

# Länsförsäkringar AB

## *Year-end report 2015*

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

- The Group's operating profit amounted to SEK 2,155 M (1,469). The return on equity amounted to 9% (7).
- Operating profit in the non-life insurance operations amounted to SEK 908 M (791). Premiums earned after ceded reinsurance amounted to SEK 5,074 M (4,099).
- Operating profit for the Bank Group totalled 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).
- Net sales for the Parent Company amounted to SEK 2,653 M (2,491).

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

- The Group's operating profit amounted to SEK 761 M (549). The return on equity amounted to 12% (9).
- The Group's equity rose SEK 700 M to SEK 20,538 M.
- Operating profit in the non-life insurance operations amounted to SEK 477 M (105). Premiums earned after ceded reinsurance amounted to SEK 1,296 M (1,303).
- Operating profit for the Bank Group totalled 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).
- Net sales for the Parent Company amounted to SEK 716 M (657).

#### STEN DUNÉR, PRESIDENT OF LÄNSFÖRSÄKRINGAR AB:

2015 proved to be a turbulent year both geopolitically and in the financial markets. The Länsförsäkringar AB Group reported very strong earnings for 2015. All lines of business noted significant earnings improvements and the Group's operating profit amounted to SEK 2,155 M. The non-life insurance operations reported substantially improved earnings and the banking operations can summarise a historically strong year, measured in both earnings and business volumes. 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. Housing prices continued to rise, which further emphasises the im-

portance of a healthy mortgage repayment culture, something that we actively encourage. Both earnings and key figures for the unit-linked life assurance company 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.

## 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.

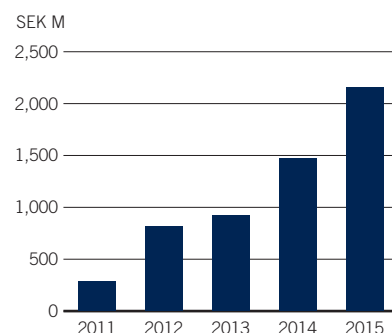
The Japanese stock market had the strongest performance during the year measured in SEK. Sweden, the US and Europe reported positive returns, while returns for emerging markets fell. Long-term interest rates have risen slightly since reaching a low point in April but have remained low, while heightened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

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

The report provides commentary on the performance in 2015 compared with full-year 2014, unless otherwise stated.

### Group earnings

#### GROUP OPERATING PROFIT



The Group's operating profit increased to SEK 2,155 M (1,469), due to stronger earnings in all business operations. The return on equity amounted to 9% (7).

Operating profit for the non-life insurance operations improved to SEK 908 M (791). The improved profit was due to higher premiums earned and run-off result that had a positive impact on claims payments.

Operating profit for the Bank Group rose to SEK 1,175 M (935), attributable to a higher net interest income and increased commission income.

The managed assets of unit-linked insurance operations increased to SEK 103 billion (94), which contributed to operating profit strengthening to SEK 516 M (373).

The Group's total return amounted to 3.4% (4.8). Properties, which amounted to about 21% of the investment assets on 31 December 2015, yielded the highest return contributing 3.9 percentage points to the total return. The value of the property holdings displayed a positive trend due to higher market rents and the continued decline of yield requirements in the market. Equities performed positively, contributing 0.2 percentage points to the total return. US credits and widened credit spreads mostly made a negative contribution to the fixed-income portfolio, resulting in a total negative impact of 0.3 percentage points. Länsförsäkringar Sak

previously applied a liability hedge to hedge interest-rate risk in the discounted annuity reserve.

Most of this liability hedge, which previously represented a large portion of the portfolio, was discontinued in connection with the portfolio transfer of the annuity reserve. The liability hedge made a significant contribution to the total return in 2014, which is the reason for the slightly lower return in 2015. The improved total return for other assets was mainly due to a larger contribution from properties, while other classes of assets made a lower contribution.

### The Group's capital situation

The Länsförsäkringar AB Group is a financial conglomerate. The Group's companies are encompassed by regulations on group solvency in accordance with legislation on financial conglomerates, legislation on banking operations and legislation on insurance operations.

The Group's equity increased SEK 3,681 M during the year to SEK 20,538 M (16,857). SEK 600 M of this increase referred to the new share issue in Länsförsäkringar AB and SEK 1,200 M to the issue of Tier 1 instruments in Länsförsäkringar Bank.

The capital surplus according to the financial conglomerate rules amounted to SEK 5,656 M (2,814), up SEK 2,842 M. SEK 1,800 M of the increase was due to the issues described above and the remainder referred to the comprehensive income in the part of the operations that is consolidated, meaning excluding the mutually operated Länsförsäkringar Liv, exceeding the increase in the capital requirement for the operations.

According to the rules on calculating the capital base in financial conglomerates, surpluses in subsidiaries are included in the capital base only if it is legal and practically feasible to transfer the surplus. The rules allow for the effects of potential measures to increase the transfer of capital between legal entities to be taken into account. The measures do not actually have to be carried out. From the fourth quarter, the effect of such potential measures is included in the calculation of the conglomerate's capital base. The measures mean that the capital structure is modified internally with

hout any external capital transactions taking place.

Capital surplus of the insurance group amounted to SEK 3,369 M (1,325). SEK 800 M of the increase referred to the sale of intra-Group subordinated debt in the first quarter and most of the remainder was due to earnings in the Group's insurance companies.

New legislation for insurance companies, Solvency II, came into effect on 1 January 2016. The rules for insurance operations will then change significantly in many areas, including how solvency testing is carried out. The capital base and capital requirements will be calculated in line with the new rules. The design of the group solvency test under the insurance-operation rules will be the same as the design for the corresponding test under the rules on financial conglomerates, but with more uniform treatment of the insurance sector and banking sector.

Länsförsäkringar AB, with its insurance companies, has applied to the Swedish Financial Supervisory Authority to use a partial internal model for calculating capital requirements under Solvency II for both individual insurance companies and at group level. A decision from the Authority is expected in the first quarter of 2016. The Länsförsäkringar AB Group has a satisfactory margins for the capital requirements required by Solvency II.

