

Länsförsäkringar Alliance

2016 Annual Review in summary

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

- Operating profit for the Länsförsäkringar Alliance's non-life insurance operations strengthened to SEK 4,724 M (4,365). Premiums earned after ceded reinsurance rose to SEK 24,074 M (22,705).
- The technical result in the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 1,808 M (2,700). The combined ratio amounted to 95% (91).
- Investment income in the Länsförsäkringar Alliance increased to SEK 5,030 M (3,794).
- 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).
- Operating profit for Länsförsäkringar Liv amounted to SEK 2,728 M (5,104).

Fourth quarter of 2016 compared with third quarter of 2016

- Operating profit for the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 1,081 M (2,231). Premiums earned after ceded reinsurance amounted to SEK 6,141 M (6,157).
- The technical result for the Länsförsäkringar Alliance's non-life insurance operations increased to SEK 632 M (349). The combined ratio improved to 92% (97).
- Investment income in the Länsförsäkringar Alliance amounted to SEK 1,625 M (1,979). Solvency capital rose SEK 2,926 M to SEK 59,228 M.
- Operating profit for the Bank Group amounted to 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).
- Operating profit for Länsförsäkringar Liv amounted to SEK 572 M (1,755).

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 Alliance is reporting strong earnings for 2016: operating profit for the non-life insurance operations strengthened to SEK 4.7 billion, and premium volumes increased 6% to SEK 24 billion. Both the private and commercial segment contributed to robust growth, primarily from home, motor and commercial insurance. Health care insurance and Agria also continued to contribute a healthy volume trend, with Agria opening yet another branch during the year, this time in Finland. Strong investment income contributed to high operating profit, while increased claims costs primarily for fires and motor insurance claims impacted the technical result. The claims ratio was 75. Based on these healthy profits, the regional insurance companies will pay back at least SEK 800 M in bonuses. The bank's profit increased by 25% year-on-year, driven by lower refinancing costs and continued strong growth, while retaining high credit quality and a well-diversified geographic spread in Sweden. 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 for 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,

The Länsförsäkringar Alliance's jointly owned company

Länsförsäkringar Alliance

The Länsförsäkringar Alliance comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. Customers are provided with a complete offering of banking, insurance and real-estate brokerage services through the regional insurance companies.

The starting point is local presence and decision-making. Experience shows that local decision-making authority combined with joint strength creates substantial added value for customers.

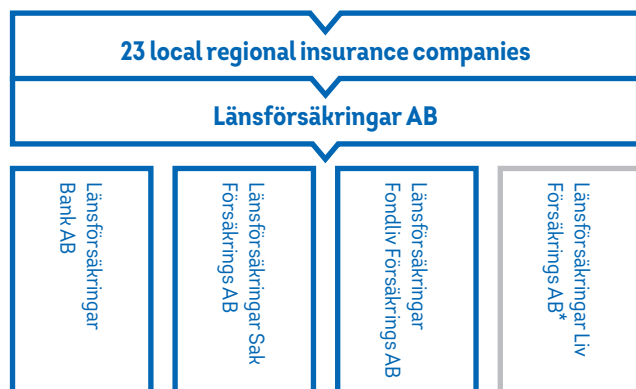
Long-term respect for customers' money is fundamental. There are no external shareholders; it is the customers' money that is being managed. This approach characterises the entire business.

The Länsförsäkringar Alliance has 3.7 million customers and 6,200 employees. The Länsförsäkringar Alliance is not a Group in the legal sense of the term. Most of the non-life insurance business in the Länsförsäkringar Alliance is underwritten in the regional insurance companies.

The business conducted by Länsförsäkringar AB's non-life insurance group comprises health insurance, pet insurance, as well as cargo insurance and some liability, property and motor insurance. The Länsförsäkringar AB Group also manages the Länsförsäkringar Alliance's reinsurance cover and assumed international reinsurance. Earnings from the Länsförsäkringar Alliance's non-life insurance operations consist of the total earnings of the 23 regional insurance companies and the Länsförsäkringar AB Group, excluding Länsförsäkringar Fondliv and the Länsförsäkringar Bank Group.

Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB. Transactions between the regional insurance companies and Länsförsäkringar AB Group have been eliminated.

