

# Länsförsäkringar Alliance

*Interim review January-September 2014*

## JANUARY-SEPTEMBER 2014 COMPARED WITH JANUARY-SEPTEMBER 2013

- Operating profit for the Alliance's non-life insurance operations amounted to SEK 3,502 M (2,952).
- The technical result in the Alliance's non-life insurance operations amounted to SEK 1,511 M (992). The combined ratio amounted to 94 (97).
- Investment income in the Alliance amounted to SEK 2,855 M (3,014). Solvency capital strengthened SEK 5,255 M to SEK 44,497 M.
- Operating profit for the Bank Group amounted to SEK 679 M (472). Net interest income strengthened to SEK 1,882 M (1,652).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 261 M (176). Premium income amounted to SEK 6,563 M (7,344). Commission income amounted to SEK 875 M (732).
- Profit for Länsförsäkringar Liv amounted to SEK 1,277 M (4,719). The solvency ratio was 117% (118).

## THIRD QUARTER OF 2014 COMPARED WITH SECOND QUARTER OF 2014

- Operating profit for the Alliance's non-life insurance operations amounted to SEK 382 M (1,710).
- The technical result in the Alliance's non-life insurance operations amounted to SEK 316 M (671). The combined ratio amounted to 98 (90).
- Investment income in the Alliance amounted to SEK 288 M (1,386). Solvency capital strengthened SEK 776 M to SEK 44,497 M.
- Operating profit for the Bank Group amounted to SEK 251 M (231). Net interest income amounted to SEK 673 M (624).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 90 M (94). Premium income amounted to SEK 1,978 M (2,257). Commission income amounted to SEK 305 M (292).
- Profit for Länsförsäkringar Liv amounted to SEK 487 M (579). The solvency ratio was 117% (117).

**STEN DUNÉR**, PRESIDENT OF LÄNSFÖRSÄKRINGAR AB, THE ALLIANCE'S JOINTLY OWNED COMPANY.



In a financially unstable economic environment, the Länsförsäkringar Alliance can report strong earnings after three quarters of the year. Operating profit of SEK 3.5 billion for non-life insurance is an improvement of more than SEK 0.5 billion compared with the year-earlier period. The reason for the improvement was a strong technical result, despite the favourable claims trend in the first six months of the year being broken by the major fire in Västmanland and flooding in Skåne and Stockholm. These claims pushed the combined ratio up a couple of percentage points, yet we remain under our long-term target of 95%. Business volumes in non-life insurance performed well, with growth in premiums exceeding 6% due to both a larger portfolio and premium increases. The bank's market shares are steadily growing amid fierce competition, and the cost/income ratio is moving in the right direc-

tion. Fund volumes are growing strongly, measured both in new sales and growth in value. Growth in managed assets in unit-linked life assurance was also satisfactory.

Changed banking and insurance rules impose new demands on solvency and capitalisation. We are continuing to regularly review the need for additional measures to strengthen the capital situation of the Alliance's jointly owned companies.

It is positive that Sweden's new government has decided to retain the VAT groupings, not only for Länsförsäkringar but also for the corporate customers and private individuals who need access to financial services in their local area. In addition to our favourable earnings and strong growth, we are pleased to see that the Swedish Quality Index announced in October that we once again are the most popular bank among retail customers in Sweden.

## LÄNSFÖRSÄKRINGAR ALLIANCE

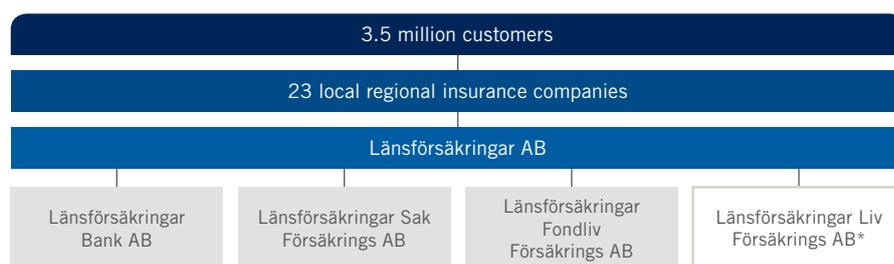
The Länsförsäkringar Alliance consists of 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. Customers are provided with a complete offering of banking, insurance and real-estate brokerage services through each regional insurance company. The starting point is the 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 almost 3.5 million customers and 5,900 employees.

The Länsförsäkringar Alliance is not a Group in the legal sense of the term. Most

of the non-life insurance business within the Länsförsäkringar Alliance is underwritten in the 23 customer-owned regional insurance companies. The business conducted by Länsförsäkringar AB's non-life insurance group comprises health insurances, animal insurance as well as cargo insurance and some liability, property and motor hull insurance. Länsförsäkringar Sak also manages the Länsförsäkringar Alliance's joint reinsurance cover and assumed international reinsurance.

The 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 Länsförsäkringar Bank Group. Länsförsäkringar Liv Försäkrings AB is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB. Transactions between the regional insurance companies and the Länsförsäkringar AB Group have been eliminated.



## CREDIT RATING

Länsförsäkringar AB's credit rating is A3/Stable from Moody's. Länsförsäkringar Bank's credit rating is A3/Stable from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest credit rating of Aaa from Moody's and AAA/stable from Standard & Poor's. Länsförsäkringar Sak's rating from Moody's is A2/stable.