The Core Tier 1 ratio for the group encompassed by the group rules for banking operations (consolidated situation), meaning the Länsförsäkringar Bank Group consolidated with Länsförsäkringar AB, was 21.4% (13.9). The ratio strengthened substantially during 2015 based on the previously described issues, dividends from the Group's insurance companies to Länsförsäkringar AB and approval of changes to models for calculating the banking operations' capital requirement granted in the second quarter. Further information about the capital situation under the group rules for banking operations is provided under the section on "Bank" below.

### Non-life insurance

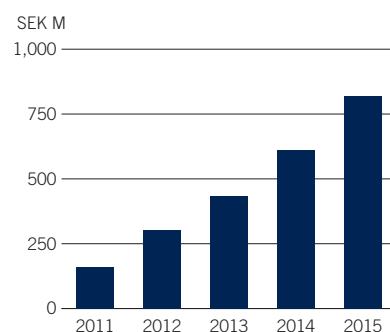
Operating profit amounted to SEK 908 M (791) and the combined ratio to 85% (88).

The technical result for insurance operations amounted to SEK 821 M (611). The

profitability of the insurance operations is high. The marine and cargo and casualty insurance businesses performs positively and reported improved earnings. The trend in Agria's claims costs was more stable than previously, with a positive performance in both premiums earned and earnings. Claims costs in health care insurance displayed a negative trend and several measures were taken to break this trend, such as adjustments to prices and deductibles. A decision was made to transfer some of the accident and health insurance from Länsförsäkringar Sak to the regional insurance companies. The business's reserves were reviewed in connection with this, and a positive run-off result of almost SEK 300 M was realised. The transfer is a natural part of the Länsförsäkringar Alliance's business model under which established business is transferred to the regional insurance companies.

Premiums earned after ceded reinsurance amounted to SEK 5,074 M (4,099). Premiums earned for the preceding year were negatively impacted by SEK 500 M due to the transfer of the motor third-party liability insurance portfolio to the regional insurance companies. Excluding this non-recurring effect in 2014, premiums earned rose 10%. The increase was mainly the result of portfolio growth and previous premium increases in accident and health insurance and in Agria. Claims payments after ceded reinsurance increased to SEK 3,242 M (2,670) and the claims ratio was 64% (65). The expense ratio was 21% (23). Excluding the negative effect on premiums earned in 2014, the expense ratio amounted to 20%.

### TECHNICAL RESULT



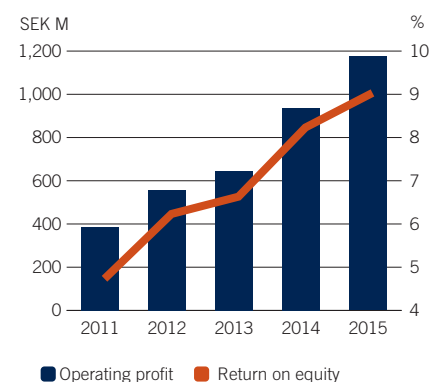
The total return amounted to 5.8% (5.1). Properties, which amounted to about 33% of the investment assets, contributed 6.4 percentage points to the total return. The value of the property holdings displayed a positive trend due to higher market rents and the continued decline of yield requirements in the market. The fixed-income portfolio, which has a short duration, was impacted by the low interest rates and had a negative return of 0.4 percentage points. Mainly US credits and widened credit spreads accounted for the largest negative contributions to the fixed-income portfolio.

### Bank

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).

### OPERATING PROFIT AND RETURN ON EQUITY

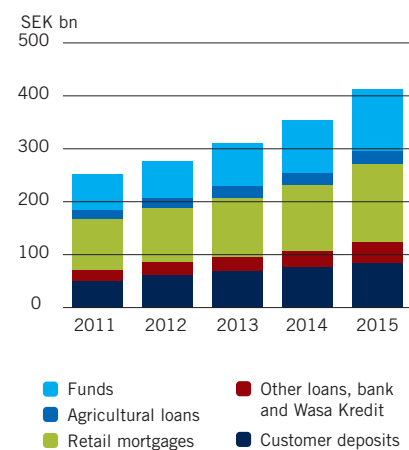


Loan losses amounted to SEK 6 M (-10), net, corresponding to loan losses of 0.00% (0.00). Impaired loans, gross, amounted to SEK 241 M (316), corresponding to a percentage of impaired loans, gross, of 0.12% (0.17). The cost/income ratio before loan losses amounted to 0.57 (0.62).

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).

#### BUSINESS VOLUMES FOR THE BANK GROUP



#### 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.

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

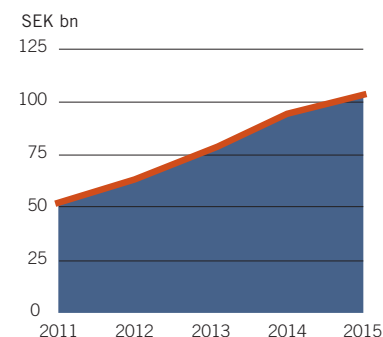
Consolidated situation (SEK M)	31 Dec 2015	30 Sep 2015
IRB Approach	30,317	30,448
retail exposures	22,989	22,771
exposures to corporates	7,328	7,677
Standardised Approach	11,822	9,281
Total REA	51,724	49,401
Core Tier 1 capital	11,064	9,980
Tier 1 capital	12,264	11,180
Total capital	14,561	13,477
Core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

#### Unit-linked insurance

Operating profit for Länsförsäkringar Fondliv amounted to SEK 516 M (373). Income from fees from the financial component of agreements increased 14% to SEK 649 M (570). Management remuneration rose 22% to SEK 728 M (598). 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 declined to SEK 1,375 M (1,704). Insurance capital amounted to SEK 103 billion (94), up 10%. The increase was due to positive re-

turns and a positive net flow. Total sales excluding collective-agreement occupational pensions amounted to SEK 11,342 M (9,465), up 20%.

#### MANAGED ASSETS FOR UNIT-LINKED INSURANCE



#### Fund and guarantee management

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%. 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.

Premium income for guarantee management amounted to SEK 425 M (589). The decline was due to capital transferred, which is included in premium income, more than halving compared with 2014. Managed assets amounted to SEK 2.3 billion (1.9). The return was -0.2% (pos: 6.0). The fixed-income portfolio performed negatively, whereas the equity portfolio reported a positive trend in 2015, mainly in Swedish, European and Japanese shares.

