to the way in which we process the personal data of our customers. Safe and correct processing of personal data is critical to our ability to maintain a good reputation and the trust of our customers.

SUSTAINABLE INVESTMENTS

We believe that people who save in funds will generally gain long-term benefits as a result of our greater focus on various aspects of sustainability, such as the environment, human rights, and good business ethics. This is why sustainability efforts are an important part of the work of our investment department. They get involved with different activities related to sustainability; in particular through ongoing reviews of the fund companies included in Movestic's fund offering. The long-term aim is to ensure that any fund company we work with also carries out its investment activities in a responsible manner.



Examples of areas where Movestic try to influence the fund companies:

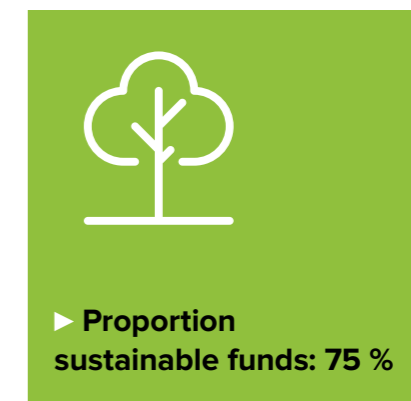
The fund companies should:

- ▶ Ensure that their board of directors, management team, and the company as a whole are characterised by diversity
- ▶ Be active at AGMs and vote for their ownership
- ▶ Hold a proactive sustainability dialogue with the companies in which their funds invest
- ▶ Follow basic international norms, such as signing the UNPRI, the UN's Principles for Responsible Investments
- ▶ Design any incentive programs to reward long-term thinking

In addition to this, Movestic also carries out its own reviews of the fund holdings, aided by the independent external consultancy firm ISS/Ethix. Assessments are carried out twice a year, based on widely recognised sustainability criteria. Funds that do not meet our requirements are excluded for sustainability reasons. In 2017 one fund was removed due to a lack of focus on sustainability, and four other funds with a clear focus on sustainability were brought in. Our aim is that at least 75 per cent of Movestic's regular fund offering should be sustainable.

In the spring, we published a Sustainability Summary, intended as a guide for customers wishing to invest sustainably. The guide includes Movestic's sustainability ratings, to make it easier for our customers to make environmentally conscious selections from our range of funds. We have also started publishing information about ongoing activities related to the sustainability efforts performed by our investment department on movestic.se. In 2017, Movestic had its first assessment by UNPRI, the UN Initiative for responsible investments. Movestic received a rating above, or on par with, the median rating for its peer group in all areas.

As a result of the sustainability work carried out by Movestic's investment department, we were awarded the highest rating by Söderberg & Partners. We were one of four providers of unit-linked products, out of a total of 14 assessed, to receive this rating.



** According to Söderberg & Partners' report, Sustainable Unit-Linked Policies (Hållbara fondförsäkringar), Jan. 2018*



Sustainability report

45 %

▶ Proportion female employees

57 %

▶ Proportion women in Movestic's senior management team: 57 %

29 %

▶ Proportion women on Movestic's board of directors: 29 %

57 %

▶ Proportion female managers: 57 %

124 538 kWh

▶ Energy consumption 2017: 124 538 kWh

87 tonnes

The operation's carbon footprint in 2017: 87 tonnes

100 %

▶ 100% climate compensation for work-related travel

100 %

▶ Environmentally certified paper
Organic fruit and coffee

42 years

▶ Average age of the employees

92 %

▶ Participation in the 2017 employee survey: 92 %

80 %

▶ Proportion of employees who are satisfied with the leadership (according to the 2017 employee survey)

3,32 %

▶ Sick leave: 3,32 %

70 %

▶ Proportion of the employees who utilise the fitness vouchers: 70 %

Auditor's report on the statutory sustainability report

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

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 12-16 and that it has been prepared in accordance with the Annual Accounts Act for Insurance Companies.

THE SCOPE OF THE AUDIT

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

OPINION

A statutory sustainability report has been prepared.

Stockholm 22 March 2018
Deloitte AB
[Signature on the Swedish original]

Henrik Nilsson
Authorized public accountant

Board of Directors' Report

The Board of Directors and the CEO of Movestic Livförsäkring AB, corp. ID 516401-6718, hereby submit the annual report for 2017, the company's eighteenth financial year. Seat of the Board: Stockholm.

ORGANISATION AND OPERATION

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

The Company has a wholly owned subsidiary, Movestic Kapitalförvaltning AB, which manages fund portfolios held by Movestic. Since 2014, these funds are managed within a fund structure, a so called SICAV, as a result of changes to EU regulations. In 2017, Movestic Livförsäkring AB established yet another wholly owned subsidiary, a fund company based in Luxembourg, which was set up to take over the administrative management of the funds within the SICAV structure.

On the 31st December 2017 Movestic had 135 employees. Of these, 45 percent were female and women made up 57 percent of the managers. The average age of all employees was 42. The proportion of women on the senior management team was 57 percent, which represents an increase on the previous year (45).

IMPORTANT EVENTS DURING THE YEAR

STRONG POSITION MAINTAINED WITHIN THE COMPANY'S CORE SEGMENT

2017 was a year when the development of the investment markets was characterised by a generally positive trend on the world's stock exchanges, whilst interest rates remained historically low. Movestic's customers saw their retirement assets develop well in 2017. Our range of funds, which includes a broad spectrum of interest funds, share funds and alternative funds, such as hedge funds, gives our customers every opportunity to achieve good long-term profits irrespective of the market climate.

Movestic retained its strong position within its core segment; occupational pension plans. Our fund offering was again ranked highly in the annual insurance and broker surveys, both for range of funds and fund management offering, and for its reputation for innovation.

The cooperation with brokers and partners within risk insurance resulted in a stable volume development.

Due to the increased demands for digital flows and accessibility, the Company has intensified its efforts to develop services that lead to greater efficiency and simplicity. One example is that the Company in 2017 acquired an investment robot, intended to provide a complement to the general financial advice our customers receive from their broker.

CONTINUED FOCUS ON SUSTAINABILITY

To Movestic, running its operation in a responsible manner, and making sustainability an integrated part of this, is the natural choice. The overall aim is that Movestic, in all areas where we can have an impact, will contribute to a sustainable development, with respect to social, ethical, environmental, and financial aspects.

In 2017 we continued to work actively to review and influence the funds that we offer, and the fund companies we work with. One result of this is that we in 2017 published an overview, where the performances of our funds are presented in relation to different sustainability criteria. In addition to our fund-related sustainability efforts, we also strive to minimise the Company's environmental impact, and to create a healthy workplace for our personnel. Further information about our sustainability work is available under the headline 'Sustainability Report'.

RISKS AND RISK MANAGEMENT

During the year, Movestic kept working on its risk management system, to ensure that it is well suited to the Company's business activities and situation. In 2017, Movestic also launched a new GRC (Governance, Risk and Compliance) tool for incident and risk monitoring. In addition, the Company's risk reporting routines have been improved, to better capture all the risks the Company encounters. The Management Team's responsibilities in relation to these risks have been clarified, and their regular meetings with the Risk Management function in relation to these matters have been further formalised.

The final responsibility for making sure the Company has an effective risk management system in place rests with its Board of Directors. The Board has appointed the Audit and Risk Committee, tasked with helping the Board to review Movestic's financial reports, internal controls, and risk management system. The risk management 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.

To ensure effective risk management and internal control within the Company, an organisational structure based on three lines of defence has been put in place.

The first line of defence consists of the CEO, the business and operational managers, and their personnel. The first line of defence is

responsible for the risks that arise, or could arise, within their departments or areas of responsibility.

The second line of defence consists of the independent control functions, i.e. the Risk Management, Compliance and Actuarial functions. Together they are responsible for continuously developing and improving the Company's risk handling.

The third line of defence is the Internal Audit function, an independent function that reports direct to the Board of Directors. This function is responsible for reviewing and assessing the Company's governance system, risk management procedures and internal controls, and issuing recommendations about potential improvements.

Movestic is also continuing its efforts to maintain and develop an effective risk management system for the coming financial year. Information about the risks to which the Company is exposed, and how these are managed, can be found in Note 3.

REGULATIONS

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 plans. 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 2017, and has worked to further incorporate the results of its Own Risk and Solvency Assessment in its business planning processes. The Company has also prepared a Solvency and Financial Condition Report (SFCR) and a Regular Supervisory Report (RSR).

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

ACCOUNTING

On the 18th May 2017, the International Accounting Standards Board, IASB, published a new standard for accounting of insurance agree-

ments, IFRS 17. The new standard will replace the current standard, IFRS 4, and will come into force on the 1st January 2021. The new standard will lead to significant changes in how insurance agreements are reported in financial statements. During 2017, Movestic continued to evaluate the impact that this new standard will have on its business operation.

AUDITS

EU's auditing package is applied from the financial year of 2017. The package includes more stringent rules on the independence of the auditors and stricter rotation requirements.

OTHER REGULATIONS

In 2017, there was a lot of focus on preparation for, and implementation of, new regulations. The operation will be affected by a number of EU-wide directives, including MiFID II, PRIIPs, IDD, and GDPR.

NEW CEO

Linnéa Ecorcheville took up the position as CEO on the 1st April 2017.

EXPECTED FUTURE DEVELOPMENTS

The life insurance industry is going through a period of major change. As a result of increased customer demands for accessibility and information, Movestic will further intensify its efforts to improve internal efficiency, with the aim to provide the necessary foundations for a higher degree of digitalisation.

The regulatory frameworks keep evolving and Movestic will keep working with adaptation and implementation.

RESULT AND FINANCIAL POSITION

The favourable development of assets under management continued, and showed an increase of 15,7% for the year. Income from investment agreements amounted to SEK 466,9 (392,8) million. The gross premium income amounted to SEK 406,1 (407,8) million.

A depreciation of pre-paid acquisition costs of SEK 35,1 million has impacted the result for 2017.

