

# Länsförsäkringar Alliance

## 2015 Annual Review in summary

### FULL-YEAR 2015 COMPARED WITH FULL-YEAR 2014

- Operating profit for Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 4,518 M (5,209).
- The technical result in Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 2,800 M (2,266). The combined ratio amounted to 91 (93).
- Investment income in Länsförsäkringar Alliance amounted to SEK 3,742 M (5,041).
- Operating profit for the Bank Group amounted to SEK 1,175 M (935). Net interest income strengthened to SEK 2,994 M (2,580).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 516 M (373). Premium income amounted to SEK 8,645 M (8,543). Commission income amounted to SEK 1,384 M (1,171).
- Profit for Länsförsäkringar Liv amounted to SEK 5,089 M (1,903). The solvency ratio was 128% (122).

### FOURTH QUARTER OF 2015 COMPARED WITH THIRD QUARTER OF 2015

- Operating profit for Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 1,792 M (-1,025).
- The technical result in Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 904 M (711). The combined ratio amounted to 87 (91).
- Investment income in Länsförsäkringar Alliance amounted to SEK 2,137 M (neg: 1,529). Solvency capital increased SEK 1,724 M to SEK 51,646 M.
- Operating profit for the Bank Group amounted to SEK 312 M (304). Net interest income amounted to SEK 805 M (778).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 102 M (148). Premium income amounted to SEK 2,025 M (1,985). Commission income amounted to SEK 342 M (345).
- Profit for Länsförsäkringar Liv amounted to SEK 3,502 M (-1,448). The solvency ratio was 128% (124).

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

2015 proved to be a turbulent year both geopolitically and in the financial markets. The Länsförsäkringar Alliance can sum up a successful year of strong earnings and great market successes. Operating profit in non-life insurance amounted to SEK 4.5 billion and the technical result strengthened SEK 0.5 billion year-on-year to SEK 2.8 billion. The combined ratio performed positively due to a lower claims ratio, falling from 93 to 91. The claims ratio declined from 74 to 72. Based on these healthy profits, the regional insurance companies will pay back a total of SEK 952 M in bonuses.

We often see confirmation of the strength of our brand – it is 20 years since we founded our bank and its progress since then

is a prime example of such strength. Both earnings and key figures for the unit-linked life assurance company strengthened and managed assets improved 10%.

The EU's Solvency II regulations came into force at the start of the year. The basic idea of strengthened customer protection is positive, but the slow Swedish legislative process has made the adjustment process more difficult and led to higher adjustment costs for the industry.

In addition to our favourable results and strong growth, we also saw proof that our customers appreciate what we do – according to the Swedish Quality Index, we have the most satisfied customers in both banking and insurance.

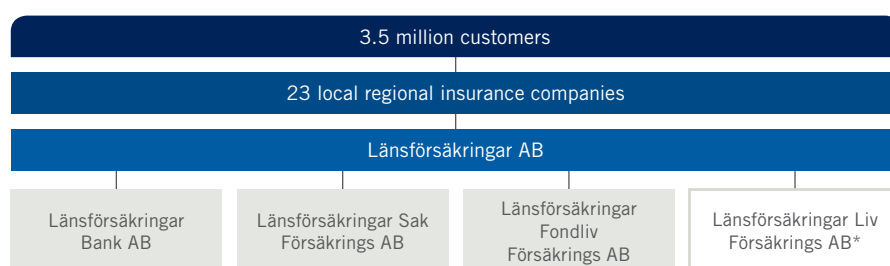
## LÄNSFÖRSÄKRINGAR ALLIANCE

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 Länsförsäkringar AB Group have been eliminated.



\*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 A1/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	A1/Stable	P-1
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

2015 was a year of major fluctuations in the financial markets. Stock-market upswings continued at the start of the year, but greater uncertainty started to make its mark felt in April. Global growth was slightly lower than expected at the beginning of the year.

The US economy performed well and the labour market continued to strengthen. This trend led to the Federal Reserve raising the interest rate towards the end of the year, the first rise since 2006. The European economy continued to recover during the year, partly due to the highly expansive measures from the ECB. The stimulus packages implemented by the ECB at the start of the year led to long-

term interest rates falling to historically low levels in the spring. The markets then fluctuated heavily as a result of the, at times, widespread concern for the global economy, primarily driven by uncertainty regarding the Chinese economy and also speculations about if and when the Federal Reserve would raise interest rates. Concern about the global economy also impacted more risk-exposed assets with the stock markets generally reporting major fluctuations.

The Japanese stock market had the strongest performance during the year measured in SEK. Sweden, the US and Europe reported positive returns, while returns for emerging markets fell. Long-term interest rates have risen slightly since reaching a low point in April but have remained

low, while heightened uncertainty has led to credit spreads broadening. The Swedish economy performed very well. However, inflation remained very low, which resulted in the unusual situation of a negative key interest rate and high growth. This in turn accentuated the discussion on the housing market where prices are continuing to rise at a fast pace with household indebtedness following suit. A consequence of this discussion was the Swedish Financial Supervisory Authority deciding to introduce repayment requirements on new loans.

