Finansinspektionen's Regulatory Code

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Regulations
amending Finansinspektionen's regulations and general guidelines (FFFS 2015:12) regarding annual reports at insurance undertakings;

decided on 15 February 2016.

Finansinspektionen prescribes pursuant to sections 4, 5, 7 and 8 of the Annual Reports at Credit Institutions, Securities Companies and Insurance Undertakings Ordinance (1995:1600) and section 19b of the Foreign Branch Offices Ordinance (1992:308) in respect of Finansinspektionen's regulations and general guidelines (FFFS 2015:12) regarding the annual reports at insurance undertakings

in part that Chapter 5, section 10, the section "Off-balance sheet items" in Appendix 1 and section 60 of Appendix 3 shall be repealed,
in part that the heading immediately preceding Chapter 5, section 10 and the heading immediately preceding section 60 of Appendix 3 shall be removed,
in part that Chapter 2, section 1, Chapter 5, sections 13 and 14, Chapter 7, section 2 and the general guidelines for the first heading in Chapter 2 and the heading for Chapter 5 shall have the following wording,
in part that C. and AA. of Appendix 1 and Part III of Appendix 2 shall have the following wording,
in part that sections 1, 4, 6, 7, 35 and 36 and the general guidelines for sections 38, 40 and 45 in Appendix 3 shall have the following wording,
in part that sections 12, 13, 20, 21, 27 and 28 of Appendix 4 shall have the following wording, and
in part that two new sections, 35a in Appendix 3 and 10a in Appendix 4 shall be inserted with the following wording.

Chapter 2

Application of international accounting standards

General guidelines

1. All insurance undertakings should apply approved international accounting standards, unless legislation, other directives or these regulations and general guidelines require otherwise.

The following clarification is provided for the IAS 33 standard:

IAS 33 Earnings per share. This standard only needs to be applied by an insurance undertaking covered by the standard's area of application.

International accounting standards that are not approved may be applied to the extent they do not conflict with approved standards, laws, other directives or these regulations and general guidelines.

2. All insurance undertakings should apply Swedish Financial Reporting Board Recommendation RFR 2 Accounting for Legal Entities, unless otherwise specified by law, other directives or these regulations and general guidelines.

Statements from the Swedish Financial Reporting Board should be applied in the same manner as RFR 2, unless otherwise regulated by laws or other directives or these regulations and general guidelines.

3. In addition to that set out in point 2, international accounting standards are applied with the following limitations on the basis of the Annual Reports at Insurance Undertakings Act (1995:1560):

a) Undertakings are not reported as parent undertakings and subsidiaries if there are no participations, see Chapter 1, section 3 of the Annual Reports at Insurance Undertakings Act and Chapter 1, section 4 of the Annual Accounts Act (1995:1554). If an undertaking does not hold a participation, but still has a controlling influence over another undertaking, the first undertaking should provide additional information to give a fair presentation, see Chapter 2, section 2 of the Annual Reports at Insurance Undertakings Act and Chapter 2, section 3 of the Annual Accounts Act. In such a case the other undertaking should state which undertaking has a controlling influence without participation and how the influence can be exerted.

b) The reporting of an instrument or its parts as a liability or equity in accordance with the economic meaning of the conditions is not applied by the issuer to the extent the instrument refers to what shall be classified as equity in accordance with laws or other statutes, see Chapter 3, section 4 of the Annual Reports at Insurance Undertakings Act and Chapter 3, sections 10a and 10b of the Annual Accounts Act. The issuer should specify in a note information about the classification in accordance with the economic meaning.

c) Investments for which policyholders bear the risk in accordance with the Annual Reports at Insurance Undertakings Act shall always be measured at fair value, see Chapter 4, section 2 of the same act.

d) Deferred costs for insurance contracts, in accordance with the Annual Reports at Insurance Undertakings Act, under certain conditions shall be entered as an asset, see Chapter 4, section 8 of the same act.