The company showed an improved technical result for the life insur-

ance operation of SEK 98,7 (69,3) million, while the non-life insurance operation showed a negative development of SEK -9,6 (-3,0) million.

The Company's result after appropriations and taxes improved, and amounted to SEK 114,2 (105,4) million.

As per the end of the year, the capital base according to the Solvency II directive amounted to SEK 2 524 million and the capital requirement amounted to SEK 1 616 million.

PROPOSED APPROPRIATION OF PROFITS

SEK	2017
At the disposal of the general meeting of shareholders:	
Profit brought forward	583 594 056
Profit for the year	114 190 908
Total	697 784 964
The Board of Directors proposes that the profits be distributed as follows:	
Distribution to the shareholders	31 500 000
Carry forward to new account	666 284 964
	697 784 964

BOARD OF DIRECTORS' STATEMENT REGARDING THE PROPOSED APPROPRIATION 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.

Financial reports

Five-year summary

Amount in MSEK	2017	2016	2015	2014	2013
Result					
Premiums written, net of reinsurance, non-life operation	49,8	49,9	50,5	48,6	41,2
Premiums written, net of reinsurance, life operation	120,4	122,9	123,5	127,0	129,2
	170,2	172,9	174,0	175,6	170,4
Income from investment agreements	466,9	392,8	413,9	345,1	281,6
Investment income, net in the insurance operation	-10,2	-5,1	-11,9	-5,0	-3,3
Claims incurred, net of reinsurance, non-life operation	-33,5	-31,5	-23,3	-28,2	-18,5
Claims incurred, net of reinsurance, life operation	-26,4	-54,1	-60,7	-61,0	-55,7
	-59,9	-85,6	-84,0	-89,2	-74,2
Technical result of the non-life insurance operation	-9,6	-3,0	10,1	-0,5	1,7
Technical result of the life insurance operation	98,7	69,3	74,4	33,2	16,3
Profit/loss for the year	114,2	105,4	86,5	42,6	18,4
Financial position					
Investment assets, valued at actual value	556,9	457,7	407,5	211,6	158,2
Investment assets for which the policyholder bears the risk	32 033,2	27 707,9	24 237,5	21 852,6	17 649,3
Technical provisions, net of reinsurance	355,9	345,8	311,8	287,9	249,5
Technical provisions for which the policyholder bears the risk	32 235,3	27 851,8	24 321,5	21 946,4	17 777,0
Net asset value	745,1	660,9	555,5	469,0	426,4
-of which deferred tax	-	-	-	-	-
Capital base for the Company ¹⁾	2 524,4	2 113,6	n/a	n/a	n/a
-of which Tier 1 capital	2 524,4	2 113,6	n/a	n/a	n/a
-of which Tier 2 capital	-	-	n/a	n/a	n/a
Minimum Own Funds requirement for the Company ¹⁾	403,9	362,6	n/a	n/a	n/a
Solvency capital requirement for the Company ¹⁾	1 615,6	1 450,6	n/a	n/a	n/a

KEY RATIOS	2017	2016	2015	2014	2013
Non-life insurance operation					
Claims ratio, %	67,2	63,0	46,1	58,0	45,0
Operating expenses ratio, %	55,9	44,7	35,5	44,0	50,0
Combined ratio, %	123,1	107,7	81,6	102,0	94,9
Life insurance operation					
Management cost ratio, %	1,5	1,5	1,6	1,9	2,1
Asset management					
Direct return, % ²	0,0	0,0	0,0	0,0	0,0
Total return, % ²	8,0	7,5	4,7	12,5	13,6
Financial position					
Consolidation, %	437,7	382,3	319,2	267,0	250,2

¹⁾ Calculated according to the rules under Solvency II. These came into force on the 01-01-2016.

²⁾ Direct return and total return were calculated in accordance with the regulations of the Swedish Financial Supervisory Authority.

Income Statement

Amounts in KSEK

TECHNICAL ACCOUNT OF THE NON-LIFE INSURANCE OPERATION	Note	2017	2016
Premiums written (net of reinsurance)			
Premiums written (gross)	4	122 032	122 745
Premiums for ceded reinsurance		-70 131	-71 266
Changes in Provisions for unearned premiums and unexpired risks		-3 656	-2 032
Reinsurers' share of changes in Provisions for unearned premiums and unexpired risks		1 557	497
		49 802	49 945
Allocated investment returns transferred to technical account	5	-677	-551
Other technical income (net of reinsurance)		2 798	1 613
Claims incurred (net of reinsurance)			
<i>Claims incurred and paid</i>	6		
Gross		-45 805	-40 283
Reinsurers' share		33 074	29 713
<i>Changes in Provisions for claims outstanding</i>			
Gross		-31 620	-34 172
Reinsurers' share		10 877	13 265
		-33 474	-31 477
Operating expenses	7	-27 828	-22 333
Other technical expenses (net of reinsurance)		-175	-177
Technical result of the non-life insurance operation		-9 554	-2 981

TECHNICAL ACCOUNT OF THE LIFE INSURANCE OPERATION	Note	2017	2016
Premiums written (net of reinsurance)			
Premiums written (gross)	4	284 117	285 039
Premiums for ceded reinsurance		-163 673	-162 105
		120 444	122 933
Investment income	8	364	971
Unrealised gains from investments	9	5 130	6 049
Income from investment contracts		466 880	392 833
Claims incurred (net of reinsurance)			
<i>Claims incurred and paid</i>	6		
Gross		-122 419	-140 031
Reinsurers' share		83 284	96 410
<i>Changes in Provisions for claims outstanding</i>			
Gross		36 652	-35 938
Reinsurers' share		-23 956	25 416
		-26 439	-54 142
Changes in other technical provisions (net of reinsurance)			
<i>Technical provisions for life insurance</i>			
Gross		-801	-710
Reinsurers' share		365	325
		-436	-385
Operating expenses	7	-452 205	-386 275
Investments, costs	8	-14 272	-12 705
Unrealised losses from investments	9	-756	-22
Technical result of the life insurance operation		98 710	69 257

NON-TECHNICAL ACCOUNT	Note	2017	2016
Technical result of the non-life insurance operation		-9 554	-2 981
Technical result of the life insurance operation		98 710	69 257
Investment income, unrealised gains from investments	9	860	1 152
Allocated investment returns transferred to the non-life operation	5	677	551
Group contributions		23 034	37 437
Result before appropriations and tax		113 727	105 416
Result before tax		113 727	105 416
Tax on the year's result	10	464	0
Profit/loss for the year		114 191	105 416
Total reported result			
Profit/loss for the year, according to income statement		114 191	105 416
Other comprehensive income		-	-
Total comprehensive income for the year		114 191	105 416

Performance analysis Life insurance operation

Amounts in KSEK	Total	Direct insurance, Swedish risks							Direct insurance of foreign risks
		Occupational pension			Other life insurance				
		Unit-linked	Fee-based traditional insurance	Occupational health & premium exempt	Individual traditional insurance	Unit-linked	Irrevocable sickness & accident insurance	Group life & TGL	
Technical account for the life insurance operation									
Premiums earned (net of reinsurance), note 1	120 444	1 078	–	49 333	15 588	120	1 116	53 167	42
Investment income	364	205	5	84	22	34	1	12	1
Unrealised gains from investments	5 130	1 908	50	2 227	263	302	35	317	28
Income from investment contracts	466 880	378 866	5 976	–	20 900	60 118	–	1 020	–
Claims incurred (net of reinsurance), note 2	-26 439	-250	–	-4 538	-7 269	-28	-33	-17 062	2 741
Changes in other technical provisions (net of reinsurance)	-436	–	–	684	-128	–	15	-1 007	0
Operating expenses	-452 205	-295 317	-10 495	-28 024	-41 513	-46 837	-595	-29 390	-34
Investment charges	-14 272	-11 901	–	-399	-16	-1 888	-6	-57	-5
Unrealised losses from investments	-756	-521	–	-126	-5	-82	-2	-18	-2
Allocated investment returns transferred to the financial account	–	–	–	–	–	–	–	–	–
Technical result for the life insurance operation	98 710	74 068	-4 464	19 241	-12 158	11 739	531	6 982	2 771
Technical provisions, gross									
Life insurance provisions	41 248	–	–	13 913	9 541	–	190	17 604	0
Claims outstanding	541 559	2 101	–	463 979	7 794	234	6 445	48 874	12 132
	582 807	2 101	–	477 892	17 335	234	6 635	66 478	12 132
Technical provisions for life insurances for which the policyholder bears the risk, gross									
Conditional dividends	2 944 143	–	654 665	–	2 289 478	–	–	–	–
Unit-linked commitments	29 291 115	25 307 446	–	–	–	3 983 669	–	–	–
	32 235 258	25 307 446	654 665	–	2 289 478	3 983 669	–	–	–

Foreign risks relate entirely to Norway.

Performance analysis Life insurance operation (cont.)

Amounts in KSEK	Total	Direct insurance, Swedish risks							Direct insurance of foreign risks
		Occupational pension			Other life insurance				
		Unit-linked	Fee-based traditional insurance	Occupational health & premium exempt	Individual traditional insurance	Unit-linked	Irrevocable sickness & accident insurance	Group life & TGL	
Reinsurers' share of technical provisions									
Life insurance provisions	20 811	–	–	6 279	4 411	–	55	10 066	–
Claims outstanding	312 378	1 420	–	266 136	4 636	158	3 327	27 169	9 532
	333 189	1 420	–	272 415	9 047	158	3 382	37 235	9 532
Note 1 Premiums earned (net of reinsurance)									
Premiums written, gross	284 117	3 618	–	115 709	38 339	403	1 627	124 211	210
Premiums for ceded reinsurance	-163 673	-2 540	–	-66 375	-22 752	-283	-510	-71 045	-168
	120 444	1 078	–	49 334	15 587	120	1 117	53 166	42
Note 2 Claims incurred (net of reinsurance)									
Claims incurred and paid									
Gross	-122 419	-944	–	-40 132	-17 819	-105	-706	-61 410	-1 303
Reinsurers' share	83 284	694	–	24 675	10 108	77	369	46 207	1 154
Changes to claims outstanding									
Gross	36 652	15	–	24 417	1 270	2	713	-9 305	19 540
Reinsurers' share	-23 956	-15	–	-13 498	-828	-2	-409	7 446	-16 650
	-26 439	-250	–	-4 538	-7 269	-28	-33	-17 062	2 741

Foreign risks relate entirely to Norway.