3.7 million customers



*The company is operated in accordance with 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 Alliance's investment income, which increased 33% to SEK 5 billion, primarily due to the positive performance of the equity and property portfolios, 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

Financial overview

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.

Länsförsäkringar Alliance

	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Total capital, SEK M	64,662	61,409	58,226	55,952	55,562	64,662	55,562
Non-life insurance							
Solvency capital, SEK M	59,228	56,302	53,525	51,607	51,628	59,228	51,628
Solvency margin, %	241	232	223	217	222	241	222
Return on equity, %	8	8	5	-2	8	8	8
Premiums earned after ceded reinsurance, SEK M	6,141	6,157	5,906	5,871	5,824	24,074	22,705
Technical result, SEK M	632	349	472	356	804	1,808	2,700
Operating profit, SEK M	1,081	2,231	1,691	-277	1,637	4,724	4,365
Combined ratio	92	97	94	97	89	95	91

Länsförsäkringar AB, Group¹⁾

	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Operating profit, SEK M	542	628	578	537	761	2,286	2,155
Total assets, SEK M	421,750	421,090	406,036	392,523	384,595	421,750	384,595
Return on equity, %	10	10	11	9	12	10	11
Own funds for the group (FRL) ²⁾	- ⁴⁾	38,833	37,583	36,222	-	- ⁴⁾	36,905 ⁵⁾
Solvency capital requirement for the group (FRL) ²⁾	- ⁴⁾	29,142	28,107	27,551	-	- ⁴⁾	28,233 ⁵⁾
Own funds for the financial conglomerate ³⁾	- ⁴⁾	38,679	37,258	36,222	-	- ⁴⁾	-
Capital requirement for the financial conglomerate ³⁾	- ⁴⁾	29,142	28,107	27,551	-	- ⁴⁾	-

Länsförsäkringar Sak, Group

	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Premiums earned after ceded reinsurance, SEK M	1,353	1,359	1,333	1,297	1,297	5,342	5,074
Technical result, SEK M	104	122	59	150	421	435	821
Operating profit, SEK M	183	143	146	172	477	644	908
Solvency ratio, % (Länsförsäkringar Sak Försäkrings AB)	- ⁴⁾	293	284	275	-	- ⁴⁾	235 ⁵⁾

Länsförsäkringar Bank, Group

	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Deposits from the public, SEK M	91,207	90,022	87,602	84,494	83,925	91,207	83,925
Loans to the public, SEK M	226,705	219,290	213,029	205,977	201,964	226,705	201,964
Operating profit, SEK M	391	380	356	341	312	1,467	1,175
Return on equity, %	10	10	10	10	9	10	9
Tier 1 ratio Bank Group, %	24.8	24.4	23.7	23.5	23.7	24.8	23.7

Länsförsäkringar Fondliv

	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Premium income (rolling 12-months), SEK M	8,637	8,490	8,404	8,488	8,645	8,637	8,645
Operating profit, SEK M	126	136	131	118	102	512	516
Managed assets, SEK M	114,476	110,314	102,972	100,410	102,807	114,476	102,807
Solvency ratio, %	- ⁴⁾	152	155	144	-	- ⁴⁾	141 ⁵⁾

Länsförsäkringar Liv, Group

	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Premium income after ceded reinsurance, SEK M	438	422	440	420	471	1,720	1,919
Profit, SEK M	572	1,755	1,483	-1,082	3,514	2,728	5,104
Managed assets, SEK M	115,784	117,482	116,244	115,055	114,970	115,784	114,970
Solvency ratio, %	195	200	190	179	-	195	182 ⁵⁾

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

²⁾ According to försäkringsrörelselag (FRL), Solvens II directive in Swedish law.

³⁾ The financial conglomerate comprises Länsförsäkringar AB, all insurance companies in the Group, Länsförsäkringar Bank AB with subsidiaries and Länsförsäkringar Liv Försäkrings AB.

⁴⁾ Information will be provided in the Annual Report 2016.

⁵⁾ Opening balance 1 January 2016 according to Solvensy II.