# Financial overview

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

## LÄNSFÖRSÄKRINGAR ALLIANCE

	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Total capital, SEK M	55,580	53,589	53,913	52,243	48,188	55,580	48,188
<b>Non-life insurance</b>							
Solvency capital, SEK M	51,646	49,922	50,546	50,334	46,493	51,646	46,493
Solvency margin, %	223	216	222	224	209	223	209
Return on equity, %	8	7	14	29	17	9	11
Premiums earned after ceded reinsurance, SEK M	5,827	5,769	5,642	5,470	5,633	22,709	21,550
Technical result, SEK M	904	711	787	398	800	2,800	2,266
Operating profit, SEK M	1,792	-1,025	118	3,635	2,102	4,518	5,209
Combined ratio	87	91	89	95	89	91	93

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

	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Operating profit, SEK M	761	549	358	487	192	2,155	1,469
Total assets, SEK M	384,595	375,748	383,287	374,540	355,933	384,595	355,933
Return on equity, %	12	9	6	9	4	9	7
Capital base for the financial conglomerate <sup>2)</sup>	21,548	20,118	19,782	19,276	17,802	21,548	17,802
Necessary capital requirement for the financial conglomerate <sup>2)</sup>	15,892	15,784	15,530	15,517	14,988	15,892	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 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Premiums earned after ceded reinsurance, SEK M	1,297	1,303	1,247	1,227	726	5,074	4,099
Technical result, SEK M	421	158	119	124	176	821	611
Operating profit, SEK M	477	105	155	171	187	908	791

## LÄNSFÖRSÄKRINGAR BANK, GROUP

	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Deposits from the public, SEK M	83,925	81,590	78,258	75,857	79,790	83,925	76,790
Loans to the public, SEK M	201,964	196,322	191,225	183,441	179,424	201,964	179,424
Operating profit, SEK M	312	304	280	279	256	1,175	935
Return on equity, %	9	9	9	9	9	9	8
Tier 1 ratio Bank Group, %	26.6	26.0	25.9	17.4	16.2	26.6	16.2
Total capital ratio Bank Group, %	32.0	31.5	31.5	21.7	20.6	32.0	20.6

## LÄNSFÖRSÄKRINGAR FONDIV

	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Premium income, SEK M	8,645	8,600	8,593	8,669	8,543	8,645	8,543
Operating profit, SEK M	102	148	134	132	112	516	373
Managed assets, SEK M	102,807	97,322	102,251	104,919	93,610	102,807	93,610
Solvency ratio	1.8	1.9	1.7	1.5	1.6	1.8	1.6

## LÄNSFÖRSÄKRINGAR LIV, GROUP

	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Premium income, SEK M	1,919	2,093	2,196	2,312	2,639	1,919	2,639
Profit, SEK M	3,502	-1,448	1,237	1,798	626	5,089	1,903
Collective consolidation, Old Trad, %	120	119	119	124	120	120	120
Collective consolidation, New Trad, %	114	113	120	124	120	114	120
Solvency ratio, %	128	124	126	124	122	128	122

# Non-life insurance

- The technical result for the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 2,800 M (2,266).
- Solvency capital strengthened SEK 5,153 M during the period to SEK 51,646 M.
- The combined ratio amounted to 91% (93).
- Investment income amounted to SEK 3,742 M (5,041).

## NON-LIFE INSURANCE, LÄNSFÖRSÄKRINGAR ALLIANCE

KEY FIGURES, SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Premiums earned after ceded reinsurance	5,827	5,769	5,642	5,470	5,633	22,709	21,550
Technical result	904	711	787	398	800	2,800	2,266
Operating profit	1,792	-1,025	118	3,635	2,102	4,518	5,209
Investment income	2,137	-1,529	-637	3,772	2,178	3,742	5,041
Solvency capital	51,646	49,922	50,546	50,334	46,493	51,646	46,493
Solvency margin, %	223	216	222	224	209	223	209
Expense ratio	20	17	20	19	21	19	19
Claims ratio	68	73	70	76	67	72	74
Combined ratio	87	91	89	95	89	91	93

## Earnings

The Länsförsäkringar Alliance's operating profit for non-life insurance operations amounted to SEK 4,518 M (5,209). The technical result strengthened to SEK 2,800 M (2,266). The improvement was primarily driven by higher premiums earned. The combined ratio performed positively year-on-year, as a result of a lower claims ratio, and amounted to 91% (93). The claims ratio amounted to 72% (74) and the expense ratio to 19% (19). Solvency capital totalled SEK 51,646 M, up SEK 5,153 M, and the solvency margin amounted to 223% (209). Investment income amounted to SEK 3,742 M (5,041).

## Business volumes

Premiums earned rose 5% to SEK 22,709 M (21,563), attributable to both portfolio increases and premium increases. The largest volume increase was in the motor hull insurance class, which increased 6%. Premium volumes in private insurance increased 5%, mainly in homeowner insurance and household insurance, although volumes in accident insurance also increased. In the agriculture segment, premium volumes increased 4%. Growth in

Agria remained high and the increase was seen in all segments of the business, with Agria UK posting the best performance due to strong new sales and a high level of renewal.

