

Länsförsäkringar AB

Year-end report 2016

The year in brief Figures in parentheses pertain to the full-year 2015.

- The Group's operating profit increased to SEK 2,286 M (2,155). The return on equity amounted to 10% (11).
- Operating profit in the non-life insurance operations amounted to SEK 644 M (908). Premiums earned after ceded reinsurance rose to SEK 5,342 M (5,074). The combined ratio amounted to 92% (85).
- Operating profit for the Bank Group increased to SEK 1,467 M (1,175). Net interest income strengthened to SEK 3,455 M (2,994).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 512 M (516). Premium income amounted to SEK 8,637 (8,645). Commission income was SEK 1,412 M (1,384).
- Net sales for the Parent Company increased to SEK 2,894 M (2,653).

Fourth quarter of 2016 compared with third quarter of 2016

- The Group's operating profit amounted to SEK 542 M (628). The return on equity amounted to 10% (10).
- The Group's equity rose SEK 403 M to SEK 22,529 M.
- Operating profit in the non-life insurance operations amounted to SEK 183 M (143). Premiums earned after ceded reinsurance amounted to SEK 1,353 M (1,359). The combined ratio amounted to 93% (91).
- Operating profit for the Bank Group totalled SEK 391 M (380). Net interest income strengthened to SEK 942 M (898).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 126 M (136). Premium income amounted to SEK 2,173 (2,071). Commission income amounted to SEK 378 M (361).
- Net sales for the Parent Company increased to SEK 858 M (647).

President comments

As the new President of Länsförsäkringar AB, I am looking forward to being involved in developing Länsförsäkringar. We will do this from a position of strength, backed by strong earnings and healthy growth. With satisfied customers and a strong brand.

The Länsförsäkringar AB Group can report strong earnings: operating profit improved to SEK 2,286 M. The bank's profit increased by 25% year-on-year, driven by lower refinancing costs and continued strong growth and customer inflow, while retaining high credit quality and a well-diversified geographic spread in Sweden. Profit for the non-life insurance operations was in line with the preceding year, excluding significant run-off gains in 2015, which followed the decision to transfer a large part of the accident and health insurance business to the regional insurance companies. Health care insurance performed better than in 2015 due to lower claims costs. Agria is continuing to contribute a healthy volume trend and strong earnings, with yet another branch opening during the year, this time in Finland. However, claims costs did increase in the assumed international reinsurance business, primarily from a higher frequency of medium sized claims. Our unit-linked life assurance company is now Sweden's leading pension insurance company for individual occupational pensions, managing assets of SEK 114 billion. We reduced our fund fees for equity funds in September to create even better value for our customers.

In addition to our healthy results and strong growth, we also saw proof this year that our customers appreciate our efforts – according to the Swedish Quality Index we have the most satisfied customers in banking, non-life insurance, pension insurance and real-estate brokerage. Another pleasing achievement is that the Swedish Sustainability Ranking revealed that the Swedish public rank Länsförsäkringar as number one in sustainability in banking, pension and insurance. Long term sustainability is a central part of our operations and we work continuously on sustainability issues, such as responsible investments – we launched our new sustainability fund Länsförsäkringar Global Hållbar in October.

Johan Agerman

President of Länsförsäkringar AB

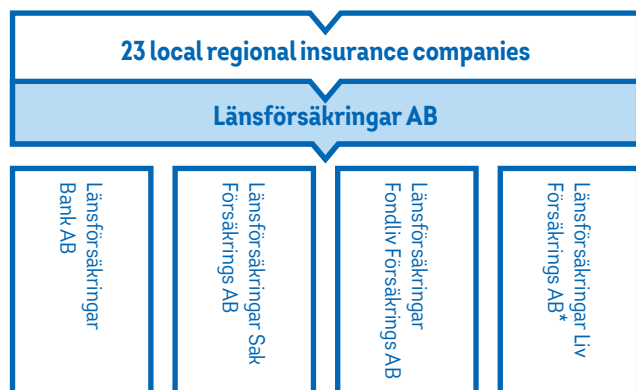
Länsförsäkringar AB

Länsförsäkringar AB is wholly owned by 23 local and customer-owned regional insurance companies, together with 16 local insurance companies. Based on its distinct role in the Länsförsäkringar Alliance's value chain, Länsförsäkringar AB enhances competitiveness and reduces costs, thereby creating possibilities for the regional insurance companies to be successful in their respective markets. Customers are provided with a complete offering of banking, insurance and real-estate brokerage services through the regional insurance companies. The starting point is local presence and decision-making. Experience has proven that local decision-making authority combined with joint strength creates substantial added value for customers. Long-term respect for customers' money is fundamental. There are no external shareholders; it is the customers' money that is managed. This approach characterises the entire business. The Länsförsäkringar Alliance has 3.7 million customers and 6,200 employees. The Länsförsäkringar Alliance is not a Group in the legal sense of the term.

In addition to the Parent Company Länsförsäkringar AB, the Länsförsäkringar AB Group consists of Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies.

Länsförsäkringar Liv is not consolidated in Länsförsäkringar AB since the company is operated according to mutual principles.

3.7 million customers



*The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

Market commentary

2016 was an eventful year of political uncertainty, but it also started with economic unease and a sharp decline in the oil price. Fears about the global economy, particularly regarding growth prospects for China, impacted the financial markets in the form of both stock-market downturns and falls in interest rates. Despite initial market concern, global growth for 2016 appears to be only slightly lower than initially expected at the start of the year. This slightly weaker trend was primarily the result of lower growth than anticipated in the US, although this was offset by, for example, China's more positive performance. This allowed the Federal Reserve to cautiously continue to normalise its monetary policy and raise its key interest rate at the end of the year, only the second increase since 2006. Europe continued to recover during the year, partly due to the ECB's highly expansive measures, such as commencing its corporate sector purchase program. The political situation was also a key focal point of the year. The UK voted to leave the European Union and the Republican candidate Donald Trump won the US presidential election. It is more difficult to predict the long-term implications, even though market reactions following the EU referendum in the UK were short-lived and reactions after the US presidential election limited. Trump's victory at the polls impacted market expectations of growth and inflation in the US for the next few years. Greater fiscal stimulus packages are expected to strengthen growth in an economic climate that is already booming, which thus increases the risk of higher inflation and interest rates.