#### 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

## Significant events after the end of the interim period

No significant events took place after the end of the interim period.

## Risks and uncertainty factors of the operations

The Group's banking and insurance operations give rise to various types of risks, with credit risk in the Bank Group and market risks and insurance risks attributable to the Group's non-life insurance and unit-linked life-assurance companies comprising most of the risks. Credit risk in the bank is affected by the macroeconomic situation in Sweden since all loans are granted in Sweden. Loan losses remained very low.

Market risks primarily arise in Länsförsäkringar Fondliv on the basis of indirect exposure to market risk, since income in the unit-linked insurance operations is dependent on trends in the financial market. Länsförsäkringar Sak's market risk occurs on the basis of investment decisions concerning the management of investment assets and is less extensive than Länsförsäkringar Fondliv's market risk.

Life-assurance risks relate primarily to cancellation risk in Länsförsäkringar Fondliv, meaning the risk of external transfers out of the company and also lower future fee income.

Non-life insurance risks arise in Länsförsäkringar Sak including animal and crop insurance in the subsidiary Agria Djurförsäkring.

Market and insurance risks in non-life insurance and the unit-linked life-assurance operations are maintained at a stable and controlled level.

The risks that arise directly in Länsförsäkringar AB are primarily attributable to the company's financing, investments in liquidity and the business-support operations conducted on behalf of the subsidiaries and the regional insurance companies.

The primary focus of the Solvency II work in 2015 was completing the implementation of the regulations. This preparatory work was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and developing improved calculation tools for balancing risk-taking with opportunities for yielding returns.

A more detailed description of the risks to which the Group and Parent Company are exposed and how these risks are managed is presented in the 2014 Annual Report. No significant changes in the risk profile for the Group or the Parent Company took place during 2015.

## Related-party transactions

In 2015, the Länsförsäkringar AB Group has had the same type of agreements as those described in the notes to the 2014 Annual Report. The most important related-party transactions during the interim period are reported in note 3 for the Group and note 2 for the Parent Company.

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

The Group's operating profit amounted to SEK 761 M (549).

The Länsförsäkringar Sak Group's operating profit amounted to SEK 477 M (105). The technical result improved to SEK 421 M (158). The earnings improvement was largely due to run-off gains in accident and health insurance, and investment income also improved.

The Bank Group's operating profit amounted to SEK 312 M (304). Operating income rose to SEK 717 M (707) and net interest income amounted to SEK 805 M (778). Operating expenses fell to SEK 391 M (412). Return on equity amounted to 9.1% (9.1).

Länsförsäkringar Fondliv's operating profit amounted to SEK 102 M (148). Total premium income rose to SEK 2,025 M (1,985), as a result of higher premiums paid. Insurance capital rose to SEK 103 billion (97) due to higher returns. Fees amounted to SEK 156 M (161) and management remuneration to SEK 185 M (181). The main reason for the higher management remuneration was the increase in managed assets. Operating expenses rose to SEK 253 M (214) due to higher commission and IT expenses.

## PARENT COMPANY EARNINGS FULL-YEAR 2015 COMPARED WITH FULL-YEAR 2014

Profit after financial items for the Parent Company amounted to SEK 438 M (767). Earnings were impacted by lower dividends of SEK 742 M (1,254) from subsidiaries and non-recurring expenses for withdrawing from a rental contract for office premises. Income amounted to SEK 2,653 M (2,491).

A new share issue of SEK 600 M was implemented during the first quarter. The Parent Company paid a shareholders' contribution of SEK 500 M to Länsförsäkringar Bank AB in the first quarter.

## PARENT COMPANY EARNINGS FOURTH QUARTER OF 2015 COMPARED WITH THIRD QUARTER OF 2015

Profit after financial items for the Parent Company amounted to SEK 236 M (27). The improved profit in the fourth quarter was mainly due to the Group contribution from Länsförsäkringar Sak. Earnings were adversely affected by operating expenses.

The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at 31 December 2015 are shown in the following financial statements with accompanying notes for the Group and Parent Company.



## KEY FIGURES

Länsförsäkringar AB Group	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
<b>SEK M</b>							
<b>Group</b>							
Operating profit	761	549	358	487	192	2,155	1,469
Net profit for the period	656	451	263	395	159	1,765	1,159
Return on equity, % <sup>1)</sup>	12	9	6	9	4	9	7
Total assets, SEK billion	385	376	383	375	356	385	356
Equity per share, SEK <sup>2)</sup>	1,858	1,790	1,749	1,714	1,675	1,858	1,675
Solvency capital <sup>3)</sup>	22,774	21,911	21,496	21,073	19,767	22,774	19,767
Solvency margin, % <sup>4)</sup>	428	463	465	458	455	428	455
Capital base for the financial conglomerate <sup>5)</sup>	21,548	20,118	19,782	19,276	17,802	21,548	17,802
Necessary capital requirement for the financial conglomerate <sup>5)</sup>	15,892	15,784	15,530	15,517	14,988	15,892	14,988
<b>Insurance operations <sup>6)</sup></b>							
<i>Non-life insurance operations</i>							
Premiums earned (after ceded reinsurance)	1,238	1,243	1,190	1,165	671	4,836	3,880
Investment income transferred from financial operations	12	12	11	10	36	44	130
Claims payments (after ceded reinsurance) <sup>7)</sup>	-478	-790	-765	-743	-185	-2,776	-2,251
<b>Technical result, non-life operations</b>	<b>417</b>	<b>155</b>	<b>116</b>	<b>121</b>	<b>184</b>	<b>808</b>	<b>604</b>
<i>Premium income, non-life insurance</i>							
Premium income before ceded reinsurance	1,213	1,151	1,171	2,999	3,496	6,534	8,444
Premium income after ceded reinsurance	960	1,096	1,145	1,759	375	4,959	4,050
<i>Life-assurance operations</i>							
Premium income after ceded reinsurance	57	53	62	211	57	383	329
Fees pertaining to financial agreements	156	161	166	166	141	649	570
Investment income, net	40	-89	-49	77	38	-21	108
Claims payments (after ceded reinsurance)	-64	-70	-63	-65	-44	-262	-206
<b>Technical result, life-assurance operations</b>	<b>109</b>	<b>156</b>	<b>142</b>	<b>133</b>	<b>103</b>	<b>540</b>	<b>621</b>
<b>Operating profit for insurance operations <sup>8)</sup></b>	<b>579</b>	<b>253</b>	<b>289</b>	<b>303</b>	<b>299</b>	<b>1,424</b>	<b>1,164</b>
<i>Key figures</i>							
Cost ratio <sup>9)</sup>	29	25	27	27	48	27	29
Expense ratio <sup>10)</sup>	22	20	21	21	38	21	22
Claims ratio <sup>11)</sup>	45	69	70	69	37	63	65
Combined ratio	67	88	91	90	75	84	87
Management cost ratio, life-assurance operations <sup>12)</sup>	1	1	1	1	1	1	1
Direct yield, % <sup>13)</sup>	0.2	-0.7	1.0	0.1	2.6	0.7	2.0
Total return, % <sup>14)</sup>	1.9	-1.0	1.4	1.6	0.2	3.9	4.9
Total return, % <sup>15)</sup>	1.9	-1.0	1.6	1.5	0.4	4.0	3.1
<i>Financial position</i>							
Investment assets, SEK billion <sup>16)</sup>	12	12	12	12	12	12	12
Unit-linked insurance assets – policyholder bears the risk, SEK billion	100	95	100	103	91	100	91
Technical reserves (after ceded reinsurance), SEK billion	8	8	8	8	7	8	7
Capital base for the insurance group <sup>17)</sup>	9,436	8,979	8,732	8,774	7,618	9,436	7,618
Solvency margin for the insurance group <sup>17)</sup>	6,067	6,164	6,188	6,507	6,275	6,067	6,293