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar AB	Standard & Poor's	A-/Stable	
Länsförsäkringar AB	Moody's	A3/Stable	
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A3/Stable	P-2
Länsförsäkringar Hypotek <sup>1)</sup>	Standard & Poor's	AAA/Stable	
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	
Länsförsäkringar Sak	Standard & Poor's	A/Stable	
Länsförsäkringar Sak	Moody's	A2/Stable	
Agria Djurförsäkring	Standard & Poor's	A-/pi <sup>2)</sup>	

<sup>1)</sup> Pertains to the company's covered bonds

<sup>2)</sup> Pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.

## MARKET COMMENTARY

Economic statistics in the US continued to improve during the third quarter with falling unemployment and the Federal Reserve reducing its bond-buying stimulus programme.

Despite this, long-term interest rates remained low. A general downgrade of the outlook for global growth and global inflation, elevated geo-political concerns in Ukraine and a general pressured interest-rate scenario due to increased expectations of further measures from the ECB put downward pressure on interest rates.

Economic recovery in the eurozone was weak. Persistently low and falling inflation and inflation expectations in Europe pressured the ECB to reduce interest

rates again at its meeting in September, when more specific plans regarding the bank's future purchases in the credit market were announced.

However, the first round of the ECB's new long-term loans was not utilised as much as expected, which meant that the market is harbouring doubts about whether the ECB will succeed in increasing its balance sheet to the extent that it would like. This is leading to speculations that the ECB will be forced to follow in the footsteps of the Federal Reserve and launch a government bond-buying stimulus programme, which would further press interest rates down.

Economic statistics in Sweden were mixed. In July, the Riksbank decided to reduce interest rates by 0.5 of a percentage

point to 0.25%. The Riksbank also significantly lowered its forecast for the repo rate, which affected the entire Swedish interest-rate curve, with falling rates across the board.

Global stock markets increased marginally during the third quarter. Returns in local currency were positive for all regions including Sweden. Japanese shares rose significantly during the quarter, mainly due to the weak JPY. Spreads for US loans widened in the credit market. European loans of a lower credit quality widened during the quarter, while higher quality loans did not widen due to forthcoming ECB purchases.

The interest-rate difference between Swedish mortgage bonds and the government bond curve continued to shrink during the period.

# Financial overview

Report commented on the development January-September 2014 compared to the same period in 2013, unless otherwise stated.

## LÄNSFÖRSÄKRINGAR ALLIANCE

	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Total capital, SEK M	45,496	44,852	42,393	40,017	45,946	40,017	41,518
<b>Non-life insurance</b>							
Solvency capital, SEK M	44,497	43,721	41,524	39,242	44,497	39,242	40,458
Solvency margin, %	206	205	198	200	206	200	206
Return on equity, %	3	15	13	14	10	10	10
Premiums earned after ceded reinsurance, SEK M	5,432	5,335	5,162	5,104	15,929	14,984	20,067
Technical result, SEK M	316	671	524	610	1,511	992	1,247
Operating profit, SEK M	382	1,710	1,410	1,480	3,502	2,952	3,863
Combined ratio	98	90	94	92	94	97	98

## LÄNSFÖRSÄKRINGAR AB, GROUP<sup>1)</sup>

	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Operating profit, SEK M	563	421	293	276	1,277	601	923
Total assets, SEK M	345,317	339,302	339,492	313,489	345,317	313,489	322,550
Return on equity, %	11	8	6	4	8	5	5
Capital base for the financial conglomerate <sup>2)</sup>	18,309	17,805	16,732	16,076	18,309	16,076	16,391
Necessary capital requirement for the financial conglomerate <sup>2)</sup>	14,255	13,967	13,243	12,663	14,255	12,663	12,773

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

<sup>2)</sup> The financial conglomerate comprises Länsförsäkringar AB, all insurance companies in the Group, Länsförsäkringar Bank AB with subsidiaries and Länsförsäkringar Liv Försäkrings AB.

## LÄNSFÖRSÄKRINGAR SAK, GROUP

	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Premiums earned after ceded reinsurance, SEK M	1,106	1,087	1,180	1,039	3,373	3,048	4,122
Technical result, SEK M	204	145	86	114	435	287	434
Operating profit, SEK M	296	219	89	97	604	224	427

## LÄNSFÖRSÄKRINGAR BANK, GROUP

	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Deposits from the public, SEK M	73,565	72,783	69,825	66,878	73,565	66,878	69,220
Loans to the public, SEK M	172,113	167,240	163,393	159,948	172,113	159,948	162,003
Operating profit, SEK M	251	231	197	174	679	472	647
Return on equity, %	9	8	7	7	8	7	7
Tier 1 ratio the Bank Group, %	16	16	14	-	16	-	15
Capital adequacy ratio the Bank Group, %	20	20	19	-	20	-	19

## LÄNSFÖRSÄKRINGAR FOND LIV

	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Premium income, SEK M <sup>3)</sup>	8,693	8,893	9,059	9,826	8,693	9,826	9,473
Operating profit, SEK M	90	94	77	73	261	176	247
Managed assets, SEK M	88,006	86,222	80,545	73,010	88,006	73,010	77,517
Solvency ratio	1.7	1.6	1.7	2.2	1.7	2.2	1.7

## LÄNSFÖRSÄKRINGAR LIV, GROUP

	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Premium income, SEK M <sup>3)</sup>	2,770	2,919	3,119	3,679	2,770	3,679	3,388
Profit, SEK M	487	579	211	1,577	1,277	4,719	5,174
Collective consolidation, Old Trad, %	117	113	111	106	117	106	107
Collective consolidation, New Trad, %	117	116	117	113	117	113	115
Solvency ratio, %	117	117	117	118	117	118	118

<sup>3)</sup> In accordance with Insurance Sweden's definition, measured as rolling 12-month figures.