## Claims trend

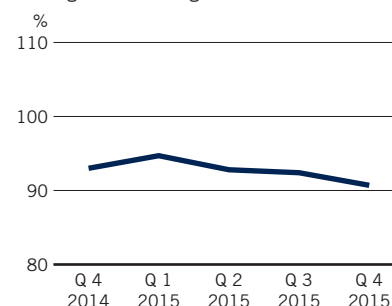
Claims payments after ceded reinsurance increased to SEK 16,118 M (15,804). The claims ratio improved due to higher premium volumes and amounted to 72% (74). The cost increase was mainly related to higher vehicle-damage costs in the motor hull business, where the increased portfolio impacted claims costs. Claims costs also increased in Agria, both due to an increased portfolio and higher claims frequency. Only a small number of large claims occurred during the year. Storm Gorm, which hit Sweden in November, had the largest impact on claims costs. The gross claims cost was SEK 314 M, of which SEK 114 M was recovered through external reinsurance cover. Fire-damage claims declined, despite higher claims costs. A total of 15 major fires broke out in 2015, with a large fire in Skåne and the fire in Trästad in Eksjö accounting for most of the claims costs.

## Investment income

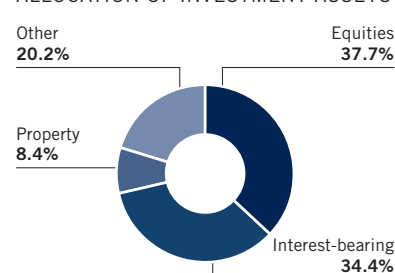
Investment income amounted to SEK 3,742 M (5,041). There was high volatility in the financial markets, and both concerns regarding Greece and uncertainty surrounding growth in China triggered a stock-market decline in the second and third quarters. Share prices rose in the fourth quarter as concern for the Chinese economy waned. This had a positive effect on investment income, which totalled SEK 2,137 M for the fourth quarter, in line with investment income in the year-earlier period. The equities class of assets performed the best, but properties also displayed a positive trend. Interest rates and credits performed less well due to continued low interest rates and expanded spreads.

## COMBINED RATIO

Rolling 12-month figures



## ALLOCATION OF INVESTMENT ASSETS



Total investment assets amounted to SEK 85.6 billion on 31 December 2015.

# Bank

- Operating profit rose to SEK 1,175 M (935) and the return on equity strengthened to 9% (8). Net interest income rose to SEK 2,994 M (2,580).
- Loan losses amounted to SEK 6 M (-10), net, corresponding to loan losses of 0.00% (0.00).
- Business volumes rose to SEK 404 billion (354). Deposits increased to SEK 84 billion (77) and lending increased to SEK 202 billion (179). The number of customers with Länsförsäkringar as their primary bank increased to 378,000 (350 000).

## LÄNSFÖRSÄKRINGAR BANK, GROUP

KEY FIGURES, SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Deposits from the public	83,925	81,590	78,258	75,857	76,790	83,925	76,790
Loans to the public	201,964	196,322	191,225	183,441	179,424	201,964	179,424
Operating profit	312	304	280	279	256	1,175	935
Return on equity, %	9	9	9	9	9	9	8
Cost/income ratio before loan losses	0.54	0.58	0.59	0.56	0.60	0.57	0.62

### Earnings

Operating profit rose 26% to SEK 1,175 M (935), due to higher net interest income and increased commission income. Return on equity strengthened to 8.9% (8.3). Net interest income increased 16% to SEK 2,994 M (2,580), attributable to higher volumes and improved margins.

Net gains from financial items amounted to SEK 97 M (98). Net commission amounted to an expense of SEK -441 M (-319). The change in net commission was due to increased remuneration to the regional insurance companies due to strong earnings. Operating expenses amounted to SEK 1,566 M (1,526).

Loan losses amounted to SEK 6 M (-10), net, corresponding to loan losses of 0.00% (0.00). Impaired loans, gross, amounted to SEK 241 M (316), corresponding to a percentage of impaired loans, gross, of 0.12% (0.17). The cost/income ratio before loan losses amounted to 0.57 (0.62).

Business volumes increased SEK 50 billion to SEK 404 billion (354). Deposits from the public increased 9% to SEK 84 billion (77) and the market share amounted to 4.7% (4.7).

The volume of managed funds increased 9% to SEK 109 billion (100). Loans to the public increased 13% to SEK 202 billion (179). Retail mortgages in

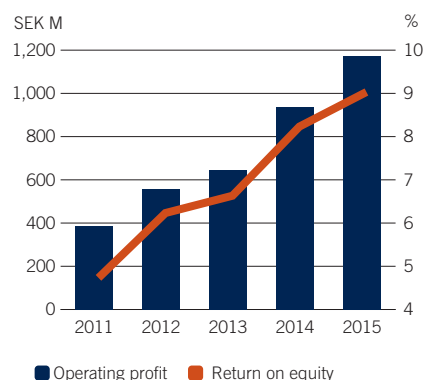
Länsförsäkringar Hypotek increased 17% to SEK 147 billion (126) and the market share for the Bank Group's household lending increased to 5.5% (5.2).

