

Länsförsäkringar Alliance

2017 Annual Review in summary

The year in brief

Figures in parentheses pertain to the full-year 2016.

- Operating profit for the Länsförsäkringar Alliance's non-life insurance operations increased to SEK 7,207 M (4,626). Bonuses and discounts increased to SEK 1,696 M (1,202). Premiums earned after ceded reinsurance rose to SEK 25,504 M (24,073).
- The technical result for the Länsförsäkringar Alliance's non-life insurance operations increased to SEK 2,538 M (1,813). The combined ratio improved to 92% (95).
- Investment income for the Länsförsäkringar Alliance increased to SEK 6,993 M (5,009).
- Operating profit for the Länsförsäkringar AB Group increased to SEK 2,825 M (2,286). The return on equity amounted to 11% (10).
- Operating profit for Länsförsäkringar AB's non-life insurance operations increased to SEK 1,028 M (644). The combined ratio improved to 88% (92).
- Operating profit for the Bank Group increased to SEK 1,599 M (1,467). Net interest income strengthened to SEK 3,996 M (3,464).
- Operating profit for Länsförsäkringar Fondliv increased to SEK 600 M (512). Premium income rose to SEK 9,133 M (8,637). Commission income increased to SEK 1,583 M (1,412).
- The Board of Länsförsäkringar AB proposes a dividend of SEK 300 M to the owners.
- Profit for Länsförsäkringar Liv amounted to SEK 2,363 M (2,682). Solvency ratio rose to 207% (195).

Fourth quarter of 2017 compared with third quarter of 2017

- Operating profit for the Länsförsäkringar Alliance's non-life insurance operations increased to SEK 1,014 M (977). Premiums earned after ceded reinsurance rose to SEK 6,561 M (6,447).
- The technical result for the Länsförsäkringar Alliance's non-life insurance operations increased to SEK 1,092 M (499). The combined ratio improved to 85% (94).
- Investment income for the Länsförsäkringar Alliance amounted to SEK 1,780 M (584). Solvency capital rose SEK 1,748 M to SEK 66,093 M.
- Operating profit for the Länsförsäkringar AB Group amounted to SEK 624 M (704). The return on equity was 10% (10). Equity rose SEK 579 M to SEK 24,857 M.
- Operating profit for Länsförsäkringar AB's non-life insurance operations increased to SEK 247 M (155). The combined ratio improved to 75% (91).
- Operating profit for the Bank Group totalled SEK 432 M (429). Net interest income amounted to SEK 1,070 M (1,015).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 146 M (164). Premium income rose to SEK 2,211 M (2,170). Commission income amounted to SEK 411 M (407).
- Profit for Länsförsäkringar Liv amounted to SEK -201 M (503).

Comment

The Länsförsäkringar Alliance can summarise very strong earnings for 2017. Operating profit for the non-life insurance operations increased to SEK 7.2 billion, with strong investment income of SEK 7.0 billion. The technical result also strengthened, with growth in premiums of 6% and a combined ratio of 92%. Based on these healthy earnings, the regional insurance companies will pay back at least SEK 1.4 billion in bonuses to customers.

The Länsförsäkringar AB Group also reports strong earnings for 2017 with an operating profit of SEK 2.8 billion. The combined ratio for Länsförsäkringar AB's non-life insurance operations improved to 88%. Agria is continuing to grow and in 2018 France will become the fifth country Agria will expand to outside Sweden. Operating profit for the banking operations increased 9% to SEK 1.6 billion due to a continuously rising customer inflow. The unit-linked insurance operations also benefited from a positive net inflow and healthy value growth trend, which resulted in managed assets increasing 12% to SEK 128 billion. Since the Länsförsäkringar AB Group's capital situation has strengthened in recent years, the Board of Länsförsäkringar AB proposes a dividend of SEK 300 M to the owners.

The strong earnings reflect the key to Länsförsäkringar's success – the 23 regional insurance companies' local presence and engagement, together with the economies of scale that the jointly owned Länsförsäkringar AB represents. In 2017, Länsförsäkringar once again topped the Swedish Quality Index's customer satisfaction survey in banking, private non-life insurance and real-estate brokerage, won the Swedish Brand Award and the Red Dot Award for its app. The Länsförsäkringar Global Hållbar sustainability fund was given the green light by Söderberg & Partners and placed in its list of top ten Swedish sustainable funds.

Johan Agerman left his position as President of Länsförsäkringar AB on 2 February. As former Deputy President, I was appointed President while a permanent President is being recruited. The work that was initiated in 2017 on the long-term business plan for Länsförsäkringar AB is continuing according to schedule.

Sören Westin

President and CEO 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.

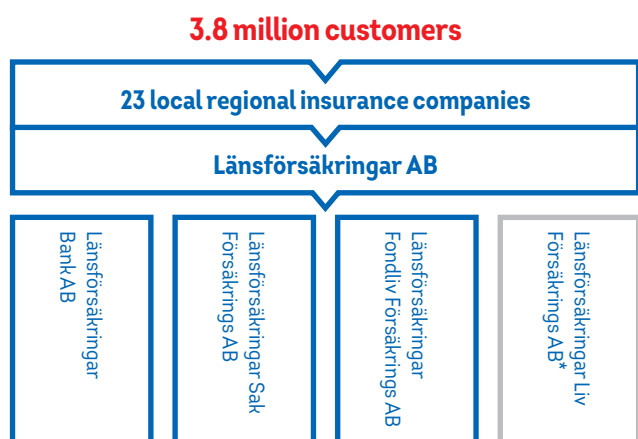
The starting point is local presence and decision-making. Experience shows that local decision-making authority combined with joint strength creates substantial added value for customers.

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 3.8 million customers and 6,400 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 primarily comprises health, pet and crop insurance, and some cargo, 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.



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

Market commentary

A sense of optimism prevailed in the economy during 2017, with the global economy growing stronger. The largest surprise was Europe's performance where the economy clearly surged and growth exceeded expectations. However, inflation remained far short of targets, which means that the ECB is expected to maintain its expansive monetary policy. The US economy also trended positively, particularly the strong labour market, although inflation was lower than anticipated, which led to the Fed continuing its austerity measures in monetary policy at a restrained rate and increased interest rates three times. The Republican tax reform slightly raised expectations of US growth in 2018, further fuelling stock market performance. In general, the global economy was surprisingly stable in 2017, particularly in light of the political risks that dominated the news. The UK applied to leave the EU, Germany experienced difficulties in forming a government and the US markedly elevated its tone towards North Korea, while risks in the Middle East increased. Stock markets generally posted a favourable trend for the year, led by emerging markets.

The fixed-income market reported no major fluctuations during the year. Long-term US interest rates moved sideways following a sharp upswing towards the end of 2016, while short-term rates tracked the Fed's three rate hikes. Swedish and European long-term interest rates ended 2017 slightly higher than at the start of the year and short-term rates fell marginally. Rates on Swedish covered bonds fell during the year and demand from investors was good.

The Swedish economy performed strongly during the year; growth was surprisingly positive, the labour market continued to improve and inflation rose. The employment rate is now well above levels prior to the financial crisis of 2008. Nevertheless, the Riksbank decided to wait out interest rate increases, and the repo rate has been negative for almost three years. The SEK strengthened against the USD but weakened against the EUR during the year. Continued expansive signals from the Riksbank, a degree of concern regarding the Swedish housing market and a stronger EUR underpinned this trend. Housing prices generally show seasonal variations with a weaker performance towards the end of the year, yet 2017 reported considerably weaker figures than normal and housing prices, excluding seasonal variations, fell 5.3% in the second half of the year. The Swedish Financial Supervisory Authority's decision to introduce a stricter repayment requirement combined with a temporarily high supply of new-builds may have accelerated this development. Looking forward, the housing market has now become a more distinct risk for the Swedish economy, even though the underlying economic conditions for the households remain unchanged.

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

Report commented on the development 2017 compared to the same period in 2016, unless otherwise stated.
Amounts are in SEK, unless otherwise stated.

Länsförsäkringar Alliance

	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Total capital, SEK M	72,386	70,189	68,185	65,709	63,390	72,386	63,390
Non-life insurance							
Solvency capital, SEK M	66,093	64,345	62,772	59,963	57,956	66,093	57,956
Solvency margin, %	252	252	246	238	236	252	236
Return on equity, %	10	12	16	14	8	11	8
Premiums earned after ceded reinsurance, SEK M	6,561	6,447	6,366	6,129	6,141	25,504	24,073
Technical result, SEK M	1,092	499	428	520	632	2,538	1,813
Operating profit, SEK M	1,014	977	3,050	2,166	1,081	7,207	4,626
Combined ratio, %	85	94	95	94	92	92	95

Länsförsäkringar AB, Group¹⁾

	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Operating profit, SEK M	624	704	671	826	542	2,825	2,286
Total assets, SEK M	473,773	464,563	454,846	446,558	421,816	473,773	421,816
Return on equity, %	10	10	11	12	10	11	10
Own funds for the group (FRL) ²⁾ , SEK M	44,172	42,408	41,567	41,613	40,602	44,172	40,602
Solvency capital requirement for the group (FRL) ²⁾ , SEK M	33,441	31,185	30,412	30,625	30,121	33,441	30,121
Own funds for the financial conglomerate ³⁾ , SEK M	44,172	42,408	41,562	41,554	40,352	44,172	40,352
Capital requirement for the financial conglomerate ³⁾ , SEK M	33,441	31,185	30,412	30,625	30,121	33,441	30,121

Länsförsäkringar Sak, Group

	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Premiums earned after ceded reinsurance, SEK M	1,427	1,409	1,414	1,373	1,353	5,623	5,342
Technical result, SEK M	368	132	80	397	104	977	435
Operating profit, SEK M	247	155	197	428	183	1,028	644
Solvency ratio, % (Länsförsäkringar Sak Försäkrings AB)	221	273	260	257	260	221	260

Länsförsäkringar Bank, Group

	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Deposits from the public, SEK M	99,404	99,314	97,144	91,888	91,207	99,404	91,207
Loans to the public, SEK M	261,444	251,667	242,249	232,187	226,705	261,444	226,705
Operating profit, SEK M	432	429	385	353	391	1,599	1,467
Return on equity, %	10.4	10.6	9.8	9.1	10.3	10.0	10.1
Tier I ratio Bank Group, %	24.3	24.2	24.3	24.2	24.8	24.3	24.8

Länsförsäkringar Fondliv

	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Premium income (rolling 12-months), SEK M	9,133	9,094	8,995	8,800	8,637	9,133	8,637
Operating profit, SEK M	146	164	154	136	126	600	512
Managed assets, SEK M	128,140	123,990	121,897	119,794	114,450	128,140	114,450
Solvency ratio, %	152	159	160	156	150	152	150

Länsförsäkringar Liv, Group (not consolidated in Länsförsäkringar AB)

	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Premium income after ceded reinsurance, SEK M	381	361	379	412	438	1,533	1,720
Profit, SEK M	-201	503	1,036	1,025	572	2,363	2,682
Managed assets, SEK M	115,128	114,971	115,510	115,957	115,784	115,128	115,784
Solvency ratio, % (Länsförsäkringar Liv Försäkrings AB)	207	226	229	209	195	207	195

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

²⁾ According to Swedish Insurance Business Act (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.