Non-life insurance

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

- Operating profit strengthened to SEK 4,724 M (4,365).
- Premiums earned after ceded reinsurance rose to SEK 24,074 M (22,705).
- The technical result amounted to SEK 1,808 M (2,700).
- The combined ratio amounted to 95 (91) and the claims ratio to 75 (72).
- Investment income increased 33% to SEK 5,030 M (3,794).
- Solvency capital increased SEK 7,600 M during the year and amounted to SEK 59,228 M.
- According to the Swedish Quality Index's 2016 customer satisfaction survey, Länsförsäkringar has Sweden's most satisfied retail customers in non-life insurance.

Earnings

Operating profit for the Länsförsäkringar Alliance's non-life insurance operations strengthened to SEK 4,724 M (4,365). The stronger earnings were mainly due to strong investment income that increased 33% to SEK 5,030 M (3,794). However, operating profit was adversely impacted by SEK 240 M in changed methods in the annuities operations in 2016. Despite an improving technical result in the fourth quarter, the technical result for the full-year 2016 declined to SEK 1,808 M (2,700). The combined ratio amounted to 95 (91) due to higher claims costs, with a claims ratio of 75 (72). Solvency capital strengthened SEK 7,600 M during the year to SEK 59,228 M. The solvency margin increased to 241% (222).

Business volumes

According to statistics from Insurance Sweden as at 30 September 2016, Länsförsäkringar Alliance retained its strong position as market leader in non-life insurance, commanding a market share of 30%. Premiums earned rose 6% to SEK 24,074 M (22,705), attributable to both portfolio increases and premium increases. Private insurance increased 7.4%, with healthy growth in household and homeowner insurance and accident insurance. Agricola and health care insurance also continued to contribute a healthy volume trend. The commercial segment grew 4.5%, with favourable growth continuing in commercial property and commercial insurance. The motor insurance segment continued to report a good volume increase of 4.7% driven by the portfolio increase. The Länsförsäkringar Alliance's growth in the motor insurance segment was slightly stronger than overall market growth according to Insurance Sweden's statistics as at 30 September 2016. The agriculture segment grew 4.0%.

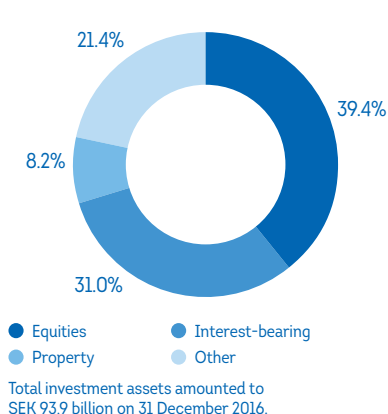
Non-life insurance, Länsförsäkringar Alliance

Key figures, SEK M	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Full-year 2016	Full-year 2015
Premiums earned after ceded reinsurance	6,141	6,157	5,906	5,871	5,824	24,074	22,705
Technical result	632	349	472	356	804	1,808	2,700
Bonuses and discounts	-909	-70	-64	-72	-1,089	-1,116	-1,263
Total investment income	1,625	1,979	1,576	-150	1,637	5,030	3,794
Operating profit/loss	1,081	2,231	1,691	-277	2,188	4,724	4,365
Solvency capital	59,228	56,302	53,525	51,607	51,628	59,228	51,628
Solvency margin, %	241	232	223	217	222	241	222
Expense ratio	23	17	20	19	20	19	19
Claims ratio	69	80	75	79	69	75	72
Combined ratio	92	97	94	97	89	95	91

Claims trend

The claims ratio for the full-year 2016 amounted to 75 (72), despite an improved claims ratio of 69 in the fourth quarter. Claims payments after ceded reinsurance increased to SEK 17,956 M (16,192), primarily due to higher expenses related to fire-damage claims with several claims exceeding the retention limit (maximum claims cost level for own account) and were thus covered by reinsurance. Motor insurance claims also increased in 2016. Changes to methods used in the annuities operations in 2016 also contributed to the weaker claims ratio.

Allocation of investment assets

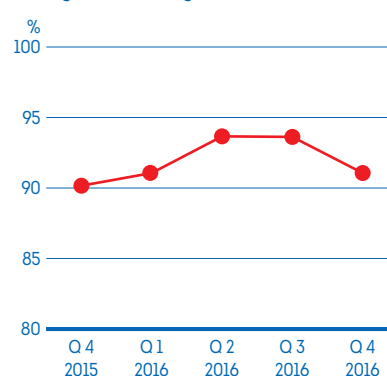


Investment income

The performance of the financial markets was surprisingly positive in the wake of both Brexit and the US presidential election. Global long-term interest rates rose in the autumn and the majority of the world's equities markets reported positive returns for the year. Housing prices in Sweden continued to rise but the rate gradually declined over the course of the year. These trends were also reflected in the Länsförsäkringar Alliance's investment income, which increased 33% to SEK 5,030 M (3,794), with high returns from mainly equities and properties. Fixed income investments also made a positive contribution to the total return.