### Funding and liquidity

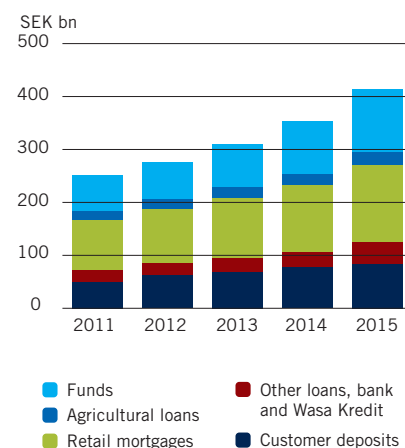
The Bank Group has a low refinancing risk and the maturity structure is highly diversified. Debt securities in issue increased to a nominal SEK 140 billion (129), of which covered bonds amounted to SEK 110 billion (101), senior long-term funding to SEK 29 billion (23) and short-term funding to SEK 1 billion (4). The average remaining term for the long-term funding was 3.3 years (2.8). Covered bonds were issued with a volume corresponding to a nominal SEK 35 billion (24), repurchased covered bonds to a nominal SEK 10 billion (8) and matured covered bonds to a nominal SEK 16 billion (17) during the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 16 billion (9) during the period.

The liquidity reserve totalled SEK 43 billion (45), according to the Swedish Bankers' Association's definition. 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 utilising the liquidity reserve, contractual undertakings for about two years can be met without needing to secure new funding in the capital market.

### BANK OPERATING PROFIT AND RETURN ON EQUITY



### BUSINESS VOLUMES



The Group's Liquidity Coverage Ratio (LCR), according to Swedish Financial Supervisory Authority's definition, amounted to 251% (221) on 31 December 2015 and was an average of 207% (214) during the fourth quarter.

#### Capital adequacy, consolidated situation

With the CRR (575/2013) coming into effect, the consolidated situation also includes the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group.

#### CAPITAL RATIO

Consolidated situation (SEK M)	31 Dec 2015	30 Sep 2015
IRB Approach	30,317	30,448
retail exposures	22,989	22,771
exposures to corporates	7,328	7,677
Standardised Approach	11,822	9,281
Total REA	51,724	49,401
Core Tier 1 capital	11,064	9,980
Tier 1 capital	12,264	11,180
Total capital	14,561	13,477
Core Tier 1 ratio	21.4%	20.2%
Tier 1 ratio	23.7%	22.6%
Total capital ratio	28.2%	27.3%

For more information, see Länsförsäkringar AB's interim report.

# 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 AND TRADITIONAL LIFE ASSURANCE

- Operating profit for Länsförsäkringar Fondliv strengthened to SEK 516 M (373).
- Länsförsäkringar Fondliv manages SEK 103 billion for life-assurance and pension insurance customers. Managed assets rose 10%, which was due to favourable returns and a positive net inflow.
- Profit for Länsförsäkringar Liv amounted to SEK 5,089 M (1,903).
- The solvency ratio improved, primarily due to changing conditions to New Trad and profit from asset management, and amounted to 128% (122).

solvency ratio increasing to 128 (122) and the solvency rate was 5.6 (4.2).

Premium income amounted to SEK 2,113 billion (2,932). Payments continue to be made for premium paying insurance policies, but premium income is declining in line with final insurance payments being made since the company no longer underwrites any new policies.

Technical provisions declined a total of SEK 9.5 billion to SEK 93.5 billion. A negative cash flow with payment and transfers exceeding premiums paid was the reason for most of this decline. Changing conditions and changed assumptions for technical provisions also reduced liabilities.

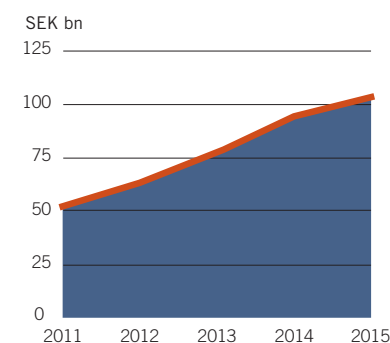
Operating expenses rose to SEK 442 M (423) primarily due to higher IT costs

### Fund and guarantee management

#### Unit-linked insurance

Managed assets for Länsförsäkringar Fondliv amounted to SEK 100 billion. Some 67% of the 81 funds in the recommended fund range performed positively during 2015 and 33% negatively (five of the funds were started in April 2015 and are not included in the comparison). 16 of the funds increased by more than 10%, while five funds declined more than 10%.