e) Impairments made before the entry into force of the Annual Reports at Insurance Undertakings Act may not be reversed. See point 5 in the transition provisions for the implementation of the Annual Accounts Act. Information stating that an impairment has not been reversed for this reason and an estimation of the effect on the undertaking's position and earnings should be provided in a note.

f) IFRS 8 Operating Segments does not need to be applied in the annual report regardless of whether the undertaking prepares consolidated accounts or not. For insurance undertakings whose business covers several lines of insurance, there are instead rules regarding the earnings analysis in Chapter 2, section 1 and Chapter 6, section 3 of the Annual Reports at Insurance Undertakings Act and Chapter 6, section 3 of these regulations and general guidelines.

g) Information about significant risks and uncertainty factors arising from the undertaking shall be disclosed in the directors' report in accordance with Chapter 6, section 1 of the Annual Reports at Insurance Undertakings Act. This information shall also include information that should be disclosed in accordance with IFRS 4 regarding the nature and scope of risks arising from insurance contracts. In accordance with IFRS 4 this information shall be disclosed in a note. The information may be disclosed in the directors' report if a note contains a reference to the location of the information.

h) Information about equity in accordance with Chapter 3, section 4 of the Annual Reports at Insurance Undertakings Act do not need to be provided in a note insofar that the information is included in a statement of changes in equity or in a statement that specifies other comprehensive income, if a disclosure in a note is provided that refers to the statement.

4. In addition to that which follows from points 2 and 3, international accounting standards, Swedish Financial Reporting Board Recommendation RFR 2 Accounting for Legal Entities and statements from the Swedish Financial Reporting Board (UFR) with the following adjustments shall be applied.

a) Spot purchases and sales should be reported on the date of transaction even if this is not required by law. In terms of transactions on the Swedish market, spot purchases and spot sales entail contracts with delivery within two business days on the money and bond market, equity market, commodities market and foreign exchange market.

b) An insurance undertaking may remeasure Investment Assets (C) which are not financial instruments at fair value pursuant to special provisions in the Annual Reports at Insurance Undertakings Act. Land and buildings (C.1) can therefore be measured at fair value if all assets in the item are measured in the same manner, see Chapter 4, section 5 of the same act. Owner-occupied property may, as an exception from international accounting standards, be recognised and measured in the same way as investment property. If the exception is utilised, information about an alternative measurement based on the cost in accordance with Chapter 4, section 7 of the same act is provided broken down into owner-occupied property and investment property.

c) That set out with regard to retained earnings in international accounting standards or the Swedish Financial Reporting Board's recommendations should instead refer to the Consolidation reserve in life insurance undertakings that may not distribute profits, see Chapter 3, section 4 of the Annual Reports at Insurance Undertakings Act.

d) Held-for-trade securities in accordance with IAS 39 Financial Instruments: Recognition and Measurement should be recognised as Held for trading purposes in accordance with the Annual Accounts Act.

e) An insurance undertaking should not apply point 3 regarding IAS 39 in RFR 2 Accounting for Legal Entities.

f) Insurance undertakings may apply the easement regulations in IFRS 1 First Time Adoption of International Financial Reporting Standards insofar that this is in line with point 1 regarding IFRS 1 in RFR 2 Accounting for Legal Entities.

g) Insurance undertakings applying the exemption from IAS 19 Employee Benefits in RFR 2 Accounting for Legal Entities and reporting defined-benefit pension schemes in accordance with the principles stated therein may also report the portion of the pension cost for the year that consists of interest as an operating expense in accordance with Chapter 3, section 5.

Regardless of that set out in approved international accounting standards or RFR 2, neither IAS 19 nor point 1 regarding IAS 19 in RFR 2 need to be applied to insurance undertakings' insurance contracts with regard to remuneration after terminated employment for own employees, cf. IFRS 4, point 4b, IFRS 7, point 3b, IAS 32, point 4b and IAS 39, point 2c. If the exemption is utilised the contracts are instead reported in accordance with the rules for insurance contracts or, where applicable, investment or service contracts.

h) An insurance undertaking should not apply point 1 regarding IAS 32 in RFR 2 Accounting for Legal Entities with regard to classification of a financial instrument as a liability or equity. Point 3b should be applied instead.