# Non-life insurance

- The technical result in the Alliance's non-life insurance operations strengthened to SEK 1,511 M (992).
- Solvency capital strengthened SEK 4,039 M during the period to SEK 44,497 M.
- The combined ratio was 94% (97).
- Investment income amounted to SEK 2,855 M (3,014).

## NON-LIFE INSURANCE, LÄNSFÖRSÄKRINGAR ALLIANCE

KEY FIGURES, SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Premiums earned after ceded reinsurance	5,432	5,335	5,162	5,104	15,929	14,984	20,067
Technical result	316	671	524	610	1,511	992	1,247
Operating profit	382	1,710	1,410	1,480	3,502	2,952	3,863
Investment income	288	1,386	1,180	1,173	2,855	3,014	4,441
Solvency capital	44,497	43,721	41,524	39,242	44,497	39,242	40,458
Solvency margin, %	206	205	198	200	206	200	206
Expense ratio	17	19	19	18	18	19	19
Claims ratio	80	71	75	74	76	78	79
Combined ratio	98	90	94	92	94	97	98

### Earnings

The Länsförsäkringar Alliance's operating profit for non-life insurance operations strengthened to SEK 3,502 M (2,952). The improvement was due to increased premium volumes, which contributed to a strong technical result. The technical result increased SEK 519 M to SEK 1,511 M (992). Both the combined ratio and the claims ratio declined compared with the preceding year, despite higher claims costs in the third quarter. Higher premiums earned was the main reason for the improved combined and claims ratios. The combined ratio amounted to 94 (97) and the claims ratio to 76 (78). Lower operating expenses contributed to an impro-

ved expense ratio of 18 (19). Investment income amounted to SEK 2,855 M (3,014). Falling interest rates positively affected investment income, while equities made a smaller contribution due to marginal stock-market growth during the third quarter. Solvency capital strengthened SEK 4,039 M since year-end 2013 and amounted to SEK 44,497 M.

Third-quarter operating profit amounted to SEK 382 M, which was SEK 1,328 M lower compared with the second quarter. This decline in earnings was due to both a lower technical result and lower investment income. The technical result amounted to SEK 316 M, which was SEK 355 M lower compared than in the second quarter. The higher claims costs due to large claims in Västmanland, Skåne and Stockholm were the main reasons for the lower technical result. The combined ratio for the quarter was 98 (90) and the claims ratio 80 (71).

### Business volumes

Premiums earned rose 6% to SEK 15,929 M (14,984), primarily attributable to premium increases. The highest volume increase was in motor hull insurance, due to

both premium increases and growth in the portfolio. Volumes in commercial insurance rose because of premium increases of 3%, and the highest increase was in property and municipal insurance. Volume growth was also noted in private insurance, essentially all of which was attributable to premium increases, with the largest increase in homeowner insurance. Premium growth in Agria continued and the increase was 20% year-on-year, which was mainly accounted for by premium increases in the pet-insurance business.

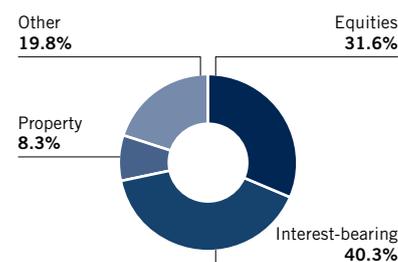
### Claims trend

Claims payments after ceded reinsurance increased SEK 379 M to SEK 11,982 M (11,603). Following a favourable claims trend during the first six months of the year, claims costs rose, primarily due to the major fire in Västmanland and flooding claims in Skåne and Stockholm. These claims led to a significantly increased work load for our claims organisations and customer feedback showed that Länsför-

## CAPITAL AND INVESTMENTS

The regional insurance companies and the non-life insurance companies in Länsförsäkringar AB strive to retain a strong solvency margin to maintain uniform premium pricing over time. In line with the investment strategies, a percentage of assets is invested in low-risk interest-bearing securities to ensure the commitments of the non-life insurance operations. At the same time, the strong solvency margin provides a substantial buffer of capital, allowing a certain portion to be invested in assets with higher anticipated returns.

### ALLOCATION OF INVESTMENT ASSETS



Total investment assets amounted to SEK 79.5 billion on September 30, 2014.

### COMBINED RATIO

Rolling 12-month figures



säkringar handled these situations very professionally. Claims costs for the major fire and flooding amounted to almost SEK 620 M. However, the external reinsurance cover reduced the effect on claims costs by almost SEK 360 M. The motor hull business was also hit by claims, mainly in motor third-party liability and vehicle-damage insurance. The trend was more favourable in other claims areas. The claims ratio amounted to 76% (78). The change in the claims ratio compared with the year-earlier period was mainly due to higher premiums earned.

### Investment income

Investment income amounted to SEK 2,855 M (3,014). After a strong stock-market trend in the first six months of the year, stock markets performed weakly during the third quarter, thus impacting investment income, which amounted to SEK 288 M for the third quarter. Continued falling interest rates continued to positively contribute to investment income in the third quarter.

# Bank

- Operating profit rose 44% to SEK 679 M (472) and the return on equity strengthened to 8.2% (6.6). Net interest income rose 14% to SEK 1,882 M (1,652).
- Loan losses amounted to SEK –22 M (95), net, corresponding to loan losses of –0.02% (0.08).
- Business volumes rose 12% to SEK 343 billion (305). Deposits increased 10% to SEK 74 billion (67) and lending increased 8% to SEK 172 billion (160).
- The number of customers increased 5% to 914,000, the number of bank cards rose 10% to 416,000 and the number of deposit accounts increased 8%.