Combined ratio

Rolling 12-months figures



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

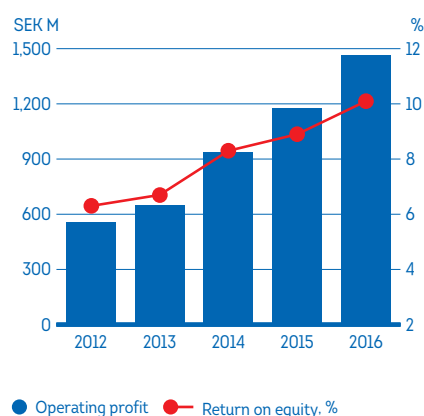
- Operating profit increased 25% to SEK 1,467 (1,175) and the return on equity strengthened to 10.1% (8.9).
- Net interest income increased 15% to SEK 3,455 M (2,994).
- Business volumes increased to SEK 455 billion (404). Deposits increased to SEK 91 billion (84) and lending increased to SEK 227 billion (202).
- The number of customers with Länsförsäkringar as their primary bank rose 11% to 419,000 (378,000).
- According to the Swedish Quality Index's 2016 customer satisfaction survey, Länsförsäkringar Bank has Sweden's most satisfied retail customers.

Resultat

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 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).

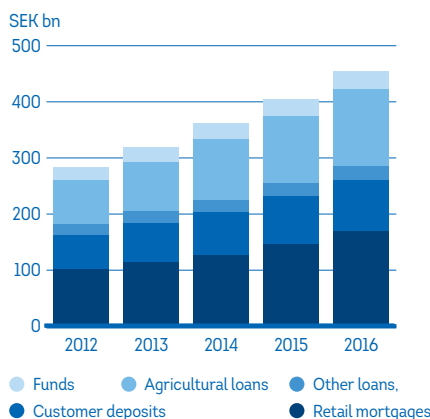
Business volumes increased 13% to SEK 455 billion (404). Lending improved 12% to

Länsförsäkringar Bank, Group

Key figures, SEK M	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Deposits from the public	91,207	90,022	87,602	84,494	83,925	91,207	83,925
Loans to the public	226,705	219,290	213,029	205,977	201,964	226,705	201,964
Operating profit	391	380	356	341	312	1,467	1,175
Return on equity, %	10	10	10	10	9	10	9
Cost/income ratio before loan losses	0.50	0.50	0.52	0.54	0.54	0.51	0.57

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



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.

Life-assurance and pension insurance

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

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

- Operating profit for Länsförsäkringar Fondliv amounted to SEK 512 M (516). Total managed assets increased to SEK 114 billion (103).
- Operating profit for Länsförsäkringar Liv amounted to SEK 2,728 M (5,104). Total managed assets increased to SEK 116 billion (115).
- According to the Swedish Quality Index's 2016 customer satisfaction survey, Länsförsäkringar has Sweden's most satisfied retail customers in pension insurance.

Earnings

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 the development of 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 ceded 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.

Operating profit for Länsförsäkringar Liv amounted to SEK 2,728 M (5,104). This result was due to positive investment income, continued transitions from Old Trad to New Trad,

Länsförsäkringar Fondliv and Länsförsäkringar Liv

Key figures, SEK M	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015	Full-year 2016	Full-year 2015
Länsförsäkringar Fondliv							
Premium income, net (rolling 12 months)	8,637	8,490	8,404	8,488	8,645	8,637	8,645
Operating profit	126	136	131	118	102	512	516
Managed assets	114,476	110,314	102,972	100,410	102,807	114,476	102,807
Capital ratio, %	- ¹⁾	152	155	144	-	- ¹⁾	141 ²⁾
Länsförsäkringar Liv							
Operating profit/loss	572	1,755	1,483	-1,082	3,514	2,728	5,104
Managed assets	115,784	117,482	116,244	115,055	114,970	115,784	114,970
Collective consolidation ratio, New Trad, %	114	114	111	111	114	114	114
Collective consolidation ratio, Old Trad, %	125	128	126	122	120	125	120
Capital ratio, %	195	200	190	179	-	195	182 ²⁾

