

# Länsförsäkringar Alliance

*Interim Review January–March 2015*

## FIRST QUARTER OF 2015 COMPARED WITH FIRST QUARTER OF 2014

- Operating profit for Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 3,635 M (1,410).
- The technical result in Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 398 M (524). The combined ratio amounted to 95 (94).
- Investment income in Länsförsäkringar Alliance amounted to SEK 3,772 M (1,180).
- Operating profit for the Bank Group amounted to SEK 279 M (197). Net interest income strengthened to SEK 685 M (584).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 132 M (77). Premium income amounted to SEK 2,454 M (2,328). Commission income amounted to SEK 343 M (278).
- Profit for Länsförsäkringar Liv amounted to SEK 1,798 M (211). The solvency ratio was 124% (117).

## FIRST QUARTER OF 2015 COMPARED WITH FOURTH QUARTER OF 2014

- Operating profit for Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 3,635 M (1,707).
- The technical result in Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 398 M (755). The combined ratio amounted to 95 (89).
- Investment income in Länsförsäkringar Alliance amounted to SEK 3,772 M (2,186). Solvency capital strengthened SEK 3,841 M to SEK 50,334 M.
- Operating profit for the Bank Group amounted to SEK 279 M (256). Net interest income amounted to SEK 685 M (699).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 132 M (112). Premium income amounted to SEK 2,454 M (1,980). Commission income amounted to SEK 343 M (296).
- Profit for Länsförsäkringar Liv amounted to SEK 1,798 M (626). The solvency ratio was 124% (122).

**STEN DUNÉR**, PRESIDENT OF LÄNSFÖRSÄKRINGAR AB, THE ALLIANCE'S JOINTLY OWNED COMPANY.



2015 began as 2014 ended – the US economy is driving global growth, while recovery in Europe is sluggish. The highly expansive monetary policies of central banks have resulted in interest rates hitting record-breaking low levels. Low inflation in Sweden also led to the Riksbank taking robust measures to reduce the repo rate to minus 0.25%. Low interest rates also increase general risk-taking in the hunt for returns, which contributes to increasing the values of classes of assets other than interest-bearing assets.

The Länsförsäkringar Alliance begins 2015 with a strong quarter in terms of both earnings and growth. Profit for the total non-life insurance business increased sharply due to higher investment income and a combined ratio which remains at a stable level. Business volumes rose in the banking operations and growth

remained stable. The bank's net interest income increased despite low interest rates and operating profit and profitability strengthened. Mortgage lending remained strong, together with a sharp increase in the value of fund savings. Deposits and net savings in funds weakened slightly compared with first quarter of 2014. Insurance capital in unit-linked life assurance continued to grow. A strong stock-market performance had a positive effect on first-quarter earnings.

The Alliance's total solvency capital strengthened during the quarter by slightly more than SEK 3.8 billion. During the quarter, a new share issue of SEK 600 M from the owners to Länsförsäkringar AB was implemented aimed at further strengthening the jointly owned Länsförsäkringar AB's capital situation.

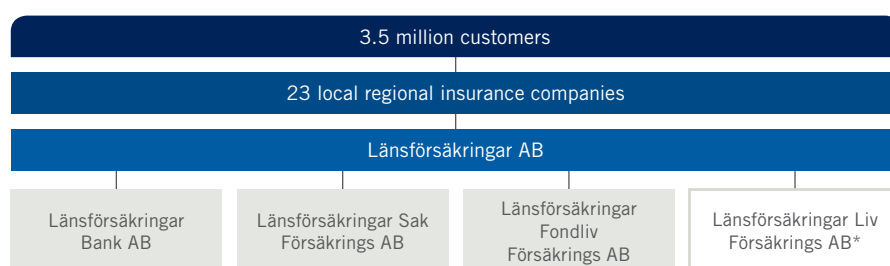
## LÄNSFÖRSÄKRINGAR ALLIANCE

The Länsförsäkringar Alliance consists of 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. Customers are provided with a complete offering of banking, insurance and real-estate brokerage services through each regional insurance company. The starting point is the local presence and decision-making. Experience shows that local decision-making authority combined with joint strength creates substantial added value for customers. Long-term respect for customers' money is fundamental. There are no external shareholders; it is the customers' money that is being managed. This approach characterises the entire business. The Länsförsäkringar Alliance has almost 3.5 million customers and about 5,900 employees.

The Länsförsäkringar Alliance is not a Group in the legal sense of the term. Most of the non-life insurance business within the Länsförsäkringar Alliance is underwritten in the 23 customer-owned regional insurance companies. The business conducted by Länsförsäkringar AB's non-life insurance group comprises health insurances, animal insurance as well as cargo insurance and some liability, property and motor hull insurance. The Länsförsäkringar AB Group also manages the Länsförsäkringar Alliance's joint reinsurance

cover and assumed international reinsurance.

The earnings from the Länsförsäkringar Alliance's non-life insurance operations consist of the total earnings of the 23 regional insurance companies and the Länsförsäkringar AB Group, excluding Länsförsäkringar Fondliv and Länsförsäkringar Bank Group. Länsförsäkringar Liv Försäkrings AB is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB. Transactions between the regional insurance companies and the Läns-



\*The company is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB.