Non-life insurance

Most of the Länsförsäkringar's non-life insurance business is underwritten by the regional insurance companies. 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.

The year in brief Figures in parentheses pertain to the same period in 2016.

- Operating profit increased to SEK 7,207 M (4,626), benefiting from highly favourable investment income of SEK 6,993 M (5,009).
- Premiums earned after ceded reinsurance rose 5.9% to SEK 25,504 M (24,073).
- The technical result increased to SEK 2,538 M (1,813).
- The combined ratio improved to 92% (95), with a claims ratio of 74% (75).
- Solvency capital increased SEK 8,137 M during the period to SEK 66,093 M.

Earnings

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.

Operating profit for the Länsförsäkringar Alliance's non-life insurance operations increased to SEK 7,207 M (4,626). The strong earnings were mainly due to highly favourable investment income that increased to SEK 6,993 M (5,009). The technical result improved to SEK 2,538 M (1,813) due to solid premium growth and a moderate increase in claims payments. The claims ratio improved to 74% (75). The expense ratio fell to 18% (19) and the combined ratio improved to 92% (95).

Solvency capital increased SEK 8,137 M in 2017, amounting to SEK 66,093 M on 31 December 2017. The solvency margin amounted to 252% (236).

Business volumes

Länsförsäkringar continued to strengthen its leading position in the Swedish non-life insurance market with a market share of 30.5% for the third quarter of 2017, according to statistics from Insurance Sweden.

Premiums earned increased 5.9% to SEK 25,504 M (24,073). Both portfolio and premium increases contributed to the increase. Private insurance increased 6.7%, with growth continuing to be driven by household, homeowner and accident insurance. Agria reported robust growth, particularly in its international operations. The commercial segment increased strongly by 7.7%, primarily driven by healthy growth in commercial pro-

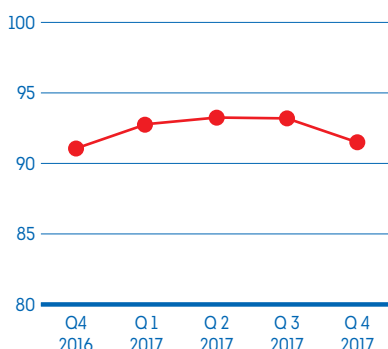
Non-life insurance, Länsförsäkringar Alliance

Key figures, SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Premiums earned after ceded reinsurance	6,561	6,447	6,366	6,129	6,141	25,504	24,073
Technical result	1,092	499	428	520	632	2,538	1,813
Bonuses and discounts	-1,475	-73	-74	-73	-909	-1,696	-1,202
Total investment income	1,780	584	2,777	1,852	1,625	6,993	5,009
Operating profit	1,014	977	3,050	2,166	1,081	7,207	4,626
Solvency capital	66,093	64,345	62,772	59,963	57,956	66,093	57,956
Solvency margin, %	252	252	246	238	246	252	236
Expense ratio, %	18	17	19	19	23	18	19
Claims ratio, %	67	77	76	75	69	74	75
Combined ratio, %	85	94	95	94	92	92	95

perty and commercial insurance. Premiums earned in the motor insurance segment rose 5.7%, driven by both portfolio and premium increases. Länsförsäkringar's growth in the motor insurance segment remained stronger than total market growth, which according to Insurance Sweden was 3.0% for the third quarter of 2017. Premiums earned in the agriculture segments rose 3.2%.

Combined ratio

Rolling 12-month figures



Claims trend

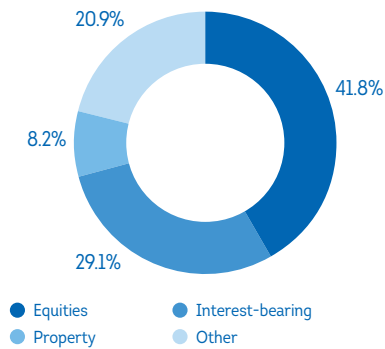
Claims payments after ceded reinsurance amounted to SEK 18,570 M (17,942), up 3.5%. The claims ratio fell to 74% (75). The trend from earlier quarters in 2017 persisted with lower claims costs for accident and water damage, but higher costs for fire damage and motor insurance claims.

Länsförsäkringar sees a clear connection between the claims trend and the distraction of using a mobile telephone while driving. Claims costs for young car owners have increased markedly by 30-40% in the past five years. Länsförsäkringar welcome the new Swedish law that came into effect on 1 February 2018 that bans drivers from holding a mobile in their hands while driving.

Investment income

The favourable performance of the global stock markets in the fourth quarter, particularly in emerging markets, was reflected in the Länsförsäkringar Alliance's investment income of SEK 1,780 M for the fourth quarter. This resulted in very healthy investment income for 2017 of SEK 6,993 M (5,009). Investment income amounted to 7% of the asset value at the end of 2017, driven by high returns on equities investments and properties.

Allocation of investment assets



Total investment assets amounted to SEK 101.3 billion on 31 December 2017.

Bank

Länsförsäkringar offers banking services through Länsförsäkringar Bank, which is part of the Länsförsäkringar AB Group. The 23 regional insurance companies are responsible for the bank's customer contact, while Länsförsäkringar AB is responsible for conducting joint business activities, strategic development activities and providing service.

The year in brief Figures in parentheses pertain to the same period in 2016.

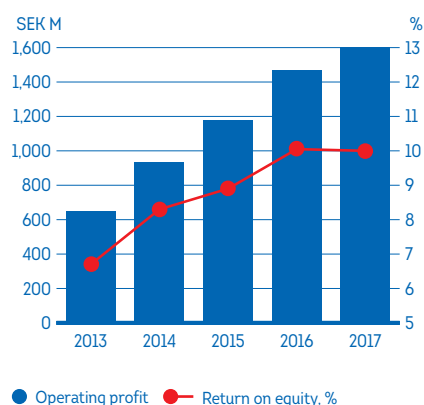
- Operating profit increased 9% to SEK 1,599 M (1,467) with a return on equity of 10.0% (10.1).
- Net interest income increased 15% to SEK 3,996 M (3,464).
- Business volumes increased to SEK 520 billion (456). Deposits rose to SEK 99 billion (91) and lending increased to SEK 261 billion (227).
- The number of customers with Länsförsäkringar as their primary bank rose 11% and the number of bank cards increased 13%.

Earnings

The Länsförsäkringar Bank Group's operating profit increased 9% to SEK 1,599 M (1,467), due to higher net interest income. Net interest income rose 15% to SEK 3,996 M (3,464) attributable to increased volumes and lower refinancing costs. The return on equity amounted to 10.0% (10.1).

Operating income includes SEK 42 M in dividends received from the sale of the holding in Visa Europe. Net losses from financial items amounted to SEK -49 M (gains: 68) due to unrealised changes in the market value of financial items. Net commission amounted to SEK -750 M (-662) due to higher remuneration to the regional insurance companies as a result of a healthy volume trend and strengthened profitability in the business.

Bank Group's operating profit and return on equity



Länsförsäkringar Bank, Group

Key figures, SEK M	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Full-year 2017	Full-year 2016
Deposits from the public	99,404	99,314	97,144	91,888	91,207	99,404	91,207
Loans to the public	261,444	251,667	242,249	232,187	226,705	261,444	226,705
Operating profit	432	429	385	353	391	1,599	1,467
Return on equity, %	10.4	10.6	9.8	9.1	10.3	10.0	10.1
Cost/income ratio before loan losses	0.49	0.46	0.51	0.51	0.50	0.49	0.48

Expenses

Operating expenses increased 14% to SEK 1,601 M (1,399), of which 7 percentage points was due to higher staff costs associated with additional personnel from Länsförsäkringar AB to the Bank Group's Business Service unit and the Economic Research Department, and the recruitment of new fund managers at Länsförsäkringar Fondförvaltning. The underlying cost increase amounted to 7% partly attributable to initiatives for future-oriented IT investments.

The cost/income ratio before loan losses amounted to 0.49 (0.48).

Loan losses

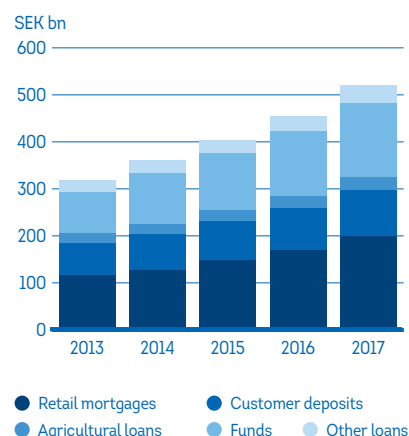
Loan losses amounted to SEK 58 M (38*), net, corresponding to a loan loss level of 0.02% (0.02). Impaired loans, gross, amounted to SEK 278 M (240), corresponding to a percentage of impaired loans, gross, of 0.11% (0.11). Reserves totalled SEK 268 M (250), corresponding to a reserve ratio in relation to loans of 0.10% (0.11). In addition, SEK 88 M (130) of the remuneration to the regional insurance companies' credit-risk commitments for generated business is withheld in accordance with the settlement model. The reserve ratio in relation to loans, including withheld remuneration to the regional insurance companies, was 0.14% (0.17).

*The comparative figure includes dissolution of reserves of SEK 23 M.

Business volumes

Business volumes increased 14% to SEK 520 billion (456). Lending increased 15% to SEK 261 billion (227) with continued high credit quality. Lending in Länsförsäkringar Hypotek increased 17% to SEK 198 billion (169). Deposits increased 9% to SEK 99 billion (91). The fund volume increased 15% to SEK 159 billion (138).