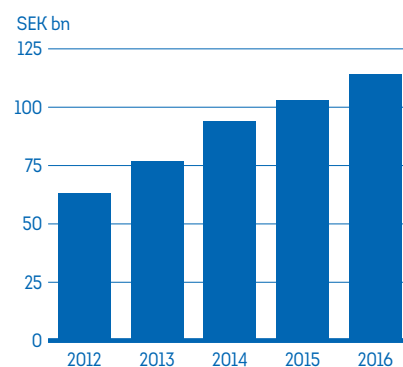
¹⁾ Information will be provided in the Annual Report 2016.

²⁾ Opening balance on 1 January 2016 according to Solvency II.

which reduced technical provisions, and a positive operating profit. The year-on-year decline was mainly the result of lower volumes of transitions from Old Trad to New Trad and earnings in 2015 benefiting from rising interest rates. In 2016, the company introduced a new discount curve and new operating-cost assumptions adapted to the Solvency II rules, and changed its payout-period assumption in accordance with company experience. However, the combined effect of these actuarial assumptions on profit was marginal. Long-term interest rates fell sharply in the first half of 2016, leading to a negative effect on earnings, but market interest rates rose again in the autumn, positively impacting profit.

Liabilities to policyholders declined a total of SEK 1.2 billion (9.5) in 2016, primarily due to negative cash flows from payments and external transfers exceeding premium payments. Conversely, liabilities were impacted by falling interest rates, thus driving them up. Länsförsäkringar Liv could largely compensate for the increase in liabilities

Managed assets unit-linked insurance



caused by interest rate falls with investment income, given the matching between assets and liabilities. Investment income was positive for all management portfolios and contributed SEK 6.0 billion (0.4) in earnings. Transitions from Old Trad to New Trad made a positive contribution of SEK 0.5 billion to earnings, since guaranteed commitments declined. Operating expenses totalled SEK 447 M (442).

Collective consolidation was 114% (114) for New Trad and 125% (120) for Old Trad.

Länsförsäkringar Fondliv and Länsförsäkringar Liv's capital situation is expressed in accordance with Solvency II and is measured as a ratio of own funds in relation to risk-based capital requirement. Information about Länsförsäkringar Fondliv's capital ratio on 31 December 2016 will be provided in the 2016 Annual Report. The capital ratio on 30 September 2016 was 152%. Länsförsäkringar Liv's capital ratio on 31 December 2016 was 195%.

Fund and guarantee management

Unit-linked insurance

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. Ex-

amples 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.

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

Guarantee Management

Länsförsäkringar Fondliv offers management of pension insurance carrying a guarantee element regarding paid-in premiums, while Länsförsäkringar Liv, which is closed for new business, conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension.

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

New Trad

New Trad offers customers the opportunity to change the conditions of their existing traditional insurance policies. Managed assets in New Trad amounted to SEK 18 billion (15). The total return was 4.3% (1.4). This positive return was largely attributable to interest-bearing investments, which performed favourably due to falling interest rates. Equities made a positive contribution to total return in the second half of the year.

The bonus rate on 31 December 2016 was 4% (10). The bonus rate was lowered from 6% on 1 August 2016. The average bonus rate in 2016 was 5.5%. The average bonus rate has been 7.0% since the start in 2011.

Old Trad

In Old Trad, Länsförsäkringar Liv manages capital of SEK 85 billion (87) on behalf of its customers. The primary aim of risk-taking in the Old Trad investment portfolio is to ensure that the guaranteed bonus can be realised also in the event of a negative market trend. Accordingly, a large portion of the capital is comprised of long-term interest-bearing investments. Investments were relatively unchanged in 2016 and allocated as follows: 86% interest-bearing securities, 8% alternative investments and the remainder was equities and property. The total return was 5.9% (0.5), mainly driven by falling interest rates.

The bonus rate for 2016 was unchanged at 2%.