### LÄNSFÖRSÄKRINGAR BANK, GROUP

KEY FIGURES, SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan–Sep 2014	Jan–Sep 2013	Full-year 2013
Deposits from the public	73,565	72,783	69,825	66,878	73,565	66,878	69,220
Loans to the public	172,113	167,240	163,393	159,948	172,113	159,948	162,003
Operating profit	251	231	197	174	679	472	647
Return on equity, %	9	8	8	7	8	7	7
Cost/income ratio before loan losses	0.58	0.69	0.62	0.62	0.63	0.64	0.63

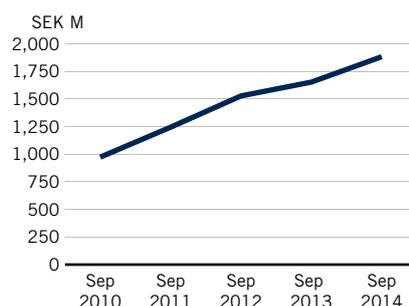
### Earnings

Operating profit rose 44% to SEK 679 M (472), due to higher net interest income, increased commission income, improved net gains from financial items and lower loan losses. Return on equity strengthened to 8.2% (6.6). Net interest income increased 14% to SEK 1,882 M (1,652), mainly attributable to higher volumes and improved margins. Net gains from financial items improved to SEK 46 M (–50), primarily as a result of negative effects of changes in fair value being recognised in the preceding year, combined with the repurchase of own bonds. Net commission amounted to an expense of SEK 308 M (204), attributable to increased volumes and thus higher remuneration to the regio-

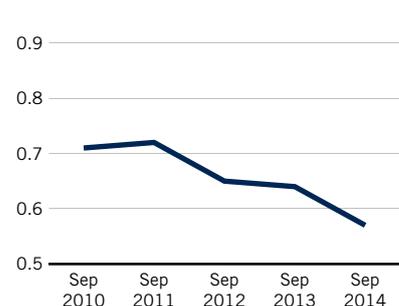
nal insurance companies and increased management costs in the securities business. Operating expenses rose 3% to SEK 1,019 M (990), primarily due to impairment of SEK 98 M resulting from changed calculation conditions for certain intangible assets.

From January 1, 2014, a new method is applied regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated in the Bank Group. The new 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. The transition to the new model means

### NET INTEREST INCOME



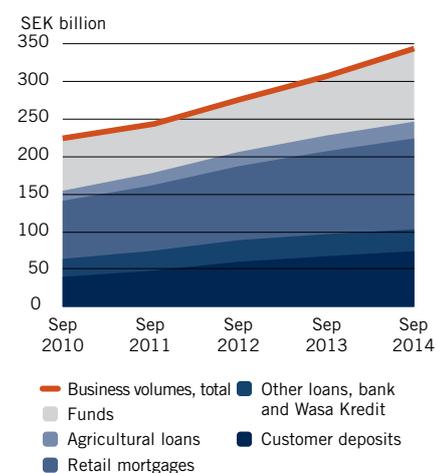
### COST/INCOME RATIO BEFORE LOAN LOSSES



that the provision requirement will be gradually reduced by SEK 158 M over two years and SEK 67 M was reversed during the period.

Loan losses amounted to SEK -22 M (95), net, corresponding to loan losses of -0.02% (0.08). Reserves totalled SEK 347 M (416), corresponding to a reserve ratio in relation to loans of 0.19% (0.25). The cost/income ratio before loan losses amounted to 0.63 (0.64) and the cost/income ratio after loan losses strengthened to 0.62 (0.70).

#### BUSINESS VOLUMES



Business volumes increased SEK 37 billion to SEK 343 billion (305). Deposits from the public increased 10% to SEK 74 billion (67) and the market share strengthened to 4.6% (4.5) on August 31, 2014.

Fund volumes increased 24% to SEK 97 billion (78). Monthly savings in funds performed well, as did fund transfers, Individual Pension Savings (IPS) and the number of securities depositories. Lending increased 8% to SEK 172 billion (160). Retail mortgages in Länsförsäkringar Hypotek increased 9% to SEK 120 billion (110) and the market share of household lending remained unchanged at 5% on August 31, 2014.

#### Funding and liquidity

The Bank Group has a low refinancing risk and the maturity structure is highly diversified. Debt securities in issue increased to SEK 122 billion (119), of which

senior funding accounted for SEK 27 billion (24) and covered bonds for SEK 95 billion (95). A ten-year CHF transaction was issued during the quarter. The average remaining term was 3.0 years (2.7). Covered bonds were issued at a volume corresponding to a nominal SEK 18.5 billion (17.8), with repurchased covered bonds amounting to a nominal SEK 4.6 billion (5.9) and matured covered bonds to a nominal SEK 16.6 billion (8.1) for the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 7.6 billion (10.5) during the January-September period.

The liquidity reserve amounted to SEK 41.6 billion (41.0) and is invested in securities with very high credit quality that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. By utilising the liquidity reserve, contractual undertakings for almost two years can be met without needing to secure new funding in the capital market.

The Liquidity Coverage Ratio (LCR) amounted to 181% (246) and was an average of 211% (250) during the third quarter of 2014. The LCR in EUR amounted to 483,315% (782).

#### Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposure and to counterparty exposures to corporates and the agricultural sector up to SEK 5 M. The foundation IRB Approach is used for counterparty exposures to corporates and the agricultural sector in excess of SEK 5 M, and the Standardised Approach for other exposures.

With the Capital Requirement Regulation (CRR) (575/2013) coming into force, Länsförsäkringar Bank will be subject to a change of rules regarding the reporting of capital adequacy concerning the consolidation level. Under the CRR, the consolidated situation is to also include the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group. Since the bank maintains the opi-

nion that the actual risk and capital situation is best presented in the Bank Group's capital ratios, these are published in parallel. In October, the bank submitted a new application to the Swedish Financial Supervisory Authority for an exemption from the provision under the Swedish Special Supervision of Credit Institutions and Investment Firms Act.

The owners expressed their intention in the interim report dated March 31, 2014 to contribute capital so that the bank will remain well-capitalised according to the new consolidated situation, and during the quarter several measures were taken in line with this intention. Länsförsäkringar AB carried out a new share issue of SEK 500 M in June. In addition, an extra dividend was made from Länsförsäkringar Sak to Länsförsäkringar AB in the amount of SEK 500 M. These measures strengthen Länsförsäkringar Bank's capital ratios according to the new consolidated situation. Länsförsäkringar AB also paid a conditional shareholders' contribution of SEK 550 M to Länsförsäkringar Bank on June 30, 2014.

The Risk Exposure Amount (REA) on September 30, 2014 amounted to SEK 59,697 M (58,571) in the consolidated situation. REA increased SEK 1,126 M due to the continued growth in lending.

The Bank Group's Core Tier 1 ratio amounted to 15.9% (13.7<sup>1</sup>) and the capital adequacy ratio to 20.3% (18.2<sup>1</sup>). According to the consolidated situation, the Core Tier 1 ratio amounted to 13.6% and the capital adequacy ratio to 17.2%.

<sup>1</sup> Comparative data according to Basel II

# Life-assurance and pension insurance

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

## UNIT-LINKED INSURANCE

- Operating profit for Länsförsäkringar Fondliv strengthened to SEK 261 M (176).
- Unit-linked life assurance company manages SEK 88.0 billion for life-assurance and pension insurance customers. Managed assets rose 14% during the first nine months, which was due to favourable returns and a positive net inflow.
- Premium income amounted to SEK 6,563 M (7,344) accumulated during the first six months. Lower amount of capital transferred explains the decline. Capital transferred contributed with SEK 1,373 M (2,140).

is the decline in capital transferred. Capital transferred amounted to SEK 1,373 M (2,140). Most of the premium flows are recognised in the balance sheet. Premium income in the income statement amounted to SEK 78 M (41) and pertains to the portion of premiums containing insurance risk.

### Fund management

Some 87% of the funds in the fund range performed positively during the first nine months of the year. Twelve funds increased more than 20%. The best performances were in the following funds: Fidelity India Focus, Fidelity Global Health Care and Macquarie Asia New Stars. Other funds that performed well were dominated by funds investing fully or mostly in US shares. The handful of funds on the minus side were focused on Russia and Eastern Europe.

### MANAGED ASSETS

#### LÄNSFÖRSÄKRINGAR FOND LIV

KEY FIGURES, SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Premium income, net (rolling 12 months)	8,693	8,893	9,059	9,826	8,693	9,826	9,473
Operating profit	90	94	77	73	261	176	247
Managed assets	88,006	86,222	80,545	73,010	88,006	73,010	77,517
Solvency ratio	1.7	1.6	1.7	2.1	1.7	2.1	1.7
Total assets	90,211	88,404	83,744	75,334	90,211	75,334	79,930

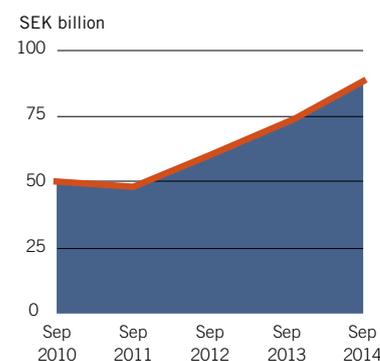
### Earnings

Operating profit for the unit-linked life assurance company increased 66% to SEK 261 M (176). Income from customer fees for unit-linked insurance contracts rose 16% to SEK 429 M. The increase in management remuneration was 23% and amounted to SEK 441 M. Operating expenses amounted to SEK 650 M, up 11%. The increase in operating expenses was primarily explained by organisational

changes. Personnel were transferred to Länsförsäkringar Fondliv in conjunction the formation of a shared life-assurance service for Länsförsäkringar Alliance.

Managed assets for life-assurance and pension-insurance customers have increased 14% to SEK 88.0 billion since year-end 2013, which was due to positive returns on funds and a positive net inflow.

Premium income amounted to SEK 6,563 (7,344). The reason for this difference



## TRADITIONAL LIFE ASSURANCE

- Profit for Länsförsäkringar Liv amounted to SEK 1,277 M (4,719).
- The solvency ratio was 117% (118).
- The total return in the traditionally managed portfolios was positively affected by falling market interest rates and amounted to 7.8% (neg: 3.9) for Old Trad and to 6.4% (0.8) for New Trad.