Global long-term interest rates rose in the autumn from historically low, and in certain cases negative, levels, an upswing that accelerated after the US presidential election. Interest rates for covered bonds fell during the year and investor demand was high. The majority of the world's equities markets reported positive returns for the year and the stock-market trend in the US and emerging markets was particularly favourable measured in SEK.

The Swedish economy continued to perform at a healthy rate and was largely in line with expectations. However, inflation presented a negative surprise, and means that we are now in the unusual situation of having a more expansive monetary policy despite Sweden experiencing an economic boom. Housing prices continued to rise but the rate gradually declined over the course of the year.

These trends were also reflected in the Länsförsäkringar AB Group's investment income, which increased to 4.5% in 2016, primarily due to the positive performance of the property portfolio, but also of the fixed income portfolio.

Rating			
Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar AB	S&P Global Ratings	A-/Stable	-
Länsförsäkringar AB	Moody's	A3/Stable	-
Länsförsäkringar Bank	S&P Global Ratings	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A1/Stable	P-1
Länsförsäkringar Hypotek ¹⁾	S&P Global Ratings	AAA/Stable	-
Länsförsäkringar Hypotek ¹⁾	Moody's	Aaa	-
Länsförsäkringar Sak	S&P Global Ratings	A/Stable	-
Länsförsäkringar Sak	Moody's	A2/Stable	-

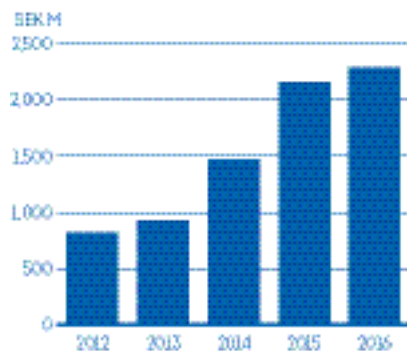
¹⁾ Pertains to the company's covered bonds.

Full-year 2016 compared with full-year 2015

The report provides commentary on the performance for the full-year 2016 compared with the full-year 2015, unless otherwise stated. Amounts are in SEK, unless otherwise stated.

Group earnings

Group operating profit



The Group's operating profit increased to SEK 2,286 M (2,155). The return on equity amounted to 10% (11).

The robust earnings were mainly due to the Bank Group, whose operating profit increased 25% to SEK 1,467 M (1,175), based on higher net interest income attributable to higher volumes and lower refinancing costs.

Operating profit in the non-life insurance operations amounted to SEK 644 M (908). Premiums earned after ceded reinsurance improved to SEK 5,342 M (5,074). The major difference between operating profit in 2016 and 2015 was significant run-off gains in 2015, which followed the decision to transfer a large part of the accident and health insurance business to the regional insurance companies. Excluding this item, operating profit for 2016 was in line with the preceding year.

Managed assets in the unit-linked insurance operations increased to SEK 114 billion (103). Operating profit amounted to SEK 512 M (516).

The Group's investment income attributable to the insurance operations' and Parent Company's assets amounted to 4.5% (3.4). Properties, which totalled 21% of the investment assets at the end of the year, yielded the highest return contributing 2.9 percentage points (3.9) to investment income. In addition to the ongoing direct yield, changes in the market value of the property holdings are also included in the return, which performed positively due to higher market rents and falling yield requirements in the market. The fixed-income portfolio had a positive impact of 1.3 percentage points (neg: 0.3) on investment income, mainly due to US credits

and compressed credit spreads. Equities made a positive contribution of 0.6 percentage points (0.2).

The Group's capital situation

The Group's equity increased SEK 1,991 M during the year to SEK 22,529 M (20,538).

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 insurance operations and legislation on banking operations. The first two regulations are essentially the same in regards to capital requirements on a consolidated basis. The rules for capital requirements on a consolidated basis in the banking operations are structured differently on several significant points.

Information on the capital requirement and own funds on a consolidated basis according to the insurance rules on 31 December 2016 will be published in Länsförsäkringar AB's Annual Report on 9 March 2017. On 30 September 2016, surplus capital was SEK 9.7 billion, up SEK 1.0 billion compared with the opening balance on 1 January 2016, which reported surplus capital of SEK 8.7 billion. Own funds amounted to SEK 38.8 billion and the capital requirement to SEK 29.1 billion.

The capital situation under the rules on financial conglomerates differed slightly as per 30 September 2016 from how the situation is measured under the group rules for insurance operations. The difference is due to certain disparities in the rules on own funds regarding the treatment of surplus capital in subsidiaries that cannot be transferred to the parent company. Surplus capital in the solvency test under the rules on financial conglomerates was SEK 9.5 billion, which was SEK 0.2 billion lower than under the group rules for insurance operations.

The Common Equity Tier 1 capital ratio for the consolidated situation* (the group encompassed by the group rules for banking operations) was 21.2% (21.4) at the end of the fourth quarter.

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

The capital situation of Länsförsäkringar AB's directly owned consolidated subsidiaries is shown in the following table.

Capital situation of subsidiaries

	2016-09-30	2016-01-01*
Länsförsäkringar Sak Försäkrings AB		
Capital ratio, %	293	235
Länsförsäkringar Fondliv Försäkrings AB		
Capital ratio, %	152	141
Länsförsäkringar Bank Group		
Common Equity Tier 1 capital ratio, %	24.8	23.7

* Opening balance 1 January 2016 according to Solvency II.

