

# Länsförsäkringar AB

*Interim report January–June 2016*

## JANUARY–JUNE 2016 COMPARED WITH JANUARY–JUNE 2015

- The Group's operating profit amounted to SEK 1,115 M (845). The return on equity amounted to 10% (8).
- Operating profit in the non-life insurance operations amounted to SEK 318 M (326). Premiums earned after ceded reinsurance amounted to SEK 2,630 M (2,474).
- Operating profit for the Bank Group totalled SEK 697 M (559). Net interest income strengthened to SEK 1,615 M (1,411).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 249 M (266). Premium income amounted to SEK 4,394 M (4,635). Commission income amounted to SEK 673 M (697).
- Net sales for the Parent Company amounted to SEK 1,389 M (1,280).

## SECOND QUARTER OF 2016 COMPARED WITH FIRST QUARTER OF 2016

- The Group's operating profit amounted to SEK 578 M (537). The return on equity amounted to 11% (9).
- The Group's equity rose SEK 587 M to SEK 21,607 M.
- Operating profit in the non-life insurance operations amounted to SEK 148 M (170). Premiums earned after ceded reinsurance amounted to SEK 1,333 M (1,297).
- Operating profit for the Bank Group totalled SEK 356 M (341). Net interest income amounted to SEK 826 M (789).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 131 M (118). Premium income amounted to SEK 2,096 M (2,297). Commission income amounted to SEK 337 M (336).
- Net sales for the Parent Company amounted to SEK 747 M (642).

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

**“** We can be pleased with the favourable half-year earnings for the Länsförsäkringar AB Group. Operating profit amounted to SEK 1.1 billion, up 30% compared with the first six months of 2015. The strong earnings of the Bank Group were the primary driver behind this improvement. Growth and the inflow of customers is continuing, and we secured market growth of 10% in household lending during the period.

Market unease, Brexit and continued low interest rates impacted the operations in several ways. This market unrest adversely affected the value growth of insurance capital for unit-linked insurance. In the non-life insurance business, Agria continued to make a strong contribution to earnings. We can be pleased with the earnings improvement in the health care business, which is now approaching a balance. The technical

result weakened slightly, while operating profit was essentially at the same level as the preceding year due to strong investment income.

In May, the Swedish Financial Supervisory Authority approved our application to use a partial internal model to calculate capital requirements in the Länsförsäkringar AB Group and Länsförsäkringar Liv. I am delighted that we are the first company in Scandinavia to have our model approved – a model that reflects our business logic and our actual risk profile. Other gratifying achievements in the first half of the year include high rankings in reputation and customer satisfaction surveys. For our digital services, we also won the award of “Mobile Bank of the Year” at Mobilgalan and the Web Service Award for “Best Mobile Site and App.”

## Market commentary

Both the markets and the real economy appeared to stabilise during the quarter following a shaky start to the year. However, the calm was broken by the result of the UK's referendum on whether to leave the EU. The equities, interest and currency markets were initially highly volatile due to the heightened uncertainty regarding the economic climate, mainly in the UK and the eurozone. Expectations regarding imminent interest-rate rises, particularly on the part of the Federal Reserve, were lowered again due to the market turbulence in the wake of the Brexit result.

The effect of Brexit on the US economy will almost exclusively be dependent on the performance of the financial markets. The direct impact should be limited since US exports to the UK and the eurozone account for 0.4% and 1.6%, respectively, of US GDP. The eurozone continued to recover on a broad front with both private and public consumption driving growth. However, uncertainty following the Brexit result is expected to hamper the rate of growth in the immediate future. Inflation remained low and future measures from the ECB are likely if market unrest persists.

The Swedish economy was largely unchanged compared with the first quarter. The economy continued to be driven mainly by domestic factors, including a strong construction sector. Turmoil in the financial markets relating to the UK referendum on EU membership contributed to a weakening of the SEK and reduced the risk of the Riksbank further expanding its stimulus measures. After a continued increase in the first months of the year, housing price figures indicated a slightly subdued housing market and an expectant price trend, which may partly be the effect of the new laws on mortgage repayment requirements.

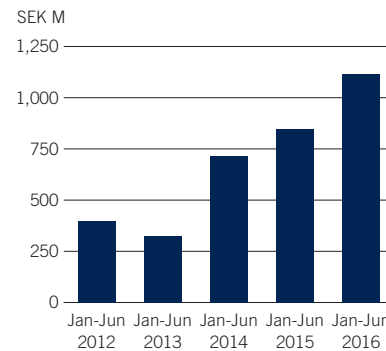
Global stock markets were essentially unchanged compared with the end of the first quarter. Long-term interest rates continued to fall and, unlike the stock market, did not recover after the initial turmoil following the Brexit results. Credit spreads for Swedish covered bonds declined during the second quarter and were lower than before the Brexit referendum.

## JANUARY–JUNE 2016 COMPARED WITH JANUARY–JUNE 2015

The report provides commentary on the performance in the January–June 2016 period compared with the corresponding period in 2015, unless otherwise stated.

### Group earnings

#### GROUP OPERATING PROFIT



The Group's operating profit increased to SEK 1,115 M (845), attributable to improved earnings in the Bank Group and the Parent Company. The return on equity amounted to 10% (8).

Operating profit for the non-life insurance operations amounted to SEK 318 M (326) and the technical result weakened to SEK 209 M (243), mainly due to lower earnings in assumed international reinsurance.

The Bank Group's operating profit improved to SEK 697 M (559) attributable to higher net interest income and improved net gains from financial transactions.

Managed assets in the unit-linked insurance operations increased modestly to SEK 103 billion (102) due to a negative value growth trend. Operating profit amounted to SEK 249 M (266).

The Group's investment income attributable to the insurance operations' and Parent Company's assets amounted to 2.3% (2.6). Properties, which comprised about 21% (22) of the investment assets, yielded the highest return contributing 1.8 percentage points (2.2) to the total return. In the fixed-income portfolio, which contributed a total of 0.8 percentage points (0.0) to the total return, falling interest rates and mainly lower credit spreads for US credits had the most positive contribution. The contribution from equities and currencies was a negative 0.2 percentage points (pos: 0.5) and a negative 0.1 percentage points (neg: 0.2), respectively.

## The Group's capital situation

The Group's equity increased SEK 587 M during the quarter to SEK 21,607 M (21,020). The capital adequacy and solvency regulations applicable to the Group must also be taken into account to provide a complete view of the Group's financial position.

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.

New legislation for insurance companies came into effect on 1 January 2016 with the introduction of the EU Solvency II Directive. Based on the new rules, the design of the calculations of group solvency under the insurance-operation rules will be the same as the design for the calculations under the rules on financial conglomerates, with uniform treatment of the insurance sector and banking sector. However, there are certain differences, particularly regarding the rules on deductions from consolidated group own funds for profits in legal entities that cannot be transferred to another entity within the group.