#### MANAGED ASSETS UNIT-LINKED INSURANCE



## LÄNSFÖRSÄKRINGAR FOND LIV AND LÄNSFÖRSÄKRINGAR LIV

KEY FIGURES, SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
<b>Länsförsäkringar Fondliv</b>							
Premium income, net (rolling 12 months)	8,645	8,600	8,593	8,669	8,543	8,645	8,543
Operating profit	102	148	134	132	112	516	373
Managed assets	102,807	97,322	102,251	104,919	93,610	102,807	93,610
Solvency ratio	1.8	1.9	1.7	1.5	1.6	1.8	1.6
<b>Länsförsäkringar Liv</b>							
Operating profit	3,514	-1,448	1,234	1,804	581	5,104	1,901
Managed assets	114,952	114,589	117,276	123,050	120,526	114,952	120,526
Collective consolidation, New Trad, %	114	113	120	124	120	114	120
Collective consolidation, Old Trad, %	120	119	119	124	120	120	120
Solvency ratio, %	128	124	126	124	122	128	122

### Earnings

Operating profit for Länsförsäkringar Fondliv amounted to SEK 516 M (373). Income from fees from the financial component of agreements and management remuneration increased to SEK 1,377 M (1,168). The improved fees and management remuneration were largely due to an increase in volumes on the basis of higher returns and positive net inflows. Operating expenses increased to SEK 910 M (867), primarily due to higher selling expenses and staff costs. Total premium income for Länsförsäkringar Fondliv amounted to SEK 8,645 M (8,543). This increase was due to higher premiums paid. Capital transferred amounted to SEK 1,375 M (1,704). Insurance capital amounted to

SEK 103 billion (94), up 10%. The increase was due to positive returns and a positive net flow. Total sales excluding collective-agreement occupational pensions amounted to SEK 11,342 M (9,465), up 20%.

Profit for Länsförsäkringar Liv amounted to SEK 5,089 M (1,903). Changing conditions to New Trad and profit for asset management had the largest positive effect on earnings. Changes assumptions for technical provisions and positive risk and administration gains also contributed to earnings. Profit was slightly positively affected by rising market interest rates since liabilities to policyholders, which are discounted at the market interest rate, declined. The positive earnings led to the



The funds with the highest returns in 2015 were SEB Europa Småbolag, Länsförsäkringar Småbolag Sverige and Lannebo Småbolag. The weakest performances were noted in Blackrock World Mining, Blackrock Latin America and JPM Africa.

The fixed-income portfolio performed negatively, whereas the equity portfolio reported a positive trend in 2015, mainly in Swedish, European and Japanese shares.

#### Guarantee products

Länsförsäkringar Fondliv conducts traditional insurance through guarantee management. Managed assets amounted to SEK 2.3 billion (1.9). The total return amounted to a negative 0.2% (pos: 6.0).

Länsförsäkringar Liv conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension.

#### New Trad

The work on allowing customers to change the conditions of their insurance products to New Trad continued during 2015. The offer was sent to customers with a total insurance capital of SEK 35 billion, of which a value of SEK 12 billion was changed to New Trad. Managed assets amounted to SEK 15 billion and the total return was 1.4% (9.4). The bonus rate was 10% (7) on 31 December 2015.

#### Old Trad

The risk scope for Old Trad increased in 2015 but remains low. High guarantees in the portfolio reduce the risk scope since technical provisions are high. Low risk scope limits opportunities for investing assets in securities with higher expected returns. The percentage of interest-bearing assets fell to 85% (90). Managed assets amounted to SEK 87 billion and the total return was 0.5% (11.3). The bonus rate was 2.0% during the year.

#### New World

New World is a traditional insurance form in which capital is largely invested in equities. Managed assets amounted to SEK 12 billion and the total return was 0.3% (8.7).



# Real-estate brokerage

Länsförsäkringar Fastighetsförmedling has 159 branches throughout Sweden. Länsförsäkringar Fastighetsförmedling continued to grow and achieved a market share of 10.3% (9.9) during 2015. As support for further growth, a recruitment campaign was carried out to promote the brand and real-estate brokerage and to provide support for local recruitment activities.

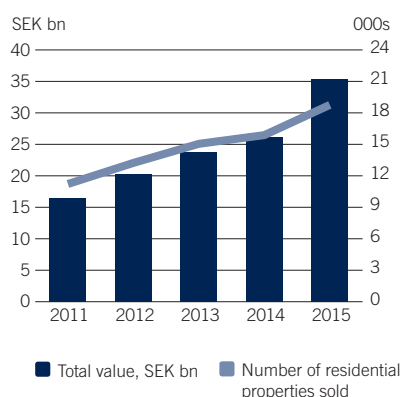
The operations are conducted in franchise form, whereby the regional insurance companies act as franchisers for the local branches. This means that Länsförsäkringar Fastighetsförmedling differs from other national estate-agent chains by always being locally based.

A total of 6,970 single-family homes, 10,340 tenant-owned apartments, 1,450 vacation homes and 470 agricultural properties were brokered in 2015. The value of the sales amounted to SEK 37.4 billion. In 2015, sales of single-family homes and vacation homes resulted in SEK 3.0 billion in first-lien mortgages in Länsförsäkringar's mortgage institution.

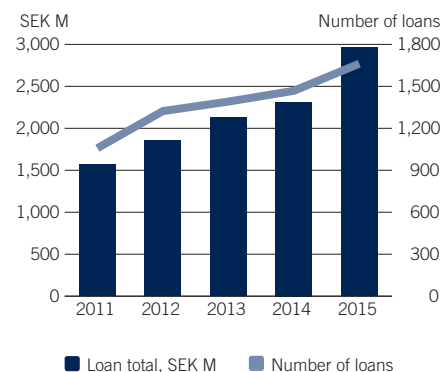
The new-build housing market is becoming increasingly important and thus Länsförsäkringar Fastighetsförmedling has begun a review of its work processes in this segment. The aim is to achieve higher market penetration.