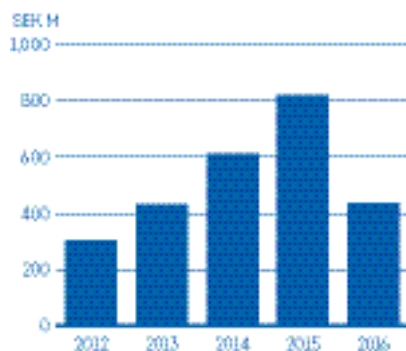
Non-life insurance

Operating profit amounted to SEK 644 M (908). Significant run-off gains were realised in the preceding year in connection with review of reserves, which followed the decision to transfer a large part of the accident and health insurance business for adults to the regional insurance companies. Excluding this item, operating profit for 2016 was in line with the preceding year.

The combined ratio amounted to 92% (85). The technical result amounted to SEK 435 M (821). Premiums earned after ceded reinsurance increased 5% to SEK 5,342 M (5,074). The increase was the result of previous premium increases in both the health care business and Agria, as well as portfolio growth in Agria. Claims payments after ceded reinsurance increased to SEK 3,793 M (3,242). The claims ratio increased to 71% (64) due to higher claims costs in the assumed international reinsurance business, primarily from a higher frequency of medium sized claims and strengthened reserves for previous years' claims. The casualty business also incurred higher claims costs and reserves were strengthened in the annuities operations when the yield curve for discounting was changed.

However, the results for health care insurance have developed positively, with the business reporting balanced earnings after premium adjustments and quality enhancements in claims adjustment. Agria posted operating profit in line with the preceding year of SEK 281 M (286). The expense ratio for the non-life insurance operations was unchanged at 21.

Technical result for Länsförsäkringar Sak Group



The Länsförsäkringar Sak Group's investment income amounted to 4.5% (5.6). Properties, which at year-end amounted to about 23% of the investment assets, contributed 3.5 percentage points to investment income. In addition to the ongoing direct yield, changes in the market value of the property holdings are also included in the return, which trended positively in 2016. The fixed-income portfolio, which has a short duration, had a positive effect of 0.9 percentage points on the return, primarily from US credits and compressed credit spreads. Investments in hedge funds and equities made up about 4% of the investment assets and thus positively impacted the total return by less than 0.1 percentage point, while currencies had a negative effect of 0.1 percentage point. The lower investment income year-on-year was mainly due to a lower share of properties in 2016.

Investment income recognised in profit and loss increased to SEK 210 M (87). The reason that the reported investment income is higher than the preceding year, even though investment income fell to 4.5%, is that the value of owner-occupied property, which was higher in the preceding year, is reported directly in equity.

Bank

Länsförsäkringar Bank reported its best ever results in 2016. Operating profit increased 25% to SEK 1,467 M (1,175), attributable to strengthened net interest income. Net interest income rose 15% to SEK 3,455 M (2,994), due to higher volumes and lower refinancing costs. Return on equity strengthened to 10.1% (8.9).

Net gains from financial items amounted to SEK 68 M (97), as a result of unrealised changes in the value of financial instruments with accompanying hedge accounting. Net commission amounted to SEK -567 M (-441), due to higher remuneration to the regional insurance companies on the back of a healthy volume trend. Operating expenses

amounted to SEK 1,568 M (1,566). The cost/income ratio after loan losses amounted to 0.51 (0.57).

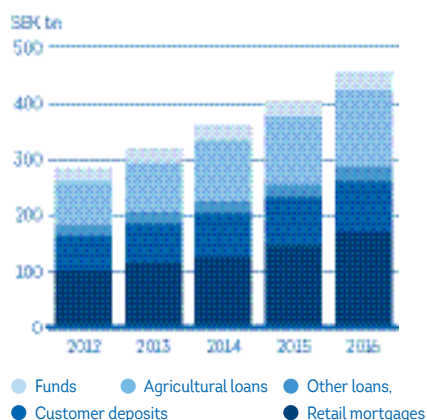
Bank Group's operating profit and return on equity



Loan losses amounted to SEK 38 M (6), net, corresponding to a loan loss level of 0.02% (0.00). Impaired loans, gross, amounted to SEK 240 M (241), corresponding to a percentage of impaired loans, gross, of 0.11% (0.12).

Business volumes increased 13% to SEK 455 billion (404). Lending improved 12% to SEK 227 billion (202) with continued high credit quality. Lending in Länsförsäkringar Hypotek increased 15% to SEK 169 billion (147). Lending in Wasa Kredit increased 14% to SEK 18.3 billion (16.0). Deposits increased 9% to SEK 91.2 billion (83.9). The fund volume increased 15% to SEK 138 billion (120).

Business volumes for the Bank Group *



*Business volumes comprise the total volume of internally and externally managed funds, agricultural loans, mortgages and other loans in Länsförsäkringar Bank and Wasa Kredit and deposits from the public.

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 152 billion (138), of which covered bonds amounted to SEK 122 billion (107), senior long-term funding to SEK 29 billion (29) and short-term funding to SEK 1 billion

(1). The average remaining term for the long-term funding was 3.3 years (3.3) on 31 December 2016.

Covered bonds were issued during the period at a volume corresponding to a nominal SEK 31 billion (35), repurchased covered bonds to a nominal SEK 8 billion (10) and matured covered bonds to a nominal SEK 8 billion (16). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 8 billion (16) during the period and senior unsecured bonds of a nominal SEK 7 billion (10) fell due for payment.

On 31 December 2016, the liquidity reserve totalled SEK 42 billion (42), 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 can be met for about two years without needing to secure new funding in the capital market.

The Group's Liquidity Coverage Ratio (LCR) for the consolidated situation, according to the Swedish Financial Supervisory Authority's definition, amounted to 169% (251) at 31 December 2016.

Unit-linked insurance

For the third quarter of 2016, Länsförsäkringar Fondliv strengthened its position as a market leader in individual occupational pensions. The market share measured in premium income was 19.7%. The market share measured by sales of new policies also increased during the third quarter, totalling 20%.

Operating profit for Länsförsäkringar Fondliv amounted to SEK 512 M (516). The main reason for profit remaining at the same level as 2015 is that the higher income from higher managed assets was offset by increased costs, which were mainly due to IT investments in digital advances. Focus areas are developing digital services, by expanding the range of self-service functions, and creating simplified and improved customer information. As part of the digital shift, the My Health paper form for occupational pension customers was replaced by Digital Health in 2016, which will improve service, quality and efficiency. Länsförsäkringar Fondliv will also launch a fully digital purchase service for occupational pensions at the start of 2017.