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## KEY FIGURES, CONT.

Länsförsäkringar AB Group	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-Year 2014	Full-Year 2014
<b>SEK M</b>							
<b>Banking operation</b>							
Net interest income	805	778	726	685	699	2,994	2,580
Operating profit	312	304	280	279	256	1,175	935
Net profit for the period	237	225	218	231	182	911	712
Return on equity, % <sup>18)</sup>	9	9	9	9	9	9	8
Total assets, SEK billion	251	249	249	237	232	251	232
Equity	12,057	11,866	11,679	10,320	9,597	12,057	9,597
Cost/income ratio before loan losses <sup>19)</sup>	0.54	0.58	0.59	0.56	0.60	0.57	0.62
Investment margin, % <sup>20)</sup>	1.29	1.27	1.20	1.13	1.21	1.22	1.15
Common Equity Tier 1 capital ratio Bank Group, %	23.7	23.2	23.0	17.4	16.2	23.7	16.2
Tier 1 ratio Bank Group, % <sup>21)</sup>	26.6	26.0	25.9	17.4	16.2	26.6	16.2
Total capital ratio Bank Group, % <sup>22)</sup>	32.0	31.5	31.5	21.7	20.6	32.0	20.6
Common Equity Tier 1 capital ratio consolidated situation, %	21.4	20.2	19.9	15.4	13.9	21.4	13.9
Tier 1 ratio consolidated situation, % <sup>21)</sup>	23.7	22.6	22.3	15.4	13.9	23.7	13.9
Total capital ratio consolidated situation, % <sup>22)</sup>	28.2	27.3	27.0	19.1	17.5	28.2	17.5
Loan losses in relation to loans, % <sup>23)</sup>	0.03	-0.02	0.00	0.00	0.03	0.00	0.00

1) Operating profit less standard tax at 22.0% in relation to average equity adjusted for share issue and for Additional Tier 1 Capital loan.

2) Equity adjusted for Additional Tier 1 Capital loan per share.

3) Total of shareholders' equity, subordinated loan and deferred taxes.

4) Solvency capital as a percentage of full-year premium income after ceded reinsurance.

5) The financial conglomerate comprises the Parent Company Länsförsäkringar AB, all insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. The financial conglomerate also includes Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group is not consolidated in the Länsförsäkringar AB Group. The capital base is calculated in accordance with the deduction and aggregation method. Effective 2014, an EU Regulation (342/2014) applies to methods of calculation for solvency testing. This means that special consideration is to be made of whether there is any practical or legal impediment to transferring the surplus in a company. Given this, the companies of the Bank Group have been included by company in the calculations in order to support consideration of the transferability of surpluses per company. The capital requirement is affected since the transition rules under Basel I are taken into account for each company individually instead of for the Bank Group as a whole.

6) The earnings, key figures and financial position of the insurance operations are presented in accordance with the Swedish Annual Accounts Act for Insurance Companies and Swedish Financial Supervisory Authority's directives and general guidelines FFFS 2008:26.

7) Excluding claims adjustment costs.

8) The operating profit of the insurance operations includes the Länsförsäkringar Sak Group's and Länsförsäkringar Fondliv's investment income and other non-technical income and expenses.

9) Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.

10) Operating expenses as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Excluding claims adjustment costs in accordance with the regulation of the Swedish Financial Supervisory Authority.

11) Claims payments as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Includes claims adjustment costs in accordance with the regulation of the Swedish Financial Supervisory Authority.

12) Operating expenses and claims adjustment costs in relation to the average value of investment assets, investment assets for which the policyholder bears the investment risk and cash and cash equivalents.

13) Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administrative expenses of asset management and operating expenses for properties in relation to the average value of the investment assets during the period. Pertains to non-life insurance and life-assurance.

14) Total return is calculated as the sum of direct yields and changes in the value of the investment portfolio in relation to the average value of the investment assets during the period. Pertains to non-life insurance and life-assurance.

15) Total return is calculated as the sum of direct yields and changes in the value of the investment portfolio, excluding returns from nominal and real return bonds held for the purpose of hedging the discounted claims annuities reserve, in relation to the average value of the investment assets during the period. Pertains to non-life insurance and life-assurance.

16) Investment assets comprise owner-occupied property, shares and participations in associated companies, loans to Group companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and cash equivalents, and interest-bearing liabilities.