After Länsförsäkringar AB's 2015 Annual Report was published, new information was obtained regarding the interpretation of the rules on deductions from consolidated group own funds for profits in legal entities that cannot be transferred to another entity within the group. This new information has meant that non-transferable profits are calculated at significantly lower amounts than previously, in accordance with both the insurance operation rules and the rules on financial conglomerates. In the calculations presented here as per 31 March, such deductions are only attributable to the existence of significant contingency reserves in Länsförsäkringar Sak and in Agria.

In May, the Swedish Financial Supervisory Authority approved the application from Länsförsäkringar AB and its insurance subsidiaries to calculate the capital requirement for insurance operations using a partial internal model.

The calculations of capital requirements and own funds on 30 June 2016 for the financial conglomerate and the group

according to the insurance rules had not been completed on the date of publication of this interim report. Information on capital requirements and own funds are provided on the company's website as soon as the calculations have been completed. The calculations as per 31 March 2016 gave the same result for the two sets of rules: Profits were unchanged at SEK 8.7 billion compared with the opening balance, the capital requirement amounted to SEK 27.6 billion and own funds to SEK 36.2 billion.

The Common Equity Tier 1 capital ratio for consolidated situation\*, the group encompassed by the group rules for banking operations, was 20.3% (20.3). During the quarter, Länsförsäkringar Bank issued SEK 1.5 billion in subordinated loans and repurchased SEK 1.2 billion in a previously outstanding subordinated loan.

#### CAPITAL ADEQUACY, BANKING OPERATIONS

Consolidated situation (SEK M)	30 Jun 2016	31 Mar 2016
IRB Approach	30,728	30,878
retail exposures	23,481	23,544
exposures to corporates	7,248	7,334
Standardised Approach	15,324	14,551
Operational risks	10,717	10,717
Total REA	59,952	58,132
Common Equity Tier 1 capital	11,955	11,829
Tier 1 capital	13,155	13,029
Total capital	15 746	15,325
Common Equity Tier 1 capital ratio	20.3%	20.3%
Tier 1 ratio	22.3%	22.4%
Total capital ratio	26.7%	26.4%

\* The Länsförsäkringar Bank Group consolidated with Länsförsäkringar AB and the property company Utile Dulci 2 HB.

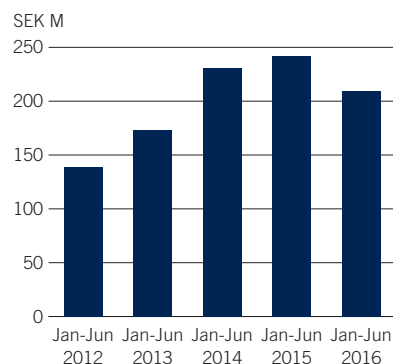
#### Non-life insurance

Operating profit amounted to SEK 318 M (326) and the combined ratio to 92% (91). The technical result for insurance operations amounted to SEK 209 M (243), with the decline primarily due to lower earnings for assumed international reinsurance business. Claims costs for health care insurance trended positively after quality-enhancing activities on claims adjustment were carried out. One measure was the introduction of an independent medical assessment. Both premiums earned and earnings performed positively for Agria.

Premiums earned after ceded reinsurance increased 6% to SEK 2,630 M

(2,474). The increase was the result of portfolio growth and premium increases in, for example, the health care business. Claims payments after ceded reinsurance rose to SEK 1,881 M (1,733), and the claims ratio increased to 72% (70) mainly as a result of higher claims costs in the assumed international reinsurance business. The expense ratio was unchanged at 21.

#### TECHNICAL RESULT



The total return amounted to 2.7% (3.9). Properties, which comprised about 24% of the investment assets, yielded the highest return contributing 2.2 percentage points (3.6) to the total return. The fixed-income portfolio contributed a total of 0.4 percentage points (0.1) to the total return. The weaker return was primarily due to a lower contribution from properties, partly explained by the reduction in property holdings after an intra-Group divestment of participations in property holdings, and by lower value changes. The fixed-income portfolio displayed a stronger trend, mainly driven by falling interest rates and declining spreads for US credits.

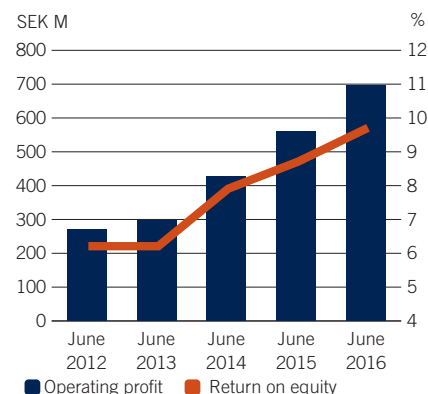
#### Bank

Operating profit rose 25% to SEK 697 M (559), due to higher net interest income and improved net gains from financial transactions. Return on equity strengthened to 9.8% (8.8). Net interest income increased 14% to SEK 1,615 M (1,411), mainly attributable to higher volumes and improved margins.

Net gains from financial items amounted to SEK 81 M (62), as a result of unrealised changes in value of financial instruments with accompanying hedge accounting. Commission income declined 5% to SEK 731 M (767) due to lower income from the fund business. Net commis-

sion amounted to an expense of SEK –241 M (–200). Operating expenses amounted to SEK 780 M (763), up 2%. The cost/income ratio before loan losses improved to 0.52 (0.58).

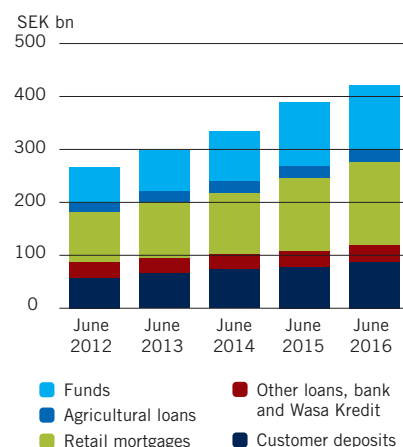
#### OPERATING PROFIT AND RETURN ON EQUITY



Loan losses amounted to SEK –32 M (0), net, corresponding to loan losses of 0.03% (0.00). The increase was attributable to the comparative period including the dissolution of reserves of SEK 40 M. Impaired loans, gross, amounted to SEK 264 M (286), corresponding to a percentage of impaired loans, gross, of 0.12% (0.14).

Business volumes increased 12% to SEK 422 billion (378). Lending increased 11% to SEK 213 billion (191). Retail mortgages in Länsförsäkringar Hypotek increased 15% to SEK 158 billion (137). Deposits rose 12% to SEK 88 billion (78). Fund volumes increased to SEK 122 billion (121).