The Swedish Quality Index's (SQI) satisfaction survey among estate-agent customers showed that Länsförsäkringar Fastighetsförmedling is the only company in the survey to have improved compared with 2014. Länsförsäkringar Fastighetsförmedling advanced its position from fifth place to second, demonstrating that the nation-wide improvement activities initiated in 2015 are yielding excellent results.

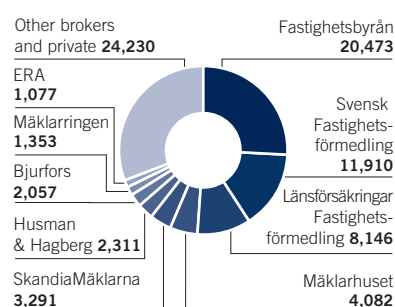
NUMBER OF SINGLE-FAMILY HOMES, VACATION HOMES AND TENANT-OWNED APARTMENTS SOLD BY LÄNSFÖRSÄKRINGAR FASTIGHETSFÖRMEDLING



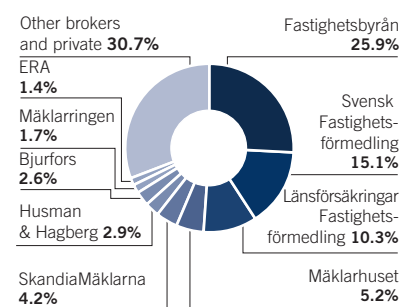
SINGLE-FAMILY HOMES AND VACATION HOMES, SOLD BY LÄNSFÖRSÄKRINGAR FASTIGHETSFÖRMEDLING WHERE LOANS WERE INVESTED IN LÄNSFÖRSÄKRINGAR HYPOTEK



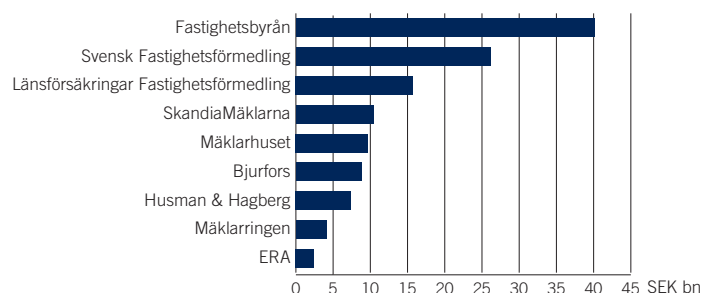
NUMBER OF SINGLE-FAMILY HOMES AND VACATION HOMES SOLD



MARKET SHARES 31 DECEMBER 2015



VALUE OF SALES OF SINGLE-FAMILY HOMES AND VACATION HOMES



Source: Värderingsdata

# Financial statements

## LÄNSFÖRSÄKRINGAR ALLIANCE NON-LIFE INSURANCE

### INCOME STATEMENT

SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Premiums earned after ceded reinsurance	5,827	5,769	5,642	5,470	5,633	22,709	21,550
Investment income transferred from financial operations	126	130	143	104	193	502	629
Claims payments after ceded reinsurance	-3,898	-4,191	-3,899	-4,131	-3,722	-16,118	-15,804
Operating expenses	-1,144	-988	-1,093	-1,033	-1,185	-4,259	-3,987
Other technical revenue/expenses	-7	-9	-6	-12	-118	-34	-122
<b>Technical result from non-life insurance operations before partner discounts</b>	<b>904</b>	<b>711</b>	<b>787</b>	<b>398</b>	<b>800</b>	<b>2,800</b>	<b>2,266</b>
Bonuses and discounts	-1,013	-58	-58	-58	-438	-1,188	-936
<b>Technical result from non-life insurance operations after partner discounts</b>	<b>-109</b>	<b>653</b>	<b>729</b>	<b>340</b>	<b>362</b>	<b>1,612</b>	<b>1,331</b>
Total investment income	2,137	-1,529	-637	3,772	2,178	3,742	5,041
Investment income transferred to insurance operations	-126	-153	168	-414	-192	-526	-629
Other non-technical expenses	-110	4	-142	-62	-246	-310	-533
<b>OPERATING PROFIT</b>	<b>1,792</b>	<b>-1,025</b>	<b>118</b>	<b>3,635</b>	<b>2,102</b>	<b>4,518</b>	<b>5,209</b>

On 30 December 2014, the annuity reserve was transferred from Länsförsäkringar Sak to the regional insurance companies. In conjunction with the portfolio transfer, real return bonds used for hedging the annuity portfolio, were transferred to the regional insurance companies. Part of the annuity reserve remains with Länsförsäkringar Sak. In this report, the discount effect is recognised in the same manner as it was previously recognised in Länsförsäkringar Sak, meaning as a claims payment. In the individual regional insurance companies, the discount effect was recognised as investment income transferred from financial operations.