Business volumes for the Bank Group



Funding

The Bank Group has a low refinancing risk and the maturity structure is highly diversified. Debt securities in issue increased to a nominal SEK 183 billion (152), of which covered bonds amounted to SEK 147 billion (122), senior long-term funding to SEK 35 billion (29) and short-term funding to SEK 1 billion (1). The average remaining term for the long-term funding was 3.5 years (3.3) on 31 December 2017.

Covered bonds were issued during the year at a volume corresponding to a nominal SEK 39 billion (31), repurchased covered bonds to a nominal SEK 7 billion (8) and matured covered bonds to a nominal SEK 7 billion (8). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 14 billion (8) during the year.

In March, Länsförsäkringar Hypotek issued a seven-year Euro benchmark-covered bond for a nominal EUR 500 M and in September Länsförsäkringar Bank issued a senior or unsecured five-year Euro bond for a nominal EUR 500 M. The transaction was the first step of a long-term strategy to also build up an investor base in the Euro market for senior or funding. In addition, Länsförsäkringar Hypotek issued two Swedish benchmark bonds during the year, LFH516 and LFH517, which mature in September 2023 and September 2024, respectively.

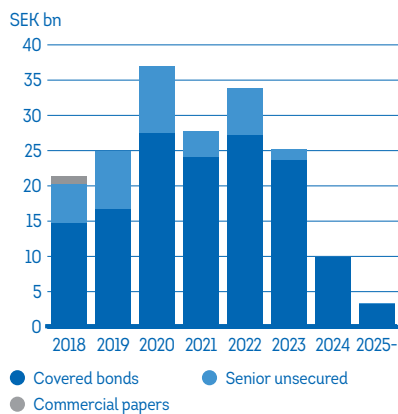
Liquidity

On 31 December 2017, the liquidity reserve totalled SEK 48 billion (42). 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 more than 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 202% (169) and according to the European Commission's delegated act to 339% (342) at 31 December 2017. The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 116%* (116) on 31 December 2017.

*The calculation is based on Länsförsäkringar Bank's interpretation of the Basel Committee's most recent Net Stable Funding Ratio proposal. The comparative figure pertains to 30 September 2017.

Maturity profile



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. Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

The year in brief Figures in parentheses pertain to the same period in 2016.

- Operating profit for Länsförsäkringar Fondliv increased to SEK 600 M (512).
- Total managed assets for Länsförsäkringar Fondliv increased to SEK 128 billion (114).
- Profit for Länsförsäkringar Liv amounted to SEK 2,363 M (2,682).
- Total managed assets for Länsförsäkringar Liv amounted to SEK 115 billion (116).

Earnings for Länsförsäkringar Fondliv

Operating profit for Länsförsäkringar Fondliv strengthened in 2017 to SEK 600 M (512), primarily due to increased income from growing managed assets.

Total managed assets increased SEK 14 billion to SEK 128 billion (114) on 31 December 2017. The increase was mainly the result of a high value growth trend due to a favourable stock-market climate, but also a positive net inflow from existing and new customers.

Total premium income increased 6% to SEK 9,133 M (8,637), of which capital transferred to the company accounted for SEK 1,444 M (1,321). Premium income after ceded reinsurance for insurance risk increased to SEK 198 M (173). Commission income, which is strongly linked to managed assets, increased to SEK 1,583 M (1,412).

Operating expenses rose to SEK 1,028 M (973), primarily due to higher distribution and administration expenses from increased business volumes. Investments were also made in digital development, such as the launch of a digital purchase service where self-employed persons can take out occupational pensions directly online.

Capital situation

Länsförsäkringar Fondliv's capital situation is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to risk-based capital requirements. Länsförsäkringar Fondliv's solvency ratio on 31 December 2017 amounted to 152% (150).

Länsförsäkringar Fondliv's unit-linked insurance and guarantee management

Unit-linked insurance

Slightly more than 90% of the funds in the total fund range performed positively in 2017. More than 50% of the funds increased by more than 10%, with no funds declining more than 10%. 2017 was a positive stock-market

Länsförsäkringar Fondliv and Länsförsäkringar Liv

Key figures, SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Länsförsäkringar Fondliv							
Premium income, net (rolling 12 months)	9,133	9,094	8,995	8,800	8,637	9,133	8,637
Operating profit	146	164	154	136	126	600	512
Managed assets	128,140	123,990	121,897	119,794	114,450	128,140	114,450
Solvency ratio, %	152	159	160	156	150	152	150
Länsförsäkringar Liv (not consolidated in Länsförsäkringar AB)							
Profit	-201	503	1,036	1,025	572	2,363	2,682
Managed assets	115,128	114,971	115,510	115,957	115,784	115,128	115,784
Collective consolidation ratio, New Trad, %	117	117	117	117	114	117	114
Collective consolidation ratio, Old Trad, %	123	123	123	122	125	123	125
Solvency ratio, %	207	226	229	209	195	207	195

year that resulted in a favourable performance for many equities funds. Equities funds investing in Asia, small companies and technology reported the strongest trend. The performance of funds targeting commodities, Russia and certain hedge funds was weaker.

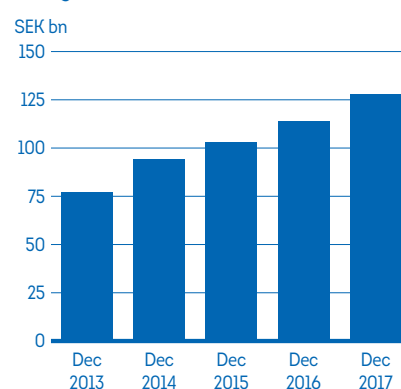
According to Insurance Sweden's market statistics for the third quarter of 2017, Länsförsäkringar Fondliv remains the market leader in the unit-linked insurance market for individual occupational pensions, with a market share of 19.1% measured in premium income and 21.0% measured in new sales.

Both the scope and quality of Länsförsäkringar's fund range were expanded in 2017, as part of realising a new fund strategy of simplifications and also greater choice for customers. More than 30 new funds from several different fund companies were launched. The funds in the recommended range are carefully analysed and assessed based on criteria including management organisation, return and sustainability.

Guarantee Management

Länsförsäkringar Fondliv offers management of pension insurance carrying a guarantee

Managed assets unit-linked insurance



element regarding paid-in premiums. The guarantee principle is that the customer recoups premiums paid in to savings, but with the possibility of additional returns. Full guarantee, meaning "at least your premium back" applies for a minimum ten-year savings period. A sliding scale is applied to shorter savings periods, with the guarantee at 80% of paid-in premiums for periods of five to ten years until retirement, and a minimum of 70% of paid-in premiums with less than five years until retirement. The assets are divided between equity and interest-bearing invest-

ments, with the interest-bearing portion always being at least 40% and the equities portion may be as low as zero. On 31 December 2017, 65% of the investments comprised interest-bearing investments and 35% equities.

Managed assets amounted to SEK 3.1 billion (2.9). The return rose to 6.0% (5.3). Both equity and interest-bearing investments made a positive contribution to the total return.

Earnings for Länsförsäkringar Liv

Profit for Länsförsäkringar Liv amounted to SEK 2,363 M (2,682). The positive earnings derive from a positive investment income in New and Old Trad, and transitions from Old Trad to New Trad, which continued to strengthen earnings through lower technical provisions.

Changes in market interest rates affect Länsförsäkringar Liv's earnings with rising market interest rates leading to lower liabilities to policyholders since future commitments are discounted with the market interest rate. However, the company can largely protect itself from interest-rate changes impacting earnings by matching assets and liabilities against each other. In 2017 about 80% of the interest-rate sensitivity of liabilities was matched, generating a positive earnings effect of about SEK 100 M when long-term market interest rates rose. The Swedish ten-year government bond rate increased by just under 25 basis points.

Liabilities to policyholders declined SEK 2.0 billion (1.2) during the period, primarily due to negative cash flows, meaning that payouts and external transfers exceeded premium payments. The assumption for future operating expenses was adjusted in 2017, which led to higher liabilities of SEK 685 M. The increase in the expense assumptions is because the company is closed for new business and thus the insurance portfolio decreases over time, which is expected to lead to a slightly higher unit cost over time.

Operating expenses fell to SEK 417 M (447) in 2017, mainly due to lower development costs.

Investment income was positive for all management portfolios and totalled SEK 4.8 billion (6.0). New World contributed SEK 1.4 billion, which does not affect earnings and instead is transferred directly to the policyholders.

In December 2017, Länsförsäkringar Liv divested two property-owning subsidiaries to Humlegården Fastigheter AB (publ) (referred to below as Humlegården) in exchange for payment in newly issued shares in Humlegården and cash and cash equivalents. Ba-

sed on this transaction, Länsförsäkringar Liv became the second largest owner of Humlegården with a holding of 11.6%. The transaction better diversifies Länsförsäkringar Liv's property exposure and provides an interest in a property portfolio that is deemed to be of high quality with great potential.

Länsförsäkringar Liv is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

Capital situation

Länsförsäkringar Liv's capital situation is expressed and measured in accordance with Solvency II as a ratio of own funds in relation to risk-based capital requirements. Länsförsäkringar Liv's solvency ratio on 31 December 2017 increased to 207% (195).

Collective consolidation is calculated as the ratio between total capital and insurance capital.

Collective consolidation on 31 December 2017 amounted to 117% (114) in New Trad and 123% (125) in Old Trad.

Länsförsäkringar Liv has worked actively on measures to strengthen the company's balance sheet and own funds for several years. A strengthened balance sheet provides the company with greater flexibility and opportunities to invest in asset classes with higher expected returns. These measures have resulted in equity strengthening from SEK 10.9 billion to SEK 24.4 billion between 2012 and 2017.

Transitions from Old Trad to New Trad also contributed to the strengthened capital situation in 2017. Such transitions to New Trad have strengthened own funds by a total of SEK 4.8 billion since 2013, whereof SEK 0.4 billion in 2017.

Länsförsäkringar Liv's traditional management

Länsförsäkringar Liv, which is closed for new business, conducts traditional life assurance for its customers divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. Total managed assets amounted to SEK 115 billion (116).