#### 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 146 billion (132), of which covered bonds amounted to SEK 115 billion (98), senior long-term funding to SEK 29 billion (29) and short-term funding to SEK 2 billion (2). The average remaining term for the long-term funding was 3.5 years (3.4) on 30 June 2016. In April, Länsförsäkringar Bank issued a subordinated loan (LT2) in SEK for a nominal amount of SEK 1.5 billion, and Länsförsäkringar Hypotek issued a seven-year Euro benchmark covered bond for a nominal amount of EUR 500 M.

Covered bonds were issued during the period at a volume corresponding to a nominal SEK 19 billion (17), repurchased covered bonds to a nominal SEK 3 billion (2) and matured covered bonds to a nominal SEK 8 billion (15). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 4 billion (11) during the period.

The liquidity reserve totalled SEK 45 billion (38), according to the Swedish Bankers' Association's definition. The liquidity reserve is invested in securities with very high credit quality that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. By utilising the liquidity reserve, contractual undertakings for more than two years can be met without needing to secure new funding in the capital market.

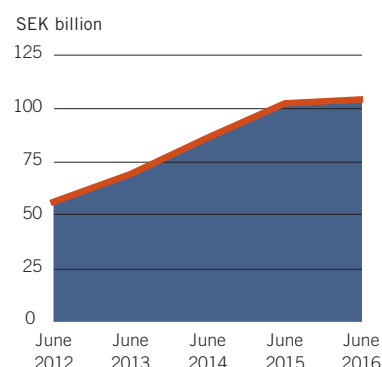
The Group's Liquidity Coverage Ratio (LCR), according to the Swedish Financial Supervisory Authority's definition, amounted to 198% (191) at 30 June 2016.

## Unit-linked insurance

Earnings for Länsförsäkringar Fondliv strengthened during the second quarter but were slightly lower compared with the preceding year. Operating profit amounted to SEK 249 M (266) and the lower result was due to both a weaker trend in insurance capital, and thus lower income, and higher operating expenses. Insurance capital increased to SEK 103 billion (102). The weaker trend in insurance capital was mainly the result of the weaker stock-market performance. Total premium income declined, based on lower volumes of capital transferred,

and amounted to SEK 4,394 M (4,635). Capital transferred amounted to SEK 552 M (755). The weaker trend in insurance capital contributed to income from the financial component of agreements declining 3% and amounting to SEK 322 M (332). Premiums for insurance risk increased to SEK 83 M (74). Operating expenses increased year-on-year and amounted to SEK 483 M (443), primarily as a result of higher IT expenses due to increased investments in the development of digital services.

## MANAGED ASSETS FOR UNIT-LINKED INSURANCE



## Fund and guarantee management

Some 42% of the 86 funds in the recommended fund range performed positively during the period and 58% negatively. Seven of the funds increased by more than 10%, while four funds declined more than 10%. Funds in commodities and certain emerging markets generated the highest returns. Emerging market funds focusing on Russia, Eastern Europe and Latin America recovered after a weak performance in 2015 and the higher price of oil. The commodities funds with the highest returns include BlackRock World Mining, East Capital Rysslandsfonden and BlackRock Latin America.

Premium income for guarantee management amounted to SEK 174 M (228), due to the SEK 63 M decline in capital transferred. Managed assets amounted to SEK 2.4 billion (2.2). The total return was 0.39% (1.89). The lower return was attributable in its entirety to shareholdings. The portfolio has been relatively defensively exposed in 2016 and the equities portion of the portfolio was reduced by an additional about 1.5 percentage points in connection with the UK referendum on EU membership.

## Rating

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

Johan Agerman was appointed the new President of Länsförsäkringar AB and will take over from Sten Dunér who will retire according to contract. Johan Agerman will take office at the beginning of 2017.

## 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 Länsförsäkringar Bank is primarily affected by the macroeconomic situation in Sweden since all loans are granted in Sweden. Loan losses remain low and the refinancing of business activities is highly satisfactory. Bank Group is also exposed to liquidity risk and a certain level of market risk.

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 arises on the basis of allocation decisions made by the company and fluctuations in the financial markets.

Life-assurance risks relate primarily to cancellation risk in Länsförsäkringar Fondliv, meaning the risk of lower future fee income due to customers moving their insurance to paid-up policies or transferring to another insurance company.

Non-life insurance risks arise on the basis of business in Länsförsäkringar Sak and in Agria Djurförsäkring (animal insurance).

Market and insurance risks in non-life insurance and life assurance 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.

Solvency II came into effect on 1 January 2016 and the insurance companies in the Group have adapted their operations to these new regulations. Länsförsäkringar AB Group, together with Länsförsäkringar Liv, has been granted approval by the Swedish Financial Supervisory Authority to use a partial internal model to calculate the solvency capital requirements for both market risk and insurance risk from non-life insurance operations. Capital requirements for other types of risk are calculated by applying the standard model.

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 2015 annual reports for each specific company.

#### Related-party transactions

In 2016, the Länsförsäkringar AB Group has had the same type of agreements as those described in the notes to the 2015 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.

## SECOND QUARTER OF 2016 COMPARED WITH FIRST QUARTER OF 2016

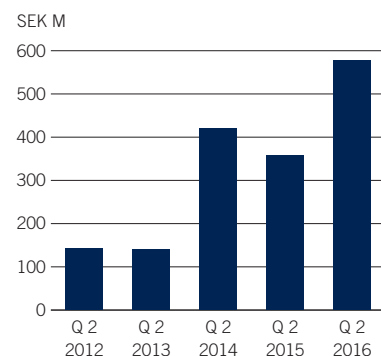
The Group's operating profit amounted to SEK 578 M (537).

Operating profit in the non-life insurance operations amounted to SEK 148 M (170). The lower earnings were due to the weaker earnings in the insurance operations. Earnings for asset management during the quarter improved. Premiums earned after ceded reinsurance amounted to SEK 1,333 M (1,297).

The Bank Group's operating profit amounted to SEK 356 M (341). Operating income rose to SEK 766 M (744) and net interest income amounted to SEK 826 M (789). Operating expenses increased to SEK 398 M (383). Return on equity amounted to 9.9% (9.7).

Länsförsäkringar Fondliv's operating profit amounted to SEK 131 M (118). Total premium income fell to SEK 2,096 M (2,297). Insurance capital increased during the quarter from SEK 100 billion to SEK 103 billion. Fees amounted to SEK 160 M (162) and management remuneration to SEK 177 M (173). Operating expenses totalled SEK 252 M (231).