Total managed assets increased SEK 11 billion to SEK 114 billion (103), due to both positive net inflows and a positive return. Total premium income was in line with the preceding year at SEK 8,637 M (8,645), with capital transferred in totalling SEK 1,321 M (1,375). Premium income for insurance risk after ce-

ded reinsurance amounted to SEK 173 M (140). Commission income was SEK 1,412 M (1,384) due to larger managed assets. Operating expenses rose to SEK 973 M (910), primarily as a result of higher IT expenses due to increased investments in digital development.

Managed assets for unit-linked insurance



Fund and guarantee management

Some 88% of the 88 funds in the recommended fund range performed positively during the year and 12% negatively. Almost half of the funds increased by more than 10%, while three funds fell by more than 5%. Sustainability requirements are imposed in procurement processes of new funds and fund managers' work on responsible investment is followed up every year. At the end of 2016, 98% of all of Länsförsäkringar Fondliv's recommended funds had signed the United Nations-supported Principles for Responsible Investment (PRI). Our new sustainability fund, Länsförsäkringar Global Hållbar, was launched in October 2016.

The funds with the highest returns in 2016 were East Capital Rysslandsfonden, Alfred Berg Ryssland and BlackRock World Mining. The situation for several commodity-dependent countries, for example, Russia, is improving, driven by rising prices of commodities, which led to a strong performance for this type of funds.

Funds with very high risk often experience larger fluctuations and the total return can vary considerably from year to year. Examples of funds that performed weakly in 2016 are Macquarie Asia New Stars, JP Morgan Global Healthcare and SEB Europafond Småbolag. The lower rate of growth and weaker stock market in China had a negative impact on Chinese funds and Asian funds, with a large holding in China.

Fondliv reduced its fund fees for equity funds in September to create even better value for customers.

Premium income for guarantee management amounted to SEK 349 M (425), due to lower capital transferred. Managed assets amounted to SEK 2.7 billion (2.3). The return

rose to 5.3% (neg: 0.2), with the increase due to both fixed-income and equities holdings.

Significant events after the end of the interim period

Johan Agerman took office as the new President of Länsförsäkringar AB on 9 January 2017. He succeeds Sten Dunér who has retired.

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 locally. The Bank Group is also exposed to liquidity risk and a certain level of market risk. Loan losses remain low and the refinancing of business activities is highly satisfactory. A settlement model has been applied since 2014 regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated. The model entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission.

Market risks primarily arise in Länsförsäkringar Fondliv on the basis of indirect exposure to market risk, since future income in the unit-linked insurance operations is dependent on trends in the financial market. Länsförsäkringar Sak's market risk is less extensive and arises from the management portfolio.

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, which conducts highly diverse business operations ranging from cargo insurance and reinsurance to pet insurance in the subsidiary Agria. The risks taken in non-life insurance are reinsured to a high extent.

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.

In May 2016, Länsförsäkringar AB and its

insurance subsidiaries became the first Swedish insurance group to receive permission from the Swedish Financial Supervisory Authority to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks, non-life insurance risks and health-insurance risks are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula. Länsförsäkringar Bank has also already received approval from the Financial Supervisory Authority to use the Internal Ratings Based Approach (IRB Approach) for credit risk measurement for calculating the capital requirement in accordance with the Capital Requirements Regulation.

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 Report in Group note 2 Risk and capital management.

Related-party transactions

In 2016, the Länsförsäkringar AB Group 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.

Fourth quarter of 2016 compared with third quarter of 2016

The Group's operating profit amounted to SEK 542 M (628), with the Group's change in IT service providers resulting in higher non-recurring costs.

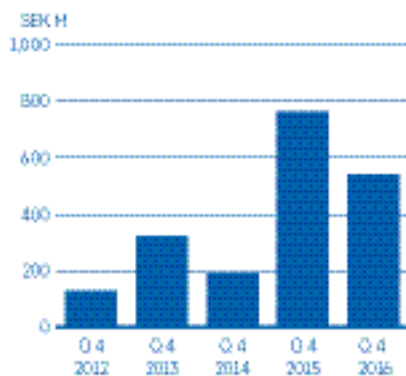
Operating profit in the non-life insurance operations amounted to SEK 183 M (143). The technical result was lower, while asset management for the year improved in the fourth quarter. Premiums earned after ceded reinsurance amounted to SEK 1,353 M (1,359).

The Bank Group's operating profit amounted to SEK 391 M (380). Operating income rose to SEK 793 M (770) and net interest income amounted to SEK 942 M (898). Operating expenses increased to SEK 400 M (388). Return on equity was unchanged at 10.3%.

Länsförsäkringar Fondliv's operating profit amounted to SEK 126 M (136). Total premium income rose to SEK 2,173 M (2,071). Insurance capital for the quarter improved from SEK 110 billion to SEK 114 billion. Fees amounted to SEK 170 M (167) and management remuneration to SEK 198 M (192). Operating expenses increased to SEK 253 M (237).

Operating result of the Parent Company, before Group contributions, amounted to SEK -101 M (5).

Group operating profit



Parent Company earnings 2016 compared with 2015

Profit after financial items for the Parent Company amounted to SEK 453 M (438). Profit was positively impacted by dividends and Group contributions of SEK 630 M from Länsförsäkringar Sak. Income amounted to SEK 2,894 M (2,653).

Parent Company earnings fourth quarter of 2016 compared with third quarter of 2016

Profit after financial items for the Parent Company amounted to SEK 59 M (5). Fourth-quarter profit was positively impacted by Group contributions of SEK 160 M from Länsförsäkringar Sak, but negatively affected by non-recurring costs from the change in IT service providers.

The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at 31 December 2016 are presented in the following financial statements with accompanying notes for the Group and Parent Company.