New Trad

Länsförsäkringar Liv customers with traditionally managed insurance have had the opportunity to transition their existing insurance to New Trad since 2013. Transitions from Old Trad to New Trad involve lower fees and a reduction in the guaranteed rate. The reduced guarantee rate allows capital in New Trad to be invested in assets that have higher expected returns.

Managed assets in New Trad amounted to SEK 21 billion (18). Investments as at 31 December 2017 comprised 60% interest-bearing investments, 34% equities, 4% alternative investments and 2% properties. The total share of interest-bearing investments increased slightly in 2017. Investment income for New Trad amounted to 6.4% (4.3). The return was mainly attributable to equities investments, which contributed 5.5 percentage points.

The bonus rate on 31 December 2017 was 6% (4). The bonus rate was raised from 5% to 6% on 1 October 2017. The average bonus rate since New Trad started in 2013 has been 6.4%.

Old Trad

In Old Trad, Länsförsäkringar Liv manages assets of SEK 81 billion (85) on behalf of its customers. The aim of risk-taking in the Old Trad investment portfolio, given the prevailing low interest-rate environment, is to ensure that the guaranteed bonus can be realised also in the event of a negative market trend. At the same time, balanced risk-taking is applied to facilitate a reasonable return on customers' savings.

A large portion of the capital comprised long-term interest-bearing investments in 2017. Investments as at 31 December 2017 comprised 87% interest-bearing investments, 7% equities, 4% alternative investments and 2% properties. Investment income amounted to 2.7% (5.9).

The bonus rate for 2017 was unchanged at 2%.

New World

New World is a traditional insurance policy whereby customers benefit from upturns on the equities market, while at the same time are guaranteed to recoup at least the premiums paid, after deductions for expenses and yield tax.

Managed assets amounted to SEK 12 billion (11). The percentage of equities for the New World management form is normally 70% and the remaining 30% comprises interest-bearing investments. However, the investment mix can vary within defined intervals, with the percentage of equities comprising 60–80%. Investment income amounted to 13.3% (5.1).

Real-estate brokerage

Länsförsäkringar offers real-estate brokerage through Länsförsäkringar Fastighetsförmedling. The operations are conducted in franchise form, whereby the regional insurance companies act as franchisers for the 160 local branches across Sweden.

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 across Sweden. Strong growth has advanced Länsförsäkringar Fastighets-

förmedling to the position of third largest brokerage in Sweden. Länsförsäkringar Fastighetsförmedling is Sweden's fastest growing estate-agent chain and for the second consecutive year had the most satisfied customers according to the Swedish Quality Index's customer satisfaction survey for the estate-agent industry.

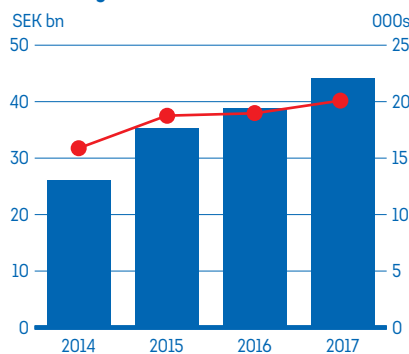
The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering. The aim is to offer more than just the brokerage and sale of residential properties. The operations are conducted in franchise form, whereby the regional insurance company acts as the

franchiser for the local branch. This also means that Länsförsäkringar Fastighetsförmedling differs from other national estate-agent chains by always being locally based.

Länsförsäkringar Fastighetsförmedling can summarise strong sales figures for 2017. A total of 21,801 (19,938) properties were brokered between January and December, of which 11,896 (10,923) tenant-owned apartments and 8,816 (7,998) single-family homes. The number of properties sold increased a total of more than 9% year on year. Commission income rose 12% to SEK 905 M (808). The total sales value for the period amounted to SEK 48.7 billion (41.9).

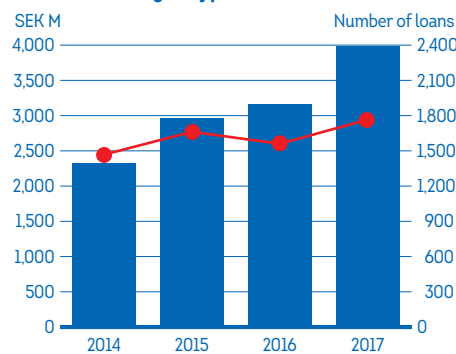
Länsförsäkringar's sales of single-family homes increased in 2017, resulting in SEK 4.0 billion (3.5) in first-lien mortgages in Länsförsäkringar's mortgage institution, divided between 1,766 (1,618) transactions. This was achieved despite the total market for single-family homes declining 4% during the year, with the number of land registration certificates totalling 71,472 (74,559).

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



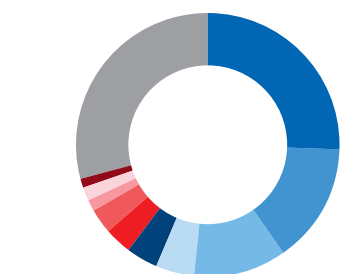
● Total value, SEK billion
● Number of residential properties sold

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



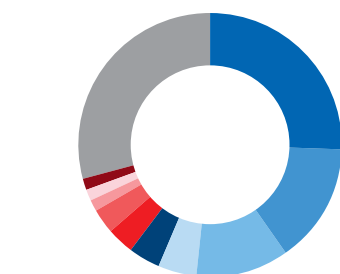
● Loan total, SEK M
● Number of loans

Number of single-family homes sold 2017



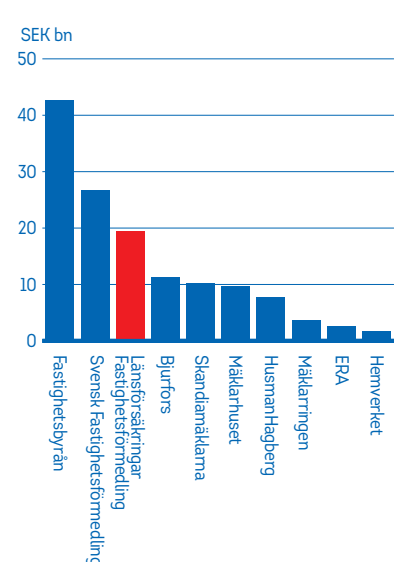
● Fastighetsbyrån 18,355
● Svensk Fastighetsförmedling 10,435
● Länsförsäkringar Fastighetsförmedling 8,234
● Mäklarhuset 3,408
● SkandiaMäklarna 2,790
● Bjurfors 2,319
● HusmanHagberg 2,223
● Mäklarringen 1,041
● Hemverket 1,027
● ERA 967
● Other brokers and private 20,673

Market shares single-family homes 31 December 2017



● Fastighetsbyrån 25.7%
● Svensk Fastighetsförmedling 14.6%
● Länsförsäkringar Fastighetsförmedling 11.5%
● Mäklarhuset 4.8%
● SkandiaMäklarna 3.9%
● Bjurfors 3.2%
● HusmanHagberg 3.1%
● Mäklarringen 1.5%
● Hemverket 1.4%
● ERA 1.3%
● Other brokers and private 29.0%

Value of sales of single-family homes 2017



Länsförsäkringar AB

Länsförsäkringar AB and its subsidiaries are commissioned by the regional insurance companies to conduct joint banking and insurance operations, pursue strategic development activities and provide service in areas that generate economies of scale and efficiency. Länsförsäkringar AB's non-life insurance business is divided into the following three business areas: Agria (pet and crop insurance), Health and Reinsurance and Special Insurance.

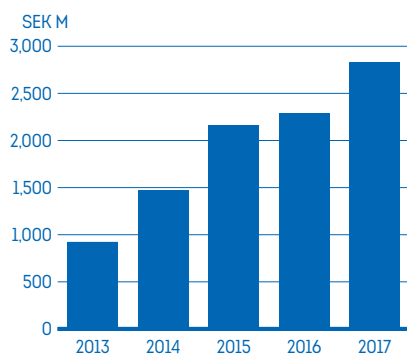
The year in brief

Figures in parentheses pertain to the same period in 2016.

- Operating profit for the Länsförsäkringar AB Group increased to SEK 2,825 M (2,286). The return on equity amounted to 11% (10).
- The Länsförsäkringar AB Group's equity amounted to SEK 24,857 M.
- Operating profit for the non-life insurance operations increased to SEK 1,028 M (644). Premiums earned after ceded reinsurance rose 5% to SEK 5,623 M (5,342). The combined ratio improved to 88% (92).
- Net sales for the Parent Company increased to SEK 2,948 M (2,894).
- The Board of Länsförsäkringar AB proposes a dividend of SEK 300 M to the owners.

Earnings

Operating profit for the Länsförsäkringar AB Group



Operating profit for the Länsförsäkringar AB Group increased to SEK 2,825 M (2,286). The return on equity amounted to 11% (10).

Operating profit for the non-life insurance operations increased to SEK 1,028 M (644). Premiums earned after ceded reinsurance rose 5% to SEK 5,623 M (5,342), and the combined ratio improved to 88% (92), partly due to run-off gains.

The Bank Group's operating profit increased to SEK 1,599 M (1,467) due to higher net interest income. Net interest income rose 15% to SEK 3,996 M (3,464) attributable to increased volumes and lower refinancing costs.

Managed assets in the unit-linked insurance operations increased 12% to SEK 128 billion (114), mainly the result of a high value growth trend, but also a positive net inflow. Operating profit strengthened to SEK 600 M (512).

The Group's investment return attributable to the insurance operations' and Parent Company's assets amounted to 4.3% (4.5). Properties, which totalled 23% (21) of the investment assets at the end of the year, yielded

the highest return contributing 2.8 percentage points (2.9) to investment return. This was mainly driven by positive changes in the market value of property holdings. In the fixed-income portfolio, which contributed a total of 0.7 percentage points (1.3), mainly US credits had the most positive contribution. The contribution from equities was a positive 1.0 percentage points (0.6), while the contribution from currencies remained slightly negative.

Capital situation

The Länsförsäkringar AB Group's equity increased SEK 579 M during the fourth quarter to SEK 24,857 M.

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

At 31 December 2017, surplus capital for the Länsförsäkringar AB Group under the rules on financial conglomerates was SEK 10.7 billion, down SEK 0.5 billion during the quarter. Own funds amounted to SEK 44.2 billion and the capital requirement to SEK 33.4 billion.

The capital situation under the rules on insurance operations commensurated with the capital situation under the rules on financial conglomerates on 31 December 2017.