17) The insurance group comprises the Parent Company Länsförsäkringar AB and all insurance companies in the Group. The insurance group also includes Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group is not consolidated in the Länsförsäkringar AB Group. According to the Swedish Insurance Business Act (2010:2043).

18) Operating profit plus less standard tax at 22.0% in relation to average equity adjusted for changes in value of financial assets recognised in equity and for Additional Tier 1 Capital loan.

19) Total expenses before loan losses in relation to total income.

20) Net interest in relation to average total assets.

21) Tier 1 capital base in relation to the closing risk-weighted amount.

22) Closing capital base in relation to the closing risk-weighted amount.

23) Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

## FINANCIAL STATEMENTS – 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 provision	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 2015	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>



## 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 instrument	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
Unit-linked insurance liabilities – 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>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK M	Share capital	Other capital contributed	Additional Tier 1 instruments	Reserves	Retained earnings including net profit for the period	Total
<b>Opening equity, 1 January 2014</b>	<b>975</b>	<b>9,240</b>	<b>–</b>	<b>496</b>	<b>4,472</b>	<b>15,183</b>
Comprehensive income for the period	–	–	–	15	1,159	1,174
<b>Shareholders' contribution</b>						
New share issue	32	468	–	–	–	500
<b>Closing equity, 31 December 2014</b>	<b>1,007</b>	<b>9,708</b>	<b>–</b>	<b>511</b>	<b>5,631</b>	<b>16,857</b>
Opening equity, 1 January 2015	1,007	9,708	–	511	5,631	16,857
Comprehensive income for the period	–	–	–	142	1,765	1,907
Issued additional Tier 1 instruments	–	–	1,200	–	–27	1,173
<b>Shareholders' contribution</b>						
New share issue	36	564	–	–	–	600
<b>Closing equity, 31 December 2015</b>	<b>1,042</b>	<b>10,272</b>	<b>1,200</b>	<b>653</b>	<b>7,370</b>	<b>20,538</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK M	1 Jan 2015 –31 Dec 2015	1 Jan 2014 –31 Dec 2014
<b>Operating activities</b>		
Profit before tax	2,155	1,469
Adjustment for non-cash items	4,617	–1,923
Tax paid	–279	–83
<b>Cash flow from operating activities before changes in working capital</b>	<b>6,493</b>	<b>–537</b>
<b>Cash flow from changes in working capital</b>		
Change in shares and participations, bonds and other interest-bearing securities and derivatives	–3,446	–4,073
Increase (–)/Decrease (+) in operating receivables	–22,198	–11,019
Increase (+)/Decrease (–) in operating liabilities	6,465	9,235
<b>Cash flow from operating activities</b>	<b>–12,686</b>	<b>–6,394</b>
<b>Investing activities</b>		
Acquisitions of associated companies	–3	–27
Purchase of intangible assets	–372	–209
Purchase of property and equipment	–39	–20
Investment in property and equipment	–23	–
Divestment of property and equipment	10	5
<b>Cash flow from investing activities</b>	<b>–426</b>	<b>–251</b>
<b>Financing activities</b>		
New share issue	600	500
Change in debt securities in issue	11,055	5,648
Additional Tier 1 Capital loan	1,200	–
Dividends in Tier 1 ratio loans	–27	–
<b>Cash flow from financing activities</b>	<b>12,828</b>	<b>6,148</b>
Net cash flow for the year	–284	–497
Cash and cash equivalents, 1 January	1,657	2,145
Exchange-rate differences in cash and cash equivalents	1	10
<b>Cash and cash equivalents, 31 December</b>	<b>1,374</b>	<b>1,657</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and the regulation FFFS 2008:26 of the Swedish Financial Supervisory Authority were applied. The Group also complies with recommendation RFR 1 Supplementary Accounting Rules for Groups and statements issued by the Swedish Financial Reporting Board. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

#### Accounting for equity instruments

Länsförsäkringar Bank AB issued an Additional Tier 1 Capital instrument in 2015, for which the contractual conditions entail a perpetual term and do not have any compulsory coupon payments. The nature of the instrument is considered to be an equity instrument and the coupon payments are considered to be equity transactions.

In all other respects, the interim report for the Group has been prepared in accordance with the same accounting policies and calculation methods applied in the 2014 Annual Report.

## NOTE 2 EARNINGS PER SEGMENT

1 Jan 2015 – 31 Dec 2015, SEK M	Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Premiums earned after ceded reinsurance	5,074	140	–	–	–22	5,192
Net interest income	–	–	2,994	–	12	3,006
Change in unit-linked insurance assets – policyholder bears the risk	–	5,365	–	–	–	5,365
Dividends in unit-linked insurance assets – policyholder bears the risk	–	8	–	–	8	8
Investment income, net	45	–9	97	660	–800	–6
Commission income	31	1,384	1,522	–	–342	2,595
Other operating income	388	272	97	2,653	–1,305	2,104
<b>Total operating income</b>	<b>5,537</b>	<b>7,160</b>	<b>4,710</b>	<b>3,313</b>	<b>–2,457</b>	<b>18,263</b>
Claims payments after ceded reinsurance	–3,242	–98	–	–	302	–3,038
Change in life-assurance provision	–	–	–	–	–5	–5
Change in unit-linked insurance liabilities – policyholder bears the risk	–	–5,349	–	–	–	–5,349
Commission expense	–458	–578	–1,963	–	336	–2,663
Staff costs	–388	–163	–462	–837	24	–1,826
Other administration expenses	–628	–443	–1,104	–2,037	993	–3,220
Loan losses	–	–	–6	–	–	–6
<b>Total expenses</b>	<b>–4,716</b>	<b>–6,632</b>	<b>–3,535</b>	<b>–2,874</b>	<b>1,650</b>	<b>–16,108</b>
<b>Technical result</b>	<b>821</b>	<b>528</b>	<b>–</b>	<b>–</b>	<b>–1,349</b>	<b>–</b>
Non technical recognition	87	–11	–	–	–76	–
<b>Operating profit</b>	<b>908</b>	<b>516</b>	<b>1,175</b>	<b>438</b>	<b>–883</b>	<b>2,155</b>
Tax	–	–	–	–	–	–389
<b>Net profit for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,765</b>
<b>Income distribution</b>						
External income	5,321	6,812	4,721	1,420	–11	18,263
Internal income	216	355	–10	1,892	–2,453	–
<b>Total operating income</b>	<b>5,537</b>	<b>7,167</b>	<b>4,710</b>	<b>3,313</b>	<b>–2,465</b>	<b>18,263</b>

The distribution into operating segments matches how the Group is organised and is monitored by Group Management. The technical result is presented for Non-life Insurance and Unit-linked Life Assurance since the result is followed up by Group management.