Key figures

	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Länsförsäkringar AB Group							
Group							
Operating profit	542	628	578	537	761	2,286	2,155
Net profit for the period	381	507	530	427	656	1,845	1,765
Return on equity, % ¹⁾	10	10	11	9	12	10	11
Total assets, SEK billion	422	421	406	393	385	422	385
Equity per share, SEK ²⁾	2,046	2,007	1,958	1,902	1,858	2,046	1,858
Solvency capital ³⁾	25,244	24,600	24,083	23,232	22,774	25,244	22,774
Solvency margin, % ⁴⁾	452	446	442	434	428	452	428
Own funds for the group ⁵⁾	–*	38,833	37,583	36,222	–	–*	36,905**)
Solvency capital requirement for the group ⁵⁾	–*	29,142	28,107	27,551	–	–*	28,233**)
Own funds for the financial conglomerate ⁶⁾	–*	38,679	37,258	36,222	–	–*	–
Capital requirement for the financial conglomerate ⁶⁾	–*	29,142	28,107	27,551	–	–*	–
*) Information will be provided in the Annual Report 2016.							
**) Opening balance 1 January 2016 according to Solvency II.							
Insurance operation⁷⁾							
<i>Non-life insurance operations</i>							
Premiums earned (after ceded reinsurance)	1,292	1,295	1,270	1,233	1,238	5,090	4,836
Investment income transferred from financial operations	4	4	4	3	12	15	44
Claims payments (after ceded reinsurance) ⁸⁾	–818	–878	–863	–777	–478	–3,336	–2,776
Technical result, non-life operations	84	104	59	143	417	390	808
<i>Premium income, non-life insurance</i>							
Premium income before ceded reinsurance	1,311	1,193	1,249	3,000	1,213	6,753	6,534
Premium income after ceded reinsurance	1,025	1,141	1,234	1,795	960	5,195	4,959
<i>Life-assurance operations</i>							
Premium income (after ceded reinsurance)	70	72	72	219	57	432	383
Fees pertaining to financial agreements	170	167	160	162	156	659	649
Investment income, net	37	79	42	–14	40	144	–21
Claims payments (after ceded reinsurance)	–58	–66	–67	–75	–64	–267	–262
Technical result, life-assurance operations	152	151	125	113	109	541	540
Operating profit for insurance operations⁹⁾	347	254	303	290	579	1,194	1,424
<i>Key figures</i>							
Cost ratio ¹⁰⁾	30	24	28	25	29	27	27
Expense ratio ¹¹⁾	24	19	22	20	22	21	21
Claims ratio ¹²⁾	69	73	74	68	45	71	63
Combined ratio	94	92	96	89	67	93	84
Management cost ratio, life-assurance operations ¹³⁾	1	1	1	1	1	1	1
Direct yield, % ¹⁴⁾	0.4	0.0	0.7	0.4	0.2	1.4	0.7
Total return, % ¹⁵⁾	1.2	1.0	1.8	0.2	1.9	4.2	3.9
<i>Financial position</i>							
Investment assets, SEK billion ¹⁶⁾	14	14	13	13	12	14	12
Unit-linked insurance assets – policyholder bears the risk, SEK billion	112	108	101	98	100	112	100
Technical reserves (after ceded reinsurance), SEK billion	8	9	9	8	8	8	8

Key figures, cont.

	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Länsförsäkringar AB Group, SEK M							
Banking operation							
Net interest income	942	898	826	789	805	3,455	2,994
Operating profit	390	380	356	341	312	1,467	1,175
Net profit for the period	294	296	281	266	237	1,137	911
Return on equity, % ¹⁷⁾	10	10	10	10	9	10	9
Total assets, SEK billion	276	278	271	259	251	276	251
Equity	13,182	12,942	12,638	12,386	12,057	13,182	12,057
Cost/income ratio before loan losses ¹⁸⁾	0.50	0.50	0.52	0.54	0.54	0.51	0.57
Investment margin, % ¹⁹⁾	1.36	1.31	1.24	1.22	1.29	1.28	1.22
Common Equity Tier 1 capital ratio Bank Group, %	24.8	24.4	23.7	23.5	23.7	24.8	23.7
Tier 1 ratio Bank Group, % ²⁰⁾	27.5	27.1	26.4	26.2	26.6	27.5	26.6
Total capital ratio Bank Group, % ²¹⁾	33.4	32.8	32.3	31.4	32.0	33.4	32.0
Common Equity Tier 1 capital ratio consolidated situation, %	21.2	20.8	20.3	20.3	21.4	21.2	21.4
Tier 1 ratio consolidated situation, % ²²⁾	23.2	22.8	22.3	22.4	23.7	23.2	23.7
Total capital ratio consolidated situation, % ²¹⁾	27.6	27.1	26.7	26.4	28.2	27.6	28.2
Loan losses in relation to loans, % ²²⁾	0.00	0.00	0.02	0.04	0.03	0.02	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, 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 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Premiums earned before ceded reinsurance	1,919	1,681	1,630	1,788	1,853	7,018	6,775
Reinsurers' portion of premiums earned	-566	-320	-296	-351	-565	-1,533	-1,583
Premiums earned after ceded reinsurance	1,352	1,361	1,334	1,438	1,288	5,485	5,192
Interest income	1,051	1,020	984	970	1,735	4,025	4,130
Interest expense	-109	-123	-157	-181	-930	-569	-1,124
Net interest income	942	897	827	789	805	3,455	3,006
Change in unit-linked insurance assets – policyholder bears the risk	3,238	6,332	1,345	-2,999	4,516	7,916	5,365
Dividends in unit-linked insurance assets – policyholder bears the risk	-	7	-	-	-	7	8
Investment income, net	85	81	154	2	83	322	-6
Commission income	680	673	634	617	652	2,604	2,595
Other operating income	629	502	565	517	532	2,212	2,104
Total operating income	6,926	9,853	4,859	364	7,876	22,002	18,263
Claims payments before ceded reinsurance	-477	-1,197	-1,201	-1,110	-872	-3,986	-3,968
Reinsurers' portion of claims payments	-394	259	280	257	330	402	930
Claims payments after ceded reinsurance	-871	-939	-921	-853	-542	-3,584	-3,038
Change in life-assurance provision	36	38	35	-115	37	-6	-5
Change in unit-linked insurance liabilities – policyholder bears the risk	-3,279	-6,417	-1,376	3,022	-4,557	-8,050	-5,349
Commission expense	-699	-723	-677	-640	-693	-2,738	-2,663
Staff costs	-489	-464	-535	-485	-451	-1,973	-1,826
Other administration expenses	-1,079	-719	-794	-737	-894	-3,328	-3,220
Loan losses	-2	-3	-12	-20	-15	-38	-6
Total expenses	-6,383	-9,226	-4,280	173	-7,115	-19,716	-16,108
Operating profit	542	628	578	537	761	2,286	2,155
Tax	-162	-120	-49	-110	-105	-441	-389
NET PROFIT FOR THE PERIOD	381	507	530	427	656	1,845	1,765
Earnings per share before and after dilution, SEK	37	49	51	41	63	177	171