The rules for calculating capital requirements for financial conglomerates and for groups under the insurance rules have been re-interpreted since the transition rules for capital requirements in the banking operations ceased to apply on 1 January 2018. In these calculations, Pillar II requirements for

the banking operations are now treated as capital requirements. In previous calculations under the rules on financial conglomerates, the Pillar II requirements were considered only as a hindrance to the transferability of capital between legal entities.

The Common Equity Tier 1 capital ratio for consolidated situation* (the group encompassed by the group rules for banking operations) was 23.3% at the end of the fourth quarter, down 0.1 percentage points during the quarter.

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

After the European Banking Authority published an opinion on an interpretation question in November 2017, the calculation of own funds for the consolidated situation under the group rules for banking operations has been re-interpreted. This re-interpretation entails that own funds instruments externally issued by Länsförsäkringar Bank cannot be fully included in own funds, but only to the portion of capital required to cover the capital requirements of Länsförsäkringar Bank AB and its subsidiaries. Accordingly, eligible Tier 1 capital amounted to SEK 944 M (1,200) and eligible Tier 2 capital to SEK 2,163 M (2,592) on 31 December 2017.

On 9 October 2017, Länsförsäkringar AB had repaid its bond loan of SEK 1.7 billion and the Medium Term Note programme had matured. The loan was not refinanced.

The Board of Länsförsäkringar AB proposes that the General Meeting resolve to pay a dividend of SEK 300 M to the owners – the 23 regional insurance companies, together with 16 local insurance companies. This proposal should be viewed in light of the Länsförsäkringar AB Group's capital situation having strengthened in recent years.

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

Capital situation of subsidiaries

	31 Dec 2017	30 Sept 2017	31 Dec 2016
Länsförsäkringar Sak Försäkrings AB			
Solvency ratio, %	221	273	260
Länsförsäkringar Fondliv Försäkrings AB			
Solvency ratio, %	152	159	150
Länsförsäkringar Bank Group			
Common Equity Tier 1 capital ratio, %	24.3	24.2	24.8

Non-life insurance

Länsförsäkringar AB's non-life insurance business primarily comprises health, pet and crop insurance, some cargo, liability, property and motor insurance as well as international reinsurance. Länsförsäkringar AB also manages the Länsförsäkringar Alliance's joint reinsurance cover.

Operating profit for Länsförsäkringar AB's non-life insurance business increased to SEK 1,028 M (644) and the combined ratio improved to 88% (92). The technical result for the insurance operations improved to SEK 977 M (435). Claims payments after ceded reinsurance amounted to SEK 3,764 M (3,793) and the claims ratio improved to 67% (71). The expense ratio was unchanged at 21% (21).

Operating profit and the claims ratio for the year were generally affected by run-off gains following the review of provision for claims payments in prior years, but with varying effects in individual business lines. The transfer of the claims portfolio for part of the accident and health insurance business to the regional insurance companies in the fourth quarter also contributed to the run-off gains. First-quarter profit was also positively impacted by SEK 260 M in remuneration for the part of the accident and health insurance business that was transferred from Länsförsäkringar Sak to the regional insurance companies. Profit in the fourth quarter was affected by goodwill impairment of SEK 179 M from previous acquisition of the personal-risk business.

Premiums earned after ceded reinsurance increased 5% to SEK 5,624 M (5,343). Premiums earned increased despite the regional insurance companies renewing accident and health insurance policies for adults from 2017. The increase was due to portfolio growth and premium increases in Agria, previous premium increases in health care insurance and new agreements in liability insurance.

Agria

Agria reported a slightly lower technical result compared with the preceding year. Horse insurance posted weaker earnings, while earnings for Agria's UK operations improved. Profit in the preceding year also included slightly higher run-off gains. Agria's largest business line in terms of volume – pet insurance – continued to deliver stable, positive earnings.

Health

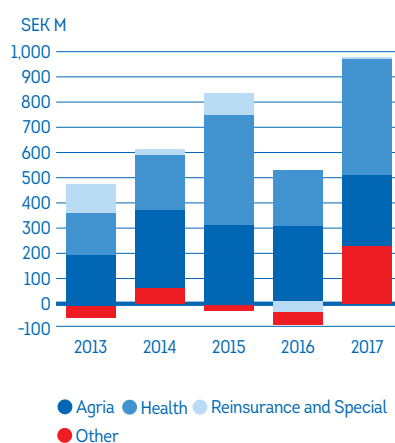
Earnings for health care insurance strengthened as a result of previous premium adjustments and quality enhancements in claims adjustment.

The part of the accident and health insurance business that was not transferred to the regional insurance companies reported improved earnings, mainly as a result of higher run-off losses in the preceding year. Changes to product content and premium adjustments are expected to further improve earnings for health insurance in 2018.

Reinsurance and Special

Liability insurance and assumed international reinsurance posted negative earnings due to strengthening of prior years' reserves. Earnings for assumed international reinsurance were also impacted by slightly higher claims costs from hurricanes in the Caribbean and southern US. Cargo insurance continued to deliver stable, positive earnings and also benefited by run-off gains.

Technical result for Länsförsäkringar Sak Group



The Länsförsäkringar Sak Group's investment return amounted to 4.5% (4.5). Properties, which totalled 27% (23) of the investment assets at the end of the period, yielded the highest return contributing 3.6 percentage points (3.5) to the investment return. The fixed-income portfolio, which has a short duration, had a positive effect of 0.9 percentage points (0.9) on the return. The equities portfolio reported a positive performance

and contributed 0.3 percentage points (0), whereas contributions from currencies were slightly weaker compared with the preceding year.

Bank

Operating profit for the Länsförsäkringar Bank Group, which is part of the Länsförsäkringar AB Group, increased 9% to SEK 1,599 M (1,467), due to higher net interest income. Net interest income rose 15% to SEK 3,996 M (3,464) attributable to increased volumes and lower refinancing costs. More information about Länsförsäkringar Bank is available on pages 6-7.

Unit-linked insurance

Operating profit for Länsförsäkringar Fondliv, which is part of the Länsförsäkringar AB Group, strengthened in 2017 to SEK 600 M (512), primarily due to increased income from growing managed assets. Total managed assets increased SEK 14 billion to SEK 128 billion (114). More information about Länsförsäkringar Fondliv is available on pages 8-9.

Significant events after the end of the interim period

On 2 February 2018, Johan Agerman left his position as President and CEO of Länsförsäkringar AB. In connection with this, Sören Westin was appointed President and CEO of Länsförsäkringar AB.

Risks and uncertainty factors of the operations

The Länsförsäkringar AB Group's banking and insurance operations give rise to various types of risks, with the most prominent risks comprising credit risk in the Bank Group and insurance and market risks in the non-life insurance and unit-linked life-assurance companies. Alongside these risks, focus on cyber and climate risks was intensified during 2017.

Credit risk in Länsförsäkringar Bank is primarily affected by the economic 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 is predominantly attributable to the company's investment assets.

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 them 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. These risks are reinsured to a high extent.

The risks that arise directly in the Parent Company 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.

Cyber risks arise in the use and transfer of digital data in the operations. Climate risks arising from climate change can directly or indirectly increase other risks, for example, by increasing insurance claims, financial losses or damage to the brand.

Länsförsäkringar AB and its insurance subsidiaries have 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 also has approval from the Financial Supervisory Authority to use the Internal Ratings Based Approach (IRB Approach) for credit risk measurement for calculating the capital requirement.

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 2016 Annual Report in Group note 2 Risk and capital management.

Related-party transactions

In the first quarter of 2017, Länsförsäkringar Sak Försäkrings AB received SEK 260 M in remuneration from the regional insurance companies for the transferred part of the accident and health insurance business. Following Länsförsäkringar's business model, a decision was made in 2015 to transfer the product since it was deemed to have reached the desired level of volume, profitability and stability. Länsförsäkringar Sak discontinued new sales of the product in 2016, and from 2017 the insurance policies are renewed by the regional insurance companies. The claims portfolio was transferred on 1 December 2017 after gaining approval from the Swedish Financial Supervisory Authority.

In 2017, the Länsförsäkringar AB Group had the same type of agreements as those described in the notes to the 2016 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 2017 compared with third quarter of 2017

The Länsförsäkringar AB Group's operating profit amounted to SEK 624 M (704).

Operating profit for the non-life insurance operations rose to SEK 247 M (155). The technical result improved to SEK 368 M (132) and the combined ratio declined to 75% (91), primarily due to significant run-off gains. Premiums earned after ceded reinsurance amounted to SEK 1,427 M (1,409). Profit in the fourth quarter was affected by goodwill impairment of SEK 179 M from previous acquisition of the personal-risk business.

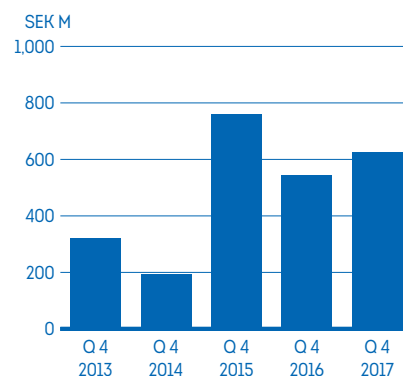
The Bank Group's operating profit amounted to SEK 432 M (429). Operating income increased to SEK 883 M (817) due to higher net interest income and dividends received of SEK 42 M from the sale of the holding in Visa Europe. Net interest income increased to SEK 1,070 M (1,015) as a result of continued positive volume growth. The return on equity amounted to 10.4% (10.6).

Operating profit for Länsförsäkringar Fondliv declined to SEK 146 M (164), mainly

due to a number of impairments totalling SEK 40 M. Managed assets for the quarter improved from SEK 124 billion to SEK 128 billion. Total premium income rose to SEK 2,211 M (2,170). Commission income amounted to SEK 411 M (407). Operating expenses totalled SEK 254 M (259).

Loss before dividends and Group contributions for the Parent Company was SEK 161 M (loss: 5).

Operating profit for the Länsförsäkringar AB Group



Parent Company earnings 2017 compared with 2016

Profit after financial items for the Parent Company amounted to SEK 1,638 M (453). Net profit for the year was positively impacted by dividends and Group contributions of SEK 750 M (-) from Länsförsäkringar Fondliv and SEK 1,130 M (630) from Länsförsäkringar Sak. Net sales amounted to SEK 2,946 M (2,891).