5. The following applies to an unlisted insurance undertaking whose balance sheet total for the two most recent financial years does not exceed 1,000 basic amounts in accordance with Chapter 2, section 7 of the Social Insurance Code (2010:110):

a) The undertaking does not need to prepare a cash flow statement, cf. IAS 1 Presentation of Financial Statements.

b) The undertaking only needs to provide disclosures in accordance with the following approved international accounting standards:

– IFRS 4 Insurance Contracts.
– IFRS 7 Financial Instruments: *Disclosures*.
– IFRS 13 Fair Value Measurement.
– IAS 1 Presentation of Financial Statements, to the extent it relates to information about capital.
– IAS 40 Investment Property, with the addition made in point 3 in relation to IAS 40 in RFR 2 Accounting for Legal Entities.

The rules set out in the first paragraph should not be applied if the insurance undertaking

– prepares or is included in consolidated financial statements,
– has an international connection, or
– is a life insurance undertaking conducting business related to occupational pension insurance.

The undertaking should specify in its statement on applied accounting principles whether it has applied these rules.

In the second paragraph, *an international connection* means that the undertaking

– conducts cross-border operations or has an international branch,

– is included in the same group as at least one foreign financial undertaking (an insurance undertaking, a credit institution or a securities company), or

– has operations related to non-life insurance or reinsurance of non-life insurance and that are conducted from a fixed establishment by general agents or general representation in accordance with section 14b of the Foreign Branches Office Act (1992:160).

Irrespective of the first paragraph, branches of a foreign undertaking do not need to make any disclosures in accordance with approved international accounting standards or RFR 2 Accounting for Legal Entities.

The exception in the fifth paragraph may also be applied to business relating to non-life insurance or reinsurance of non-life insurance and that is conducted from a fixed place of business by general agents or general representation in accordance with section 14b of the Foreign Branches Office Act.

Section 1 A *repurchase transaction* is a contract whereby the parties have agreed on a sale of assets (for example bills of exchange, receivables or transferable securities) as well as a subsequent repurchase of equivalent assets at a set price. The *transferor* is the party who sells in the spot leg of a repurchase transaction. The *recipient* is the party who buys in the spot leg of a repurchase transaction.

If the recipient undertakes to sell back the assets on a date that has been determined or is to be determined by the transferor, the transaction is a *genuine repurchase transaction*. In that case, the assets shall continue to be recognised in the transferor's balance sheet and the purchase consideration received shall be recognised as a liability. The recipient shall not enter the assets in its balance sheet, but recognise the purchase consideration paid as a receivable from the transferor.

If the recipient has the right, but not the obligation, to return the assets at a predetermined price, the transaction is a sale with the option to sell back the assets (*non-genuine repurchase transaction*). In such a case, it is not the transferor, but the recipient who shall recognise the assets in its balance sheet.

A non-genuine repurchase transaction shall nevertheless be recognised as a genuine repurchase transaction if it is clear that the option to return the assets will be exercised.

The following transactions shall not be considered repurchase transactions:

1. Forward currency transactions.
2. Options instruments.
3. Transactions that encompass the issuance of a debt instrument with an undertaking to repurchase all or parts of the issue before maturity.
4. Other similar transactions.

In a genuine repurchase transaction, the transferor shall provide disclosures regarding the transferred assets in a note. In a non-genuine repurchase transaction, the transferor shall provide disclosures regarding the redemption price agreed for any repurchase. The disclosures shall be made in conjunction with other disclosures required under Chapter 5, section 2, point 3 of the Annual Reports at Insurance Undertakings Act (1995:1560) regarding repurchase transactions.

General guidelines

A distinction is made in the fifth paragraph to distinguish repurchase transactions from certain other types of financial contracts. If, however, the assets specified are themselves covered by repurchase contracts, the rules also apply for such a repurchase contract.

Chapter 5 Notes, etc.