#### GROUP OPERATING PROFIT



## PARENT COMPANY EARNINGS, JANUARY-JUNE 2016 COMPARED WITH JANUARY-JUNE 2015

Profit after financial items for the Parent Company amounted to SEK 389 M (176). Profit was positively impacted by dividends of SEK 470 M from Länsförsäkringar Sak. Income amounted to SEK 1,389 M (1,280).

## PARENT COMPANY EARNINGS, SECOND QUARTER OF 2016 COMPARED WITH FIRST QUARTER OF 2016

Loss after financial items for the Parent Company amounted to SEK 28 M (profit: 417). Earnings for the first quarter were primarily due to dividends from Länsförsäkringar Sak. Second quarter earnings were impacted by higher operating expenses.

The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at 30 June 2016 are shown in the following financial statements with accompanying notes for the Group and Parent Company.



## KEY FIGURES

Länsförsäkringar AB Group	Q 2 2016	Q 1 2016	Q 2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
<b>SEK M</b>						
<b>Group</b>						
Operating profit	578	537	358	1,115	845	2,155
Net profit for the period	530	427	263	957	658	1,765
Return on equity, % <sup>1)</sup>	11	9	6	10	8	11
Total assets, SEK billion	406	393	383	406	383	385
Equity per share, SEK <sup>2)</sup>	1,958	1,902	1,749	1,958	1,749	1,858
Solvency capital <sup>3)</sup>	24,083	23,232	21,496	24,083	21,496	22,774
Solvency margin, % <sup>4)</sup>	442	434	465	442	465	428
Own funds for the group <sup>5)</sup>	— <sup>*)</sup>	36,222	—	—	—	36,905 <sup>*)</sup>
Solvency capital requirement for the group <sup>5)</sup>	— <sup>*)</sup>	27,551	—	—	—	28,233 <sup>*)</sup>
Own funds for the financial conglomerate <sup>6)</sup>	—	36,222	—	—	—	—
Capital requirement for the financial conglomerate <sup>6)</sup>	—	27,551	—	—	—	—
*) Information on capital requirements and own funds will be provided on the company's website when the calculations have been completed.						
**) Opening balance 1 January 2016 under Solvency II.						
<b>Insurance operations <sup>7)</sup></b>						
<i>Non-life insurance operations</i>						
Premiums earned (after ceded reinsurance)	1,270	1,233	1,190	2,503	2,355	4,836
Investment income transferred from financial operations	4	3	11	7	21	44
Claims payments (after ceded reinsurance) <sup>8)</sup>	–863	–777	–765	–1,640	–1,508	–2,776
<b>Technical result, non-life operations</b>	<b>59</b>	<b>143</b>	<b>116</b>	<b>201</b>	<b>236</b>	<b>808</b>
<i>Premium income, non-life insurance</i>						
Premium income before ceded reinsurance	1,249	3,000	1,171	4,249	4,170	6,534
Premium income after ceded reinsurance	1,234	1,795	1,145	3,029	2,904	4,959
<i>Life-assurance operations</i>						
Premium income after ceded reinsurance	72	219	62	290	273	383
Fees pertaining to financial agreements	160	162	166	322	332	649
Investment income, net	42	–14	–49	28	28	–21
Claims payments (after ceded reinsurance)	–67	–75	–63	–143	–128	–262
<b>Technical result, life-assurance operations</b>	<b>125</b>	<b>113</b>	<b>142</b>	<b>238</b>	<b>275</b>	<b>540</b>
<b>Operating profit for insurance operations <sup>9)</sup></b>	<b>303</b>	<b>290</b>	<b>289</b>	<b>593</b>	<b>592</b>	<b>1,424</b>
<i>Key figures</i>						
Cost ratio <sup>10)</sup>	28	25	27	27	27	27
Expense ratio <sup>11)</sup>	22	20	21	21	21	21
Claims ratio <sup>12)</sup>	68	68	70	71	70	63
Combined ratio	90	89	91	92	91	84
Management cost ratio, life-assurance operations <sup>13)</sup>	1	1	1	1	1	1
Direct yield, % <sup>14)</sup>	0.7	0.4	1.0	1.0	1.1	0.7
Total return, % <sup>15)</sup>	1.8	0.2	1.4	2.1	3.0	3.9
<i>Financial position</i>						
Investment assets, SEK billion <sup>16)</sup>	13	13	12	13	12	12
Unit-linked insurance assets – policyholder bears the risk, SEK billion	101	98	100	101	100	100
Technical reserves (after ceded reinsurance), SEK billion	9	8	8	9	8	8

Continued on next page

## KEY FIGURES, CONT.

Länsförsäkringar AB Group	Q 2 2016	Q 1 2016	Q 2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
<b>SEK M</b>						
<b>Banking operation</b>						
Net interest income	826	789	726	1,615	1,411	2,994
Operating profit	356	341	280	697	559	1,175
Net profit for the period	281	266	218	547	449	911
Return on equity, % <sup>17)</sup>	10	10	9	10	9	9
Total assets, SEK billion	271	259	249	271	249	251
Equity	12,638	12,386	11,679	12,638	11,679	12,057
Cost/income ratio before loan losses <sup>18)</sup>	0.52	0.51	0.59	0.52	0.58	0.57
Investment margin, % <sup>19)</sup>	1.24	1.22	1.20	1.23	1.16	1.22
Common Equity Tier 1 capital ratio Bank Group, %	23.7	23.5	23.0	23.7	23.0	23.7
Tier 1 ratio Bank Group, % <sup>20)</sup>	26.4	26.2	25.9	26.4	25.9	26.6
Total capital ratio Bank Group, % <sup>21)</sup>	32.3	31.4	31.5	32.3	31.5	32.0
Common Equity Tier 1 capital ratio consolidated situation, %	20.3	20.3	19.9	20.3	19.9	21.4
Tier 1 ratio consolidated situation, % <sup>20)</sup>	22.3	22.4	22.3	22.3	22.3	23.7
Total capital ratio consolidated situation, % <sup>21)</sup>	26.7	26.4	27.0	26.7	27.0	28.2
Loan losses in relation to loans, % <sup>22)</sup>	0.02	0.04	0.00	0.03	0.00	0.00