Parent Company earnings fourth quarter of 2017 compared with third quarter of 2017

Profit after financial items for the Parent Company amounted to SEK 129 M (335). Profit was mainly affected by Group contributions of SEK 290 M (dividend of SEK 340 M) from Länsförsäkringar Sak and impairment of SEK 89 M on intangible assets.

The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at 31 December 2017 are presented in the following financial statements with accompanying notes.

Financial statements

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Länsförsäkringar Alliance non-life insurance

Financial statements

Income statement for Länsförsäkringar Alliance non-life insurance

SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Premiums earned after ceded reinsurance	6,561	6,447	6,366	6,129	6,141	25,504	24,073
Investment income transferred from financial operations	86	95	74	100	123	355	453
Claims payments after ceded reinsurance	-4,336	-4,911	-4,790	-4,534	-4,188	-18,570	-17,942
Operating expenses	-1,182	-1,081	-1,211	-1,146	-1,369	-4,621	-4,644
Other technical revenue/expenses	-38	-52	-11	-29	-75	-130	-127
Technical result for non-life insurance operations before bonuses and discounts	1,092	499	428	520	632	2,538	1,813
Bonuses and discounts	-1,475	-73	-74	-73	-909	-1,696	-1,202
Technical result for non-life insurance operations after bonuses and discounts	-384	425	354	447	-278	842	611
Total investment income	1,780	584	2,777	1,852	1,625	6,993	5,009
Investment income transferred to insurance operations	-108	-146	-64	-116	-130	-433	-756
Other non-technical revenue/expenses	-275	114	-17	-17	-137	-195	-239
Operating profit for the period	1,014	977	3,050	2,166	1,081	7,207	4,626

Balance Sheet for Länsförsäkringar Alliance non-life insurance

SEK M	31 December 2017	31 December 2016
ASSETS		
Shares and participations	42,388	36,985
Bonds and other interest-bearing securities	29,473	29,091
Other investment assets	29,459	27,908
Total investment assets	101,319	93,984
Reinsurers' portion of technical provisions	10,447	10,396
Receivables and other assets	11,125	11,254
Cash and bank balances	5,340	4,681
Prepaid expenses and accrued income	1,576	1,398
TOTAL ASSETS	129,807	121,714
EQUITY, PROVISIONS AND LIABILITIES		
Equity	54,920	48,033
Technical provisions (before ceded reinsurance)	57,011	54,664
Other provisions and liabilities	14,659	16,003
Accrued expenses and deferred income	3,218	3,014
TOTAL EQUITY, PROVISIONS AND LIABILITIES	129,807	121,714

Länsförsäkringar AB Group

Key figures

Key figures for Länsförsäkringar AB Group							
SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Group							
Operating profit	624	704	671	826	542	2,825	2,286
Net profit for the period	474	576	545	656	381	2,250	1,845
Return on equity, % ¹⁾	10	10	11	12	10	11	10
Total assets, SEK billion	474	465	455	447	422	474	422
Equity per share, SEK ²⁾	2,269	2,214	2,161	2,103	2,046	2,269	2,046
Solvency capital ³⁾	27,740	26,987	26,447	25,819	25,244	27,740	25,244
Solvency margin, % ⁴⁾	467	456	449	444	452	467	452
Own funds for the group ⁵⁾	44,172	42,408	41,567	41,613	40,602	44,172	40,602
Solvency capital requirement for the group ⁵⁾	33,441	31,185	30,412	30,625	30,121	33,441	30,121
Own funds for the financial conglomerate ⁶⁾	44,172	42,408	41,562	41,554	40,352	44,172	40,352
Capital requirement for the financial conglomerate ⁶⁾	33,441	31,185	30,412	30,625	30,121	33,441	30,121
Insurance operation⁷⁾							
<i>Non-life insurance operations</i>							
Premiums earned (after ceded reinsurance)	1,361	1,340	1,348	1,304	1,292	5,353	5,090
Investment income transferred from financial operations	8	6	6	6	4	26	15
Claims payments (after ceded reinsurance) ⁸⁾	-659	-885	-894	-834	-818	-3,272	-3,336
Technical result, non-life operations	332	120	72	391	84	916	390
<i>Premium income, non-life insurance</i>							
Premium income before ceded reinsurance	1,085	1,210	1,329	3,500	1,311	7,124	6,753
Premium income after ceded reinsurance	1,036	1,158	1,299	2,004	1,025	5,498	5,195
<i>Life-assurance operations</i>							
Premium income (after ceded reinsurance)	81	78	85	232	70	477	432
Fees pertaining to financial agreements	185	180	182	177	170	724	659
Investment income, net	-21	31	48	62	37	121	144
Claims payments (after ceded reinsurance)	-34	-68	-84	-80	-58	-266	-267
Technical result, life-assurance operations	226	170	159	145	152	700	541
Operating profit for insurance operations⁹⁾	393	322	349	564	347	1,628	1,194
<i>Key figures</i>							
Cost ratio ¹⁰⁾	28	25	29	26	30	27	27
Expense ratio ¹¹⁾	21	20	22	21	24	21	21
Claims ratio ¹²⁾	55	72	73	70	69	67	71
Combined ratio	76	91	95	90	94	88	93
Management cost ratio, life-assurance operations ¹³⁾	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Direct yield, % ¹⁴⁾	-0.9	0.1	0.7	-0.0	0.4	-0.2	1.4
Total return, % ¹⁵⁾	1.1	0.6	1.7	0.8	1.2	4.3	4.2
<i>Financial position</i>							
Investment assets, SEK billion ¹⁶⁾	14	14	14	15	14	14	14
Unit-linked insurance assets – policyholder bears the risk, SEK billion	125	121	120	116	112	125	112
Technical provisions (after ceded reinsurance), SEK billion	8	9	9	9	8	8	8

Key figures for Länsförsäkringar AB Group, cont.

SEK M	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Full-year 2017	Full-year 2016
Banking operation							
Net interest income	1,070	1,015	971	940	942	3,996	3,464
Operating profit	432	429	385	353	391	1,599	1,467
Net profit for the period	327	335	300	275	294	1,237	1,137
Return on equity, % ¹⁷⁾	10.4	10.6	9.8	9.1	10.3	10.0	10.1
Total assets, SEK billion	315	309	300	292	276	315	276
Equity	14,328	13,988	13,687	13,393	13,182	14,328	13,182
Cost/income ratio before loan losses ¹⁸⁾	0.49	0.46	0.51	0.51	0.50	0.49	0.51
Investment margin, % ¹⁹⁾	1.35	1.34	1.30	1.29	1.36	1.32	1.28
Common Equity Tier 1 capital ratio Bank Group, %	24.3	24.2	24.3	24.2	24.8	24.3	24.8
Tier 1 ratio Bank Group, % ²⁰⁾	26.8	26.7	26.8	26.8	27.5	26.8	27.5
Total capital ratio Bank Group, % ²¹⁾	32.1	32.1	32.4	32.4	33.4	32.1	33.4
Common Equity Tier 1 capital ratio consolidated situation, %	23.3	23.4	22.8	20.6	21.2	23.3	21.2
Tier 1 ratio consolidated situation, % ²⁰⁾	24.8	25.3	24.7	22.6	23.2	24.8	23.2
Total capital ratio consolidated situation, % ²¹⁾	28.1	29.4	28.9	26.8	27.6	28.1	27.6
Loan losses in relation to loans, % ²²⁾	0.04	0.02	0.01	0.03	0.00	0.02	0.02

1) Operating profit and revaluations of owner-occupied property less standard tax at 22.0% in relation to average equity, adjusted for items in equity recognised in other comprehensive income excluding revaluations of owner-occupied property, and adjusted for Additional Tier 1 Capital loans.

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

3) Total of shareholders' equity, adjusted for Additional Tier 1 Capital loans, 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.

Consolidated income statement for Länsförsäkringar AB Group							
SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Premiums earned before ceded reinsurance	1,852	1,817	1,813	1,938	1,919	7,420	7,018
Reinsurers' portion of premiums earned	-419	-393	-389	-417	-566	-1,618	-1,533
Premiums earned after ceded reinsurance	1,433	1,424	1,424	1,521	1,352	5,802	5,485
Interest income	1,219	1,169	1,120	1,058	1,054	4,566	4,033
Interest expense	-149	-156	-150	-118	-109	-573	-569
Net interest income	1,070	1,014	970	940	945	3,994	3,464
Change in unit-linked insurance assets – policyholder bears the risk	3,273	1,281	1,253	4,370	3,238	10,177	7,916
Dividends in unit-linked insurance assets – policyholder bears the risk	-	6	-	-	-	6	7
Investment income, net	67	30	142	57	85	295	322
Commission income	772	739	742	734	704	2,987	2,697
Other operating income	712	525	480	749	608	2,466	2,129
Total operating income	7,326	5,018	5,011	8,371	6,931	25,726	22,021
Claims payments before ceded reinsurance	-761	-1,266	-1,219	-1,122	-477	-4,368	-3,986
Reinsurers' portion of claims payments	73	319	245	214	-394	851	402
Claims payments after ceded reinsurance	-688	-947	-974	-908	-871	-3,517	-3,584
Change in life-assurance provision	35	38	34	-115	36	-8	-6
Change in unit-linked insurance liabilities – policyholder bears the risk	-3,302	-1,315	-1,301	-4,434	-3,279	-10,352	-8,050
Commission expense	-865	-812	-786	-776	-738	-3,239	-2,926
Staff costs	-498	-480	-556	-526	-489	-2,060	-1,973
Other administration expenses	-1,360	-785	-750	-771	-1,045	-3,667	-3,159
Loan losses	-23	-14	-6	-15	-2	-58	-38
Total expenses	-6,702	-4,314	-4,340	-7,545	-6,389	-22,901	-19,735
Operating profit	624	704	671	826	542	2,825	2,286
Tax	-151	-127	-126	-171	-162	-575	-441
Net profit for the period	474	576	545	656	381	2,250	1,845
Earnings per share before and after dilution, SEK	45	55	52	63	37	216	177