Section 13 Provisions concerning disclosures about remuneration and benefits for management can be found in Chapter 5, section 1 of the Annual Reports at Insurance Undertakings Act (1995:1560), see Chapter 5, sections 40–44 of the Annual Accounts Act (1995:1554).

General guidelines

Disclosures about remuneration and benefits for key management personnel should also be made in accordance with IAS 24 Related Party Disclosures, which applies in accordance with the general guidelines for the first heading under Chapter 2.

Disclosures about significant conditions in agreements with key management personnel regarding future pensions and similar benefits after terminated employment should also include the following information:

– if pensions are defined-contribution or defined-benefit,
– the cost for the financial year in relation to pensionable remuneration for defined-contribution pensions,
– the cost for the financial year in relation to pensionable remuneration for defined-benefit pensions, and
– for defined-benefit pensions, the pension level expressed in relation to pensionable remuneration or, where applicable, in SEK and if the pension is conditional upon future employment.

Disclosures about other remuneration in accordance with Chapter 5, section 40 of the Annual Accounts Act also include work other than as a Board member or another member of executive management. This remuneration also refers to fees for assignments forming part of the Board Member’s normal professional activities, such as those of a lawyer or consultant. It is irrelevant whether the remuneration for the work is paid directly to the person, to a company or a third party.

The term *key management personnel* should be defined in accordance with approved international accounting standards, cf. IAS 24. These persons should also be considered to be part of management when applying Chapter 5, section 40, third paragraph, section 41, second paragraph and section 44 of the Annual Accounts Act.

Section 14 The provisions regarding disclosures about transactions with related parties are set out in Chapter 5, section 1 of the Annual Accounts at Insurance Undertakings Act (1995:1560) and Chapter 5, section 23, first paragraph and Chapter 5, section 24 of the Annual Accounts Act (1995:1554). Life insurance undertakings that may not distribute profits and which have related parties shall provide the following additional disclosures:

For major agreements with related parties and, where applicable, other undertakings in a group of undertakings that is similar to a group (a related party agreement), information shall always be disclosed about the agreement's

1. nature and economic implications,

2. value in relation to the balance sheet and profit and loss account,

3. counterparty or, where applicable, counterparties,
4. significant conditions, in particular those that are abnormal in respect of similar agreements on the market,

5. remuneration, the method of determining remuneration, the application of the method and details about

a) how the comparison was made when remuneration was determined via a reference to comparable goods or services on the market, or

b) the reason for the chosen method, when the remuneration has not been determined with regard to remuneration for comparable goods or services on the market.

When disclosing information about related party agreements, similar agreements may be reported together.

Information shall also be disclosed about the instructions and procedures that apply for entering into and following up on related party agreements.

General guidelines

The group "undertakings similar to a group" coincides with group-like structures that an undertaking must take into account in accordance with Chapter 11, section 7 and Chapter 12, section 25 of the Insurance Business Act (2010:2043).

Information about related party agreements should be presented using a general arrangement in which agreements are grouped in accordance with their significance. Contractual conditions should also be presented schematically in a group or where applicable an equivalent group overview.

Chapter 7

Section 2 International accounting standards that have been adopted by the European Commission in accordance with Article 3 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the Application of International Accounting Standards (the IAS Regulation), shall be applied when preparing consolidated accounts, irrespective of whether the insurance undertaking is listed or unlisted, cf. Chapter 7, section 6 of the Annual Reports at Insurance Undertakings Act (1995:1560).

An insurance undertaking shall apply to its consolidated accounts the rules in

a) Chapter 5, sections 2 and 3 on investment assets for conditional bonuses,

b) Chapter 5, sections 5 and 6 on equity and conditional bonuses,

c) Chapter 5, section 13 on remuneration and benefits for management,

d) Chapter 6, section 1 on the directors' report, in which the first paragraph shall be applied insofar that it refers to the following regulations and general guidelines in Appendix 5:

– section 1 on disclosures about the business,

– section 2 on the consequences of new accounting standards to the application of business regulations, and
– the general guidelines under section 3 regarding disclosures about consequences of new regulations or principles regarding the discount rate and disclosures about surplus values in unit-linked insurance business, and

e) Chapter 6, section 2 on specific disclosures in the directors' report.