### LÄNSFÖRSÄKRINGAR LIV

KEY FIGURES, SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Investment assets, New Trad	6,545	5,136	3,645	1,935	6,545	1,935	2,986
Investment assets, Old Trad	97,586	97,811	98,226	98,933	97,586	98,933	97,526
Investment assets, New World	12,612	12,710	12,677	12,640	12,612	12,640	12,997
Solvency ratio, %	117	117	117	118	117	118	118
Collective consolidation, New Trad, %	117	116	117	113	117	113	115
Collective consolidation, Old Trad, %	117	113	111	106	117	106	107
Total return, New Trad, %	1.3	3.1	2.0	0.8	6.4	0.8	4.3
Total return, Old Trad, %	2.7	2.5	2.6	-0.2	7.8	-3.9	-3.0
Total return, New World, %	1.1	3.4	0.5	3.6	5.0	7.7	12.8

### Earnings

Profit for Länsförsäkringar Liv amounted to SEK 1,277 M (4,719). These earnings were impacted by falling interest rates, which led to an increase in liabilities to policyholders that are discounted at market interest rates. High investment income and changing insurance conditions to New Trad had a positive effect on earnings. Changing insurance conditions to New Trad entails that the guaranteed commitments decline, thereby generating a positive earnings effect.

Operating expenses totalled SEK 269 M (198). Claims paid amounted to SEK 5,106 M (5,989).

### Traditional management

Länsförsäkringar Liv conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. In 2014, the investment mix was relatively unchanged in all portfolios.

### New Trad

The work on inviting customers to change the conditions of their insurance product to New Trad continued during 2014. The response from those customers who have received the offer to date has been positive and the conditions of 30,000 insurance policies have been changed. The total return was 6.4% (0.8). On September 30, 2014, the bonus rate was 7% (5).

### Old Trad

The risk scope in Old Trad is little due to relatively high guarantees, whereby the possibility of investing assets in more risk-exposed investments is limited. The total return was 7.8% (neg: 3.9). The bonus rate during the year was 1%.

### New World

New World is a traditional insurance policy whereby customers are guaranteed to recoup at least the premiums paid, subject to deductions for expenses and yield tax.

The total return was 5.0% (7.7).

# Real-estate brokerage

Through Länsförsäkringar Fastighetsförmedling, Länsförsäkringar offers a total solution for reliable mortgage transactions: real-estate brokerage, banking and insurance services all in one place.

Länsförsäkringar Fastighetsförmedling has 155 branches and almost 600 employees throughout Sweden. Strong growth has advanced Länsförsäkringar Fastighetsförmedling to the position of third largest brokerage in Sweden.

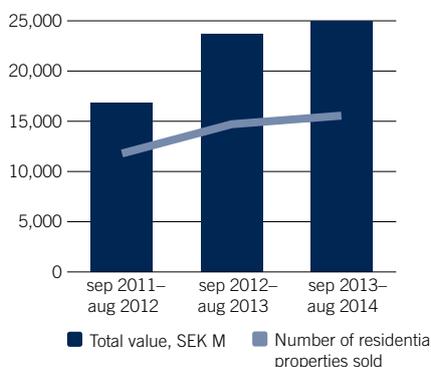
The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering. The aim is to offer customers a reliable mortgage transaction.

The operations are conducted in franchise form, whereby the regional insurance company acts as the franchiser for the local branch. This also means that Länsförsäkringar Fastighetsförmedling differs from national estate-agent chains by always being locally based.

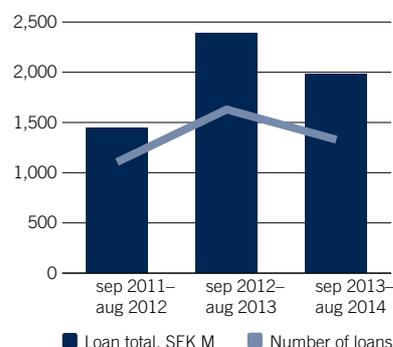
During the period August 2013 to July 2014, a total of 6,092 single-family homes, 8,401 tenant-owned apartments and 1,067 vacation homes were brokered. The value of the sales amounted to SEK 25.0 billion. During the period, sales of single-family homes and vacation homes resulted in SEK 2.0 billion in first-lien mortgages in Länsförsäkringar's mortgage institution. The market share amounted to 9.7% (9.3).

In April, Länsförsäkringar Fastighetsförmedling commenced a partnership with the new Blocket Bostad website (property classified advertisements), which has been developed together with three of Sweden's eight largest real-estate brokerage chains. By selecting Blocket Bostad as a partner, Länsförsäkringar Fastighetsförmedling's customers gain access to a modern property website that delivers the simplicity, user-friendliness and efficiency sought by both property sellers and buyers.

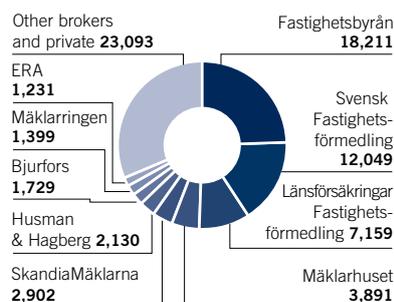
NUMBER OF SINGLE-FAMILY HOMES, VACATION HOMES AND TENANT-OWNED APARTMENTS SOLD



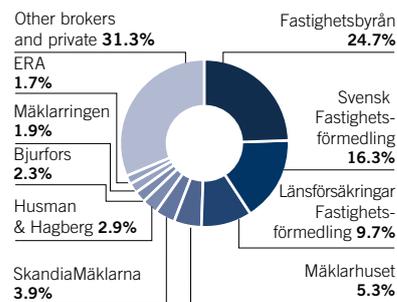
SINGLE-FAMILY HOMES AND VACATION HOMES, SOLD BY LÄNSFÖRSÄKRINGAR FASTIGHETS-FÖRMEDLING WHERE LOANS WERE INVESTED IN LÄNSFÖRSÄKRINGAR HYPOTEK