Consolidated statement of comprehensive income for Länsförsäkringar AB Group

SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Net profit for the period	474	576	545	656	381	2,250	1,845
Other comprehensive income							
Items that have been transferred or can be transferred to profit for the period							
Translation differences attributable to foreign operations	4	0	-5	-3	2	-5	-28
Cash-flow hedges	15	-20	-47	-63	-67	-115	-81
Change in fair value of available-for-sale financial assets	12	-6	57	-13	15	51	138
Tax attributable to items that have been transferred or can be transferred to profit for the period	-6	6	-2	17	11	14	-13
Total	25	-20	2	-62	-38	-55	16
Items that cannot be transferred to profit for the period							
Revaluation of owner-occupied property	110	-1	88	13	89	211	210
Revaluation of defined-benefit pension plans	3	-	-	-	2	3	2
Tax attributable to items that cannot be reversed to profit for the period	-25	0	-19	-3	-20	-47	-47
Total	89	0	69	10	71	167	165
Total other comprehensive income for the period, net after tax	114	-20	71	-52	32	113	182
Comprehensive income for the period	587	556	615	603	413	2,362	2,027

Consolidated statement of financial position for Länsförsäkringar AB Group

SEK M	31 Dec 2017	31 Dec 2016	SEK M	31 Dec 2017	31 Dec 2016
ASSETS			EQUITY AND LIABILITIES		
Goodwill	538	720	Equity		
Other intangible assets	4,304	4,005	Share capital	1,042	1,042
Deferred tax assets	47	19	Other capital contributed	10,272	10,272
Property and equipment	44	55	Additional Tier 1 instruments	1,200	1,200
Owner-occupied property	2,887	2,721	Reserves	948	835
Shares in Länsförsäkringar Liv Försäkrings AB	8	8	Retained earnings including profit for the period	11,394	9,179
Shares and participations in associated companies	48	82	Total equity	24,857	22,529
Reinsurers' portion of technical provisions	10,475	10,418	Subordinated liabilities	2,596	2,595
Loans to the public	261,444	226,705	Technical provisions	18,903	18,817
Unit-linked insurance assets - policyholder bears the risk	124,730	111,799	Unit-linked insurance liabilities - policyholder bears the risk	125,583	112,225
Shares and participations	2,570	2,024	Deferred tax liabilities	1,533	1,339
Bonds and other interest-bearing securities	44,008	41,844	Other provisions	115	137
Treasury bills and other eligible bills	10,531	7,867	Debt securities in issue	187,870	157,440
Derivatives	5,182	6,260	Deposits from the public	98,197	89,946
Change in value of hedge portfolios	248	636	Due to credit institutions	3,996	3,873
Other receivables	3,576	3,734	Derivatives	1,187	1,936
Prepaid expenses and accrued income	1,936	1,747	Change in value of hedge portfolios	1,200	3,191
Cash and cash equivalents	1,196	1,171	Other liabilities	3,059	3,310
TOTAL ASSETS	473,773	421,816	Accrued expenses and deferred income	4,676	4,477
			TOTAL EQUITY AND LIABILITIES	473,773	421,816

Consolidated statement of changes in equity for Länsförsäkringar AB Group

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 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
Opening equity, 1 January 2017	1,042	10,272	1,200	835	9,179	22,529
Comprehensive income for the period	-	-	-	113	2,250	2,362
Issued additional Tier 1 instruments	-	-	-	-	-34	-34
Closing equity, 31 December 2017	1,042	10,272	1,200	948	11,394	24,857

Consolidated statement of cash flows for Länsförsäkringar AB Group

SEK M	2017	2016
Operating activities		
Profit before tax	2,825	2,286
Adjustment for non-cash items	3,790	4,315
Tax paid	-215	-568
Cash flow from operating activities before changes in working capital	6,400	6,033
Cash flow from changes in working capital		
Change in shares and participations, bonds and other interest-bearing securities and derivatives	-7,625	-6,376
Increase (-)/Decrease (+) in operating receivables	-36,612	-22,960
Increase (+)/Decrease (-) in operating liabilities	8,195	7,332
Cash flow from operating activities	-29,642	-15,970
Investing activities		
Change in shares and participations in associated companies	-4	-
Investment in intangible assets	-673	-595
Investment in property and equipment	-28	-20
Divestment in property and equipment	8	-
Investment in owner-occupied property	-31	-38
Cash flow from investing activities	-729	-653
Financing activities		
Change in debt securities in issue	30,430	16,467
Additional Tier 1 instruments	-34	-36
Cash flow from financing activities	30,397	16,431
Net cash flow for the period	26	-192
Cash and cash equivalents, 1 January	1,171	1,374
Exchange-rate differences in cash and cash equivalents	-1	-11
Cash and cash equivalents, 31 December	1,196	1,171

Länsförsäkringar AB Group

Notes to the consolidated financial statements

Amounts are in SEK, unless otherwise stated.

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.

Changes to 2017 reporting

The following changes and reclassifications have been made in the income statement and statement of financial position from 1 January 2017:

In order to conform with the classification in the Solvency II and CRR regulations, the Group has decided to recognise financial instruments measured at fair value including accrued interest from 1 January 2017. The change affects comparative figures in the balance sheet as per 31 December 2016. The asset items impacted are: treasury bills and other eligible bills by SEK 73 M, bonds and other interest-bearing securities by SEK 473 M, derivatives by SEK 663 M and prepaid expenses and accrued income by a negative SEK 1,209 M. The liability items impacted are: derivatives by SEK 257 M and accrued expenses and deferred income by a negative SEK 257 M. Comparative figures and performance measures have been updated to the new reporting method. The change did not affect equity.

Income has been reclassified between other operating income and commission income. The change entails that income for services rendered that was previously classified as "other operating income" has now been transferred to "commission income." Comparative figures have been restated and the full-year effect amounts to SEK 94 M. The change has no effect on net profit. Administration costs have been reclassified between other administration expenses and commission expense. Comparative figures have been restated and the full-year effect amounts to SEK 169 M. The change has no effect on net profit.

The Group has changed its policy for recognising reinstatement premiums. The change affects the comparative figures in the statement of financial position for 31 December 2016. The asset items impacted are: reinsurers' portion of technical provisions by SEK 5 M and other receivables by SEK 61 M. The liability items impacted are: technical provisions by SEK 61 M and other liabilities by SEK 5 M. Comparative figures and performance measures have been updated to the new reporting method. The change did not affect earnings.

1 Jan 2017–31 Dec 2017, SEK M	Non-life insurance	Unit-linked insurance	Bank	Parent Company	Eliminations and adjustments	Total
Premiums earned after ceded reinsurance	5,623	198	–	–	–20	5,802
Net interest income	–	–	3,996	–	–3	3,994
Change in unit-linked insurance assets – policyholder bears the risk	–	10,177	–	–	–	10,177
Dividends in unit-linked insurance assets – policyholder bears the risk	–	6	–	–	–	6
Investment income, net	26	164	–7	1,875	–1,763	295
Commission income	23	1,583	1,789	–	–409	2,987
Other operating income	639	248	19	2,946	–1,386	2,466
Total operating income	6,312	12,377	5,797	4,821	–3,580	25,726
Claims payments after ceded reinsurance	–3,764	–98	–	–	345	–3,517
Change in life-assurance provision	–	–	–	–	–8	–8
Change in unit-linked insurance liabilities – policyholder bears the risk	–	–10,352	–	–	–	–10,352
Commission expense	–475	–643	–2,540	–	419	–3,239
Staff costs	–454	–177	–549	–906	26	–2,060
Other administration expenses	–642	–469	–1,052	–2,276	772	–3,667
Loan losses	–	–	–58	–	–	–58
Total expenses	–5,335	–11,739	–4,198	–3,182	1,553	–22,901
Technical result	977	638	–	–	–1,615	–
Non technical recognition	51	–38	–	–	–13	–
Operating profit	1,028	600	1,599	1,638	–2,040	2,825
Tax	–	–	–	–	–	–575
Net profit for the period	–	–	–	–	–	2,250
Income distribution						
External income	6,136	11,980	5,802	1,598	209	25,726
Internal income	176	397	–5	3,222	–3,790	–
Total operating income	6,312	12,377	5,797	4,821	–3,580	25,726

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 that is transferred from financial operations to insurance operations is recognised in non-life insurance.

Continued on next page

Note 2 Earnings per segment, cont.

1 Jan 2016–31 Dec 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	-	-	3,464	-	1	3,464
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	1,616	-	-346	2,697
Other operating income	389	265	34	2,891	-1,449	2,129
Total operating income	5,760	9,828	5,182	3,494	-2,243	22,021
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	-2,278	-	357	-2,926
Staff costs	-422	-167	-470	-927	13	-1,973
Other administration expenses	-680	-435	-929	-2,114	998	-3,159
Loan losses	-	-	-38	-	-	-38
Total expenses	-5,326	-9,331	-3,715	-3,040	1,676	-19,735
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	5,189	1,687	-147	22,021
Internal income	236	353	-7	1,807	-2,390	-
Total operating income	5,760	9,828	5,182	3,494	-2,243	22,021

Note 3 Related-party transactions

SEK M	Income Jan-Dec	Expenses Jan-Dec	Receivables 31 Dec	Liabilities 31 Dec	Commitments 31 Dec
2017					
Länsförsäkringar Liv Group	385	50	103	1,038	300
Regional insurance companies	4,160	4,509	8,737	13,664	59
Other related parties	112	15	25	42	6
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	28	5

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

Table 1	31 December 2017		31 December 2016	
SEK M	Book value	Fair value	Book value	Fair value
Assets				
Shares in Länsförsäkringar Liv Försäkrings AB	8	8	8	8
Loans to the public	261,444	262,346	226,705	227,784
Unit-linked insurance assets – policyholder bears the risk	124,730	124,730	111,799	111,799
Shares and participations	2,570	2,570	2,024	2,024
Bonds and other interest-bearing securities	44,008	44,008	41,844	41,844
Treasury bills and other eligible bills	10,531	10,531	7,867	7,867
Derivatives	5,182	5,182	6,260	6,260
Other receivables	392	386	530	510
Cash and cash equivalents	1,196	1,196	1,171	1,171
Total assets	450,061		398,208	
Liabilities				
Subordinated liabilities	2,596	2,682	2,595	2,675
Debt securities in issue	187,870	191,830	157,440	162,655
Deposits from the public	98,197	99,962	89,946	91,644
Due to credit institutions	3,996	3,996	3,873	3,873
Derivatives	1,187	1,187	1,936	1,936
Other liabilities	875	875	812	812
Total liabilities	294,721		256,602	

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.