New World

New World is a traditional insurance form in which capital is largely invested in equities. Managed assets amounted to SEK 11 billion (12) and the return was a 5.1% (0.3).

Real-estate brokerage

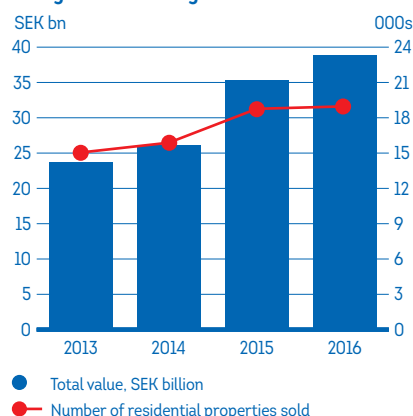
Through Länsförsäkringar Fastighetsförmedling, Länsförsäkringar offers a total solution for reliable mortgage transactions: real-estate brokerage, banking and insurance services all in one company. Real-estate brokerage is also a key customer meeting for sales of mortgages and insurance.

Länsförsäkringar Fastighetsförmedling has 160 branches throughout Sweden. Strong growth has advanced Länsförsäkringar Fastighetsförmedling to the position of third largest brokerage in Sweden. The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering. The aim is to offer more than just the brokerage and sale of residential properties. The operations are conducted in franchise form, whereby the regional insurance company acts as the franchiser for the local branch. This also means that Länsförsäkringar Fastighetsförmedling differs from national

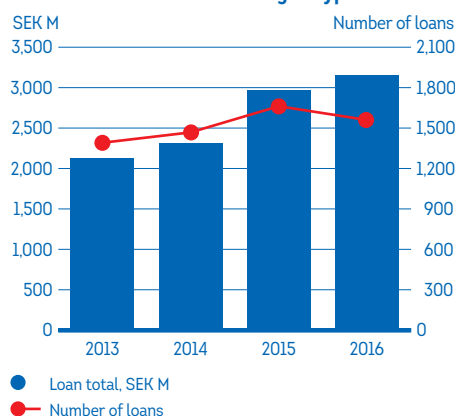
estate-agent chains by always being locally based. According to the Swedish Quality Index's 2016 customer satisfaction survey, Länsförsäkringar Fastighetsförmedling has Sweden's most satisfied customers.

A total of 7,990 (8,420) single-family homes, 10,977 (10,340) tenant-owned apartments and 438 (470) agricultural properties were brokered in 2016. The value of the sales amounted to SEK 41.9 billion (37.4). During the period, sales of single-family homes resulted in SEK 3.2 billion (3.0) in first-lien mortgages in Länsförsäkringar's mortgage institution, divided between 1,560 (1,662) transactions.

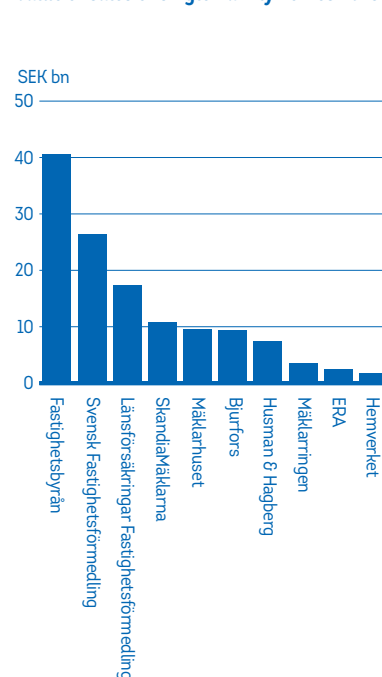
Number of single-family homes and tenant-owned apartments sold by Länsförsäkringar Fastighetsförmedling



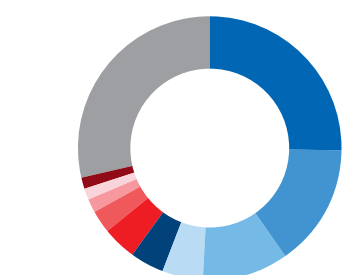
Single-family homes sold by Länsförsäkringar Fastighetsförmedling where loans were invested in Länsförsäkringar Hypotek