## CREDIT RATING

Länsförsäkringar AB's credit rating is A3/Stable from Moody's. Länsförsäkringar Bank's credit rating is A3/Stable from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest credit rating of Aaa from Moody's and AAA/stable from Standard & Poor's. Länsförsäkringar Sak's rating from Moody's is A2/stable.

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar AB	Standard & Poor's	A-/Stable	
Länsförsäkringar AB	Moody's	A3/Stable	
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A3/Stable	P-2
Länsförsäkringar Hypotek <sup>1)</sup>	Standard & Poor's	AAA/Stable	
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	
Länsförsäkringar Sak	Standard & Poor's	A/Stable	
Länsförsäkringar Sak	Moody's	A2/Stable	

<sup>1)</sup> Pertains to the company's covered bonds

## MARKET COMMENTARY

Incoming economical indicators showed that US GDP growth in the first quarter was weak. The probable cause was such temporary factors as adverse weather and a major port strike. The labour market strengthened and unemployment fell. Inflation displayed a relatively weak trend due to the sharp decline in oil prices and the stronger USD. The Federal Reserve signalled that interest-rate increases would be made at a slower pace than previously announced, although interest rates will probably start to be raised at some point during the year.

The ECB initiated a bond-buying stimulus scheme in March that is planned to continue until at least September 2016. The ECB will purchase bonds totalling

EUR 60 billion per month. The large volumes of bond buying weakened the EUR and also pressed interest rates down. Future indicators suggest a certain improvement in the eurozone and unemployment is continuing to fall, albeit from high levels. Political developments, primarily in Greece, generated unease in the market.

Economic statistics for Sweden were stronger than expected. Low inflation and falling inflation expectations led to the Riksbank taking robust measures to lower its repo rate to minus 0.25% and initiate a bond-buying stimulus programme for government bonds totalling SEK 40 billion. These measures affected the entire Swedish yield curve, with falling rates across the board.

Global stock markets generally increased during the first quarter. Returns in local

currency were positive for all regions. European and Swedish shares rose considerably more than other markets due to surprisingly expansive monetary policies. The Japanese stock market also reported a strong performance. Two of the weaker stock markets were the US and China.

Spreads for US loans narrowed in the credit market during the period and particularly for credits of a lower quality. For European credits, spreads for the less risk-exposed segment of Investment Grade widened slightly, due to falling government bond rates and also a larger range of new share issues in the corporate-bond market. The interest-rate difference in Swedish mortgage bonds compared with the government bond curve widened slightly during the period, mainly in the segments with longer terms.

# Financial overview

Report commented on the development January-March 2015 compared to the same period in 2014, unless otherwise stated.

## LÄNSFÖRSÄKRINGAR ALLIANCE

	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Total capital, SEK M	52,250	42,393	48,188	48,188
<b>Non-life insurance</b>				
Solvency capital, SEK M	50,341	41,524	46,493	46,493
Solvency margin, %	224	198	209	209
Return on equity, %	29	13	14	11
Premiums earned after ceded reinsurance, SEK M	5,470	5,162	5,621	21,550
Technical result, SEK M	375	524	755	2,266
Operating profit, SEK M	3,642	1,410	1,707	5,209
Combined ratio		94	89	93

## LÄNSFÖRSÄKRINGAR AB, GROUP<sup>1)</sup>

	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Operating profit, SEK M	487	293	192	1,469
Total assets, SEK M	374,540	339,492	355,933	355,933
Return on equity, %	9	6	4	7
Capital base for the financial conglomerate <sup>2)</sup>	19,276	15,614	17,802	17,802
Necessary capital requirement for the financial conglomerate <sup>2)</sup>	15,517	14,138	14,988	14,988

<sup>1)</sup> Excluding Länsförsäkringar Liv Försäkrings AB. The company is operated in accordance with mutual principles.

<sup>2)</sup> The financial conglomerate comprises Länsförsäkringar AB, all insurance companies in the Group, Länsförsäkringar Bank AB with subsidiaries and Länsförsäkringar Liv Försäkrings AB.

## LÄNSFÖRSÄKRINGAR SAK, GROUP

	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Premiums earned after ceded reinsurance, SEK M	1,227	1,180	726	4,099
Technical result, SEK M	124	86	176	611
Operating profit, SEK M	171	89	187	791

## LÄNSFÖRSÄKRINGAR BANK, GROUP

	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Deposits from the public, SEK M	75,857	69,825	79,790	76,790
Loans to the public, SEK M	183,441	163,393	179,424	179,424
Operating profit, SEK M	279	197	256	935
Return on equity, %	9	7	9	8
Tier 1 ratio Bank Group, %	17.4	14.1	16.2	16.2
Total capital ratio Bank Group, %	21.7	18.6	20.6	20.6

## LÄNSFÖRSÄKRINGAR FONDIV

	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Premium income, SEK M <sup>3)</sup>	8,669	9,059	8,543	8,543
Operating profit, SEK M	132	77	112	373
Managed assets, SEK M	104,919	80,545	93,610	93,610
Solvency ratio	1.5	1.7	1.6	1.6

## LÄNSFÖRSÄKRINGAR LIV, GROUP

	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Premium income, SEK M <sup>3)</sup>	2,312	3,119	2,639	2,639
Profit, SEK M	1,798	211	626	1,903
Collective consolidation, Old Trad, %	124	111	120	120
Collective consolidation, New Trad, %	124	117	120	120
Solvency ratio, %	124	117	122	122

<sup>3)</sup> In accordance with Insurance Sweden's definition, measured as rolling 12-month figures.