General guidelines

Recommendation RFR 1 of the Swedish Financial Reporting Board, Supplementary Accounting Rules for Groups, and a specification of unrestricted and restricted equity in accordance with Chapter 3, section 4 of the Annual Reports at Insurance Undertakings Act, should be applied by all insurance undertakings that prepare consolidated accounts in accordance with the IAS Regulation. The Board's recommendation RFR 1 should be applied with the deviations and additions regulated by the section and provisions in the Annual Reports at Insurance Undertakings Act, see Chapter 7, section 5 of the same act.

The statements from the Swedish Financial Reporting Board, which are set out in the general guidelines for the first heading under Chapter 2, point 2 should be applied in the same way as RFR 1.

The following clarifications are provided for the standards below:

a) IFRS 8 Operating Segments. The standard only needs to be applied to the consolidated financial statements of an insurance undertaking that is covered by the scope of application of the standard.

b) IAS 33 Earnings per Share. The standard only needs to be applied to the consolidated financial statements of an insurance undertaking that is covered by the scope of application of the standard.

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These regulations shall enter into force on 31 March 2016 and are applied for the first time to financial years that started after 31 December 2015 and in interim reports prepared for part of such a financial year.

ERIK THEDÉEN

Greta Wennerberg

Appendix 1

C. Investment assets
- I. Buildings and land
- II. Investments in group undertakings, associated undertakings, joint ventures and other undertakings in which there is a participating interest
  1. Shares and participations in group companies
  2. Interest-bearing securities issued by, and lending to, group undertakings
  3. Shares and participations in associated companies and joint ventures.
  4. Interest-bearing securities issued by, and lending to, associated companies and joint ventures
  5. Shares and participations in other undertakings in which there is a participating interest
  6. Interest-bearing securities issued by, and lending to, other undertakings in which there is a participating interest
- III. Other financial investment assets
  1. Shares and participations
  2. Bonds and other interest-bearing securities
  3. Shares in investment pools
  4. Mortgage loans
  5. Other loans
  6. Lending to credit institutions
  7. Other financial investment assets
- IV. Custodial accounts with undertakings that have ceded reinsurance

AA. Equity
- I. Share capital or Guarantee capital
- I.a. Operating capital
- I.b. Non-member contributions
- II. Share premium reserve
- III. Revaluation reserve
- IV. Consolidation reserve
- V. Other reserves
  1. Statutory reserve
  2. Equity method reserve
  3. Fair value reserve
  4. Development expenditure reserve
  5. Other reserves
- V.a. Equity loans and convertible participation certificates
- VI. Profit/loss brought forward
- VII. Profit/loss for the year

Appendix 2

III. NON-TECHNICAL ACCOUNTING

1. Underwriting profit of Non-life insurance business (item I.10)
2. Underwriting profit of Life-assurance business (item II.13)
3a. Returns on capital, revenue
3b. Unrealised gains on investment assets
4. Return on capital transferred from life assurance business (item II.12)
5a. Return on capital, expenses
5b. Unrealised losses on investment assets
6. Return on capital transferred to non-life insurance business (item I.2)
7. Other revenue
8. Other expenses

Profit/loss before appropriations and taxes

9. Appropriations

Profit/loss before tax

10. Tax on profit for the year
11. Other taxes
12. Profit/loss for the year

Appendix 3

Section 1 The items in sections 2-59 refer to the layout for the balance sheet in accordance with Appendix 1 of the Annual Reports at Insurance Undertakings Act (1995:1560), with the additions set out in Chapter 3, section 1.

Section 4 Item B.II – Other intangible assets. The item includes
1. capitalised expenditure for development and similar activities,
2. concessions, patents, licences, brands and similar rights and assets,
3. tenancy rights and similar rights, and
4. advance payments for intangible assets.