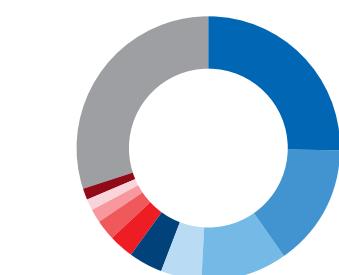
Value of sales of single-family homes 2016



Number of single-family homes sold 2016



Market shares 31 december 2016



Financial statements

Länsförsäkringar Alliance non-life insurance 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 after ceded reinsurance	6,141	6,157	5,906	5,871	5,823	24,074	22,705
Investment income transferred from financial operations	123	85	102	144	130	453	507
Claims payments after ceded reinsurance	-4,188	-4,846	-4,358	-4,563	-3,972	-17,956	-16,192
Operating expenses	-1,369	-1,029	-1,157	-1,079	-1,166	-4,635	-4,281
Other technical revenue/expenses	-75	-17	-20	-17	-12	-128	-39
Technical result from non-life insurance operations before partner discounts	632	349	472	356	803	1,808	2,700
Bonuses and discounts	-909	-70	-64	-72	-1,088	-1,116	-1,263
Technical result from non-life insurance operations after partner discounts	-278	279	408	283	-285	692	1,437
Total investment income	1,625	1,979	1,576	-150	2,189	5,030	3,794
Investment income transferred to insurance operations	-130	-73	-215	-337	-131	-756	-531
Other non-technical expenses	-137	46	-78	-73	-134	-242	-334
OPERATING PROFIT	1,081	2,231	1,691	-277	1,638	4,724	4,365

Balance sheet

SEK M	31 Dec 2016	31 Dec 2015
ASSETS		
Shares and participations	37,005	31,646
Bonds and other interest-bearing securities	29,091	29,596
Other investment assets	27,809	24,487
Total investment assets	93,905	85,729
Reinsurers' portion of technical provisions	10,396	10,829
Receivables and other assets	11,253	10,617
Cash and bank balances	4,681	5,799
Prepaid expenses and accrued income	1,384	1,249
TOTAL ASSETS	121,619	114,224
EQUITY, PROVISIONS AND LIABILITIES		
Equity	48,005	42,679
Technical provisions (before ceded reinsurance)	54,561	53,296
Other provisions and liabilities	15,912	15,630
Accrued expenses and deferred income	3,141	2,619
TOTAL EQUITY, PROVISIONS AND LIABILITIES	121,619	114,224

Länsförsäkringar AB, Group

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 reserve	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

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

Länsförsäkringar AB, Group
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 instruments	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
Provisions for life assurance – 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

Länsförsäkringar Liv, Group

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
Premium income after ceded reinsurance	438	422	440	420	471	1,720	1,919
Investment income net	-430	2,746	2,596	1,115	1,619	6,027	373
Claims payments	-1,378	-1,343	-1,503	-1,459	-1,466	-5,683	-5,959
Change in technical provisions	2,106	53	37	-975	3,124	1,221	9,497
Operating expenses	-136	-96	-103	-112	-162	-447	-442
Technical result life insurance operations	600	1,782	1,467	-1,011	3,586	2,838	5,388
Non-technical expenses	-28	-27	16	-71	-72	-110	-284
Profit before tax	572	1,755	1,483	-1,082	3,514	2,728	5,104
Tax	-20	-8	-18	0	-12	-46	-15
PROFIT FOR THE PERIOD	552	1,747	1,465	-1,082	3,502	2,682	5,089
Items that cannot be transferred to profit for the period	-	-	-	-	-2	-	-2
COMPREHENSIVE INCOME FOR THE PERIOD	552	1,747	1,465	-1,082	3,500	2,682	5,087

Balance sheet

SEK M	31 Dec 2016	31 Dec 2015
ASSETS		
Investment assets	116,408	115,356
Reinsurers' portion of technical provisions	477	481
Receivables	1,909	1,378
Other assets	4,763	3,945
Prepaid expenses and accrued income	755	957
TOTAL ASSETS	124,312	122,117
EQUITY, PROVISIONS AND LIABILITIES		
Equity	23,050	21,402
Technical provisions	92,217	93,498
Provisions for other risks and expenses	239	137
Deposits from reinsurers	477	481
Liabilities	8,116	6,407
Accrued expenses and deferred income	213	192
TOTAL EQUITY, PROVISIONS AND LIABILITIES	124,312	122,117

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

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