# Non-life insurance

- The technical result in the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 398 M (524).
- Solvency capital strengthened SEK 3,841 M during the period to SEK 50,334 M.
- The combined ratio was 95% (94).
- Investment income amounted to SEK 3,772 M (1,180).

## NON-LIFE INSURANCE, LÄNSFÖRSÄKRINGAR ALLIANCE

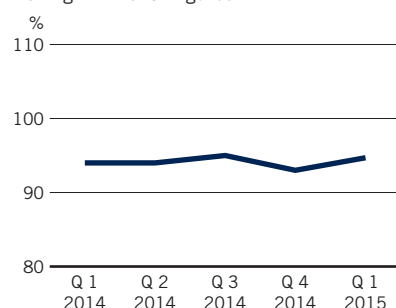
KEY FIGURES, SEK M	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Premiums earned after ceded reinsurance	5,470	5,162	5,621	21,550
Technical result	375	524	755	2,266
Operating profit	3,642	1,410	1,707	5,209
Investment income	3,772	1,180	2,186	5,041
Solvency capital	50,341	41,524	46,493	46,493
Solvency margin, %	224	198	209	209
Expense ratio	19	19	20	19
Claims ratio	82	75	69	74
Combined ratio	101	94	89	93

## Earnings

The Länsförsäkringar Alliance's operating profit for non-life insurance operations strengthened to SEK 3,635 M (1,410). The earnings improvement was due to strong investment income. The strong equities market and low interest rates during the first quarter of the year contributed to the improvement in investment income, which amounted to SEK 3,772 M (1,180). The technical result amounted to SEK 398 M (524). The lower technical result was attributable to the lower cost of capital, but also higher claims costs.

The combined ratio amounted to 95% (94). The claims ratio amounted to 76% (75) and the expense ratio was unchanged at 19% (19).

COMBINED RATIO  
Rolling 12-month figures



Solvency capital strengthened SEK 3,841 M since year-end 2014 and amounted to SEK 50,334 M. The solvency margin amounted to 224% (198).

## Business volumes

Premiums earned rose 6% to SEK 5,470 M (5,162), attributable to portfolio increases and premium increases. The largest volume increase was in the motor hull insurance class, which increased 5%. The level of premium volumes in the commercial segment was unchanged, while the agriculture segment increased its volumes by 4%, primarily through premium increases. In private insurance, premium volumes rose 5%, with mainly household, homeowner and accident insurance increasing. Agria's growth remained favourable due to both portfolio increases and premium increases.

## Claims trend

Claims payments after ceded reinsurance increased slightly to SEK 4,137 M (3,845). The claims ratio amounted to 76% (75). No major fires were reported during the first quarter of the year, and reported claims costs for fires were lower. Claims costs for accident insurance also fell. Claims costs

for motor third-party liability and vehicle damage claims in the motor hull business increased as a result of a larger portfolio. Costs for storms and natural catastrophes increased as a result of Storm Egon, which hit southern Sweden in January.

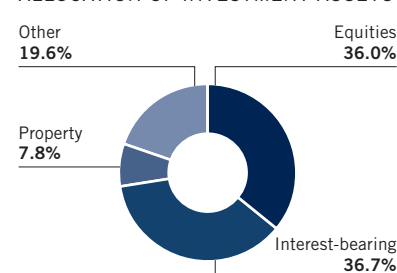
## Investment income

Low inflation and low inflation expectations led to the Riksbank taking robust measures in the first quarter, which resulted in a negative key interest rate and a programme for the repurchase of government bonds. The combination of these factors led to interest rates falling further and to a sharp rise in the stock market, which benefited returns on both equities and fixed-income products. Accordingly, investment income was strong for the period, amounting to SEK 3,772 M (1,180).

## CAPITAL AND INVESTMENTS

The regional insurance companies and the non-life insurance companies in Länsförsäkringar AB strive to retain a strong solvency margin to maintain uniform premium pricing over time. In line with the investment strategies, a percentage of assets is invested in low-risk interest-bearing securities to ensure the commitments of the non-life insurance operations. At the same time, the strong solvency margin provides a substantial buffer of capital, allowing a certain portion to be invested in assets with higher anticipated returns.

## ALLOCATION OF INVESTMENT ASSETS



Total investment assets amounted to SEK 79.5 billion on December 31, 2014.

# Bank

- Operating profit rose 42% to SEK 279 M (197) and the return on equity strengthened to 9.1% (7.5). Net interest income rose 17% to SEK 685 M (584).
- Loan losses amounted to SEK 0 M (16), net, corresponding to loan losses of 0.00% (0.03).
- Business volumes rose 16% to SEK 372 billion (321). Deposits increased 9% to SEK 76 billion (70) and lending increased 12% to SEK 183 billion (163).
- The number of customers increased 4% to 933,000, the number of bank cards rose 9% to 433,000 and the number of deposit accounts increased 7%.

## LÄNSFÖRSÄKRINGAR BANK, GROUP

KEY FIGURES, SEK M	Q 1 2015	Q 1 2014	Q4 2014	Full-year 2014
Deposits from the public	75,857	69,825	76,790	76,790
Loans to the public	183,441	163,393	179,424	179,424
Operating profit	279	197	256	935
Return on equity, %	9	7	9	8
Cost/income ratio before loan losses	0.56	0.62	0.60	0.62

### Earnings

Operating profit rose 42% to SEK 279 M (197), primarily due to higher net interest income. Return on equity strengthened to 9.1% (7.5). Net interest income increased 17% to SEK 685 M (584), mainly attributable to higher volumes and improved margins.