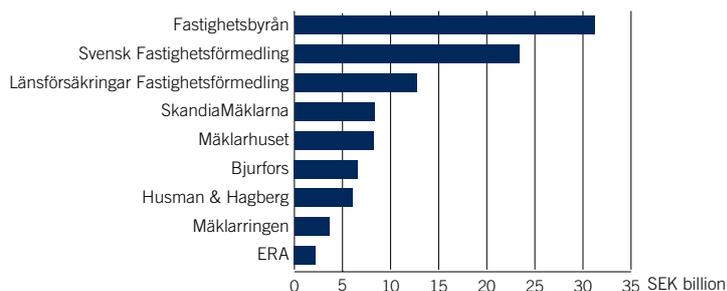
NUMBER OF SINGLE-FAMILY HOMES AND VACATION HOMES SOLD



MARKET SHARES



VALUE OF SALES OF SINGLE-FAMILY HOMES AND VACATION HOMES



# Financial statements

## LÄNSFÖRSÄKRINGAR ALLIANCE NON-LIFE INSURANCE

### INCOME STATEMENT

SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Premiums earned after ceded reinsurance	5,432	5,335	5,162	5,104	15,929	14,984	20,067
Investment income transferred from financial operations	143	144	163	154	451	491	645
Claims payments after ceded reinsurance	-4,331	-3,807	-3,844	-3,760	-11,982	-11,603	-15,589
Operating expenses	-927	-1,004	-958	-886	-2,889	-2,884	-3,886
Other technical revenue/expenses	-1	2	1	-2	2	5	10
<b>Technical result from non-life insurance operations before partner discounts</b>	<b>316</b>	<b>671</b>	<b>524</b>	<b>610</b>	<b>1,511</b>	<b>992</b>	<b>1,247</b>
Bonuses and discounts	-42	-43	-43	-43	-128	-122	-488
<b>Technical result from non-life insurance operations after partner discounts</b>	<b>273</b>	<b>627</b>	<b>482</b>	<b>567</b>	<b>1,383</b>	<b>870</b>	<b>759</b>
Total investment income	288	1,386	1,180	1,173	2,855	3,014	4,441
Investment income transferred to insurance operations	-143	-144	-163	-154	-451	-491	-645
Other non-technical expenses	-36	-159	-89	-105	-285	-442	-692
<b>OPERATING PROFIT</b>	<b>382</b>	<b>1,710</b>	<b>1,410</b>	<b>1,480</b>	<b>3,502</b>	<b>2,952</b>	<b>3,863</b>

### BALANCE SHEET

SEK M	Sep 30, 2014	Dec 31, 2013
<b>ASSETS</b>		
Shares and participations	40,356	37,342
Bonds and other interest-bearing securities	32,033	30,156
Other investment assets	7,083	7,315
<b>Total investment assets</b>	<b>79,472</b>	<b>74,813</b>
Reinsurers' portion of technical provisions	7,806	7,205
Receivables and other assets	8,839	7,739
Cash and bank balances	4,104	4,849
Prepaid expenses and accrued income	1,034	893
<b>TOTAL ASSETS</b>	<b>101,255</b>	<b>95,500</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	36,867	33,386
Technical provisions (before ceded reinsurance)	49,862	47,929
Other provisions and liabilities	12,541	11,837
Accrued expenses and deferred income	1,984	2,348
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>101,255</b>	<b>95,500</b>

# LÄNSFÖRSÄKRINGAR AB, GROUP

## CONSOLIDATED INCOME STATEMENT

SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Premiums earned before ceded reinsurance	1,486	1,414	1,542	1,340	4,442	4,164	6,105
Reinsurers' portion of premiums earned	-324	-314	-346	-320	-985	-1,048	-1,949
<b>Premiums earned after ceded reinsurance</b>	<b>1,162</b>	<b>1,100</b>	<b>1,196</b>	<b>1,020</b>	<b>3,458</b>	<b>3,117</b>	<b>4,156</b>
Interest income	2,073	2,151	2,303	2,409	6,527	7,101	9,488
Interest expense	-1,395	-1,522	-1,705	-1,837	-4,622	-5,398	-7,187
<b>Net interest income</b>	<b>678</b>	<b>629</b>	<b>598</b>	<b>572</b>	<b>1,905</b>	<b>1,703</b>	<b>2,301</b>
Change in unit-linked insurance assets – policyholder bears the risk	729	4,412	1,814	2,299	6,955	5,055	8,251
Dividends in unit-linked insurance assets – policyholder bears the risk	3	-	-	4	3	4	4
Investment income, net	79	135	-19	-46	196	-184	-203
Commission income	566	547	525	488	1,639	1,417	2,014
Other operating income	489	505	491	445	1,486	1,421	2,036
<b>Total operating income</b>	<b>3,706</b>	<b>7,329</b>	<b>4,606</b>	<b>4,783</b>	<b>15,640</b>	<b>12,533</b>	<b>18,558</b>
Claims payments before ceded reinsurance	-1,216	-901	-936	-861	-3,053	-2,586	-4,084
Reinsurers' portion of claims payments	479	183	175	153	837	549	1,381
<b>Claims payments after ceded reinsurance</b>	<b>-738</b>	<b>-718</b>	<b>-761</b>	<b>-708</b>	<b>-2,216</b>	<b>-2,036</b>	<b>-2,704</b>
Change in life-assurance reserve	35	27	-91	18	-29	-47	-1
Change in unit-linked insurance liabilities – policyholder bears the risk	-744	-4,447	-1,825	-2,323	-7,016	-5,061	-8,308
Commission expense	-625	-590	-550	-476	-1,764	-1,495	-2,074
Staff costs	-397	-476	-444	-384	-1,317	-1,239	-1,657
Other administration expenses	-673	-744	-626	-620	-2,043	-1,959	-2,765
Loan losses	-2	39	-16	-32	22	-95	-126
<b>Total expenses</b>	<b>-3,143</b>	<b>-6,908</b>	<b>-4,312</b>	<b>-4,507</b>	<b>-14,363</b>	<b>-11,932</b>	<b>-17,635</b>
<b>Operating profit</b>	<b>563</b>	<b>421</b>	<b>293</b>	<b>276</b>	<b>1,277</b>	<b>601</b>	<b>923</b>
Tax	-146	-79	-52	-72	-277	-139	-242
<b>NET PROFIT FOR THE PERIOD</b>	<b>417</b>	<b>342</b>	<b>241</b>	<b>203</b>	<b>1,000</b>	<b>462</b>	<b>682</b>
Earnings per share before and after dilution, SEK	41	36	26	22	99	49	70