### BALANCE SHEET

SEK M	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>		
Shares and participations	31,677	26,615
Bonds and other interest-bearing securities	29,580	29,842
Other investment assets	24,379	23,044
<b>Total investment assets</b>	<b>85,636</b>	<b>79,500</b>
Reinsurers' portion of technical provisions	10,829	11,514
Receivables and other assets	10,409	10,128
Cash and bank balances	5,814	6,009
Prepaid expenses and accrued income	1,246	1,078
<b>TOTAL ASSETS</b>	<b>113,934</b>	<b>108,230</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	42,721	38,181
Technical provisions (before ceded reinsurance)	53,173	52,654
Other provisions and liabilities	15,364	14,814
Accrued expenses and deferred income	2,676	2,580
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>113,934</b>	<b>108,230</b>

# LÄNSFÖRSÄKRINGAR AB, GROUP

## CONSOLIDATED INCOME STATEMENT

SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Premiums earned before ceded reinsurance	1,853	1,619	1,562	1,741	4,144	6,775	8,587
Reinsurers' portion of premiums earned	-565	-329	-318	-371	-3,424	-1,583	-4,409
<b>Premiums earned after ceded reinsurance</b>	<b>1,288</b>	<b>1,290</b>	<b>1,244</b>	<b>1,370</b>	<b>720</b>	<b>5,192</b>	<b>4,178</b>
Interest income	1,735	1,736	1,759	1,853	1,996	7,083	8,523
Interest expense	-930	-957	-1,032	-1,159	-1,291	-4,077	-5,913
<b>Net interest income</b>	<b>805</b>	<b>780</b>	<b>727</b>	<b>695</b>	<b>705</b>	<b>3,006</b>	<b>2,610</b>
Change in unit-linked insurance assets – policyholder bears the risk	4,516	-5,699	-3,614	10,162	4,551	5,365	11,506
Dividends in unit-linked insurance assets – policyholder bears the risk	–	8	–	–	–	8	3
Investment income, net	83	-173	-33	117	-49	-6	146
Commission income	652	640	663	639	653	2,595	2,292
Other operating income	532	523	577	472	532	2,104	1,937
<b>Total operating income</b>	<b>7,876</b>	<b>-2,632</b>	<b>-436</b>	<b>13,455</b>	<b>7,113</b>	<b>18,263</b>	<b>22,673</b>
Claims payments before ceded reinsurance	-872	-1,080	-947	-1,069	-5,014	-3,968	-8,067
Reinsurers' portion of claims payments	330	219	119	261	4,790	930	5,627
<b>Claims payments after ceded reinsurance</b>	<b>-542</b>	<b>-861</b>	<b>-828</b>	<b>-808</b>	<b>-224</b>	<b>-3,038</b>	<b>-2,440</b>
Change in life-assurance reserve	37	38	36	-115	27	-5	-3
Change in unit-linked insurance liabilities – policyholder bears the risk	-4,557	5,782	3,657	-10,231	-4,592	-5,349	-11,608
Commission expense	-693	-661	-667	-642	-614	-2,663	-2,296
Staff costs	-451	-407	-498	-471	-418	-1,826	-1,735
Other administration expenses	-894	-720	-906	-701	-1,090	-3,220	-3,132
Loan losses	-15	9	-0	-0	-10	-6	10
<b>Total expenses</b>	<b>-7,115</b>	<b>3,180</b>	<b>794</b>	<b>-12,968</b>	<b>-6,921</b>	<b>-16,108</b>	<b>-21,204</b>
<b>Operating profit</b>	<b>761</b>	<b>549</b>	<b>358</b>	<b>487</b>	<b>192</b>	<b>2,155</b>	<b>1,469</b>
Tax	-105	-98	-94	-92	-33	-389	-310
<b>NET PROFIT FOR THE PERIOD</b>	<b>656</b>	<b>451</b>	<b>263</b>	<b>395</b>	<b>159</b>	<b>1,765</b>	<b>1,159</b>
Earnings per share before and after dilution, SEK	63	43	25	39	16	171	117

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2014	Full-year 2014
<b>Net profit for the period</b>	<b>656</b>	<b>451</b>	<b>263</b>	<b>395</b>	<b>159</b>	<b>1,765</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	-9	-11	6	18	9	3	34
Cash-flow hedges	-38	-8	64	20	37	39	4
Change in fair value of available-for-sale financial assets	-3	-28	-125	-37	-61	-193	-0
Tax attributable to items that have been transferred or can be transferred to profit for the period	9	8	13	4	5	34	-1
<b>Total</b>	<b>-41</b>	<b>-39</b>	<b>-41</b>	<b>5</b>	<b>-10</b>	<b>-117</b>	<b>37</b>
<b>Items that cannot be transferred to profit for the period</b>							
Revaluation of owner-occupied property	118	12	187	13	-61	330	-22
Revaluation of defined-benefit pension plans	2	–	–	–	-7	2	-7
Tax attributable to items that cannot be reversed to profit for the period	-26	-3	-41	-3	15	-73	6
<b>Total</b>	<b>94</b>	<b>9</b>	<b>146</b>	<b>10</b>	<b>-53</b>	<b>259</b>	<b>-22</b>
<b>Total other comprehensive income for the period, net after tax</b>	<b>52</b>	<b>-30</b>	<b>105</b>	<b>15</b>	<b>-64</b>	<b>142</b>	<b>15</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>709</b>	<b>421</b>	<b>368</b>	<b>410</b>	<b>95</b>	<b>1,907</b>	<b>1,174</b>