Net gains from financial items amounted to SEK 1 M (losses: 1). Net commission amounted to an expense of SEK 80 M (expense: 79). Operating expenses totalled SEK 355 M (345) and the increase was due

to the fund company's higher administration costs related to increased volumes. The volume of managed funds increased 28% to SEK 113 billion (88), primarily the result of the growth in value.

Loan losses amounted to SEK 0 M (16), net, corresponding to loan losses of 0.00% (0.03). Reserves totalled SEK 331 M (423), corresponding to a reserve ratio in relation to loans of 0.17% (0.25). The cost/income ratio before loan losses amounted to 0.56 (0.62), and the cost/income ratio after loan losses strengthened to 0.56 (0.65).

Business volumes increased SEK 51 billion to SEK 372 billion (321). Deposits from the public increased 9% to SEK 76 billion (70) and the market share strengthened to 4.7% (4.6) at 28 February 2015.

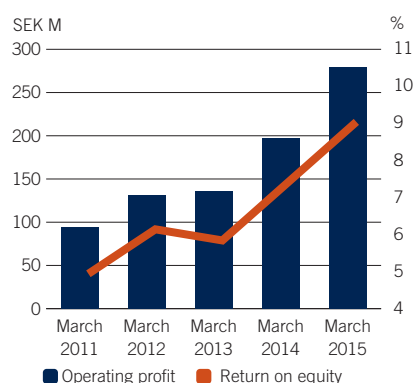
Fund volumes increased 28% to SEK 113 billion (88). Lending increased 12% to SEK 183 billion (163). Retail mortgages in Länsförsäkringar Hypotek increased 15% to SEK 131 billion (114) and the market share of household lending amounted to 5.2% (5.0) on 28 February 2015.

### Funding and liquidity

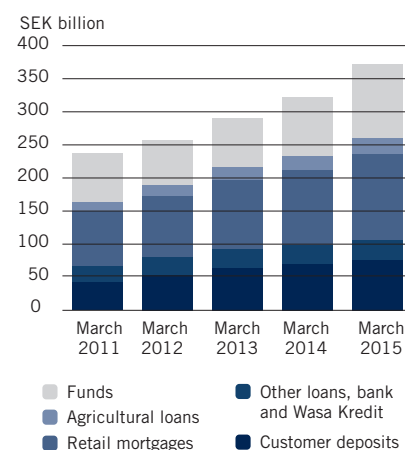
The Bank Group has a low refinancing risk and the maturity structure is highly diversified. Debt securities in issue declined to SEK 122 billion (130), of which covered bonds amounted to SEK 94 billion (105), senior long-term funding to SEK 25 billion (23) and short-term funding to SEK 3 billion (2). The average remaining term was 3.2 years (2.8). A transaction of a nominal EUR 1 billion in Länsförsäkringar Hypotek matured during the quarter. Covered bonds were issued at a volume corresponding to a nominal SEK 7 billion (10), repurchased covered bonds to a nominal SEK 2 billion (3) and matured covered bonds to a nominal SEK 6 billion (8) during the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 6 billion (3) during the period.

The liquidity reserve totalled SEK 36 billion (52), according to the Swedish Bankers' Association's definition. The lower amount of the liquidity reserve was due to a bond of a nominal EUR 1 billion in Länsförsäkringar Hypotek maturing during the quarter. However, the liquidity situation strengthened due to an improved maturity structure, which meant that the survival horizon was extended to exceed two years at the end of the quarter. The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. By

### BANK OPERATING PROFIT AND RETURN ON EQUITY



### BUSINESS VOLUMES



utilising the liquidity reserve, contractual undertakings for slightly more than two years can be met without needing to secure new funding in the capital market.

The Liquidity Coverage Ratio (LCR) amounted to 206% (428) according to the Swedish Financial Supervisory Authority's definition and to an average of 229% (251) in the first quarter of 2015. The LCR in EUR amounted to 34,696% (687,253).

### Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposures and to most of the counterparty exposures to corporates and the agricultural sector. The foundation IRB Approach is used for other counterparty exposures to corporates and the agricultural sector, and the Standardised Approach for other exposures. Länsförsäkringar Bank AB and Länsförsäkringar Hypotek AB received permission in April to change the model for calculating Loss Given Default (LGD) for loans secured on residential property for private individuals.

With the CRR (Capital Requirement Regulation) 575/2013 coming into effect, the consolidated situation also includes

the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group. Since Länsförsäkringar maintains the opinion that the actual risk and capital situation is best presented in the Bank Group's capital ratios, these are published in parallel. As previously stated in the company's reports, the bank has submitted, based on the new rules, an application to the Swedish Financial Supervisory Authority for an exemption from the provision under the Swedish Special Supervision of Credit Institutions and Investment Firms Act. The application was submitted in October 2014.