- 1) Operating profit and revaluations of owner-occupied property less standard tax at 22.0% in relation to average equity, adjusted for items in equity recognised in other comprehensive income excluding revaluations of owner-occupied property, and adjusted for Additional Tier 1 Capital loans.
- 2) Equity adjusted for Additional Tier 1 Capital loan per share.
- 3) Total of shareholders' equity adjusted for Additional Tier 1 Capital loan, subordinated loan and deferred taxes.
- 4) Solvency capital as a percentage of full-year premium income after ceded reinsurance.
- 5) The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. Länsförsäkringar Liv Försäkrings AB is also included in the group, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, but with Länsförsäkringar Liv included in accordance with the deduction and aggregation method as permitted by the Swedish Financial Supervisory Authority.
- 6) The financial conglomerate comprises the same companies as the group according to the insurance-operation rules, see footnote 5). The calculations for the financial conglomerate are made using the same methods as for the group in accordance with the insurance-operation rules. Unlike the group under the insurance-operation rules, the transferability of profits for the financial conglomerate is to also be tested in other regulated companies than the group's insurance companies.
- 7) 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 2015:12.
- 8) Excluding claims adjustment costs.
- 9) 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.
- 10) Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.
- 11) 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.
- 12) 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.
- 13) 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.
- 14) Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administration costs for asset management and operating expenses for properties in relation to the average value of the insurance operations' investment assets and cash and bank balances for the period.
- 15) 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.
- 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) Operating profit after standard tax at 22.0% in relation to average equity, adjusted for changes in value of financial assets recognised in equity.
- 18) Total expenses before loan losses in relation to total income.
- 19) Net interest income in relation to average total assets.
- 20) Tier 1 capital base in relation to the closing risk-weighted amount.
- 21) Closing capital base in relation to the closing risk-weighted amount.
- 22) 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 2 2016	Q 1 2016	Q 2 2016	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
Premiums earned before ceded reinsurance	1,630	1,788	1,562	3,419	3,303	6,775
Reinsurers' portion of premiums earned	-296	-351	-318	-647	-689	-1,583
<b>Premiums earned after ceded reinsurance</b>	<b>1,334</b>	<b>1,438</b>	<b>1,244</b>	<b>2,772</b>	<b>2,614</b>	<b>5,192</b>
Interest income	984	970	1,329	1,954	2,431	4,130
Interest expense	-157	-181	-602	-337	-1,010	-1,124
<b>Net interest income</b>	<b>827</b>	<b>789</b>	<b>727</b>	<b>1,617</b>	<b>1,421</b>	<b>3,006</b>
Change in unit-linked insurance assets – policyholder bears the risk	1,345	-2,999	-3,614	-1,654	6,549	5,365
Dividends in unit-linked insurance assets – policyholder bears the risk	-	-	-	-	-	8
Investment income, net	154	2	-33	156	83	-6
Commission income	634	617	663	1,251	1,302	2,595
Other operating income	565	517	577	1,082	1,049	2,104
<b>Total operating income</b>	<b>4,859</b>	<b>364</b>	<b>-436</b>	<b>5,223</b>	<b>13,018</b>	<b>18,263</b>
Claims payments before ceded reinsurance	-1,201	-1,110	-947	-2,311	-2,016	-3,968
Reinsurers' portion of claims payments	280	257	119	537	380	930
<b>Claims payments after ceded reinsurance</b>	<b>-921</b>	<b>-853</b>	<b>-828</b>	<b>-1,774</b>	<b>-1,636</b>	<b>-3,038</b>
Change in life-assurance provision	35	-115	36	-80	-80	-5
Change in unit-linked insurance liabilities – policyholder bears the risk	-1,376	3,022	3,657	1,646	-6,574	-5,349
Commission expense	-677	-640	-667	-1,317	-1,309	-2,663
Staff costs	-535	-485	-498	-1,020	-968	-1,826
Other administration expenses	-794	-737	-906	-1,531	-1,607	-3,220
Loan losses	-12	-20	-0	-32	-0	-6
<b>Total expenses</b>	<b>-4,280</b>	<b>173</b>	<b>794</b>	<b>-4,107</b>	<b>-12,174</b>	<b>-16,108</b>
<b>Operating profit</b>	<b>578</b>	<b>537</b>	<b>358</b>	<b>1,115</b>	<b>845</b>	<b>2,155</b>
Tax	-49	-110	-94	-159	-187	-389
<b>NET PROFIT FOR THE PERIOD</b>	<b>530</b>	<b>427</b>	<b>263</b>	<b>957</b>	<b>658</b>	<b>1,765</b>
Earnings per share before and after dilution, SEK	51	41	25	93	64	171

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 2 2016	Q 1 2016	Q 2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
<b>Net profit for the period</b>	<b>530</b>	<b>427</b>	<b>263</b>	<b>957</b>	<b>658</b>	<b>1,765</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	-8	-20	6	-28	23	3
Cash-flow hedges	-61	79	64	18	85	41
Change in fair value of available-for-sale financial assets	41	23	-125	65	-161	-195
Tax attributable to items that have been transferred or can be transferred to profit for the period	4	-23	13	-18	17	34
<b>Total</b>	<b>-23</b>	<b>60</b>	<b>-41</b>	<b>37</b>	<b>-36</b>	<b>-117</b>
<b>Items that cannot be transferred to profit for the period</b>						
Revaluation of owner-occupied property	115	5	187	119	200	330
Revaluation of defined-benefit pension plans	-	-	-	-	-	2
Tax attributable to items that cannot be reversed to profit for the period	-25	-1	-41	-26	-44	-73
<b>Total</b>	<b>89</b>	<b>4</b>	<b>146</b>	<b>93</b>	<b>156</b>	<b>259</b>
<b>Total other comprehensive income for the period, net after tax</b>	<b>66</b>	<b>64</b>	<b>105</b>	<b>130</b>	<b>120</b>	<b>142</b>
<b>Comprehensive income for the period</b>	<b>596</b>	<b>491</b>	<b>368</b>	<b>1,087</b>	<b>778</b>	<b>1,907</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	30 Jun 2016	31 Dec 2015
<b>ASSETS</b>		
Goodwill	722	738
Other intangible assets	3,816	3,672
Deferred tax assets	30	29
Property and equipment	42	53
Owner-occupied property	2,648	2,545
Shares in Länsförsäkringar Liv Försäkrings AB	8	8
Shares and participations in associated companies	70	74
Reinsurers' portion of technical reserves	11,480	10,845
Loans to the public	213,024	201,959
Unit-linked insurance assets– policyholder bears the risk	100,583	100,497
Shares and participations	1,646	1,832
Bonds and other interest-bearing securities	45,701	40,061
Treasury bills and other eligible bills	7,580	8,824
Derivatives	6,619	4,479
Change in value of hedge portfolios	1,051	815
Other receivables	6,638	3,678
Prepaid expenses and accrued income	2,766	3,111
Cash and cash equivalents	1,612	1,374
<b>TOTAL ASSETS</b>	<b>406,036</b>	<b>384,595</b>