## LÄNSFÖRSÄKRINGAR AB, GROUP

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>		
Goodwill	738	735
Other intangible assets	3,672	3,610
Deferred tax assets	29	38
Property and equipment	53	51
Owner-occupied property	2,545	2,265
Shares in Länsförsäkringar Liv Försäkrings AB	8	8
Shares and participations in associated companies	74	66
Reinsurers' portion of technical reserves	10,845	11,529
Loans to the public	201,959	179,424
Unit-linked insurance assets – policyholder bears the risk	100,497	91,359
Shares and participations	1,832	1,487
Bonds and other interest-bearing securities	40,061	43,733
Treasury bills and other eligible bills	8,824	5,409
Derivatives	4,479	5,276
Change in value of hedge portfolios	815	1,147
Other receivables	3,678	4,516
Prepaid expenses and accrued income	3,111	3,621
Cash and cash equivalents	1,374	1,657
<b>TOTAL ASSETS</b>	<b>384,595</b>	<b>355,933</b>

SEK M	31 Dec 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
Additional tier 1 instruments	1,200	–
Reserves	653	511
Retained earnings including profit for the period	7,370	5,631
<b>Total equity</b>	<b>20,538</b>	<b>16,857</b>
Subordinated liabilities	2,300	2,000
Technical reserves	18,376	18,664
Provisions for life assurance – policyholder bears the risk	101,002	92,250
Deferred tax liabilities	1,139	948
Other provisions	257	179
Debt securities in issue	141,269	130,514
Deposits from the public	82,702	75,845
Due to credit institutions	2,954	3,390
Derivatives	2,455	2,756
Change in value of hedge portfolios	2,899	3,824
Other liabilities	3,955	3,640
Accrued expenses and deferred income	4,749	5,066
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>384,595</b>	<b>355,933</b>

## LÄNSFÖRSÄKRINGAR LIV, GROUP

### INCOME STATEMENT

SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
Premium income after ceded reinsurance	471	442	473	533	645	1,919	2,639
Investment income, net	1,619	-1,272	-4,254	4,280	3,635	373	12,023
Claims payments	-1,466	-1,364	-1,434	-1,695	-1,521	-5,959	-6,627
Change in technical provisions	3,124	915	6,574	-1,116	-1,887	9,497	-5,364
Operating expenses	-162	-99	-70	-111	-154	-442	-423
<b>Technical result, life insurance operations</b>	<b>3,586</b>	<b>-1,378</b>	<b>1,289</b>	<b>1,891</b>	<b>718</b>	<b>5,388</b>	<b>2,248</b>
Non-technical expenses	-72	-70	-55	-87	-137	-284	-347
<b>Profit before tax</b>	<b>3,514</b>	<b>-1,448</b>	<b>1,234</b>	<b>1,804</b>	<b>581</b>	<b>5,104</b>	<b>1,901</b>
Tax	-12	-	3	-6	45	-15	2
<b>PROFIT FOR THE PERIOD</b>	<b>3,502</b>	<b>-1,448</b>	<b>1,237</b>	<b>1,798</b>	<b>626</b>	<b>5,089</b>	<b>1,903</b>
Items that cannot be transferred to profit for the period	-2	-	-	-	-9	-2	-9
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,500</b>	<b>-1,448</b>	<b>1,237</b>	<b>1,798</b>	<b>617</b>	<b>5,087</b>	<b>1,894</b>

### BALANCE SHEET

SEK M	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>		
Investment assets	115,356	121,810
Reinsurers' portion of technical provisions	481	476
Receivables	1,378	1,574
Other assets	3,945	3,928
Prepaid expenses and accrued income	957	1,195
<b>TOTAL ASSETS</b>	<b>122,117</b>	<b>128,983</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	21,402	17,537
Technical provisions	93,498	103,009
Provisions for other risks and expenses	137	150
Deposits from reinsurers	481	476
Liabilities	6,407	7,603
Accrued expenses and deferred income	192	208
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>122,117</b>	<b>128,983</b>

# Financial calendar 2016

Annual report 2015, Länsförsäkringar Alliance..... **Week 10**

## FIRST QUARTER:

Interim review, Länsförsäkringar Alliance ..... **27 April**  
 Interim report, Länsförsäkringar AB..... **27 April**  
 Interim report, Länsförsäkringar Bank..... **27 April**  
 Interim report, Länsförsäkringar Hypotek..... **27 April**

## SECOND QUARTER:

Interim review, Länsförsäkringar Alliance ..... **20 July**  
 Interim report, Länsförsäkringar AB..... **20 July**  
 Interim report, Länsförsäkringar Bank..... **20 July**  
 Interim report, Länsförsäkringar Hypotek..... **20 July**

## THIRD QUARTER:

Interim review, Länsförsäkringar Alliance ..... **25 October**  
 Interim report, Länsförsäkringar AB..... **25 October**  
 Interim report, Länsförsäkringar Bank..... **25 October**  
 Interim report, Länsförsäkringar Hypotek..... **25 October**

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