**The Non-life Insurance segment** pertains to non-life and group life-assurance; group life-assurance comprises a minor portion only. The Länsförsäkringar Alliance's internal and external reinsurance and run-off of previously underwritten international reinsurance are also included.

**The Unit-linked insurance segment** pertains to life-assurance with links to mutual funds.

**The Bank segment** pertains to deposits and lending operations. The legal structure of Länsförsäkringar Bank Group matches the product offering to customers.

**The Parent Company segment** pertains to service, IT and development for the Länsförsäkringar Alliance, administration of securities funds and costs for joint functions.

**Depreciation/amortisation and impairment:** Depreciation of property and equipment and amortisation of intangible assets is included in Other administration expenses in Non-life Insurance and Unit-linked Life Assurance. Amortisation pertaining to acquired intangible assets under United-linked Life Assurance is included in eliminations and adjustments of administration expenses. The impairment of the holdings in Länsförsäkringar Liv is included in net investment income in "Parent Company".

**Investment income, net** Investment income, net, for non-life insurance includes return on investments, return on securities held to hedge claims annuities operations and discounting claims annuities reserve. The change in value of properties in property-owning subsidiaries is recognised in other comprehensive income. Fair value changes are included in the bank. Dividends from subsidiaries and interest expense are included in the Parent Company.

Continued on next page

## NOTE 2 EARNINGS PER SEGMENT, CONT.

1 Jan 2014 – 31 Dec 2014, SEK M	Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Premiums earned after ceded reinsurance	4,099	107	–	–	–28	4,178
Net interest income	–	–	2,580	–	30	2,610
Change in unit-linked insurance assets – policyholder bears the risk	–	11,506	–	–	–	11,506
Dividends in unit-linked insurance assets – policyholder bears the risk	–	3	–	–	–	3
Investment income, net	132	93	98	992	–1,169	146
Commission income	96	1,171	1,312	–	–287	2,292
Other operating income	321	271	92	2,489	–1,235	1,937
<b>Total operating income</b>	<b>4,649</b>	<b>13,150</b>	<b>4,083</b>	<b>3,481</b>	<b>–2,690</b>	<b>22,673</b>
Claims payments after ceded reinsurance	–2,670	–53	–	–	283	–2,440
Change in life-assurance provision	–	–	–	–	–3	–3
Change in unit-linked insurance liabilities – policyholder bears the risk	–	–11,608	–	–	–	–11,608
Commission expense	–413	–558	–1,631	–	306	–2,296
Staff costs	–347	–153	–441	–809	15	–1,735
Other administration expenses	–607	–412	–1,085	–1,905	877	–3,132
Loan losses	–	–	10	–	–	10
<b>Total expenses</b>	<b>–4,038</b>	<b>–12,783</b>	<b>–3,148</b>	<b>–2,714</b>	<b>1,479</b>	<b>–21,204</b>
<b>Technical result</b>	<b>611</b>	<b>367</b>	<b>–</b>	<b>–</b>	<b>–978</b>	<b>–</b>
Non technical recognition	180	6	–	–	–186	–
<b>Operating profit</b>	<b>791</b>	<b>373</b>	<b>935</b>	<b>767</b>	<b>–1,397</b>	<b>1,469</b>
Tax	–	–	–	–	–	–310
<b>Net profit for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,159</b>
<b>Income distribution</b>						
	4,461	12,845	4,094	2,398	–1,126	22,673
Intra-Group income	188	305	–12	1,083	–1,564	–
<b>Total operating income</b>	<b>4,649</b>	<b>13,150</b>	<b>4,083</b>	<b>3,481</b>	<b>–2,690</b>	<b>22,673</b>

## NOTE 3 RELATED-PARTY TRANSACTIONS

SEK M	Income Jan-Dec	Expenses Jan-Dec	Receivables 31 Dec	Liabilities 31 Dec	Commitments 31 Dec
<b>2015</b>					
Länsförsäkringar Liv Group	421	–147	146	962	901
Regional insurance companies	1,751	–2,207	8,880	13,472	59
Other related parties	27	–27	15	49	6
<b>2014</b>					
Länsförsäkringar Liv Group	426	–127	95	1,047	1,190
Regional insurance companies	1,328	–4,495	6,896	14,027	52
Other related parties	30	–24	8	42	5

Income and expenses include interest. Receivables and liabilities to regional insurance companies include technical reserves.

#### NOTE 4 FAIR VALUE VALUATION TECHNIQUES

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed in an active market.

Level 2 refers to prices determined by calculated prices of observable market listings.

Level 3 refers to prices based on own assumptions and judgements.

Table 1 Fair value valuation techniques

31 December 2015, SEK M	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Owner-occupied property	–	–	2,545	2,545
Unit-linked insurance assets – policyholder bears the risk	100,497	–	–	100,497
Shares and participations	1,167	14	650	1,832
Bonds and other interest-bearing securities	39,961	–	100	40,061
Treasury bills and other eligible bills	8,824	–	–	8,824
Derivatives	0	4,479	–	4,479
<b>Liabilities</b>				
Derivatives	0	2,455	–	2,455

#### 31 December 2014, SEK M

<b>Assets</b>				
Owner-occupied property	–	–	2,265	2,265
Unit-linked insurance assets – policyholder bears the risk	91,359	–	–	91,359
Shares and participations	943	12	532	1,487
Bonds and other interest-bearing securities	43,702	–	31	43,733
Treasury bills and other eligible bills	5,409	–	–	5,409
Derivatives	1	5,275	–	5,276
<b>Liabilities</b>				
Derivatives	0	2,756	–	2,756