Performance analysis Non-life insurance operation

Amounts in KSEK	Total	Direct insurance, Swedish risks Sickness and accident
Technical account for the non-life insurance operation		
Premiums earned (net of reinsurance) note 1	49 802	49 802
Allocated investment returns transferred from the financial account	-677	-677
Other technical income	2 798	2 798
Claims incurred (net of reinsurance) note 2	-33 474	-33 474
Operating expenses	-27 828	-27 828
Other technical expenses	-175	-175
Technical result of the non-life insurance operation	-9 554	-9 554
Technical provisions, gross		
Provisions for unearned premiums and unexpired risks	11 839	11 839
Provisions for claims outstanding	361 190	361 190
	373 029	373 029
Reinsurers' share of technical provisions		
Provisions for unearned premiums and unexpired risks	6 620	6 620
Provisions for claims outstanding	260 136	260 136
	266 756	266 756
Note 1 Premiums earned (net of reinsurance)		
Premiums written, gross	122 032	122 032
Premiums for ceded reinsurance	-70 131	-70 131
Changes in Provisions for unearned premiums and unexpired risks	-3 656	-3 656
Reinsurers' share of changes in Provisions for unearned premiums and unexpired risks	1 557	1 557
	49 802	49 802
Note 2 Claims incurred (net of reinsurance)		
Claims incurred and paid		
Gross	-45 805	-45 805
Reinsurers' share	33 074	33 074
Changes in Provisions for claims outstanding		
Gross	-31 620	-31 620
Reinsurers' share	10 877	10 877
	-33 474	-33 474

Balance sheet Assets

Amounts in KSEK	Note	2017-12-31	2016-12-31
Intangible assets			
Other intangible assets	11	60 746	73 105
		60 746	73 105
Investment assets			
<i>Investments in group companies and associated companies</i>			
Shares and participations in group companies	12	27 010	12 100
Shares and participations in associated companies	12	9 183	9 183
Interest-bearing loans to associated companies		7 722	7 500
Other financial investment assets			
Shares and participations	13	5 209	3 671
Bonds and other interest-bearing securities	14,16	503 250	421 635
Other financial investment assets	15	4 521	3 604
		556 895	457 694
Investments for the benefit of life policyholders, for which the policyholder bears the risk			
Assets with conditional dividends	16	2 944 143	2 556 561
Unit-linked assets		29 089 082	25 151 382
		32 033 225	27 707 943
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks	17	6 620	5 062
Life insurance provisions	18	20 811	20 447
Claims outstanding	19	572 514	586 621
		599 945	612 130
Receivables			
Receivables, direct insurance	20	81 846	70 568
Other receivables	21	97 774	94 947
		179 620	165 515
Other assets			
Tangible assets	22	2 443	4 854
Cash and bank		344 776	233 901
		347 219	238 755
Pre-paid expenses and accrued income			
Deferred acquisition costs	23	757 086	724 431
Other pre-paid expenses and accrued income	24	45 363	41 106
		802 449	765 538
TOTAL ASSETS		34 580 099	30 020 679

Balance sheet Equity, provisions and liabilities

Amounts in KSEK	Note	2017-12-31	2016-12-31
Equity			
Share capital		13 000	13 000
Fund for development costs		34 332	33 199
Profit brought forward		583 594	509 311
Net profit for the year	25	114 191	105 416
		745 117	660 926
Technical provisions (gross)			
Unearned premiums and unexpired risks	17	11 839	8 183
Life insurance provisions	18	41 248	40 447
Claims outstanding	19	902 749	909 264
		955 836	957 894
Technical provisions for life insurances for which the policyholder bears the risk (gross)			
Conditional dividend	26	2 944 143	2 556 561
Unit-linked commitments		29 291 115	25 295 236
		32 235 258	27 851 797
Other provisions			
Provisions for pensions and similar commitments	27	5 705	4 478
Other provisions		6 182	4 014
		11 887	8 492
Liabilities			
Liabilities, direct insurance	28	82 415	38 786
Liabilities, reinsurance		45 011	62 621
Other liabilities	29	425 253	374 092
		552 679	475 498
Accrued expenses and deferred income			
Reinsurers' share of deferred acquisition costs		4 376	3 769
Other accrued expenses and deferred income	30	74 946	62 303
		79 322	66 072
TOTAL EQUITY, PROVISIONS AND LIABILITIES		34 580 099	30 020 679

Statement of changes in equity

Amounts in KSEK	Restricted equity		Non-restricted equity		Total equity
	Share capital	Fund for development costs	Profit brought forward	Profit/loss for the year	
Opening balance 01-01-2016	13 000	-	455 965	86 545	555 510
Distribution of profit	-	-	86 545	-86 545	-
Provision for the year	-	33 199	-33 199	-	-
Profit/loss for the year	-	-	-	105 416	105 416
<i>Total comprehensive income for the year</i>	-	-	-	105 416	105 416
Closing balance 31-12-2016	13 000	33 199	509 311	105 416	660 926
Opening balance 01-01-2017	13 000	33 199	509 311	105 416	660 926
Distribution of profit	-	-	105 416	-105 416	-
-Dividends	-	-	-30 000	-	-30 000
Provision for the year	-	9 160	-9 160	-	-
Reversal	-	-8 027	8 027	-	-
Profit/loss for the year	-	-	-	114 191	114 191
<i>Total comprehensive income for the year</i>	-	-	-	114 191	114 191
Closing balance 31-12-2017	13 000	34 332	583 594	114 191	745 117

On 31st December 2017, 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	2017	2016
Current operations		
Profit/loss before tax	113 727	105 416
Adjustments for items not included in cash flow ¹⁾	4 315	4 237
	118 042	109 653
Taxes paid	-66 676	-63 207
Cash flows from current operations before changes in working capital	51 366	46 446
Cash flows due to changes in assets and liabilities of the operating business		
Changes to investment assets, net	-84 496	-50 217
Changes to investment assets for which the policyholders bear the risk, net	58 179	59 942
Changes in other operating receivables	-18 362	33 306
Changes in other operating liabilities	114 370	-36 365
Cash flow from current operation	121 057	53 112
Investment activities		
Acquisition of intangible assets	-10 207	-40 798
Acquisition of tangible assets	-796	-976
Acquisition of subsidiary	-9 000	-
Paid shareholders' contribution	-5 705	-
Cash flow from investment activities	-25 708	-41 774
Financing activities		
Changes in financial reinsurance	159 496	129 106
Repayment of financial reinsurance	-113 971	-110 283
Dividends	-30 000	-
Cash flow from financing activities	15 525	18 823
Cash flow for the year	110 875	30 161
Net cash at the beginning of the year	233 901	203 740
Net cash at the end of the year	344 776	233 901

Amounts in KSEK	2017	2016
Additional information for the cash flow statement		
Interest paid		
Interest received	102	136
Interest paid	-278	-1 666
Liquid assets		
<i>The following components are included in liquid assets:</i>		
Cash and bank	344 776	233 901
1) Change in pre-paid acquisition costs	-32 048	-60 608
Unrealised changes in the value of investments	-5 234	-7 178
Write-offs and depreciations	25 773	29 894
Changes in technical provisions	10 583	33 349
Unrealised gains from currency exchange rates	388	849
Other	4 853	7 931
Adjustment for items not included in the cash flow	4 315	4 237

Notes

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

NOTE 1 – VALUATION AND ACCOUNTING PRINCIPLES

GENERAL INFORMATION

The parent company of the group in which Movestic Livförsäkring AB is a subsidiary, and where the 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 2018.

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 amendments), 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 amendments. 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.

CHANGED ACCOUNTING PRINCIPLES

New and amended standards and interpretations that have not yet come into force

At the time of the preparation of the Company's financial reports, as per the 31 December 2017, there are standards and interpretations that have been published, but not yet come into force. Below is a description of the expected impact of new and amended standards and interpretations on the Company's financial reports in the period in which they are applied for the first time.

IFRS 9, Financial Instruments

IFRS 9 replaces IAS 39 Financial instrument: Recognition and measurement, and includes rules for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 has been approved by the EU and should be applied for financial years starting as of January 1st 2018 or later.

The general principle of this new standard is that financial assets should initially be classified and measured at fair value, with changes reflected in the income statement as they occur, then in subsequent measurements be classified as measured at either amortised cost, fair value through other comprehensive income, or fair value through the income statement. Which measurement category an asset belongs to depends both on the business model of the undertaking and on the contractual cash flows the undertaking will receive from the financial asset in question.

In September 2016 IASB adopted amendments to IFRS 4, permitting insurers to apply IFRS 9 at the same time as the forthcoming IFRS 17 standard, which will come into force as of fiscal year 2021. Movestic intends to apply this temporary exemption.

An insurer can only apply the temporary exemption if the insurer has not previously applied IFRS 9, except for certain specific regulations, and if its activities are predominantly connected with insurance. In order for the activities to be considered predominantly connected with insurance, based on year end 31 December 2015, two conditions must be met;

- the carrying amount of its liabilities connected with insurance, including any deposit components unbundled from insurance contracts, is significant compared to the total carrying amount of all its liabilities
- the percentage of the total carrying amount of its liabilities connected with insurance, including non-derivative investment contract liabilities measured at fair value through profit or loss, relative to the total carrying amount of all its liabilities is greater than 90 percent or between 80 and 90 percent and no significant activities other than activities connected with insurance are conducted.