The capital base of the consolidated situation amounted to SEK 11,726 M (10,514), the capital adequacy ratio to 19.1% (17.5) and the Core Tier 1 ratio to 15.4% (13.9). Core Tier 1 capital and Tier 1 capital amounted to SEK 9,430 M (8,369). The increase in Core Tier 1 capital primarily comprise a new share issue of SEK 600 M during the first quarter and generated profit of SEK 270 M. From 1 January 2015, equity is no longer to be adjusted for unrealised gains related to available-for-sale assets, in accordance with the transition rules. This had a positive effect of SEK 110 M on Core Tier 1 capital.

The Risk Exposure Amount (REA) on 31 March 2015 amounted to SEK 61,381 M (60,250) in the consolidated situation. The increase in REA for the quarter was related to continued growth in lending, primarily to households in the form of mortgages, which rose SEK 1,191 M during the period. Under the Standardised Approach, REA fell a total of SEK 331 M during the period, primarily due to increases in the exposure classes of covered bonds and other assets.

The Bank Group's Core Tier 1 ratio amounted to 17.4% (16.2) and the capital adequacy ratio to 21.7% (20.6). Länsförsäkringar Bank received a shareholders' contribution of SEK 500 M from Länsförsäkringar AB during the quarter.

<sup>1</sup> The comparative period pertains to 30 September 2014.



# Life-assurance and pension insurance

Länsförsäkringar offers life-assurance and pension solutions to corporate customers and private individuals. Fund management, Guarantee Management and risk insurance are offered through the subsidiary Länsförsäkringar Fondliv. No new policies are underwritten in Länsförsäkringar Liv, but the company manages traditional life assurance that was taken out before it was closed in 2011.

## UNIT-LINKED INSURANCE

- Operating profit for Länsförsäkringar Fondliv strengthened to SEK 132 M (77).
- Unit-linked life assurance company manages SEK 105.0 billion for life-assurance and pension insurance customers. Managed assets rose 12%, which was due to favourable returns and a positive net inflow.
- Premium income amounted to SEK 2,454 M (2,328). The increase is explained by higher premium payments. Capital transferred contributed with SEK 342 M (413).

### LÄNSFÖRSÄKRINGAR FOND LIV

KEY FIGURES, SEK M	Q 1 2015	Q 1 2014	Q4 2014	Full-year 2014
Premium income, net (rolling 12 months)	8,669	9,059	8,543	8,543
Operating profit	132	77	112	373
Managed assets	104,919	80,545	93,610	93,610
Solvency ratio	1.5	1.7	1.6	1.6
Total assets	108,479	83,744	95,873	95,873

### Earnings

Profit for Länsförsäkringar Fondliv amounted to SEK 132 M (77).

Premium income in the income statement amounted to SEK 34 M (23) and pertains to the portion of premiums containing insurance risk. The improved premium income was the result of the risk business that is being built up.

Income from fees from the financial component of agreements increased 18% to SEK 166 M (140). Management remuneration rose 29% to SEK 177 M (137). The improvement in fees and management remuneration was largely due to an increase in volumes based on higher returns and a positive net inflow.

Operating expenses were in line with the preceding year, increasing 3% to SEK 234 M (228).

Total premium income for Länsförsäkringar Fondliv amounted to SEK 2,454 M

(2,328) for the period, up SEK 126 M. Capital transferred declined to SEK 342 M (413). Premium income, net rolling 12 months amounted to SEK 8,699 M (9,059) on 31 March. The lower premium income is explained by lower Capital transferred.

Insurance capital amounted to SEK 105 billion on 31 March 2015, up 12% in the first quarter of 2015. The increase was due to positive returns and a positive net flow.

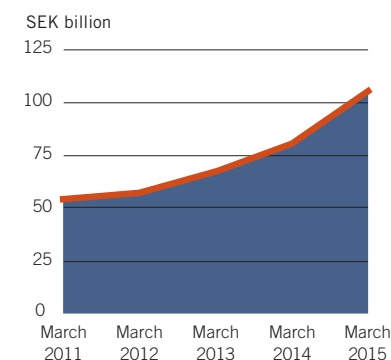
Total sales excluding collective-agreement occupational pensions amounted to SEK 2,644 M, up 5%.

### Fund management

Some 97% of the funds in the fund range performed positively during the quarter. In five of the funds, the value rose more than 20% and in 52 of the funds, the value increased more than 10%. Funds with the highest total returns were dominated by funds that invest in Russia, Japan and China.

The best performances were in the following funds: Alfred Berg Ryssland, East Capital Ryssland and Länsförsäkringar Japanfond. The funds investing in Latin America and in fixed-income instruments in emerging markets performed the weakest.

### MANAGED ASSETS



## TRADITIONAL LIFE ASSURANCE

- Profit for Länsförsäkringar Liv amounted to SEK 1.798 M (211).
- The solvency ratio improved and was 124% (117).
- In total, more than 56,000 customers have changed the conditions to New Trad.  
Managed assets in Nya Trad amounted to SEK 11,1 billion.

### LÄNSFÖRSÄKRINGAR LIV

KEY FIGURES, SEK M	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Investment assets, New Trad	11,121	3,645	8,591	8,591
Investment assets, Old Trad	96,966	98,226	97,572	97,572
Investment assets, New World	13,129	12,677	12,703	12,703
Solvency ratio, %	124	117	122	122
Collective consolidation, New Trad, %	124	117	120	120
Collective consolidation, Old Trad, %	124	111	120	120
Total return, New Trad, %	4.8	2.0	3	9.4
Total return, Old Trad, %	3.1	2.6	3.5	11.3
Total return, New World, %	5.5	0.7	3.5	8.7

### Earnings

Profit for Länsförsäkringar Liv amounted to SEK 1.8 billion (0.2). These earnings were negatively affected by SEK 0.7 billion in falling long-term market interest rates, which led to an increase in liabilities to policyholders that are discounted at market interest rates. Higher investment income and changed conditions to New Trad had a positive effect totalling SEK 1.6 billion on earnings. Changing insurance conditions to New Trad is making a positive contribution on earnings, since guaranteed commitments decline, thereby positively affecting liabilities and earnings.