SEK M	30 Jun 2016	31 Dec 2015
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1,042	1,042
Other capital contributed	10,272	10,272
Additional Tier 1 instrument	1,200	1,200
Reserves	783	653
Retained earnings including profit for the period	8,309	7,370
<b>Total equity</b>	<b>21,607</b>	<b>20,538</b>
Subordinated liabilities	2,593	2,300
Technical reserves	20,017	18,376
Unit-linked insurance liabilities – policyholder bears the risk	100,890	101,002
Deferred tax liabilities	1,112	1,139
Other provisions	196	257
Debt securities in issue	150,506	141,269
Deposits from the public	86,941	82,702
Due to credit institutions	7,535	2,954
Derivatives	2,402	2,455
Change in value of hedge portfolios	4,768	2,899
Other liabilities	2,963	3,955
Accrued expenses and deferred income	4,506	4,749
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>406,036</b>	<b>384,595</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 2015</b>	<b>1,007</b>	<b>9,708</b>	<b>–</b>	<b>511</b>	<b>5,631</b>	<b>16,857</b>
Comprehensive income for the period	–	–	–	120	658	778
Tier 1 capital issued	–	–	1,200	–	–9	1,191
<b>Shareholders' contribution</b>						
New share issue	36	564	–	–	–	600
<b>Closing equity, 30 June 2015</b>	<b>1,042</b>	<b>10,272</b>	<b>1,200</b>	<b>631</b>	<b>6,281</b>	<b>19,426</b>
Opening equity, 1 July 2015	1,042	10,272	1,200	631	6,281	19,426
Comprehensive income for the period	–	–	–	22	1,107	1,129
Issued additional Tier 1 instruments	–	–	–	–	–18	–18
<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>
Opening equity, 1 January 2016	1,042	10,272	1,200	653	7,370	20,538
Comprehensive income for the period	–	–	–	130	957	1,087
Issued additional Tier 1 instruments	–	–	–	–	–17	–17
<b>Closing equity, 30 June 2016</b>	<b>1,042</b>	<b>10,272</b>	<b>1,200</b>	<b>783</b>	<b>8,309</b>	<b>21,607</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK M	1 Jan 2016 –30 Jun 2016	1 Jan 2015 –30 Jun 2015
<b>Operating activities</b>		
Profit before tax	1,115	845
Adjustment for non-cash items	2,590	3,120
Tax paid	–275	–74
<b>Cash flow from operating activities before changes in working capital</b>	<b>3,431</b>	<b>3,891</b>
<b>Cash flow from changes in working capital</b>		
Change in shares and participations, bonds and other interest-bearing securities and derivatives	–7,815	1,117
Increase (–)/Decrease (+) in operating receivables	–12,199	–19,662
Increase (+)/Decrease (–) in operating liabilities	7,628	12,967
<b>Cash flow from operating activities</b>	<b>–8,955</b>	<b>–1,688</b>
<b>Investing activities</b>		
Purchase of property and equipment	–34	–53
Purchase of intangible assets	–274	–143
Investment in owner-occupied property	–	–1
<b>Cash flow from investing activities</b>	<b>–308</b>	<b>–197</b>
<b>Financing activities</b>		
New share issue	–	600
Change in debt securities in issue	9,530	2,857
Additional Tier 1 Capital loan	–	1,200
Dividends in Tier 1 ratio loans	–17	–
<b>Cash flow from financing activities</b>	<b>9,512</b>	<b>4,657</b>
Net cash flow for the year	248	2,771
Cash and cash equivalents, 1 January	1,374	1,657
Exchange-rate differences in cash and cash equivalents	–10	6
<b>Cash and cash equivalents, 30 June</b>	<b>1,612</b>	<b>4,434</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 2015:12 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.

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 2015 Annual Report.

## NOTE 2 EARNINGS PER SEGMENT

1 Jan 2016 – 30 Jun 2016, SEK M	Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Premiums earned after ceded reinsurance	2,630	83	–	–	58	2,772
Net interest income	–	–	1,615	–	2	1,617
Change in unit-linked insurance assets – policyholder bears the risk	–	–1,654	–	–	–	–1,654
Investment income, net	7	8	81	453	–394	156
Commission income	10	673	731	–	–164	1,251
Other operating income	228	122	55	1,388	–710	1,082
<b>Total operating income</b>	<b>2,875</b>	<b>–767</b>	<b>2,482</b>	<b>1,840</b>	<b>–1,208</b>	<b>5,223</b>
Claims payments after ceded reinsurance	–1,881	–46	–	–	153	–1,774
Change in life-assurance provision	–	–	–	–	–80	–80
Change in unit-linked insurance liabilities – policyholder bears the risk	–	1,646	–	–	–	1,646
Commission expense	–240	–278	–972	–	174	–1,317
Staff costs	–215	–84	–249	–482	10	–1,020
Other administration expenses	–330	–241	–532	–969	541	–1,531
Loan losses	–	–	–32	–	–	–32
<b>Total expenses</b>	<b>–2,666</b>	<b>998</b>	<b>–1,785</b>	<b>–1,451</b>	<b>797</b>	<b>–4,107</b>
<b>Technical result</b>	<b>209</b>	<b>230</b>	<b>–</b>	<b>–</b>	<b>–439</b>	<b>–</b>
Non technical recognition	109	19	–	–	–128	–
<b>Operating profit</b>	<b>318</b>	<b>249</b>	<b>697</b>	<b>389</b>	<b>–538</b>	<b>1,115</b>
Tax	–	–	–	–	–	–159
<b>Net profit for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>957</b>
<b>Income distribution</b>						
External income	2,825	–912	2,489	732	89	5,223
Internal income	50	145	–7	1,109	–1,297	–
<b>Total operating income</b>	<b>2,875</b>	<b>–767</b>	<b>2,482</b>	<b>1,840</b>	<b>–1,208</b>	<b>5,223</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 is 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.

**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 expenses are included in the Parent Company.

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## NOTE 2 EARNINGS PER SEGMENT, CONT.