As per December 31, 2015, the calculations made show that the total carrying amount of liabilities connected with insurance, technical provisions including technical provision for life insurances for which the policyholder bears the risk (25 324 088 KSEK), in relation to all its liabilities (25 833 358 KSEK) amounted to approximately 98 per cent of which approximately 30 per cent relates to liabilities arising from contracts within IFRS 4.

IFRS 15, Revenue from contracts with customers

IFRS 15, Revenue from contracts with customers, replaces all previously published standards and interpretation related to revenue reporting. This standard does not apply to insurance agreements, however it does apply to all contracts, or parts of contracts, deemed to relate to a service. This standard comes into force on the 1 January 2018.

The Company's assessment is that the application of IFRS 15 will not result in any significant changes in the recognition or valuation of the Company's income from investment contracts, or other income not related to insurance agreements, however, the new standard will involve additional disclosure requirements, such as the division of income based on nature, timing and uncertainty, as well as information on performance obligations, and the time at which each obligation was fulfilled.

IFRS 16, Leases

IFRS 16 Leases will replace IAS 17 Leases and should be applied from 2019.

This standard includes a leasing model for lessees, which states that more or less all leasing agreements should be recognised in the financial position statement. The right-of-use asset and the liability are valued as the present value of future lease payments. The right of use also includes direct costs related to the setting up of the leasing agreement. Depreciation of the right of use and interest costs are reported through the income statement.

IFRS 16 is not expected to have a major effect on the Company's financial statements, as the Company has not entered into any lease agreements with significant term periods or value, as a lessee.

IFRS 17, Insurance Contracts

On the 18 May 2017, the International Accounting Standards Board, IASB, published a new standard for recognition of insurance contracts, IFRS 17. This standard replaces the current standard, IFRS 4, and comes into force on the 1 January 2021.

The aim of the new standard is to establish a unified method for recognition of all types of insurance contracts, increase transparency about the earnings of insurance undertakings, and improve

comparability between providers and countries. The definition of 'insurance contract' remains more or less unchanged from IFRS 4, whereas the rules for separation of investment and service components have been adjusted slightly.

The general valuation model in IFRS 17 is called the Building Block Approach, BBA, and should be applied to all insurance contracts, including reinsurance contracts. This approach is based on estimation of discounted expected cash flows, with adjustments for risk and profit margins, whereas the current rules are based on amortisation of incoming premium payments, and outgoing claims payments. Some insurance contracts can, however, be measured according to a simplified method, the Premium Allocation Approach, PAA, provided that the insurance coverage period does not extend more than one year from the effective date, and where it is felt that application of this approach will provide a reasonable approximation of the general model.

IFRS 17 provides two methods for how the profit margin should be divided across the lifetime of an insurance contract; the General Approach and the Variable Fee Approach. The general model is used for insurance contracts for which the size of the cash flows are agreed directly in the insurance contract, which is usually the case for non-life insurance contracts and life insurance contracts without profit participation. The profit margin is earned over the lifetime of the insurance contract, as the insurance cover is provided. The Variable Fee Approach, VFA is used for insurance contracts where the payments depend on the yields from underlying items. This method is applicable to for example life insurance contracts with conditional dividends.

Since the publication of this standard, Movestic Livförsäkring has been working to assess its impact on the Company's financial accounts, a work that will further intensify in the coming year. The assessment so far is that the new standard will result in major changes to the financial statements, including for example the formats of the income statement and balance sheet, as well as further requirements for additional information.

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: Financial Instruments: Recognition and measurement. 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 reported at their acquisition value, 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 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 recovery value is set to the highest of the asset's expected net sales value and its value in use. The latter is determined based on the asset's contribution to expected future cash flows. Depreciation is reported when an asset's reported value is less than its recovery value. The depreciation is reported through the income statement.

Since 2016 a sum corresponding to the activated self-developed intangible assets for the year is paid into a special, tied fund, the Fund for Development Costs. This fund is returned to unrestricted equity in case of write-off, depreciation or sale.

Investments in group companies and associated companies

Shares in group companies and associated companies are measured 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, Financial Instruments: Recognition and Measurement, 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 income statement 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 income statement'. 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 'unit-linked assets'. 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 are 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.

Pre-paid acquisition costs

Expenditure for acquisitions of both insurance and investment contracts in form of distribution costs are activated through the balance sheet. The depreciation time for products within private pension and endowment 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 endowment insurance. For occupational pension plans, the depreciation period is 17 years. The reported value of the activated acquisition costs is reassessed on each balance day, based on expected future cash flows. Depreciation is reported when the value of an asset is less than the expected future cash flows. The depreciation is recognised through the income statement.

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 participations held in group companies.

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 the Company's obligations 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 obligations 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 income statement.

Technical provisions for life insurance contracts for which the policyholder carries the risk

Provisions for which the policyholders carry the investment risk in the unit-linked 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 insurance contracts for which the policyholders carry the investment risk where the assets have been invested in a custody account consist of the sum of the actual 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 items Investment income and 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 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 the Swedish Pension Obligations Vesting Act must be applied for the cost to be tax deductible, the rules about benefit-based schemes in IAS 19 do not have to be applied for a legal person. Instead a simplified rule can be applied, which states that companies should report benefit-based schemes as fee-based schemes, where a pension premium has been paid to an insurance undertaking, 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 deductible temporary variations and 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 policies 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

Provides information about 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 2017 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.

Pre-paid acquisition costs

Pre-paid acquisition costs are amortised based on the expected lifetime of the contracts. Should the assumptions about expected lifetimes be adjusted and the depreciation schedule change, this may have an impact on the result.

NOTE 3 – RISKS AND RISK MANAGEMENT

Risk management is a natural part of running any insurance operation. Movestic is, as a result of its activities within risk insurance, unit-linked and custody account products with focus on occupational pensions, private and company-owned endowment policies, and private pension plans, mainly exposed to financial risks, insurance risks, operative risks and business risks.

To ensure effective risk management and internal control within the Company, an organisational structure based on three lines of defence has been put in place.

The first line of defence consists of the CEO, the business and operational managers, and their personnel. The first line of defence is responsible for the risks that arise, or could arise, within their departments or areas of responsibility. They are also responsible for the actions put in place to manage these risks. The first line of defence is also responsible for reporting any incidents to the second line of defence.

The second line of defence consists of the independent control functions, i.e. the Risk Management, Compliance and Actuarial functions. The second line of defence is responsible for monitoring, checking, reviewing and following up the risk management work of the first line of defence. It also supports the CEO and the Board of Directors in their responsibility to ensure that the Company has in place an effective risk management system.

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

Risk Management organisation

The final responsibility for making sure the Company has an effective risk management system in place rests with its Board of Directors. The Board has appointed a Audit and Risk Committee, tasked with helping the Board to review Movestic's financial reports, internal controls, and risk management system. The risk management 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 Own 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 management activities, 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 role of the *Risk Management function* is to assist the Board, CEO and other employees and departments in their efforts to maintain an effective risk management system and this function is responsible for updating and improving the Company's risk management system on an ongoing basis. The Risk Management function monitors the Company's risk profile and acts to prevent excessive risk taking. This function reports direct to the CEO, and informs both the Board of Directors and the CEO on the status of the Company's risk management system and risk situation. The function also issues 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 role of the *Compliance function* is to help the Company to follow legislation, regulations, good business practice or standards, as well as all internal rules relating to the licenced operation. This function shall also help the operation to identify and evaluate 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 a regular 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 role of the *Actuarial function* is to contribute to the Company's risk management system, in particular by ensuring that the handling and calculation of technical provisions and capital requirements comply with both internal and external rules and regulations. This also covers the capital requirements calculated as part of the Own Risk and Solvency Assessment (ORSA).

The *Internal Audit function* 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 management and internal control, 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, liquidity, credit and counterparty risks. The Board of Directors of Movestic Livförsäkring annually adopts a Policy for the management of investment risks, which sets out the direction and targets of the investments, limits per instrument, and decision-making rights for investment activities.

Market risk

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

Below is a sensitivity analysis for market risk:

Risk element, MSEK	Exposure	Risk parameter	Change	Effect on result	Effect on equity
Interest-bearing assets	503,3	Changed interest rates	1%	3,1	3,1
Shares and participations	5,2	Changed share prices	10%	0,4	0,4
Currencies	32,2	Changed exchange rates	10%	2,5	2,5

The impacts of the exposure to market risks have been calculated as the change in the actual values of the exposed assets in case of a change in the underlying market risk components. Current tax has been taken into account in the assessment of impact on the operational result and own assets.

The Company invests mainly in liquid assets, with debt covering assets invested in other interest-bearing assets. The exposure to interest risk is limited, as the assets are mainly short-term.

For the unit-linked operation, the future earnings from fees from the management of customers' assets are important. Movestic Livförsäkring is exposed to the risk that future earnings decrease as a result of interest rate fluctuations or a general downturn on the stock or currency market.

Liquidity risk

Liquidity risk is 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 major claim payments are usually known long before they become due. To reduce the remaining liquidity risk, the Company's cash flows are analysed on an ongoing basis, and the Risk Management function regularly checks how quickly the Company's assets could be realised. The majority of the Company's assets are invested in securities that can be sold on a second hand market at short notice, without any effect on the price. Investments are made in listed securities with good liquidity levels, why the liquidity risk is deemed to be limited.

The financial liabilities are met by the Company's financial assets, and by the reinsurers' share of the technical liabilities, which can all be turned 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	638	3 259	28 338
Technical provisions	184	381	391
Liabilities, direct insurance	82	–	–
Liabilities, reinsurance	33	12	–
Other liabilities	104	259	66
	1 041	3 911	28 795

Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty is unable to fulfil its commitments to Movestic Livförsäkring.

The main exposure is towards financial institutions and relate to assets held in deposit accounts with banks. The credit risk for 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 Livförsäkring is exposed, allocated per credit rating from Standard & Poor's.