Consolidated statement of comprehensive income

SEK M	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Net profit for the period	381	507	530	427	656	1,845	1,765
Other comprehensive income							
Items that have been transferred or can be transferred to profit for the period							
Translation differences attributable to foreign operations	2	-3	-8	-20	-9	-28	3
Cash-flow hedges	-67	-32	-61	79	-36	-81	41
Change in fair value of available-for-sale financial assets	15	59	41	23	-6	138	-195
Tax attributable to items that have been transferred or can be transferred to profit for the period	11	-6	4	-23	9	-13	34
Total	-38	18	-23	60	-41	16	-117
Items that cannot be transferred to profit for the period							
Revaluation of owner-occupied property	89	2	115	5	118	210	330
Revaluation of defined-benefit pension plans	2	-	-	-	2	2	2
Tax attributable to items that cannot be reversed to profit for the period	-20	0	-25	-1	-26	-47	-73
Total	71	2	89	4	94	165	259
Total other comprehensive income for the period, net after tax	32	20	66	64	52	182	142
Comprehensive income for the period	413	527	596	491	709	2,027	1,907

Consolidated statement of financial position

SEK M	31 Dec 2016	31 Dec 2015
ASSETS		
Goodwill	720	738
Other intangible assets	4,005	3,672
Deferred tax assets	19	34
Property and equipment	55	53
Owner-occupied property	2,721	2,545
Shares in Länsförsäkringar Liv Försäkrings AB	8	8
Shares and participations in associated companies	82	74
Reinsurers' portion of technical reserves	10,413	10,845
Loans to the public	226,705	201,959
Unit-linked insurance assets – policyholder bears the risk	111,799	100,497
Shares and participations	2,024	1,832
Bonds and other interest-bearing securities	41,371	40,061
Treasury bills and other eligible bills	7,794	8,824
Derivatives	5,597	4,479
Change in value of hedge portfolios	636	815
Other receivables	3,674	3,672
Prepaid expenses and accrued income	2,956	3,111
Cash and cash equivalents	1,171	1,374
TOTAL ASSETS	421,750	384,595

SEK M	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES		
Equity		
Share capital	1,042	1,042
Other capital contributed	10,272	10,272
Additional Tier 1 instrument	1,200	1,200
Reserves	835	653
Retained earnings including profit for the period	9,179	7,370
Total equity	22,529	20,538
Subordinated liabilities	2,595	2,300
Technical reserves	18,757	18,376
Unit-linked insurance liabilities – policyholder bears the risk	112,225	101,002
Deferred tax liabilities	1,339	1,139
Other provisions	137	257
Debt securities in issue	157,440	141,269
Deposits from the public	89,946	82,702
Due to credit institutions	3,873	2,954
Derivatives	1,680	2,455
Change in value of hedge portfolios	3,191	2,899
Other liabilities	3,304	3,955
Accrued expenses and deferred income	4,734	4,749
TOTAL EQUITY AND LIABILITIES	421,750	384,595

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
Opening equity, 1 January 2015	1,007	9,708	–	511	5,631	16,857
Comprehensive income for the period	–	–	–	142	1,765	1,907
Tier 1 capital issued	–	–	1,200	–	–26	1,174
Shareholders' contribution						
New share issue	36	564	–	–	–	600
Closing equity, 31 December 2015	1,042	10,272	1,200	653	7,370	20,538
Opening equity, 1 January 2016	1,042	10,272	1,200	653	7,370	20,538
Comprehensive income for the period	–	–	–	181	1,845	2,027
Issued additional Tier 1 instruments	–	–	–	–	–36	–36
Closing equity, 31 December 2016	1,042	10,272	1,200	835	9,179	22,529

Consolidated statement of cash flows

SEK M	1 Jan 2016 -31 Dec 2016	1 Jan 2015 -31 Dec 2015
Operating activities		
Profit before tax	2,286	2,155
Adjustment for non-cash items	4,260	4,617
Tax paid	-565	-279
Cash flow from operating activities before changes in working capital	5,981	6,493
Cash flow from changes in working capital		
Change in shares and participations, bonds and other interest-bearing securities and derivatives	-5,424	-3,446
Increase (-)/Decrease (+) in operating receivables	-24,040	-22,198
Increase (+)/Decrease (-) in operating liabilities	7,583	6,465
Cash flow from operating activities	-15,899	-12,686
Investing activities		
Acquisitions of associated companies	-	-3
Purchase of intangible assets	-596	-372
Purchase of property and equipment	-91	-39
Investment in property and equipment	-38	-23
Divestment in property and equipment	-	10
Cash flow from investing activities	-724	-426
Financing activities		
New share issue	-	600
Change in debt securities in issue	16,467	11,055
Additional Tier 1 Capital instruments	-	1,200
Distributions Tier 1 Capital instruments	-36	-27
Cash flow from financing activities	16,431	12,828
Net cash flow for the period	-192	-284
Cash and cash equivalents, 1 January	1,374	1,657
Exchange-rate differences in cash and cash equivalents	-11	1
Cash and cash equivalents, 31 december	1,171	1,374