The solvency ratio improved by 2 percentage points to 124% since year-end. A new model for calculating the solvency ratio was introduced in 2014. The change entails that the liability item, conditional bonus, is not fully included since the conditional bonus largely covers losses in the event of a negative trend in the assets. The new model meant that the solvency ratio increased 5 percentage points as per year-end 2014. Operating expenses were in line with the year-earlier period. Claims paid

amounted to SEK 1.7 billion (1.7). Investment assets according to the balance sheet increased SEK 123.1 billion (116.4).

### Traditional management

Länsförsäkringar Liv conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. In 2015, the investment mix was relatively unchanged in all portfolios.

### New Trad

In New Trad, customers are offered the option of changing the conditions of their existing traditional insurance policies. Managed assets amounted to SEK 11.1 billion. The total return was 4.8% (2.0). Collective consolidation was 124% and during the first quarter the bonus rate was 8%. The bonus rate has been successively raised since New Trad was introduced.

### Old Trad

The main aim of the investment orientation of Old Trad is to ensure that the guaranteed bonus can be realised and that most of the investments comprise long-term interest-

bearing investments. The total return amounted to 3.1% (2.6). Collective consolidation was 124% and the bonus rate in the first quarter was 2%.

### New World

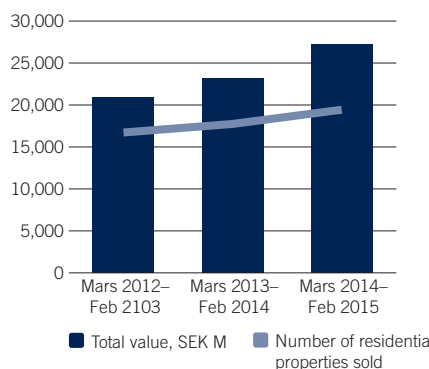
New World is a traditional insurance policy whereby customers are guaranteed to recoup at least the premiums paid, subject to deductions for expenses and yield tax. The return in March 2015 amounted to 5.5% (0.7).



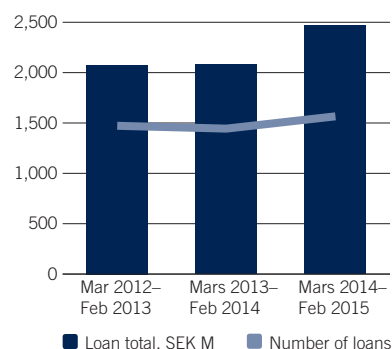
# Real-estate brokerage

Länsförsäkringar Fastighetsförmedling has 159 branches throughout Sweden. Strong growth has advanced Länsförsäkringar Fastighetsförmedling to the position of third largest brokerage in Sweden. The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering. The aim is to offer more than just the brokerage and sale of residential properties. The operations are conducted in franchise form, whereby the regional insurance company acts as the franchiser for the local branch. This means that Länsförsäkringar Fastighetsförmedling differs from national estate-agent chains by always being locally based. A total of 6,308 single-family homes, 8,705 tenant-owned apartments, 1,184 vacation homes and 395 agricultural properties were brokered in period from March 2014 to February 2015. The value of the sales amounted to SEK 28.1 billion. During the period, sales of single-family homes and vacation homes resulted in SEK 2.5 billion in first-lien mortgages in Länsförsäkringar's mortgage institution, divided between 1,506 transactions. The market share of single-family homes and vacation homes for the past six-month period amounted to 10.3%, showing continued growth.

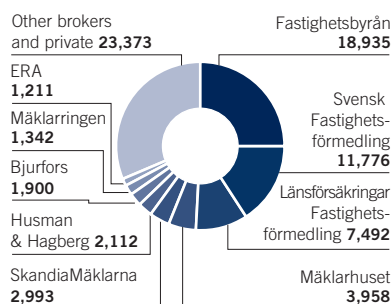
NUMBER OF SINGLE-FAMILY HOMES, VACATION HOMES AND TENANT-OWNED APARTMENTS SOLD



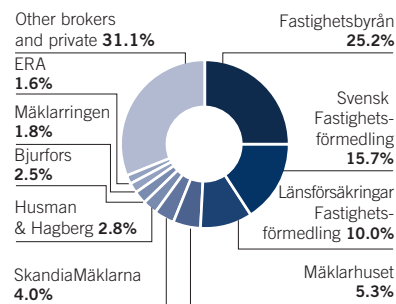
SINGLE-FAMILY HOMES AND VACATION HOMES, SOLD BY LÄNSFÖRSÄKRINGAR FASTIGHETS-FÖRMEDELING WHERE LOANS WERE INVESTED IN LÄNSFÖRSÄKRINGAR HYPOTEK