Credit exposure, MSEK	2017	2016
Investments		
Interest-bearing loans to associated companies	7,7	7,5
Interest-bearing loans to associated companies ¹⁾	503,3	421,6
Receivables, direct insurance		
Intermediaries	0,6	1,5
Receivables reinsurers (including reinsurer's share of technical provisions)		
Reinsurers, credit rating AA-	359,9	376,7
Reinsurers, undetermined credit rating ²⁾	240,1	235,4
Cash and bank		
Counterparty with credit rating AA-	344,8	233,9

¹⁾Pertains to holdings in investment fund

²⁾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. To reduce the financial impact of cancellations, the Company has taken out reinsurance. 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 2017 the Company had reinsurance cover for insurance risks in the shape of a quota share agreement, with retention of on average 33%, as well as a catastrophe reinsurance agreement. The reinsurance program also includes financial reinsurance, which also covers commissions for the unit-linked operation.

Within the unit-linked and custody account operation, the main insurance risks relate to 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 charges taken from customers who lapse or transfer their assets, and from distributors that terminate agreements prematurely

Claims cost trends

The tables below show, per claims year, how the estimated claims costs changed as our knowledge about the claims increased. For each year in the period shown, 2012-2017, the claims cost developed positively compared to our initial estimates.

Claims cost trends	2012	2013	2014	2015	2016	2017
Gross in MSEK per claims year						
Estimated final claims cost						
At the close of the claims year	309,0	324,0	319,1	320,5	384,6	357,9
One year later	207,3	260,3	243,4	244,3	280,8	
Two years later	197,9	230,2	206,9	217,3		
Three years later	188,3	209,8	173,5			
Four years later	170,3	189,4				
Five years later	164,1					
Current estimate of total claims cost	164,1	189,4	173,5	217,3	280,8	357,9
Cumulative payments	-135,1	-146,9	-99,3	-100,3	-115,8	-77,7
Current provisions	29,0	42,5	74,1	117,0	164,9	280,2
Provisions for previous claims years						194,9
Total provisions						902,7
	2012	2013	2014	2015	2016	2017
Net in MSEK per claims year						
Estimated final claims cost						
At the close of the claims year	114,9	129,0	153,9	122,7	123,3	126,3
One year later	59,7	85,2	82,2	66,4	77,1	
Two years later	53,8	76,2	52,3	57,4		
Three years later	54,5	45,0	40,2			
Four years later	31,2	37,8				
Five years later	30,6					
Current estimate of total claims cost	30,6	37,8	40,2	57,4	77,1	126,3
Cumulative payments	-22,3	-25,8	-17,0	-20,6	-22,9	-15,1
Current provisions	8,3	12,0	23,2	36,8	54,3	104,0
Provisions for previous claims years						84,5
Total provisions						330,2

Operational risk

Operational risk is defined as the risk losses caused by non-productive or failed internal processes, human error or faulty systems. IT risks, other technology-related risks, the risk of internal or external irregularities, and legal risks are also included in operational risks. The operation is responsible for handling operational risks and the Risk Control function is responsible for continuous monitoring, evaluation and reporting of operational risks. The overall risk exposure is reported to the Company's CEO and Board of Directors on a regular basis

Operational risk is the risk of losses caused by non-productive or failed internal routines, human error, or failing systems. This risk category includes reputational risk and legal risks, which can be due to inappropriate processes or negligence by staff members. The operation is responsible for the management of operational risks, and the Risk Management function is responsible for continuous monitoring, assessment and reporting of operational risks. Evaluation and follow-up of operational risks is achieved through own assessment of risks in collaboration with managers and co-workers. These assessments should be carried out at least once a year, and follow-ups made as required. Risks that are felt to be particularly high are discussed and challenged by Movestic's leadership and the Risk Management Officer on a quarterly basis.

Operational risks are evaluated by estimating the probability that an adverse event occurs as a result of a specific risk, and the impact that such an event would have on the day-to-day operation. Any identified risks can then be managed with supportive measures from the Risk Management function, who can assist with the introduction of improved routines, processes and collaborations.

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

Business risks

Business risks relate to large-scale, structural risk factors. Business risks are divided into the following sub-categories:

Strategic risk is the risk of losses due to the Company's general business strategy, business decisions, or a failure to act when there are changes in society or the industry

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

Other business risks are risks that do not fit into either of the above categories, such as the risk of losses because of competition from other companies, or price pressures on a competitive or politically regulated market, which cannot be accommodated by reducing costs.

The Risk Management function assesses the business risks to which the Company is exposed on a regular basis, together with relevant business and operational managers. Business risks are measured, monitored and reported according to similar processes and principles as those used for operative risks, however, using an approach specially adapted to this particular risk category. Business risks are re-evaluated at least once a year, and follow-ups are carried out as required. Risks that are felt to be particularly high are discussed and challenged by Movestic's leadership and the Risk Management Officer on a quarterly basis.

Solvency risk

Solvency risk is the risk that the Company does not meet its solvency requirements, which includes both regulatory requirements and other adopted target levels. The Company's solvency situation is monitored continuously, and all known risks relating to solvency are documented and communicated to the Board. Previous forecasts of the Company's solvency situation are used to identify potential future solvency risks, so that appropriate action can be taken as needed.

NOTE 4 - PREMIUMS WRITTEN

Total	2017	2016
Direct insurance, Sweden	405 939	407 507
Direct insurance, rest of the EEA	210	276
	406 149	407 784

Life insurance operation	2017	2016
Individual insurance	149 707	154 964
Group insurance	134 410	130 075
	284 117	285 039

All premiums related to risk insurance and are paid in instalments.

NOTE 5 - ALLOCATED INVESTMENT RETURNS TRANSFERRED FROM THE FINANCE OPERATION TO THE NON-LIFE OPERATION

	2017	2016
Transferred investment income	-677	-551
Interest rate	-0,71%	-0,66%

The transferred investment income has been calculated based on the average of the non-life insurance operation's in and outgoing technical provisions for own account. The interest is set to the average annual value of 90-day treasury bills.

NOTE 6 - CLAIMS INCURRED AND PAID

	2017			2016		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims incurred, non-life insurance operation						
Claims paid	-40 150	32 584	-7 566	-35 577	29 059	-6 519
Cost of claims handling	-5 655	490	-5 165	-4 705	655	-4 051
	-45 805	33 074	-12 731	-40 283	29 713	-10 570
	2017			2016		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims incurred, life insurance operation						
Claims paid	-117 530	83 228	-34 302	-134 359	96 064	-38 295
Cost of claims handling	-4 889	56	-4 833	-5 672	346	-5 326
	-122 419	83 284	-39 135	-140 031	96 410	-43 621

NOTE 7 - OPERATING EXPENSES

	2017	2016
Non-life insurance operation		
Acquisition costs	-37 927	-40 080
Changes in Pre-paid acquisition costs	830	547
Administrative costs	-9 074	-6 061
Commission and profit share from ceded reinsurance	18 343	23 260
	-27 828	-22 333
Life insurance operation		
Acquisition costs	-379 050	-319 129
Changes in Pre-paid acquisition costs	66 831	70 852
Administrative costs	-184 172	-177 782
Commission and profit share from ceded reinsurance	44 186	39 785
	-452 205	-386 275
Claims handling costs ¹⁾	-10 544	-10 377
Total operating expenses	-490 577	-418 985
Total cost per type of expense		
Personnel costs	-157 721	-147 009
Costs of premises	-8 419	-8 593
Depreciations	-25 773	-17 873
Capital yield tax ²⁾	-36 149	-36 969
Other ³⁾	-262 515	-208 541
	-490 577	-418 985
Fees and remunerations to auditors		
Deloitte AB		
Auditing fees	-1 275	-1 217
Auditing tasks outside the auditing contract	-	-
Tax advice	-	-
	-1 275	-1 217

Auditing contract¹⁾ relates to the auditor's remuneration for carrying out the auditing tasks required by law. This includes reviewing the annual report and financial reporting, the management of the Board of Directors and the CEO, and fees for auditing advice given in relation to the auditing contract. Auditing tasks outside the auditing contract relates to other types of quality assurance services.

¹⁾ Claims handling costs are included in Claims paid on the Income Statement, see note 6

²⁾ Taxation fees charged to the policy to cover the capital yields tax are reported under the heading Income from investment contracts.

³⁾ 'Other' includes commission costs, commissions and profit shares from reinsurers, auditing fees and other

NOTE 8 - INVESTMENT INCOME AND COSTS, LIFE INSURANCE OPERATION

	2017	2016
<i>Income</i>		
Interest income	364	179
Exchange-rate gains	–	792
	364	971
<i>Costs</i>		
Interest costs	-13 851	-12 531
Exchange-rate losses	-421	-174
	-14 272	-12 705

Investment income not related to income from assets covered by the policyholders' beneficiary rights are included in the non-technical report.

NOTE 9 - UNREALISED GAINS AND LOSSES FROM INVESTMENTS

	2017	2016
<i>Value increases</i>		
Bonds and other interest-bearing securities	5 990	7 201
	5 990	7 201
<i>Value decreases</i>		
Shares and participations	-756	-1
Bonds and other interest-bearing securities	–	-21
	-756	-22

NOTE 10 - TAX ON THE YEAR'S RESULT

	2017	2016
<i>Current tax</i>		
Tax cost for the period	–	–
<i>Deferred tax</i>		
Deferred tax relating to temporary variations	464	0
	464	0

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:

	2017	2016
Profit/loss for the year before tax	113 727	105 416
- of which business subjected to yield tax	112 074	70 548
- of which business subjected to income tax	1 653	34 869
Profit/loss for income tax purposes	1 653	34 869
Tax based on a nominal tax rate of 22%	-364	-7 671
Non-taxable income	49	5
Non-tax deductible costs	-472	-478
Unused tax losses or tax credits from previous years applied this year, for which the taxable value has not been reported as an asset	787	8 143
Reported tax cost	464	0

On the Balance Sheet, deferred tax assets have not been reported for tax losses and tax credits amounting to a deferred tax value of 2,062 KSEK (2,849 KSEK).