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

2016, SEK M	Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Premiums earned after ceded reinsurance	5,342	173	-	-	-30	5,485
Net interest income	-	-	3,455	-	1	3,455
Change in unit-linked insurance assets – policyholder bears the risk	-	7,916	-	-	-	7,916
Dividends in unit-linked insurance assets – policyholder bears the risk	-	7	-	-	-	7
Investment income, net	15	54	69	603	-419	322
Commission income	15	1,412	1,523	-	-346	2,604
Other operating income	389	265	117	2,891	-1,449	2,212
Total operating income	5,760	9,828	5,163	3,494	-2,243	22,002
Claims payments after ceded reinsurance	-3,793	-104	-	-	314	-3,584
Change in life-assurance provision	-	-	-	-	-6	-6
Change in unit-linked insurance liabilities – policyholder bears the risk	-	-8,050	-	-	-	-8,050
Commission expense	-430	-575	-2,090	-	357	-2,738
Staff costs	-422	-167	-470	-927	13	-1,973
Other administration expenses	-680	-435	-1,098	-2,114	998	-3,328
Loan losses	-	-	-38	-	-	-38
Total expenses	-5,326	-9,331	-3,696	-3,040	1,676	-19,716
Technical result	435	497	-	-	-932	-
Non technical recognition	210	15	-	-	-224	-
Operating profit	644	512	1,467	453	-791	2,286
Tax	-	-	-	-	-	-441
Net profit for the period	-	-	-	-	-	1,845
Income distribution						
External income	5,524	9,474	5,170	1,687	147	22,002
Internal income	236	353	-7	1,807	-2,390	-
Total operating income	5,760	9,828	5,163	3,494	-2,243	22,002

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.

Continued on next page

Note 2 Earnings per segment, cont.						
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
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
Total operating income	5,537	7,160	4,710	3,313	-2,457	18,263
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
Total expenses	-4,716	-6,632	-3,535	-2,874	1,650	-16,108
Technical result	821	528	-	-	-1,349	-
Non technical recognition	87	-11	-	-	-76	-
Operating profit	908	516	1,175	438	-883	2,155
Tax	-	-	-	-	-	-389
Net profit for the period	-	-	-	-	-	1,765
Income distribution						
External income	5,321	6,812	4,721	1,421	-12	18,263
Internal income	216	348	-10	1,892	-2,445	-
Total operating income	5,537	7,160	4,710	3,313	-2,457	18,263

Note 3 Related-party transactions

SEK M	Income Jan-Dec	Expenses Jan-Dec	Receivables 31 Dec	Liabilities 31 Dec	Commitments 31 Dec
2016					
Länsförsäkringar Liv Group	390	91	152	933	601
Regional insurance companies	3,552	3,354	8,687	12,740	59
Other related parties	25	15	19	34	5
2015					
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

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

Note 4 Fair value valuation techniques
Table 1

SEK M	31 Dec 2016		31 Dec 2015	
	Book value	Fair value	Book value	Fair value
Assets				
Shares in Länsförsäkringar Liv Försäkrings AB	8	8	8	8
Loans to the public	226,705	227,784	201,959	202,780
Unit-linked insurance assets – policyholder bears the risk	111,799	111,799	100,497	100,497
Shares and participations	2,024	2,024	1,832	1,832
Bonds and other interest-bearing securities	41,371	41,371	40,061	40,061
Treasury bills and other eligible bills	7,794	7,794	8,824	8,824
Derivatives	5,597	5,597	4,479	4,479
Other receivables	615	615	668	668
Cash and cash equivalents	1,171	1,171	1,374	1,374
Total assets	397,085		359,703	
Liabilities				
Subordinated liabilities	2,595	2,675	2,300	2,362
Debt securities in issue	157,440	162,655	141,269	145,550
Deposits from the public	89,946	91,644	82,702	82,884
Due to credit institutions	3,873	3,873	2,954	2,954
Derivatives	1,680	1,680	2,455	2,455
Other liabilities	817	817	1,300	1,300
Total liabilities	256,351		232,980	

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.

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.

Financial instruments measured at amortised cost in the statement of financial position

When calculating the fair value (level 2) of deposits and funding from the public and loans to the public, anticipated cash flows have been discounted using a discount rate set at the current deposit and lending rates applied (including discounts).

Fair value (level 2) for debt securities in issue and subordinated liabilities is determined based on quoted prices. Parts of debt securities in issue that are considered to be illiquid are adjusted based on expected current issue prices. Commercial papers do not have external market prices and the fair value is determined based on the yield curve of each currency.

Note 4 Fair value valuation techniques, cont.

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 2 Fair value valuation techniques

31 December 2016, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Owner-occupied property	-	-	2,721	2,721
Unit-linked insurance assets – policyholder bears the risk	111,799	-	-	111,799
Shares and participations	1,218	20	786	2,024
Bonds and other interest-bearing securities	41,222	-	149	41,371
Treasury bills and other eligible bills	7,794	-	-	7,794
Derivatives	2	5,595	-	5,597
Liabilities	-	-	20	20
Liabilities				
Derivatives	0	1,680	-	1,680
31 December 2015, SEK M				
Assets				
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
Liabilities				
Derivatives	0	2,455	-	2,455

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 and financial investment assets measured at cost since the holdings cannot be reliably measured at fair value, and are 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.