1 Jan 2015 – 30 Jun 2015, SEK M	Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Premiums earned after ceded reinsurance	2,474	74	–	–	66	2,614
Net interest income	–	–	1,411	–	10	1,421
Change in unit-linked insurance assets – policyholder bears the risk	–	6,549	–	–	–	6,549
Investment income, net	21	32	62	367	–398	83
Commission income	10	697	767	–	–172	1,302
Other operating income	159	146	50	1,279	–584	1,049
<b>Total operating income</b>	<b>2,664</b>	<b>7,497</b>	<b>2,290</b>	<b>1,645</b>	<b>–1,078</b>	<b>13,018</b>
Claims payments after ceded reinsurance	–1,733	–49	–	–	147	–1,636
Change in life-assurance provision	–	–	–	–	–80	–80
Change in unit-linked insurance liabilities – policyholder bears the risk	–	–6,574	–	–	–	–6,574
Commission expense	–228	–243	–968	–	129	–1,309
Staff costs	–198	–85	–242	–452	9	–968
Other administration expenses	–263	–270	–521	–1,018	465	–1,607
Loan losses	–	–	–0	–	–	–0
<b>Total expenses</b>	<b>–2,422</b>	<b>–7,221</b>	<b>–1,731</b>	<b>–1,470</b>	<b>670</b>	<b>–12,174</b>
<b>Technical result</b>	<b>243</b>	<b>275</b>	<b>–</b>	<b>–</b>	<b>–518</b>	<b>–</b>
Non technical recognition	83	–9	–	–	–74	–
<b>Operating profit</b>	<b>326</b>	<b>266</b>	<b>559</b>	<b>176</b>	<b>–482</b>	<b>845</b>
Tax	–	–	–	–	–	–187
<b>Net profit for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>658</b>
<b>Income distribution</b>						
External income	2,559	7,317	2,295	683	164	13,018
Internal income	105	180	–4	962	–1,243	–
<b>Total operating income</b>	<b>2,664</b>	<b>7,497</b>	<b>2,290</b>	<b>1,645</b>	<b>–1,078</b>	<b>13,018</b>

## NOTE 3 RELATED-PARTY TRANSACTIONS

SEK M	Income Jan-Jun	Expenses Jan-Jun	Receivables 30 Jun	Liabilities 30 Jun	Commitments 30 Jun
<b>2016</b>					
Länsförsäkringar Liv Group	194	45	85	682	901
Regional insurance companies	1,050	783	9,917	13,279	58
Other related parties	11	7	6	44	6
<b>2015</b>					
Länsförsäkringar Liv Group	205	75	101	663	1,201
Regional insurance companies	895	970	7,740	13,417	56
Other related parties	14	13	4	46	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

30 June 2016, SEK M	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Owner-occupied property	–	–	2,648	2,648
Unit-linked insurance assets – policyholder bears the risk	100,583	–	–	100,583
Shares and participations	893	19	733	1,645
Bonds and other interest-bearing securities	45,573	–	128	45,701
Treasury bills and other eligible bills	7,580	–	–	7,580
Derivatives	2	6,617	–	6,619
<b>Liabilities</b>				
Derivatives	1	2,401	–	2,402

#### 31 December 2015, SEK M

<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

Table 2 Change level 3	Owner-occupied property	Shares and participations	Bonds and other interest-bearing securities	Total
<b>Opening balance, 1 January 2016</b>	<b>2,545</b>	<b>650</b>	<b>100</b>	<b>3,295</b>
Acquisition	20	80	31	131
Recognised in net profit for the year	–37	3,	–3	–37
Recognised in other comprehensive income	119	–	–	119
<b>Closing balance, 30 June 2016</b>	<b>2,648</b>	<b>733</b>	<b>128</b>	<b>3,509</b>

#### Change level 3

<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>

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## NOTE 4 FAIR VALUE VALUATION TECHNIQUES, CONT.

There were no significant transfers between Level 1 and Level 2 during 2016 or during 2015. There were no transfers from Level 3 in 2016 or 2015.

Normally, there are no active markets for owner-occupied property within Level 3, which is why fair value is estimated using models based on discounted cash flows. The method applied to the calculation of fair value is a combination of the location-price method, based on reported purchases of comparable properties, and a return-based cash-flow method. The return method is based on a calculation of the present value of future actual cash flows in the form of operating net, which has been successively adjusted to market over 10 years and the present value of the estimated residual value in year 10. The residual value was estimated by performing a constant capitalisation of an estimated market-adjusted operating net.

Level 3 shares and participations measured at fair value 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. Länsförsäkringar Bank AB holds shares and participations measured at cost since the shares cannot be reliably measured at fair value, and impaired if objective evidence exists to recognise an impairment loss. The assessment is based on the most recent Annual Report and forecast earnings.

The fair value of Level 2 shares and participations that pertain to unquoted Series B shares with conversion rights to quoted Series A shares without restrictions is measured based on the price of the Series A share on the balance-sheet date.

Level 2 derivatives essentially refer to swaps for which fair value has been calculated by discounting expected future cash flows.

Bonds and other interest-bearing securities in Level 3 that are not quoted in an active market comprise interest-bearing, unquoted loans.

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 in Investment income, net.

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

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 an external valuation on the accounting date or the most recent trading date. A standard method or valuation technique based on the estimated or original issue spread is used if external prices are not available or are deemed to deviate from market levels, and for measuring the fair value of subordinated liabilities.

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

Table 3 Financial assets and liabilities

SEK M	30 Jun 2016		31 Dec 2015	
	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	213,024	214,188	201,959	202,780
Unit-linked insurance assets – policyholder bears the risk	100,583	100,583	100,497	100,497
Shares and participations	1,646	1,646	1,832	1,832
Bonds and other interest-bearing securities	45,701	45,701	40,061	40,061
Treasury bills and other eligible bills	7,580	7,580	8,824	8,824
Derivatives	6,619	6,619	4,479	4,479
Other receivables	4,055	–	668	–
Cash and cash equivalents	1,612	–	1,374	–
<b>Total assets</b>	<b>380,829</b>		<b>359,703</b>	
<b>Liabilities</b>				
Subordinated liabilities	2,593	2,636	2,300	2,362
Debt securities in issue	150,506	156,022	141,269	145,550
Deposits from the public	86,941	87,909	82,702	82,884
Due to credit institutions	7,535	–	2,954	–
Derivatives	2,402	2,402	2,455	2,455
Other liabilities	1,182	–	1,299	–
<b>Total liabilities</b>	<b>251,159</b>		<b>232,980</b>	



## FINANCIAL STATEMENTS – PARENT COMPANY

### INCOME STATEMENT FOR THE PARENT COMPANY

SEK M	Q 2 2016	Q 1 2016	Q 2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-Year 2015
<b>Net sales</b>	<b>747</b>	<b>642</b>	<b>702</b>	<b>1,389</b>	<b>1,280</b>	<b>2,653</b>
<b>Operating expenses</b>						
External expenses	–518	–447	–604	–966	–1,009	–2,015
Staff costs	–253	–220	–236	–473	–443	–822
Depreciation/amortisation and impairment of property and equipment and intangible assets	–7	–7	–9	–14	–18	–37
<b>Operating profit/loss</b>	<b>–32</b>	<b>–32</b>	<b>–147</b>	<b>–63</b>	<b>–191</b>	<b>–221</b>
<b>Profit/loss from financial items</b>						
Profit from participations in Group companies	22	471	312	493	412	742
Interest income and similar profit/loss items	0	1	–2	1	7	26
Interest expense and similar profit/loss items	–19	–23	–28	–42	–53	–109
<b>Profit/loss after financial items</b>	<b>–28</b>	<b>417</b>	<b>136</b>	<b>389</b>	<b>176</b>	<b>438</b>
Tax	–5	1	2	–4	2	–7
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>–32</b>	<b>418</b>	<b>138</b>	<b>385</b>	<b>177</b>	<b>431</b>