NOTE 11 - OTHER INTANGIBLE ASSETS

	2017	2016
<i>Accumulated acquisition value</i>		
Opening acquisition value	249 500	208 702
Purchases	10 207	40 798
Sales and disposals	-14 787	–
Closing acquisition value	244 920	249 500
<i>Accumulated amortization according to plan</i>		
Opening amortizations	-176 395	-148 508
Write-offs during the year	-22 566	-15 866
Depreciation	–	-12 021
Sales and disposals	14 787	–
Closing accumulated amortizations and depreciations	-184 174	-176 395
Closing net value	60 746	73 105

NOTE 12 - INVESTMENTS IN GROUP COMPANIES AND ASSOCIATED COMPANIES

					2017	2016
	Corp.ID	Seat of the board	Number	Share of equity, %	Book value	Book value
<i>Shares in group companies</i>						
Movestic Kapitalförvaltning AB	516401-6718	Stockholm	1 400	100	12 100	12 100
Movestic Fund Management S.A.	B 213 292	Luxemburg	1 000	100	5 910	–
Sparplatsen Sverige AB	559021-6247	Stockholm	3 191 489	100	9 000	–
<i>Shares in associated companies</i>						
Modernac S.A.	332319-2520	Luxemburg	6 370	49	9 183	9 183
					36 193	21 283

NOTE 13 - SHARES AND PARTICIPATIONS

	2017-12-31		2016-12-31	
	Acquisition value	Actual value	Acquisition value	Actual value
<i>Shares and participations</i>				
Sweden	2 169	2 041	244	245
Europe	3 605	3 168	3 783	3 426
	5 774	5 209	4 027	3 671
-of which listed	5 774	5 209	4 027	3 671

NOTE 14 - BONDS AND OTHER INTEREST-BEARING SECURITIES

	2017-12-31		2016-12-31	
	Acquisition value	Actual value	Acquisition value	Actual value
<i>Securities issued by:</i>				
Other issuers	488 911	503 250	392 895	421 635
	488 911	503 250	392 895	421 635

The item 'bonds and other interest-bearing securities' includes assets 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 INVESTMENT ASSETS

	2017-12-31		2016-12-31	
	Acquisition value	Actual value	Acquisition value	Actual value
Company-owned endowment policies	3 822	4 521	3 267	3 604
	3 822	4 521	3 267	3 604

Company-owned endowment policies to cover our direct pension commitments.

NOTE 16 - ASSETS COVERED BY THE POLICYHOLDERS' BENEFICIARY RIGHTS

	2017-12-31	2016-12-31
Interest-bearing securities ¹⁾	315 924	318 490
Investment assets for which the policyholders bear the investment risk ²⁾	32 033 225	27 707 943
	32 349 149	28 026 433

¹⁾Assets corresponding to the sum of best estimation of future cash flows according to FRL 2010:2043 incl SFS 2015:700, 5 chapter §§6,7 and 9-12, and a risk margin in accordance with §13.

²⁾Assets corresponding to participations in such funds that are associated with the policy, and which the policyholder or the person insured selects from time to time.

NOTE 17 - PROVISIONS FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS

	2017-12-31			2016-12-31		
	Gross	Ceded	Net	Gross	Ceded	Netto
Opening balance	8 183	-5 062	3 121	6 151	-4 566	1 585
Change to provisions	3 656	-1 558	2 098	2 032	-496	1 536
Closing balance	11 839	-6 620	5 219	8 183	-5 062	3 121

NOTE 18 - LIFE INSURANCE PROVISIONS

	2017-12-31			2016-12-31		
	Gross	Ceded	Net	Gross	Ceded	Net
Opening balance	40 447	-20 447	20 000	39 731	-20 117	19 614
Exchange rate changes	0	0	0	6	-5	1
Change to provisions	801	-364	437	710	-325	385
Closing balance	41 248	-20 811	20 437	40 447	-20 447	20 000

NOTE 19 - CLAIMS OUTSTANDING

	2017-12-31			2016-12-31		
	Gross	Ceded	Net	Gross	Ceded	Net
Opening balance	909 264	-586 621	322 643	835 697	-545 102	290 595
Exchange rate changes	-1 483	1 028	-455	3 456	-2 838	618
Change to provisions	-5 032	13 079	8 047	70 110	-38 681	31 429
Closing balance	902 749	-572 514	330 235	909 264	-586 621	322 643
Specification, closing balance						
<i>Non-life insurance operation</i>						
Occurred and reported claims	212 175	-171 567	40 608	197 671	-162 608	35 063
Occurred but unreported claims (IBNR)	149 015	-88 569	60 446	131 899	-86 651	45 248
	361 190	-260 136	101 054	329 571	-249 259	80 311
<i>Life insurance operation</i>						
Provision for confirmed claims	390 115	-224 610	165 505	421 740	-242 474	179 266
Provision for unconfirmed claims	151 444	-87 768	63 676	157 954	-94 887	63 066
	541 559	-312 378	229 181	579 694	-337 361	242 332
Total outstanding claims	902 749	-572 514	330 235	909 264	-586 621	322 643

NOTE 20 - RECEIVABLES, DIRECT INSURANCE

	2017-12-31	2016-12-31
Receivables, policyholders	81 239	69 075
Receivables, intermediaries	607	1 494
Closing balance	81 846	70 568

NOTE 21 - OTHER RECEIVABLES

	2017-12-31	2016-12-31
Receivables, group companies	35 843	53 710
Deferred tax assets	24 536	7 221
Other receivables	37 395	34 016
Closing balance	97 774	94 947

NOTE 22 - TANGIBLE ASSETS

	2017-12-31	2016-12-31
<i>Accumulated acquisition value</i>		
Opening acquisition value	22 249	21 273
Purchases	796	976
Closing acquisition value	23 045	22 249
<i>Accumulated depreciation according to plan</i>		
Opening depreciation	-17 395	-15 388
Depreciation for the year	-3 207	-2 007
Closing depreciation according to plan	-20 602	-17 395
Closing net value	2 443	4 854

NOTE 23 - DEFERRED ACQUISITION COSTS

Deferred acquisition costs, investment contracts	2017-12-31	2016-12-31
Opening acquisition cost	1 270 125	1 118 690
Activation for the year	172 204	151 435
Closing acquisition cost	1 442 329	1 270 125
Opening amortization	-552 329	-460 263
Amortization for the year	-105 777	-92 066
Depreciation for the year	-35 134	-
Closing amortization and depreciation	-693 240	-552 329
Closing net value, investment contracts	749 089	717 796

Amortization of deferred acquisition costs for products within the private pension and endowment segments are done over 10-14 years, depending on product type and year of purchase. For policies taken out in 2011 or later, a common amortization period of 10 years applies to both private pension products and endowment policies. The amortization period for occupational pension products is 17 years.

Deferred acquisition costs, insurance operation	2017-12-31	2016-12-31
Closing net value, insurance operation	7 997	6 635
Total closing net value	757 086	724 431

NOTE 24 - OTHER PRE-PAID EXPENSES AND ACCRUED INCOME

	2017-12-31	2016-12-31
Accrued commission income	2 535	2 669
Accrued income from investment contracts	36 753	32 782
Other deferred costs	6 075	5 655
Closing balance	45 363	41 106

Accrued commission income refers to accrued profit share commissions.

NOTE 25 - APPROPRIATION OF PROFIT

SEK 697 784 964 is at the disposal of the general meeting of shareholders. The Board of Directors proposes that dividends of SEK 31 500 000 are paid to shareholders, and that SEK 666 284 694 is carried forward to new account.

NOTE 26 - TECHNICAL PROVISIONS FOR LIFE INSURANCE POLICIES FOR WHICH THE POLICYHOLDERS BEAR THE RISK, GROSS

Conditional dividends	2017-12-31	2016-12-31
Opening balance	2 556 561	2 373 025
Payments received	575 590	512 463
Payments made	-258 989	-452 298
Value change, including dividends	164 709	156 762
Other changes	-93 728	-33 390
Closing balance	2 944 143	2 556 561

The conditional dividends relate to custody account commitments.

Unit-linked	2017-12-31	2016-12-31
Opening balance	25 295 236	21 948 434
Payments received	3 599 814	3 223 762
Payments made	-1 647 696	-1 052 842
Value change, including dividends	2 287 641	1 568 891
Other changes	-243 880	-393 009
Closing balance	29 291 115	25 295 236

Of the total number of unit-linked contracts and contracts with conditional dividends, 202 032 (143 853) KSEK was uninvested as per the 31-12-2017. These have been reduced by management and risk fees amounting to 169 333 (152 788) KSEK.

NOTE 27 - OTHER PROVISIONS

Provisions for pensions and similar commitments	2017-12-31	2016-12-31
Endowment policies ¹⁾	4 521	3 604
Special payroll tax ¹⁾	1 184	874
Other provisions	6 182	4 014
Closing balance	11 887	8 492

¹⁾This provision relates to company-owned endowment insurance, intended to guarantee direct pension commitments.

NOTE 28 - LIABILITIES, DIRECT INSURANCE

	2017-12-31	2016-12-31
Liabilities, policyholders	47 264	31 720
Liabilities, intermediaries	35 151	7 066
	82 415	38 786

NOTE 29 - OTHER LIABILITIES

	2017-12-31	2016-12-31
Liabilities, VAT	591	807
Debts to suppliers	2 882	6 559
Employees' taxes (PAYE)	9 551	8 173
Other interest-bearing liabilities	402 579	343 586
Premium taxes	3 375	3 539
Other liabilities	6 275	11 429
	425 253	374 092

Other interest-bearing liabilities, 402 579 (343 586) KSEK, consist entirely of liabilities to reinsurers. The Company has taken out a quota share reinsurance agreement to cover its unit-linked operation, which includes a financial reinsurance section. This section states that the reinsurer pays its share of the up-front commission, which is then repaid over a period of five to eight years. This liability is adjusted on a quarterly basis, when new commissions are deducted and repayment, including interest, is made. The interest is calculated according to an agreed model based on market interest rates.