Table 3 Change level 3

SEK M	Owner-occupied property	Shares and participations	Bonds and other interest-bearing securities	Other receivables	Total
Opening balance, 1 January 2016	2,545	650	100	–	3,295
Acquisition	38	6	35	20	98
Recognised in net profit for the year	–72	129	15	–	72
Recognised in other comprehensive income	210	–	–	–	210
Closing balance, 31 December 2016	2,721	786	149	20	3,675
Change level 3					
Opening balance, 1 January 2015	2,265	532	31	–	2,828
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
Closing balance, 31 December 2015	2,545	650	100	–	3,295

Financial statements – Parent Company

Income statement for the parent company

SEK M	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-Year 2016	Full-Year 2015
Net sales	858	647	747	642	716	2,894	2,653
Operating expenses							
External expenses	-723	-412	-518	-447	-596	-2,100	-2,015
Staff costs	-218	-218	-253	-220	-185	-909	-822
Depreciation/amortisation and impairment of property and equipment and intangible assets	-10	-9	-7	-7	-11	-33	-37
Operating profit/loss	-93	8	-32	-32	-76	-149	-221
Profit/loss from financial items							
Profit from participations in Group companies	167	19	22	471	330	679	742
Interest income and similar profit/loss items	3	1	0	1	-3	4	26
Interest expense and similar profit/loss items	-18	-21	-19	-23	-15	-81	-109
Profit/loss after financial items	59	5	-28	417	236	453	438
Tax	-2	0	-5	1	-12	-7	-7
PROFIT/LOSS FOR THE PERIOD	57	5	-33	418	224	447	431

Statement of comprehensive income for the parent company

SEK M	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-Year 2016	Full-Year 2015
Profit/loss for the period	57	5	-33	418	224	447	431
Other comprehensive income							
Items that have been transferred or can be transferred to profit for the period							
Cash-flow hedges	4	5	4	4	5	17	6
Change for the year in fair value of available-for-sale financial assets	-2	1	3	6	-1	8	-1
Tax attributable to items that have been transferred or can be transferred to profit for the period	-1	-1	-2	-2	-1	-6	-1
Total other comprehensive income for the period, net after tax	-1	5	5	8	3	19	4
Comprehensive income for the period	58	10	-28	426	227	466	435

Balance sheet for the parent company			Statement of cash flows for the parent company		
SEK M	31 Dec 2016	31 Dec 2015	SEK M	1 Jan 2016 -31 Dec 2016	1 Jan 2015 -31 Dec 2015
ASSETS			Operating activities		
Fixed assets			Profit after financial items	453	438
Intangible assets	459	227	Adjustment for non-cash items	-277	-194
Property and equipment	78	90	Income tax paid	-1	-
Financial assets			Cash flow from operating activities before changes in working capital	175	244
Shares and participations in Group companies	17,858	16,892	Cash flow from changes in working capital		
Other fixed assets	860	1,027	Increase (-)/Decrease (+) in operating receivables	832	291
Total financial assets	18,718	17,919	Increase (+)/Decrease (-) in operating liabilities	218	48
Total fixed assets	19,255	18,236	Cash flow from operating activities	1,225	583
Current assets	876	1,353	Investing activities		
Cash and bank balances	251	243	Shareholders' contribution paid	-	-500
TOTAL ASSETS	20,382	19,832	Acquisition of shares in group companies	-965	-50
EQUITY, PROVISIONS AND LIABILITIES			Acquisition of intangible assets	-246	-128
Restricted equity	6,085	5,843	Acquisition of property and equipment	-9	-24
Non-restricted equity	10,893	10,668	Divestment of property and equipment	3	22
Total equity	16,978	16,511	Amortisations of loans	-	-499
Provisions	79	198	Cash flow from investing activities	-1,217	-1,179
Derivatives	17	34	Financing activities		
Long-term liabilities	440	1,935	New share issue	-	600
Current liabilities	2,868	1,154	Cash flow from financing activities	-	600
TOTAL EQUITY, PROVISIONS AND LIABILITIES	20,382	19,832	Net cash flow for the year	8	4
			Cash and cash equivalents, 1 January	243	239
			Cash and cash equivalents, 31 December	251	243

A dividend of SEK 470 M (412) is included in cash flow from operating activities before changes in working capital.

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	
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
Shareholders' contribution								
New share issue	36	-	-	-	-	564	-	600
Closing equity, 31 December 2015	1,042	-	4,801	-1	-27	5,471	5,224	16,511
Opening equity, 1 January 2016	1,042	-	4,801	-1	-27	5,471	5,224	16,511
Comprehensive income for the period	-	-	-	6	14	-	447	467
Capitalised proprietary development expenditures	-	241	-	-	-	-	-241	-
Shareholders' contribution								
New share issue	-	-	-	-	-	-	-	-
Closing equity, 31 December 2016	1,042	241	4,801	6	-13	5,471	5,430	16,978

Notes to the financial statements for the Parent Company

Note 1 Accounting policies

The Parent Company prepares its accounts according to the Swedish Annual Accounts Act (1995:1554). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies. The regulations in RFR 2 stipulate that in the annual accounts the parent company is to 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 additions to IFRS.

Changed accounting policies 2016

New rules are applied in the Swedish Annual Accounts Act from 1 January 2016 that entail that amounts corresponding to capitalised expenses for development work are transferred from non-restricted equity to a Development Expenditures Fund.

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-Dec	Expenses Jan-Dec	Receivables 31 Dec	Liabilities 31 Dec	Commit- ments 31 dec
2016					
Group companies	1,967	-203	553	287	-
Länsförsäkringar Liv Group	227	-17	25	279	601
Regional insurance companies	1,342	-52	156	437	-
Other related parties	21	-0	0	6	-
2015					
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	12	-0	2	6	-

Income and expenses include interest.

In March 2016, 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	31 Dec 2016	31 Dec 2015
Pledged assets		
Pledged shares in subsidiaries	601	901
Contingent liabilities		
Part-owner of Utile Dulci 2 HB	17	9

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 2017

Johan Agerman
President

Financial calendar 2017

Annual Report 2016, Länsförsäkringar Bank	22 February
Annual Report 2016, Länsförsäkringar Hypotek	22 February
Annual Report 2016, Länsförsäkringar AB	9 March
Annual Review 2016, Länsförsäkringar Alliance	9 March
Interim Report first quarter	5 May
Interim Report second quarter	10 August
Interim Report third quarter	10 November

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 2017 at 15.00 Swedish time.

FOR FURTHER INFORMATION, PLEASE CONTACT

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