General guidelines

The description of what may be accounted for as an intangible fixed asset and what is considered goodwill is set out in Chapter 4, section 1 of the Annual Reports at Insurance Undertakings Act (1995:1560), cf. Chapter 4, section 2 of the Annual Accounts Act(1995:1554). There are supplementary rules in approved international accounting standards, cf. IAS 38 Intangible Assets and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for Legal Entities.

A contractual right to manage financial assets on behalf of another is an example of such a similar right as referred to in point 2. These can also be reported when undertakings break down insurance contracts into an insurance part and a deposit share, cf. IFRS 4 Insurance Contracts.

Intangible assets arising when an insurance contract is acquired through the acquisition of an undertaking or in a portfolio transfer may also be reported here, cf. IFRS 4 Insurance Contracts.

Section 6 Items C.II.1, C.II.3 and C.II.5 – Shares and participations in group companies , Shares and participations in associated companies and joint ventures and**Shares and participations in other undertakings in which there is a participating interest.** Holdings of shares and participations as well as subscription rights and fractional rights to shares in group undertakings, associated companies and joint ventures and other undertakings in which there is a participating interest are reported here, cf. Chapter 1, sections 4–5a of the Annual Accounts Act (1995:1554).

General guidelines

Derivative instruments for shares and participations in group undertakings should also be reported in item C.II.1.

Derivative instruments for shares in associated companies and joint ventures should also be reported under item C.II.3.

Derivative instruments for shares and participations in other undertakings in which there is a participating interest are reported under item C.II.5. Undertakings in which there is a participating interest are defined in Chapter 4, section 4a of the Annual Accounts Act.

Section 7 Items C.II.2, C.II.4 and C.II.6 – Interest-bearing securities issued by, and lending to, group companies, **Interest-bearing securities issued by, and lending to, associated companies and joint ventures** and **Interest-bearing securities issued by, and lending to, other undertakings in which there is a participating interest**. These items include bonds and other interest-bearing securities (including zero-coupon and discount instruments) issued by group undertakings and associated companies and joint ventures and other undertaking in which there is a participating interest and lending to such undertakings.

Section 35[1] Item AA.V.3 – Fair value reserve. Under this item are reported changes in value of certain financial instruments in accordance with Chapter 4, section 1 of the Annual Reports at Insurance Undertakings Act (1995:1560), cf. Chapter 4, section 14d of the Annual Accounts Act (1995:1554).

Section 35a Item AA.V.4 – Development expenditure reserve. The item includes amounts provisioned to a development expenditure reserve in accordance with the provisions of Chapter 4, sections 1 and 2 of the Annual Accounts at Insurance Undertakings Act (1995:1560), cf. Chapter 4, sections 2, 7 and 8 of the Annual Accounts Act (1995:1554).

Section 36 Item AA.V.5 – Other reserves. Here, insurance undertakings that may distribute profits report reserves not covered by sections 30–35a.

Section 38 Item AA.VI – Profit or loss brought forward. Insurance undertakings permitted to distribute profit report here profit or loss brought forward from previous financial years.

General guidelines

If an insurance company, which may distribute profit, acquires own shares, unrestricted equity shall be reduced by the expense for the acquisition. When transferring own shares, unrestricted equity shall be increased by the income of the acquisition, see Chapter 4, section 1 of the Annual Reports at Insurance Undertakings Act (1995:1560) and Chapter 4, section 14, second paragraph of the Annual Accounts Act (1995:1554).

Section 40 Item BB – Untaxed reserves.

General guidelines

The item encompasses accumulated accelerated depreciation, compensation funds, tax allocation reserves, transitional reserves, contingency reserves and other untaxed reserves.

Each untaxed reserve should be reported separately in the balance sheet or in a note.

In the consolidated balance sheet, untaxed reserves are divided into a deferred tax liability, reported under Provisions for taxation (Item FF.2) and a restricted equity part. The restricted equity part should be reported under Other reserves Item AA.V.5 in insurance undertakings which may distribute profit and under Consolidation reserve (item AA.IV) in insurance undertakings that may not distribute profit.