### STATEMENT OF COMPREHENSIVE INCOME FOR THE PARENT COMPANY

SEK M	Q 2 2016	Q 1 2016	Q 2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
<b>Profit/loss for the period</b>	<b>–32</b>	<b>418</b>	<b>138</b>	<b>385</b>	<b>177</b>	<b>431</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	4	4	5	8	–1	6
Change for the year in fair value of available-for-sale financial assets	3	6		9		–1
Tax attributable to items that have been transferred or can be transferred to profit for the period	–2	–2	–1	–4	0	–1
<b>Total other comprehensive income for the period</b>	<b>5</b>	<b>8</b>	<b>4</b>	<b>13</b>	<b>–1</b>	<b>4</b>
<b>Comprehensive income for the period</b>	<b>–27</b>	<b>426</b>	<b>142</b>	<b>398</b>	<b>177</b>	<b>435</b>

### BALANCE SHEET FOR THE PARENT COMPANY

SEK M	30 Jun 2016	31 Dec 2015
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	361	227
Property and equipment	82	90
<i>Financial assets</i>		
Shares and participations in Group companies	17,890	16,892
Other fixed assets	1,016	1,027
<b>Total financial assets</b>	<b>18,906</b>	<b>17,919</b>
<b>Total fixed assets</b>	<b>19,349</b>	<b>18,236</b>
Current assets	739	1,353
Cash and bank balances	229	243
<b>TOTAL ASSETS</b>	<b>20,317</b>	<b>19,832</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Restricted equity	5,982	5,843
Non-restricted equity	10,928	10,668
<b>Total equity</b>	<b>16,910</b>	<b>16,511</b>
Provisions	142	198
Derivatives	26	34
Long-term liabilities	1,945	1,935
Current liabilities	1,294	1,154
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>20,317</b>	<b>19,832</b>

### STATEMENT OF CASH FLOWS FOR THE PARENT COMPANY

SEK M	1 Jan 2016 –30 Jun 2016	1 Jan 2015 –30 Jun 2015
<b>Operating activities</b>		
Profit after financial items	389	176
Adjustment for non-cash items	–516	128
Income tax paid	–	–
<b>Cash flow from operating activities before changes in working capital</b>	<b>–127</b>	<b>304</b>
<b>Cash flow from changes in working capital</b>		
Increase (–)/Decrease (+) in operating receivables	300	77
Increase (+)/Decrease (–) in operating liabilities	150	100
<b>Cash flow from operating activities</b>	<b>323</b>	<b>482</b>
<b>Investing activities</b>		
Shareholders' contribution paid	–	–500
Acquisition of shares in group companies	–998	–50
Dividends and group contributions received	800	–4
Acquisition of intangible assets	–138	–3
Acquisition of property and equipment	–1	–499
<b>Cash flow from investing activities</b>	<b>–337</b>	<b>–1,056</b>
<b>Financing activities</b>		
New share issue	–	600
<b>Cash flow from financing activities</b>	<b>–</b>	<b>600</b>
Net cash flow for the year	–14	25
Cash and cash equivalents, 1 January	243	239
<b>Cash and cash equivalents, 31 December</b>	<b>229</b>	<b>263</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

SEK M	Restricted reserves			Non-restricted equity				Total
	Share capital	Development Expenditures Fund	Statutory reserve	Fair value reserve	Hedging reserve	Share premium reserve	Retained earnings, including net profit for the year	
<b>Opening equity, 1 January 2015</b>	<b>1,007</b>	<b>–</b>	<b>4,801</b>	<b>–</b>	<b>–32</b>	<b>4,907</b>	<b>4,793</b>	<b>15,476</b>
Comprehensive income for the period	–	–	–	–	–1	–	177	177
<b>Shareholders' contribution</b>								
New share issue	36	–	–	–	–	564	–	600
<b>Closing equity, 30 June 2015</b>	<b>1,042</b>	<b>–</b>	<b>4,801</b>	<b>–</b>	<b>–33</b>	<b>5,471</b>	<b>4,970</b>	<b>16,252</b>
Opening equity, 1 July 2015	1,042	–	4,801	–	–33	5,471	4,970	16,252
Comprehensive income for the period	–	–	–	–1	5	–	254	258
<b>Closing equity, 31 December 2015</b>	<b>1,042</b>	<b>–</b>	<b>4,801</b>	<b>–1</b>	<b>–27</b>	<b>5,471</b>	<b>5,224</b>	<b>16,511</b>
Opening equity, 1 January 2016	1,042	–	4,801	–1	–27	5,471	5,224	16,511
Comprehensive income for the period	–	–	–	7	6	–	385	398
Capitalised proprietary development expenditures	–	138	–	–	–	–	–138	–
<b>Closing equity, 30 June 2016</b>	<b>1,042</b>	<b>138</b>	<b>4,801</b>	<b>6</b>	<b>–21</b>	<b>5,471</b>	<b>5,471</b>	<b>16,910</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 2015 Annual Report.

### NOTE 2 DISCLOSURES ON RELATED PARTIES

SEK M	Income Jan-Jun	Expenses Jan-Jun	Receivables 30 Jun	Liabilities 30 Jun	Commitments 30 Jun
<b>2016</b>					
Group companies	1,105	118	343	283	–
Länsförsäkringar Liv Group	116	11	35	399	901
Regional insurance companies	630	23	226	298	–
Other related parties	10	0	0	6	–
<b>2015</b>					
Group companies	962	90	236	254	–
Länsförsäkringar Liv Group	109	16	19	513	1 201
Regional insurance companies	614	36	132	177	–
Other related parties	12	5	2	6	–

Income and expenses include interest.

In March, Länsförsäkringar AB acquired participations in the property company Utile Dulci 2 HB from Länsförsäkringar Sak. The company is a wholly owned Group company.

### NOTE 3 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK M	30 Jun 2016	31 dec 2015
<b>Pledged assets</b>		
Pledged shares in subsidiaries	901	901
<b>Contingent liabilities</b>		
Early retirement at age of 62 in accordance with pension agreement	27	27
Part-owner of Utile Dulci 2 HB	21	9
<b>Total</b>	<b>48</b>	<b>36</b>

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

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

Stockholm, 20 July 2016

Sten Dunér  
President

# Financial calendar 2016

Interim Report January-September.....**25 October**

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 20 July 2016 at 12.00 Swedish time.

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