Continued on next page

## NOTE 4 FAIR VALUE VALUATION TECHNIQUES, CONT.

Table 2 Change level 3	Owner-occupied property	Shares and participations	Bonds and other interest-bearing securities	Total
<b>Opening balance, 1 January 2015</b>	<b>2,265</b>	<b>532</b>	<b>31</b>	<b>2,828</b>
Acquisition	22	0	69	92
Divestments	–	–3	–	–3
Recognised in net profit for the year	–73	120	–	47
Recognised in other comprehensive income	330	–	–	330
<b>Closing balance, 31 December 2015</b>	<b>2,545</b>	<b>650</b>	<b>100</b>	<b>3,295</b>
<b>Change level 3</b>				
<b>Opening balance, 1 January 2014</b>	<b>2,423</b>	<b>473</b>	<b>–</b>	<b>2,896</b>
Acquisition	0	–	30	30
Divestments	–	–6	–	–6
Recognised in net profit for the year	–136	65	1	–70
Recognised in other comprehensive income	–22	–	–	–22
<b>Closing balance, 31 December 2014</b>	<b>2,265</b>	<b>532</b>	<b>31</b>	<b>2,828</b>

There were no significant transfers between Level 1 and Level 2 during 2015 or during 2014. There were no transfers from Level 3 in 2015 or 2014.

There are not normally active markets for owner-occupied property, which is why fair value is estimated using models based on discounted cash flows. These models are based on assumptions about future rent levels, occupancy, operating and maintenance expenses, yield requirements and interest-rate levels. The method applied to the calculation of fair value is the revaluation technique. All valuations are performed by external, independent valuation companies.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, for example, the EVCA (European Venture Capital Association).

Bonds and other interest-bearing securities that are not listed on an active market comprise interest-bearing, unlisted loans that are valued using unobservable market data and are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available. Holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for impairment. Gains and losses are recognised in profit and loss under Investment income, net.

For information and the determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

The fair value of shares in Länsförsäkringar Liv Försäkrings AB comprises cost adjusted for impairment requirements.

When calculating the fair value of deposits and lending, anticipated future cash flows have been discounted using a discount rate set at the current deposit and lending rates applied.

The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties on the accounting date or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, and for measuring the fair value of subordinated liabilities, a standard method or valuation technique based on the estimated or original issue spread has been utilised.

The fair value of other receivables, cash and cash equivalents, due to credit institutions and other liabilities comprises a reasonable approximation of the cost of the assets and liabilities since these assets and liabilities have short terms.

**Table 3 Financial assets and liabilities**

SEK M	31 Dec 2015		31 Dec 2014	
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Shares in Länsförsäkringar Liv Försäkrings AB	8	8	8	8
Loans to the public	201,959	202,780	179,424	180,926
Unit-linked insurance assets – policyholder bears the risk	100,497	100,497	91,359	91,359
Shares and participations	1,832	1,832	1,487	1,487
Bonds and other interest-bearing securities	40,061	40,061	43,733	43,733
Treasury bills and other eligible bills	8,824	8,824	5,409	5,409
Derivatives	4,479	4,479	5,276	5,276
Other receivables	668	668	3,565	3,565
Cash and cash equivalents	1,374	1,374	1,657	1,657
<b>Total assets</b>	<b>359,703</b>	<b>360,523</b>	<b>331,918</b>	<b>333,420</b>
<b>Liabilities</b>				
Subordinated liabilities	2,300	2,362	2,000	2,127
Debt securities in issue	141,269	145,550	130,514	136,690
Deposits from the public	82,702	82,884	75,845	77,297
Due to credit institutions	2,954	2,954	3,390	3,390
Derivatives	2,455	2,455	2,756	2,756
Other liabilities	1,299	1,299	1,073	1,073
<b>Total liabilities</b>	<b>232,980</b>	<b>237,505</b>	<b>215,578</b>	<b>223,333</b>



## FINANCIAL STATEMENTS – PARENT COMPANY

### INCOME STATEMENT FOR THE PARENT COMPANY

SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-Year 2015	Full-year 2014
<b>Net sales</b>	<b>716</b>	<b>657</b>	<b>702</b>	<b>578</b>	<b>708</b>	<b>2,653</b>	<b>2,491</b>
<b>Operating expenses</b>							
External expenses	–596	–410	–604	–405	–609	–2,015	–1,812
Staff costs	–185	–194	–236	–207	–195	–822	–794
Depreciation/amortisation and impairment of property and equipment and intangible assets	–11	–8	–9	–9	–70	–37	–110
<b>Operating profit/loss</b>	<b>–76</b>	<b>46</b>	<b>–147</b>	<b>–44</b>	<b>–167</b>	<b>–221</b>	<b>–225</b>
<b>Profit/loss from financial items</b>							
Profit from participations in Group companies	330	–	312	100	188	742	1,254
Interest income and similar profit/loss items	–3	2	–2	9	23	6	52
Interest expense and similar profit/loss items	–15	–21	–28	–25	–184	–89	–314
<b>Profit/loss after financial items</b>	<b>236</b>	<b>27</b>	<b>136</b>	<b>40</b>	<b>–140</b>	<b>438</b>	<b>767</b>
Tax	–12	3	2	0	17	–7	25
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>224</b>	<b>30</b>	<b>138</b>	<b>39</b>	<b>–123</b>	<b>431</b>	<b>792</b>

### STATEMENT OF COMPREHENSIVE INCOME FOR THE PARENT COMPANY

SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014	Full-year 2015	Full-year 2014
<b>Profit/loss for the period</b>	<b>224</b>	<b>30</b>	<b>138</b>	<b>39</b>	<b>–123</b>	<b>431</b>	<b>792</b>
<b>Other comprehensive income</b>							
<b>Items that have been transferred or can be transferred to profit for the period</b>							
Cash-flow hedges	5	1	5	–6	–10	6	–56
Change for the year in fair value of available-for-sale financial assets	–1	–	–	–	–	–1	–
Tax attributable to items that have been transferred or can be transferred to profit for the period	–1	–0	–1	1	2	–1	12
<b>Total other comprehensive income for the period</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>–5</b>	<b>–8</b>	<b>4</b>	<b>–44</b>
<b>Comprehensive income for the period</b>	<b>227</b>	<b>31</b>	<b>142</b>	<b>35</b>	<b>–131</b>	<b>435</b>	<b>748</b>