[1] The amendment entails that the general guidelines have been removed.

Section 45 Item DD.4 – Bonuses and rebates. Provisions for undue bonuses and rebates for policyholders or other beneficiaries in the non-life insurance business are reported under this item.

General guidelines

An insurance contract can contain both a discretionary component and a guaranteed component, cf. IFRS 4. When the discretionary component is reported separately from the guaranteed component, it should be entered here as a separate sub-item, if it cannot be reported in the item Solvency reserve (item AA.IV.) or Other reserves (item AA.V.5).

Appendix 4

Section 10a Item I.8 – Other technical costs. Mandatory financing contributions to Swedish Motor Insurers, as one example, are reported here.

Section 12 Items II.2 and III.3a – Return on capital, income. The item refers to return on investment assets and encompasses

a) Lease income from land and buildings,
b) dividends on shares and participations,
c) interest income, etc.,
d) exchange gains, net,
e) reversed impairments, and
f) capital gains, net.

Lease income from land and buildings means income from property entered in the item C.I Land and buildings.

Interest allowance shall not be included in the lease income but is regarded as an interest subsidy.

Dividends on shares and participations means dividends on shares and participations reported in items C.II.1, C.II.3 and C.II.5 (group undertakings, associated companies and joint ventures and other firms in which there is a participating interest) and C.III.1.

Interest income, etc. means interest income on interest-bearing investment assets earned during the financial year, including interest income for amounts entered in Cash at bank and in hand (G.II).

The recipient in a genuine repurchase transaction shall enter the accrued difference between the purchase consideration in the spot leg and the forward leg.

Exchange gains, net means realised and unrealised value changes explained by exchange rate fluctuations.

General guidelines

Value changes of assets and liabilities in a foreign currency are broken down into a component that can be ascribed to the value change, and another component that can be ascribed to the value change explained by exchange rate changes.

The item also includes exchange rate changes explained by the opening balance of balance sheet items having been translated at the closing day rate.

Reversed impairments include amounts reversed after previous impairments, if the impairment was previously expensed in any of the items I.9 and III.5a Return on capital, expenses.

Capital gains, net refers to gains from the divestment of investment assets.

When measuring at cost, the capital gain should be the positive difference between the selling price and book value.

For interest-bearing securities, the cost should be the amortised cost and for other assets the historical cost.

When measuring at fair value, the capital gain should include previously reported but unrealised value changes. These value changes may have been reported in the income statement or in fair value reserves (see section 35 of Appendix 3). The unrealised value changes that previously were reported in the income statement are entered as an adjustment item in the items Unrealised gains on investment assets (II.3 and III.3b) or Unrealised losses on investment assets (II.10 and III.5b). Unrealised value changes reported in the fair value fund are reversed.

Capital gains on assets other than investment assets are reported in the item III.7 Other revenue.

Exchange gains arising due to guarantee capital, operating capital and non-member contributions being in a currency other than the presentation currency are not reported here. Mutual life insurance companies and insurance associations that may not distribute profit report the exchange gain under the item AA.V.5 Other reserves. Mutual life and non-life insurance companies and insurance associations that may distribute profit report the exchange gain in the item AA.VI Profit or loss brought forward. Cf. Chapter 5, section 4, point 7 of the Annual Reports at Insurance Undertakings Act (1995:1560).

Section 13 Item III.3b — Unrealised gains on investment assets. When measuring investment assets at fair value, since the value change shall be reported in the income statement, insurance undertakings conducting non-life insurance business shall report under this item positive value changes during the year. In divestments of such investment assets, reversals of previously reported but unrealised value changes are reported here, cf. section 12.

Unrealised gains are reported net by asset class. Changes explained by exchange rate changes are reported as exchange gains or exchange losses in the item Return on capital.

Section 20 Item II.9/III.5a — Return on capital, expenses. The item refers to costs for investment assets and encompasses

– Operating expenses for buildings and land,
– asset management expenses,
– interest expense, etc.
– exchange losses, net
– depreciation/amortisation and impairment, and
– capital losses, net.