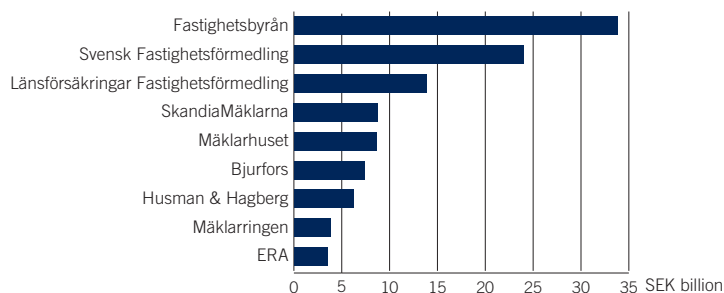
NUMBER OF SINGLE-FAMILY HOMES AND VACATION HOMES SOLD



MARKET SHARES



VALUE OF SALES OF SINGLE-FAMILY HOMES AND VACATION HOMES



# Financial statements

## LÄNSFÖRSÄKRINGAR ALLIANCE NON-LIFE INSURANCE

### INCOME STATEMENT

SEK M	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Premiums earned after ceded reinsurance	5,470	5,162	5,621	21,550
Investment income transferred from financial operations	385	163	178	629
Claims payments after ceded reinsurance	-4,435	-3,844	-3,822	-15,804
Operating expenses	-1,033	-958	-1,098	-3,987
Other technical revenue/expenses	-12	1	-124	-122
<b>Technical result from non-life insurance operations before partner discounts</b>	<b>375</b>	<b>524</b>	<b>755</b>	<b>2,266</b>
Bonuses and discounts	-58	-43	-808	-936
<b>Technical result from non-life insurance operations after partner discounts</b>	<b>317</b>	<b>482</b>	<b>-52</b>	<b>1,331</b>
Total investment income	3,772	1,180	2,186	5,041
Investment income transferred to insurance operations	-385	-163	-178	-629
Other non-technical expenses	-62	-89	-248	-533
<b>OPERATING PROFIT</b>	<b>3,642</b>	<b>1,410</b>	<b>1,707</b>	<b>5,209</b>

### BALANCE SHEET

SEK M	31 Mar 2015	31 Dec 2014
<b>ASSETS</b>		
Shares and participations	30,743	26,615
Bonds and other interest-bearing securities	31,339	29,842
Other investment assets	23,346	23,044
<b>Total investment assets</b>	<b>85,428</b>	<b>79,500</b>
Reinsurers' portion of technical provisions	12,320	11,514
Receivables and other assets	10,726	10,128
Cash and bank balances	4,369	6,009
Prepaid expenses and accrued income	1,045	1,078
<b>TOTAL ASSETS</b>	<b>113,888</b>	<b>108,230</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	41,000	38,181
Technical provisions (before ceded reinsurance)	55,431	52,654
Other provisions and liabilities	15,078	14,814
Accrued expenses and deferred income	2,378	2,580
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>113,888</b>	<b>108,230</b>

# LÄNSFÖRSÄKRINGAR AB, GROUP

## CONSOLIDATED INCOME STATEMENT

SEK M	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Premiums earned before ceded reinsurance	1,741	1,542	4,144	8,587
Reinsurers' portion of premiums earned	-371	-346	-3,424	-4,409
<b>Premiums earned after ceded reinsurance</b>	<b>1,370</b>	<b>1,196</b>	<b>720</b>	<b>4,178</b>
Interest income	1,853	2,303	1,996	8,523
Interest expense	-1,159	-1,705	-1,291	-5,913
<b>Net interest income</b>	<b>695</b>	<b>598</b>	<b>705</b>	<b>2,610</b>
Change in unit-linked insurance assets – policyholder bears the risk	10,162	1,814	4,551	11,506
Dividends in unit-linked insurance assets – policyholder bears the risk	–	–	–	3
Investment income, net	117	-19	-49	146
Commission income	639	525	653	2,292
Other operating income	472	491	559	2,045
<b>Total operating income</b>	<b>13,455</b>	<b>4,606</b>	<b>7,140</b>	<b>22,780</b>
Claims payments before ceded reinsurance	-1,069	-936	-5,014	-8,067
Reinsurers' portion of claims payments	261	175	4,790	5,627
<b>Claims payments after ceded reinsurance</b>	<b>-808</b>	<b>-761</b>	<b>-224</b>	<b>-2,440</b>
Change in life-assurance reserve	-115	-91	27	-3
Change in unit-linked insurance liabilities – policyholder bears the risk	-10,231	-1,825	-4,592	-11,608
Commission expense	-642	-550	-637	-2,401
Staff costs	-471	-444	-418	-1,735
Other administration expenses	-701	-626	-1,090	-3,132
Loan losses	-0	-16	-14	7
<b>Total expenses</b>	<b>-12,968</b>	<b>-4,312</b>	<b>-6,948</b>	<b>-21,311</b>
<b>Operating profit</b>	<b>487</b>	<b>293</b>	<b>192</b>	<b>1,469</b>
Tax	-92	-52	-33	-310
<b>NET PROFIT FOR THE PERIOD</b>	<b>395</b>	<b>241</b>	<b>159</b>	<b>1,159</b>
Earnings per share before and after dilution, SEK	39	25	16	117