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 2017, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Owner-occupied property	–	–	2,887	2,887
Unit-linked insurance assets – policyholder bears the risk	124,730	–	–	124,730
Shares and participations	1,603	13	954	2,570
Bonds and other interest-bearing securities	43,820	–	188	44,008
Treasury bills and other eligible bills	10,531	–	–	10,531
Derivatives	1	5,181	–	5,182
Liabilities				
Derivatives	0	1,187	–	1,187
31 December 2016, SEK M				
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	41,695	–	149	41,844
Treasury bills and other eligible bills	7,867	–	–	7,867
Derivatives	2	6,258	–	6,260
Other liabilities	–	–	20	20
Liabilities				
Derivatives	0	1,936	–	1,936

There were no significant transfers between Level 1 and Level 2 during 2017 or during 2016. There were no transfers from Level 3 in 2017 or 2016.

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

Level 3 shares and participations measured at fair value are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero if no other listing can be found. Länsförsäkringar Bank AB holds shares and participations measured at cost since the 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 2017	2,721	786	149	20	3,675
Acquisition	31	21	35	–	87
Divestments	–	–10	–	–20	–30
Recognised in net profit for the year	–77	158	4	–	85
Recognised in other comprehensive income	211	–	–	–	211
Closing balance, 31 December 2017	2,887	954	188	–	4,029
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

Länsförsäkringar AB, Parent Company

Financial statements

Income statement for Länsförsäkringar AB, Parent Company

SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Net sales	899	684	689	676	858	2,948	2,894
Operating expenses							
External expenses	-748	-466	-457	-492	-723	-2,163	-2,100
Staff costs	-216	-205	-239	-228	-218	-888	-909
Depreciation/amortisation and impairment of property and equipment and intangible assets	-100	-11	-11	-11	-10	-133	-33
Operating profit/loss	-166	2	-17	-55	-93	-236	-149
Profit/loss from financial items							
Profit from participations in Group companies	301	354	1,263	13	167	1,931	679
Interest income and similar profit/loss items	-1	-3	-1	10	3	5	4
Interest expense and similar profit/loss items	-5	-19	-19	-20	-18	-63	-81
Profit/loss after financial items	129	335	1,226	-52	59	1,638	453
Tax	-15	0	0	1	-2	-13	-7
Profit/loss for the period	114	335	1,226	-51	57	1,625	447

Statement of comprehensive income for Länsförsäkringar AB, Parent Company

SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Profit/loss for the period	114	335	1,226	-51	57	1,625	447
Other comprehensive income							
Items that have been transferred or can be transferred to profit for the period							
Cash-flow hedges	1	6	5	5	4	17	17
Change for the year in fair value of available-for-sale financial assets	-	-	3	-9	-2	-6	8
Tax attributable to items that have been transferred or can be transferred to profit for the period	-	-1	-2	1	-1	-2	-6
Total other comprehensive income for the period, net after tax	1	5	6	-3	1	9	19
Comprehensive income for the period	115	339	1,232	-54	58	1,633	466

Balance sheet for Länsförsäkringar AB, Parent Company

SEK M	31 December 2017	31 December 2016
ASSETS		
Fixed assets		
Intangible assets	398	459
Property and equipment	61	78
<i>Financial assets</i>		
Shares and participations in Group companies	17,912	17,858
Other fixed assets	737	869
Total financial assets	18,650	18,727
Total fixed assets	19,109	19,264
Current assets	982	867
Cash and bank balances	254	251
TOTAL ASSETS	20,345	20,382
EQUITY, PROVISIONS AND LIABILITIES		
Restricted equity	6,033	6,085
Non-restricted equity	12,578	10,893
Total equity	18,611	16,978
Provisions	65	79
Derivatives	-	23
Long-term liabilities	216	440
Current liabilities	1,453	2,862
TOTAL EQUITY, PROVISIONS AND LIABILITIES	20,345	20,382

Statement of cash flows for Länsförsäkringar AB, Parent Company

SEK M	2017	2016
Operating activities		
Profit after financial items	1,638	453
Adjustment for non-cash items	-209	-277
Tax paid	-38	-1
Cash flow from operating activities before changes in working capital	1,391	175
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	371	832
Increase (+)/Decrease (-) in operating liabilities	50	218
Cash flow from operating activities	1812	1,225
Investing activities		
Acquisition of shares in Group company	-55	-965
Acquisition of intangible assets	-50	-246
Acquisition of property and equipment	-8	-8
Divestment in property and equipment	2	3
Cash flow from investing activities	-110	-1,217
Financing activities		
Amortisation loan	-1,699	-
Cash flow from financing activities	-1,699	-
Cash flow for the period	3	8
Cash and cash equivalents, 1 January	251	243
Cash and cash equivalents, 31 December	254	251

Statement of changes in equity for Länsförsäkringar AB, Parent Company

SEK M	Restricted equity			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 2016	1,042	-	4,801	-1	-27	5,471	5,224	16,511
Comprehensive income for the period	-	-	-	5	14	-	447	467
Capitalised proprietary development	-	241	-	-	-	-	-241	-
Closing equity, 31 December 2016	1,042	241	4,801	5	-13	5,471	5,430	16,978
Opening equity, 1 January 2017	1,042	241	4,801	5	-13	5,471	5,430	16,978
Comprehensive income for the period	-	-	-	-4	13	-	1,625	1,633
Capitalised proprietary development	-	-52	-	-	-	-	52	-
Closing equity, 31 December 2017	1,042	189	4,801	1	-	5,471	7,107	18,611

Länsförsäkringar AB, Parent Company

Notes to the financial statements

Amounts are in SEK, unless otherwise stated.

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 2017

In order to conform with the classification in the Solvency II and CRR regulations, the Parent Company has decided to recognise financial instruments measured at fair value including accrued interest from 1 January 2017. The change affects comparative figures in the balance sheet as per 31 December 2016. The asset items impacted are: bonds and other interest-bearing securities by SEK 9 M and prepaid expenses and accrued income by a negative

SEK 9 M. The liability items impacted are: derivatives by SEK 6 M and accrued expenses and deferred income by a negative SEK 6 M. Comparative figures and performance measures have been updated to the new reporting method. The change did not affect equity.

The carrying amount of Länsförsäkringar AB's participations in Utile Dulci 2 HB was changed in the second quarter of 2017 to an amount corresponding to the total of the cost plus the participation in the partnership's profit. This resulted in previously accrued profit that was recognised in the balance sheet as "receivables from Group companies" instead being recognised as "shares and participations in Group companies." Profit was not affected by the change in accounting policy. The effect of the change totalled SEK 49 M on 31 December 2016. The reason for the change is to follow dominant practice and to present a clearer connection between profit and the underlying assets in the partnership.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2016 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
2017					
Group companies	3,225	-140	677	292	-
Länsförsäkringar Liv Group	234	-15	20	163	300
Regional insurance companies	1,376	-34	121	639	-
Other related parties	7	-0	0	-	-
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	-	-	-

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 2017	31 Dec 2016
Pledged assets		
Pledged shares in subsidiaries	300	601
Contingent liabilities		
Part-owner of Utile Dulci 2 HB	23	17

The President submitted the report for Länsförsäkringar AB Group (pages 11-13, 16-30) on behalf of the Board of Directors.
This report has not been reviewed by the company's auditor.

Stockholm 12 February 2018

Sören Westin
President and CEO

Länsförsäkringar Liv, Group

Financial statements

Income statement for Länsförsäkringar Liv, Group

SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Full-year 2017	Full-year 2016
Premium income after ceded reinsurance	381	361	379	412	438	1,533	1,720
Investment income net	1,249	752	1,056	1,713	-430	4,770	6,027
Claims payments	-1,411	-1,287	-1,332	-1,374	-1,378	-5,404	-5,683
Change in technical provisions	-295	825	1,058	402	2,106	1,990	1,221
Operating expenses	-129	-101	-93	-94	-136	-417	-447
Technical result, life insurance operations	-205	550	1,068	1,059	600	2,472	2,838
Non-technical expenses	-14	-27	-27	-28	-28	-96	-110
Profit before tax	-219	523	1,041	1,031	572	2,376	2,728
Tax	18	-20	-5	-6	-20	-13	-46
Profit for the period	-201	503	1,036	1,025	552	2,363	2,682
Items that cannot be transferred to profit and loss	-	-	-	-	-	-	-
Comprehensive income for the period	-201	503	1,036	1,025	552	2,363	2,682

Balance sheet for Länsförsäkringar Liv, Group

SEK M	31 December 2017	31 December 2016
ASSETS		
Investment assets	115,349	117,382
Reinsurers' portion of technical provisions	472	477
Receivables	1,219	1,909
Other assets	5,421	4,763
Prepaid expenses and accrued income	102	144
TOTAL ASSETS	122,563	124,675
EQUITY, PROVISIONS AND LIABILITIES		
Equity	24,405	23,050
Technical provisions	90,166	92,217
Provisions for other risks and expenses	149	240
Deposits from reinsurers	472	477
Liabilities	7,162	8,478
Accrued expenses and deferred income	210	213
TOTAL EQUITY, PROVISIONS AND LIABILITIES	122,563	124,675

Changes to 2017 reporting

In order to conform with the classification in the solvency regulations, financial instruments are measured at fair value including accrued interest from 1 January 2017. The change affects comparative figures in the balance sheet as per 31 December 2016. The asset items impacted are: bonds and other interest-bearing securities by SEK 646 M, interest-bearing securities issued by Group companies by SEK 23 M, derivatives by SEK 305 M and prepaid expenses and accrued income by a negative SEK 612 M. The liability items impacted are: derivatives by SEK 363 M. Comparative figures have been updated to the new reporting method. The change did not affect equity.

Financial calendar 2018

Annual Report 2017 Länsförsäkringar AB	13 March
Annual Review 2017 Länsförsäkringar Alliance	13 March
Interim Report January-June 2018	29 August

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 12 February 2018 at 13:00 Swedish time.

For further information, please contact

Sören Westin, President and CEO Länsförsäkringar AB Länsförsäkringar AB
soren.westin@lansforsakringar.se, +46 (0)8-588 414 25, +46 (0)73-964 14 25

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

Anna Glennmar, Investor Relations Länsförsäkringar AB
anna.glennmar@lansforsakringar.se, +46 (0)8-588 417 42, +46 (0)72-141 44 08

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

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