### BALANCE SHEET FOR THE PARENT COMPANY

SEK M	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	227	111
Property and equipment	90	112
<i>Financial assets</i>		
Shares and participations in Group companies	16,892	16,342
Other fixed assets	1,027	42
<b>Total financial assets</b>	<b>17,919</b>	<b>16,384</b>
<b>Total fixed assets</b>	<b>18,236</b>	<b>16,608</b>
Current assets	1,353	2,330
Cash and bank balances	243	239
<b>TOTAL ASSETS</b>	<b>19,832</b>	<b>19,177</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Restricted equity	5,843	5,808
Non-restricted equity	10,668	9,668
<b>Total equity</b>	<b>16,511</b>	<b>15,476</b>
Provisions	198	122
Derivatives	34	41
Long-term liabilities	1,935	2,047
Current liabilities	1,154	1,491
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>19,832</b>	<b>19,177</b>
<b>PLEGDED ASSETS AND CONTINGENT LIABILITIES</b>		
Pledged assets	901	1,190
Contingent liabilities	36	55
<b>Total</b>	<b>937</b>	<b>1,245</b>

### STATEMENT OF CASH FLOWS FOR THE PARENT COMPANY

SEK M	1 Jan 2015 –31 Dec 2015	1 Jan 2014 –31 Dec 2014
<b>Operating activities</b>		
Profit after financial items	438	767
Adjustment for non-cash items	–194	103
Income tax paid	–	–3
<b>Cash flow from operating activities before changes in working capital</b>	<b>244</b>	<b>867</b>
<b>Cash flow from changes in working capital</b>		
Increase (–)/Decrease (+) in operating receivables	291	–1,027
Increase (+)/Decrease (–) in operating liabilities	48	–597
<b>Cash flow from operating activities</b>	<b>583</b>	<b>–757</b>
<b>Investing activities</b>		
Shareholders' contribution paid	–550	–600
Acquisition of intangible assets	–128	–3
Acquisition of property and equipment	–24	–7
Divestment of property and equipment	22	11
<b>Cash flow from investing activities</b>	<b>–680</b>	<b>–599</b>
<b>Financing activities</b>		
New share issue	600	500
Amortisation of loans	–499	–
<b>Cash flow from financing activities</b>	<b>101</b>	<b>500</b>
Net cash flow for the year	4	–856
Cash and cash equivalents, 1 January	239	1,095
<b>Cash and cash equivalents, 31 December</b>	<b>243</b>	<b>239</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

SEK M	Restricted reserves		Non-restricted equity				Total
	Share capital	Statutory reserve	Fair value reserve	Hedging reserve	Share premium reserve	Retained earnings, including net profit for the year	
<b>Opening equity, 1 January 2014</b>	<b>975</b>	<b>4,801</b>	<b>0</b>	<b>12</b>	<b>4,439</b>	<b>4,001</b>	<b>14,228</b>
Comprehensive income for the period	–	–	–	–44	–	792	748
<b>Shareholders' contribution</b>							
New share issue	32	–	–	–	468	–	500
<b>Closing equity, 31 December 2014</b>	<b>1,007</b>	<b>4,801</b>	<b>0</b>	<b>–32</b>	<b>4,907</b>	<b>4,793</b>	<b>15,476</b>
Opening equity, 1 January 2015	1,007	4,801	0	–32	4,907	4,793	15,476
Comprehensive income for the period	–	–	–1	5	–	431	435
<b>Shareholders' contribution</b>							
New share issue	36	–	–	–	564	–	600
<b>Closing equity, 31 December 2015</b>	<b>1,042</b>	<b>4,801</b>	<b>–1</b>	<b>–27</b>	<b>5,471</b>	<b>5,224</b>	<b>16,511</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PARENT COMPANY

### NOTE 1 ACCOUNTING POLICIES

The Parent Company prepares its accounts according to the Annual Accounts Act (1995:1554). The company also applies recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board and statements issued pertaining to listed companies. The regulations in RFR 2 stipulate that the Parent Company, in the annual accounts for the legal entity, shall apply all IFRS adopted by the EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS. In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2014 Annual Report.

### NOT 2 DISCLOSURES ON RELATED PARTIES

SEK M	Income Jan-Dec	Expenses Jan-Dec	Receivables 31 Dec	Liabilities 31 Dec	Commit- ments 31 Dec
<b>2015</b>					
Group companies	1,892	–199	1,026	236	–
Länsförsäkringar Liv Group	228	–29	29	392	901
Regional insurance companies	1,314	–66	136	209	–
Other related parties	24	–0	2	6	–
<b>2014</b>					
Group companies	1,891	–199	662	256	–
Länsförsäkringar Liv Group	241	–32	16	497	1,487
Regional insurance companies	1,157	–35	212	149	–
Other related parties	18	0	2	6	–

Income and expenses include interest.

The President submitted the report on behalf of the Board of Directors.

This report has not been reviewed by the company's auditor.

Stockholm, 10 February 2016

Sten Dunér  
President

# Financial calendar 2016

Annual Report 2015 .....	<b>Week 10</b>
Interim Report January-March .....	<b>27 April</b>
Interim Report April-June .....	<b>20 July</b>
Interim Report July-September .....	<b>25 October</b>

This interim report contains such information that Länsförsäkringar AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on 10 February 2016 at 12.00 Swedish time.

## FOR FURTHER INFORMATION, PLEASE CONTACT:

**Sten Dunér**, President, Länsförsäkringar AB  
+46 (0)8-588 411 15, +46 (0)73-964 11 15,  
sten.duner@lansforsakringar.se

**Malin Rylander Leijon**, CFO, Länsförsäkringar AB  
+46 (0)8-588 408 64, +46 (0)73-964 08 64,  
malin.rylander-leijon@lansforsakringar.se

**Fanny Wallér**, Director of Corporate Communications, Länsförsäkringar AB  
+46 (0)8-588 414 69, +46 (0)70-692 77 79,  
fanny.waller@lansforsakringar.se

Länsförsäkringar AB (publ),  
Corporate Registration Number 556549-7020  
Street address: Tegeluddsvägen 11-13,  
Postal address: SE-106 50 Stockholm  
Telephone: +46 (0)8-588 400 00