NOTE 30 - OTHER ACCRUED EXPENSES AND DEFERRED INCOME

	2017-12-31	2016-12-31
Accrued interest costs	208	350
Accrued personnel costs	35 213	32 955
Accrued asset management costs	260	1 246
Accrued commission costs	32 137	23 972
Other accrued costs	7 128	3 781
	74 946	62 303

NOTE 31 - AVERAGE NUMBER OF EMPLOYEES, SALARIES AND REMUNERATIONS

Average number of employees	2017			2016		
	Male	Female	Total	Male	Female	Total
Sweden	73	62	135	75	62	137

Gender distribution of the Company management	2017			2016		
	Male	Female	Total	Male	Female	Total
Board of Directors	5	2	7	6	2	8
Other leading positions	3	4	7	5	5	10
Total	8	6	14	11	7	18

Salaries, other remunerations and social security contributions	2017	2016
Board of Directors and CEO	8 558	6 780
Other employees	87 697	78 517
Total	96 255	85 297

Social security contributions	53 165	52 350
of which pension contributions	18 582	18 221

Information about salaries, remunerations and other benefits

Salaries and remuneration

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

Variable remuneration

Variable remuneration is paid as salary.

Pensions

The CEO has a pension entitlement corresponding to 30 percent of their pensionable salary. Other persons in the Company management have pension entitlements according to current collective agreements. Commitments regarding retirement and family pensions for employees born in 1971 or earlier are safeguarded through a policy with FPK. This is a benefit-based scheme that includes a number of employers. As the Swedish Pension Obligations Vesting Act must be applied for the cost to be tax deductible, the rules about benefit-based schemes in IAS 19 do not have to be applied for a legal person. Instead a simplified rule can be applied, which states that companies should report benefit-based schemes as fee-based schemes, where a pension premium has been paid to an insurance undertaking, friendly society, or similar. All the employers involved are jointly responsible

for financing the scheme in its entirety. This means that they all also share the actuarial risk associated with the scheme. The latest available information from the FPK comes from the published part-year report for the first half of 2017. According to this, the collective level of consolidation amounted to 121 percent (117), calculated based on distributable assets relative to commitments to policyholders. Assets under management amounted to 14.2 billion SEK (14,1 billion SEK). The number of employers included was 126 and the number of insured persons was 26,000 as per December 2016.

The fees paid by the Company for this scheme for 2017 amounted to 6,500 KSEK (6,973 KSEK). The fees for 2018 are expected to be in line with the fees for 2017.

No information is available about potential future surpluses or deficits within this scheme, or whether these may have an impact on the fees for future years.

Final payment

If the Company terminates the employment of the CEO or another member of the leadership team, the person concerned is entitled to a salary for a notice period of no less than 3 months and no more than 12 months.

Remuneration policy

The Board of Directors has adopted a Remuneration Policy. The policy states that the Board determines the remuneration to the CEO, and sets targets and levels of variable remunerations for persons in leading positions. The Board also determines whether the targets set in relation to the variable remuneration have been met. The board member responsible for preparing decisions about variable remuneration is the CEO of Chesnara. Where required, matters 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 different models for variable remuneration:

1. The CEO and some holders of leading positions have a long-term incentive program, made up of two parts. The first part is the development of the Company's EcV (Economic Value), and awards variable remuneration of 0.125 - 0.5 percent of the increase in the EcV in the year of remuneration. The underlying amount is adjusted for any capital injections and is limited to certain maximum amounts, set for each position-holder concerned.

The result is measured as the change in the Company's EcV during the year, and the calculation model takes into account the fact that the result is affected by the main risks to which the operation is exposed.

The second part is based on target-related performance at company, department or individual level, where both financial and non-financial criteria are considered.

This results in a variable remuneration of no more than four months' salary. The total variable remuneration can amount to no more than 60 percent of the fixed annual salary.

2. The category 'other holders of leading positions' includes some persons without any variable remuneration, and others that are covered by an incentive program based on achieved targets. These persons can receive a maximum of 50% of their fixed salary for the year in which the variable remuneration was earned. The intention is that the targets should be designed in such a way that they lead to long-term improvement in the Company's performance.

For these members of the leadership team, target-achievement is assessed based on set criteria after the end of the year.

For specially regulated personnel with variable remunerations in excess of 100 KSEK, payment of 60 percent of the variable remuneration set by the Board should be deferred for a period of three years. The deferred portion can be paid pro rata once a year during the period of deferral, starting no earlier than one year after the variable remuneration was agreed.

Risk assessment

The risk assessment is based on the premise that the remuneration system should promote sound and effective risk management within the Company, and not encourage excessive risk taking

or counteract the Company's long-term interests. The Company must strive to ensure that the total remunerations do not jeopardise its ability to return a positive consolidated result over an economic cycle. The Company's remuneration policy is based on long-term thinking and limited risk-taking. Taking into account the criteria set in the remuneration policy, as well as the routines and control activities implemented by the Company, the current assessment is that the design of the remuneration system does not result in any material risks.

Remuneration to holders of leading positions 2017

	CEO ¹⁾	Other holders of leading positions	Chairman of the Board	Other board members	Total
Salaries/director's fees	4 881	12 631	–	542	18 054
Variable remuneration	2 992	1 901	–	–	4 893
<i>-of which provisions for variable remuneration 2017</i>	2 160	5 303	–	–	7 463
Benefits	143	379	–	–	522
Pension contributions	1 579	3 460	–	–	5 039
Social contributions	2 857	5 405	–	–	8 262
	12 452	23 776	–	542	36 770

¹⁾ To the former CEO, Lars Nordstrand, who held the post of CEO until the 31 March 2017, salary of 4,622 KSEK and variable remuneration of 2,065 KSEK were paid during the year. The pension contributions for the year amounted to 759 KSEK.

Remuneration to holders of leading positions 2016

	CEO	Other holders of leading positions	Chairman of the Board	Other board members	Total
Salaries/director's fees	4 278	13 736	–	680	18 694
Variable remuneration	1 701	2 457	–	–	4 158
<i>-of which provisions for variable remuneration 2016</i>	2 094	4 604	–	–	6 698
Benefits	121	486	–	–	607
Pension contributions	1 300	4 023	–	–	5 323
Social contributions	2 194	6 064	–	–	8 258
	9 594	26 766	–	680	37 040

Remunerations and benefits relating to 2017 and 2016, distributed between the categories persons in leading positions, employees who could affect the Company's risk level, and other employees are detailed below.

Registered remunerations 2017

	Average no of employees	Salaries/director's fees	Variable remuneration ¹⁾	Benefits	Pension contributions	Social contributions	Total
Holders of leading positions	8	18 054	4 893	522	5 039	8 262	36 770
Employees who could affect the Company's risk level ²⁾	3	2 090	–	37	394	752	3 273
Other employees	124	64 957	4 008	1 693	13 149	25 570	109 377
Total	135	85 101	8 901	2 252	18 582	34 584	149 420

Registered remunerations 2016

	Average no of employees	Salaries/director's fees	Variable remuneration ¹⁾	Benefits	Pension contributions	Social contributions	Total
Ledande befattningshavare	10	18 694	4 158	607	5 323	8 258	37 040
Anställda som kan påverka företaget's risknivå ²⁾	4	2 741	–	45	515	986	4 287
Övriga anställda	123	55 346	2 177	1 529	12 383	24 885	96 320
Totalt	137	76 781	6 335	2 181	18 221	34 129	137 647

¹⁾ The variable remuneration consists entirely of variable remuneration paid in cash.

²⁾ Employees who could affect the Company's risk level relates to persons employed in positions with the potential to affect the Company's risk levels in the course of their duties.

Changes to liabilities for variable remuneration

	2017	2016
Opening balance	14 416	13 554
Remuneration earned during the year	11 793	9 697
Paid remunerations, earned in previous years	-6 600	-5 303
Adjusted unpaid earned remunerations	-2 949	-3 532
Closing balance	16 660	14 416
-of which deferred remunerations	4 867	4 719

NOTE 32 - CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES AND THEIR ACTUAL VALUES

Financial assets as per the 31-12-2017	Financial assets reported at actual value in the income statement	Loans and customer receivables	Reported value	
			Reported value	Actual value
Interest-bearing loans to associated companies		7 722	7 722	7 722
Shares and participations	5 209		5 209	5 209
Bonds and other interest-bearing securities	503 250		503 250	503 250
Assets for conditional dividends	2 944 143		2 944 143	2 944 143
Unit-linked assets	29 089 082		29 089 082	29 089 082
Other financial investment assets	4 521		4 521	4 521
Receivables, direct insurance		81 846	81 846	81 846
Other receivables		97 774	97 774	97 774
Cash and bank		344 776	344 776	344 776
Accrued income		36 753	36 753	36 753
Total	32 546 205	568 871	33 115 076	33 115 076

Financial assets as per the 31-12-2017	Level 1	Level 2	Level 3	Total
Shares and participations	5 209	–	–	5 209
Bonds and other interest-bearing securities	503 250	–	–	503 250
Assets for conditional dividends	2 944 143	–	–	2 944 143
Unit-linked assets	29 089 082	–	–	29 089 082
Other financial investment assets	4 521	–	–	4 521
Total	32 546 205	–	–	32 546 205

Financial assets as per the 31-12-2016	Financial assets reported at actual value in the income statement	Loans and customer receivables	Reported value	
			Reported value	Actual value
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 dividends	2 556 561		2 556 561	2 556 561
Unit-linked assets	25 151 382		25 151 382	25 151 382
Other financial investment assets	3 604		3 604	3 604
Receivables, direct insurance		70 568	70 568	70 568
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
Total	28 136 854	440 206	28 577 059	28 577 059

Financial assets as per the 31-12-2016	Level 1	Level 2	Level 3	Total
Shares and participations	3 671	–	–	3 671
Bonds and other interest-bearing securities	421 635	–	–	421 635
Assets for conditional dividends	2 556 561	–	–	2 556 561
Unit-linked assets	25 151 382	–	–	25 151 382
Other financial investment assets	3 604	–	–	3 604
Total	28 136 854	–	–	28 136 854

NOTE 32 - CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES AND THEIR ACTUAL VALUES (CONT.)