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
<b>Net profit for the period</b>	<b>395</b>	<b>241</b>	<b>159</b>	<b>1,159</b>
<b>Other comprehensive income</b>				
<b>Items that have been transferred or can be transferred to profit for the period</b>				
Translation differences attributable to foreign operations	18	4	9	34
Cash-flow hedges	20	-53	37	4
Change in fair value of available-for-sale financial assets	-37	-7	-61	-0
Tax attributable to items that have been transferred or can be transferred to profit for the period	4	13	5	-1
<b>Total</b>	<b>5</b>	<b>-43</b>	<b>-10</b>	<b>37</b>
<b>Items that cannot be transferred to profit for the period</b>				
Revaluation of owner-occupied property	13	13	-61	-22
Revaluation of defined-benefit pension plans	–	–	-7	-7
Tax attributable to items that cannot be reversed to profit for the period	-3	-3	15	7
<b>Total</b>	<b>10</b>	<b>10</b>	<b>-53</b>	<b>-22</b>
<b>Total other comprehensive income for the period, net after tax</b>	<b>15</b>	<b>-32</b>	<b>-64</b>	<b>15</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>410</b>	<b>209</b>	<b>95</b>	<b>1,174</b>

## LÄNSFÖRSÄKRINGAR AB, GROUP

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	31 Mar 2015	31 Dec 2014
<b>ASSETS</b>		
Goodwill	744	735
Other intangible assets	3,588	3,610
Deferred tax assets	39	38
Property and equipment	53	51
Owner-occupied property	2,258	2,265
Shares in Länsförsäkringar Liv Försäkrings AB	8	8
Shares and participations in associated companies	66	66
Reinsurers' portion of technical reserves	12,334	11,529
Loans to the public	183,441	179,424
Unit-linked insurance assets – policyholder bears the risk	102,802	91,359
Shares and participations	1,757	1,487
Bonds and other interest-bearing securities	38,871	43,733
Treasury bills and other eligible bills	4,998	5,409
Derivatives	6,228	5,276
Change in value of hedge portfolios	1,289	1,147
Other receivables	7,924	4,518
Prepaid expenses and accrued income	3,243	3,621
Cash and cash equivalents	4,896	1,657
<b>TOTAL ASSETS</b>	<b>374,540</b>	<b>355,933</b>

SEK M	31 Mar 2015	31 Dec 2014
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1,042	1,007
Other capital contributed	10,272	9,708
Reserves	526	511
Retained earnings including profit for the period	6,026	5,631
<b>Total equity</b>	<b>17,867</b>	<b>16,857</b>
Subordinated liabilities	2,300	2,000
Technical reserves	20,376	18,664
Provisions for life assurance – policyholder bears the risk	103,420	92,250
Deferred tax liabilities	945	948
Other provisions	196	179
Debt securities in issue	127,491	130,514
Deposits from the public	74,443	75,845
Due to credit institutions	10,761	3,390
Derivatives	2,701	2,756
Change in value of hedge portfolios	4,349	3,824
Other liabilities	4,801	3,640
Accrued expenses and deferred income	4,891	5,066
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>374,540</b>	<b>355,933</b>

## LÄNSFÖRSÄKRINGAR LIV, GROUP

### INCOME STATEMENT

SEK M	Q 1 2015	Q 1 2014	Q 4 2014	Full-year 2014
Premium income after ceded reinsurance	533	860	645	2,639
Investment income, net	4,280	2,683	3,635	12,023
Claims payments	-1,695	-1,745	-1,521	-6,627
Change in technical provisions	-1,116	-1,399	-1,887	-5,364
Operating expenses	-111	-104	-154	-423
<b>Technical result, life insurance operations</b>	<b>1,891</b>	<b>295</b>	<b>718</b>	<b>2,248</b>
Non-technical expenses	-87	-70	-137	-347
<b>Profit before tax</b>	<b>1,804</b>	<b>225</b>	<b>581</b>	<b>1,901</b>
Tax	-6	-14	45	2
<b>PROFIT FOR THE PERIOD</b>	<b>1,798</b>	<b>211</b>	<b>626</b>	<b>1,903</b>
Items that cannot be transferred to profit for the period	-	-	-9	-9
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,798</b>	<b>211</b>	<b>617</b>	<b>1,894</b>

### BALANCE SHEET

SEK M	31 Mar 2015	31 Dec 2014
<b>ASSETS</b>		
Investment assets	123,140	121,810
Reinsurers' portion of technical provisions	476	476
Receivables	3,231	1,574
Other assets	6,610	3,928
Prepaid expenses and accrued income	1,400	1,195
<b>TOTAL ASSETS</b>	<b>134,858</b>	<b>128,983</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	18,998	17,537
Technical provisions	104,235	103,009
Provisions for other risks and expenses	150	150
Deposits from reinsurers	476	476
Liabilities	10,670	7,428
Accrued expenses and deferred income	329	383
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>134,858</b>	<b>128,983</b>

# Financial calendar 2015

## SECOND QUARTER:

Interim review, Länsförsäkringar Alliance .....	17 July
Interim report, Länsförsäkringar AB.....	17 July
Interim report, Länsförsäkringar Bank .....	17 July
Interim report, Länsförsäkringar Hypotek.....	17 July

## THIRD QUARTER:

Interim review, Länsförsäkringar Alliance .....	22 October
Interim report, Länsförsäkringar AB.....	22 October
Interim report, Länsförsäkringar Bank .....	22 October
Interim report, Länsförsäkringar Hypotek.....	22 October

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