Operating expenses for land and buildings means expenses for property entered under Land and buildings (C.1) with respect to property management, including maintenance, adaptation for tenants, site leasehold fee and property tax. However, interest expenses and other financial expenses, depreciation/amortisation or central administration are not included.

Asset management expenses means operating expenses that can be ascribed to the asset management.

Interest expenses, etc. means e.g. interest expenses for real estate loans, less any interest allowance.

The transferor in a genuine repurchase transaction shall enter the accrued difference between the purchase consideration in the spot leg and the forward leg.

Exchange losses, net means realised and unrealised value changes explained by exchange rate fluctuations.

General guidelines

Value changes of assets and liabilities in a foreign currency are broken down into a component that can be ascribed to the value change, and another component that can be ascribed to the value change explained by exchange rate changes.

The item also includes exchange rate changes explained by the opening balance of balance sheet items having been translated at the closing rate.

Depreciation/amortisation and impairment means value adjustments according to Chapter 4, section 1 of the Annual Reports at Insurance Undertakings Act (1995:1560).

Capital losses, net refers to losses from the divestment of investment assets.

When measuring at cost, the capital loss should be the negative difference between the selling price and carrying amount.

For interest-bearing securities, the cost should be the amortised cost and for other assets the historical cost.

When measuring at fair value, the capital gain should include previously reported but unrealised value changes. These value changes may have been reported in the income statement or in fair value reserves (see section 35 of Appendix 3). The unrealised value changes that previously were reported in the income statement are entered as an adjustment item in the items Unrealised gains on investment assets or Unrealised losses on investment assets. Unrealised value changes reported in the fair value reserve are reversed.

Investment assets measured at fair value where the value changes are reported in the fair value reserve may have been impaired. These write-downs should not be reversed when calculating the capital loss.

Capital losses on assets other than investment assets are reported in the item III.8 Other expenses.

Exchange losses arising due to guarantee capital, operating capital and non-member contributions being in a currency other than the presentation currency are not reported here. Mutual life insurance companies and insurance associations that may not distribute profit report the exchange loss in the item AA.V.5 Other reserves. Mutual life and non-life insurance companies and insurance associations that may distribute profit report the exchange loss under the item AA.VI Accumulated Profit/Loss. Cf. Chapter 5, section 4, point 7 of the Annual Reports at Insurance Undertakings Act.

Section 21 Item III.3b — Unrealised gains on investment assets. When measuring investment assets at fair value, since the value change should be reported in the income statement, insurance undertakings conducting non-life insurance business shall report under this item negative value changes during the year. In divestments of such investment assets, reversals of previously reported but unrealised value changes are reported here, cf. section 20.

Unrealised losses are reported net by asset class. Changes explained by exchange rate changes are reported as exchange gains or exchange losses in the item Return on capital.

Section 27 Item III.9 – Appropriations. Provisions to and reversal of contingency reserves are reported here. When a group applies the alternative rule in Chapter 1, section 6 of Finansinspektionen's regulations and general guidelines (FFFS 2013:8) governing non-life insurance undertakings' calculation of contingency reserves, each undertaking shall report its share of the reversed contingency reserve.

Section 28 Item III.10 – Tax on profit/loss for the year. Tax on profit/loss for the year, and deferred tax, are reported here.

Tax on profit/loss for the year at insurance undertakings that conduct non-life insurance business means income tax. Tax on profit/loss for the year at insurance undertakings that conduct life insurance business means income tax and tax on returns insofar that they do not report tax on return as an operating expense.

General guidelines

Life insurance undertakings should, in this item, report such tax on returns calculated on the capital base at the beginning of the financial year pursuant to the Yield Tax on Pension Funds Act (1990:661).

Tax on returns on pension provisions for employees entered in item FF.1 and special employer's contribution in accordance with the Wage Tax on Earned Income Act (1990:659) should, in the technical account, be reported broken down in the same way as payroll expenses are broken down into insurance settlements , operating expenses and asset management expenses.