Financial liabilities as per the 31-12-2017	Financial liabilities reported at actual value in the income statement	Other financial liabilities	Reported value	Actual value
Conditional dividends	2 944 143		2 944 143	2 944 143
Unit-linked contracts	29 291 115		29 291 115	29 291 115
Liabilities, direct insurance		82 415	82 415	82 415
Liabilities, reinsurance		45 011	45 011	45 011
Other liabilities		425 253	425 253	425 253
Accrued costs		74 946	74 946	74 946
Total	32 235 258	627 625	32 862 883	32 862 883

Financial liabilities as per the 31-12-2017	Level 1	Level 2	Level 3	Total
Conditional dividends	2 944 143	–	–	2 944 143
Unit-linked contracts	29 291 115	–	–	29 291 115
Total	32 235 258	–	–	32 235 258

Financial liabilities as per the 31-12-2016	Financial liabilities reported at actual value in the income statement	Other financial liabilities	Reported value	Actual value
Conditional dividends	2 556 561		2 556 561	2 556 561
Unit-linked contracts	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 costs		62 303	62 303	62 303
Total	27 851 797	537 802	28 389 599	28 389 599

Financial liabilities as per the 31-12-2016	Level 1	Level 2	Level 3	Total
Conditional dividends	2 556 561	–	–	2 556 561
Unit-linked contracts	25 295 236	–	–	25 295 236
Total	27 851 797	–	–	27 851 797

Financial assets and liabilities - valuation

For valuation purposes, each holding is classified as one of three valuation levels.

Level 1

Valued at listed rates on an active market.

Level 2

Values are calculated using valuation methods. All important input data required for the valuation are based on observable market information.

Level 3

Values are calculated based on assumptions and assessments. Some important input data required for the valuation are not based on observable market information.

Offsetting of financial instruments

Movestic Livförsäkring AB has not entered into any derivative contracts.

NOTE 33 - LEASING

	2017	2016
<i>Current leasing agreements</i>		
within one year	9 154	9 307
more than one year, but within five years	8 327	14 795

The total leasing cost for the year amounted to 10,811 (9,510) KSEK.

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 within the Company. Associated companies are also defined as affiliated.

Internal pricing

The pricing methods used for transactions with affiliated companies are based on actual cost or market price. The prices of services sold to or purchased from the subsidiaries Movestic Kapitalförvaltning AB and Movestic Fund Management S.A. are based on actual cost. Market prices are used for example for premiums to the associated company Modernac S.A. The pricing of purchased services to the subsidiaries Movestic Kapitalförvaltning AB and Movestic Fund Management is cost-based.

Agreements between Movestic Livförsäkring AB and affiliated companies

Service purchases of SEK 3,5 (4,4) million relate to an annual management fee to the parent company. The Company has entered into agreements with its subsidiary, Movestic Kapitalförvaltning AB, concerning rental of offices and sales of administrative services, SEK 4,9 (4,1) million for 2017. Group contributions of SEK 23,0 (37,4) million were paid from Movestic Kapitalförvaltning AB to its parent company, Movestic Livförsäkring AB.

The Company has also entered into an agreement with its new subsidiary, Movestic Fund Management, concerning sales of administrative services, SEK 1,4 (-) million for 2017.

Within the framework of Movestic's life insurance unit linked business, investments are made in funds within Movestic SICAV. The investments generate revenue for Movestic Livförsäkring AB in the form of a discount on the fund's management fee.

Reinsurance premiums of SEK 106,3 (107,0) million were paid to the associated company, Modernac S.A., whilst claims payments of SEK 28,3 (57,7) million and reinsurance commission, including profit-share commission, of SEK 31,3 (38,6) million were received. Interest on loans amounted to SEK 0,5 (0,8) million.

No other transactions have been made with key personnel in leading positions than those specified in Note 31.

Overview of transactions with affiliated companies

	Year	Sales of services to affiliated companies	Purchases of services from affiliated companies	Income from investment agreements	Group contributions	Other	Claims on affiliates as per December 31	Debts to affiliates as per December 31
<i>Parent company</i>								
Chesnara plc	2016	–	4 408	–	–	–	–	–
Chesnara plc	2017	–	3 485	–	–	–	–	900
<i>Subsidiaries</i>								
Movestic Kapitalförvaltning AB	2016	4 070	–	–	37 437	–	53 710	–
Movestic Kapitalförvaltning AB	2017	4 947	–	–	23 034	–	31 569	–
Movestic Fund Management	2016	–	–	–	–	–	–	–
Movestic Fund Management	2017	1 412	–	–	–	–	4 275	–
Movestic SICAV	2016	–	–	149 256	–	–	–	–
Movestic SICAV	2017	–	–	156 258	–	–	–	–
<i>Associated companies</i>								
Modernac S.A.	2016	–	–	–	–	11 530	7 500	41 319
Modernac S.A.	2017	–	–	–	–	11 637	7 722	30 400

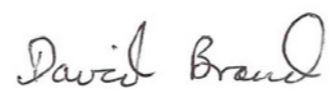
NOTE 35 - EVENTS AFTER THE CLOSING DAY

No important events after the closing day.

STOCKHOLM THE 22 MARCH 2018



Peter Mason
Chairman of the board



David Brand



John Deane



Linnéa Ecorcheville
CEO



David Rimmington



Ingrid Bojner



Anders Larsson

Our Auditor's Report was submitted on the 22 March 2018

Deloitte AB
[Signature on the Swedish original]

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 ACCOUNTS OPINIONS

We have audited the annual accounts accounts of Movestic Livförsäkring AB for the financial year 2017-01-01 - 2017-12-31. The annual accounts of the company are included on pages 18-51 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 2017 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 for the company.

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

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further des-

cribed in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

KEY AUDIT MATTERS

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

VALUATION OF CLAIMS OUTSTANDING

DESCRIPTION OF RISK

Claims outstanding amounts to SEK 902 749k at December 31, 2017.

The provision for claims outstanding is a significant balance sheet item which is based on complex actuarial calculations and assumptions of future development of several financial and non-financial parameters. One of the most central assumptions, with a high degree of uncertainty and a significant impact on the valuation of the balance sheet item, relates to the frequency and the size of future claims for

both reported claims and incurred but not reported claims (IBNR).

A misjudgment of the assumption of above parameters or a misapplication of the actuarial models used for the calculation of the provision of claims outstanding could significantly impact the valuation and hence this is a key audit matter in our audit.

In note 1 in the annual report a description of applied accounting principles for claims outstanding is presented. In note 2 and 3, important assumptions and judgements that affect the accounting for claims outstanding are presented.

OUR AUDIT PROCEDURES

Our audit performed included the following procedures, but where not limited to these;

- ▶ evaluation of the design and test of the efficiency of the controls that we assess to be relevant such as controls related to data quality in the insurance system, controls related to applied assumptions and controls related to assessment and analysis of the financial outcome,
- ▶ evaluation of management's application of assumptions of expected future claims expense related to the reported claims and incurred but not reported claims (IBNR) with support of our actuaries,
- ▶ analysis of the experience result in order to assess the accuracy of the historic provision compared to actual outcome with support of our actuaries,
- ▶ review of the disclosure for claims outstanding in order to assess if the disclosure is appropriate and complete.

VALUATION OF DEFERRED ACQUISITION COSTS

DESCRIPTION OF RISK

Deferred acquisition costs amount to SEK 757 086k at December 31, 2017 and consist of capitalized expenses related to acquisition of insurance- and investment contracts. The deferred acquisition costs are amortized in the income statement by the expected duration of the insurance policies. At each balance sheet date, the recorded value of the of the deferred acquisition costs needs to be tested through an impairment test and be compared to the present value of the expected future cash flow per insurance type (cash generated unit). If the value of the recorded asset is below the discounted future cash flow, a write-down needs to be recorded through the income statement.

A misjudgment of the assumption related to expected duration of the insurance policies could significantly impact the valuation of the deferred acquisitions costs and the impairment test is sensitive to changes of assumptions, such as profitability in current insurance policies and applied method of cash generated unit. Due to the above, this area is assessed to be a key audit matter in our audit.

In note 1 in the annual report a description of applied accounting principles for deferred acquisition costs is presented.

OUR AUDIT PROCEDURES

Our audit performed included the following procedures, but where not limited to these;

- ▶ evaluation of the design and test of the efficiency of the controls that we assessed to be most relevant such as controls related to applied method of amortization and controls related to the impairment test,
- ▶ evaluation of management's application of assumption of the valuation of the balance sheet item, such as amortization period and cash generating units,
- ▶ review of the disclosure of deferred acquisition cost in order to assess if the disclosure is appropriate and complete.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS

This document also contains other information than the annual accounts and is found on pages 2-16. The Board of Directors and the Managing Director are responsible for this other information.

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

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 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 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 a 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 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.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS *OPINIONS*

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Movestic Livförsäkring AB for the financial year 2017-01-01 - 2017-12-31 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 the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's 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 whether the proposal is in accordance with the Companies Act.

Deloitte AB, was appointed auditor of Movestic Livförsäkring AB by the general meeting of the shareholders on the 2017-05-11 and has been the company's auditor since 2009-11-09.

Stockholm 22nd March 2018
Deloitte AB
[Signature on the Swedish original]

Henrik Nilsson
Authorized public accountant

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