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
<b>Net profit for the period</b>	<b>417</b>	<b>342</b>	<b>241</b>	<b>203</b>	<b>1,000</b>	<b>462</b>	<b>682</b>
<b>Other comprehensive income</b>							
<b>Items that have been transferred or can be transferred to profit for the period</b>							
Translation differences attributable to foreign operations	7	14	4	4	25	-6	-0
Cash-flow hedges	20	1	-53	-1	-33	29	15
Change in fair value of available-for-sale financial assets	57	11	-7	42	61	14	16
Tax attributable to items that have been transferred or can be transferred to profit for the period	-17	-3	13	-9	-6	-10	-7
<b>Total</b>	<b>66</b>	<b>24</b>	<b>-43</b>	<b>36</b>	<b>47</b>	<b>28</b>	<b>24</b>
<b>Items that cannot be transferred to profit for the period</b>							
Revaluation of owner-occupied property	14	13	13	13	40	39	53
Revaluation of defined-benefit pension plans	-	-	-	-	-	-	7
Tax attributable to items that cannot be reversed to profit for the period	-3	-3	-3	-3	-9	6	2
<b>Total</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>31</b>	<b>46</b>	<b>62</b>
<b>Total other comprehensive income for the period, net after tax</b>	<b>77</b>	<b>34</b>	<b>-32</b>	<b>46</b>	<b>78</b>	<b>74</b>	<b>87</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>494</b>	<b>375</b>	<b>209</b>	<b>249</b>	<b>1,078</b>	<b>536</b>	<b>768</b>

## LÄNSFÖRSÄKRINGAR AB, GROUP

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	Sep 30, 2014	Dec 31, 2013
<b>ASSETS</b>		
Goodwill	727	711
Other intangible assets	3,653	3,804
Deferred tax assets	20	13
Property and equipment	52	58
Owner-occupied property	2,404	2,423
Shares in Länsförsäkringar Liv Försäkrings AB	158	208
Shares and participations in associated companies	59	31
Reinsurers' portion of technical reserves	7,811	7,208
Loans to the public	172,113	162,003
Unit-linked insurance assets – policyholder bears the risk	86,054	76,207
Shares and participations	1,395	1,148
Bonds and other interest-bearing securities	47,538	47,979
Treasury bills and other eligible bills	4,883	4,881
Derivatives	3,922	1,101
Change in value of hedge portfolios	1,020	551
Other receivables	8,104	8,146
Prepaid expenses and accrued income	3,141	3,933
Cash and cash equivalents	2,262	2,145
<b>TOTAL ASSETS</b>	<b>345,317</b>	<b>322,550</b>

SEK M	Sep 30, 2014	Dec 31, 2013
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1,007	975
Other capital contributed	9,708	9,240
Reserves	575	496
Retained earnings including profit for the period	5,472	4,472
<b>Total equity</b>	<b>16,762</b>	<b>15,183</b>
Subordinated liabilities	2,000	2,000
Technical reserves	22,465	20,753
Provisions for life assurance – policyholder bears the risk	86,749	76,712
Deferred tax liabilities	862	861
Other provisions	133	132
Debt securities in issue	124,890	124,866
Deposits from the public	72,616	68,752
Due to credit institutions	5,974	1,600
Derivatives	2,556	2,801
Change in value of hedge portfolios	3,089	646
Other liabilities	2,869	3,284
Accrued expenses and deferred income	4,353	4,961
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>345,317</b>	<b>322,550</b>

## LÄNSFÖRSÄKRINGAR LIV, GROUP

### INCOME STATEMENT

SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Premium income after ceded reinsurance	545	589	860	694	1,994	2,612	3,388
Investment income, net	2,701	3,004	2,683	238	8,388	-3,371	-1,743
Claims payments	-1,640	-1,721	-1,745	-1,739	-5,106	-5,989	-7,645
Change in technical provisions	-923	-1,155	-1,399	2,583	-3,477	12,080	11,842
Operating expenses	-112	-53	-104	-62	-269	-198	-347
<b>Technical result, life insurance operations</b>	<b>571</b>	<b>664</b>	<b>295</b>	<b>1,715</b>	<b>1,530</b>	<b>5,134</b>	<b>5,495</b>
Non-technical expenses	-70	-70	-70	-132	-210	-398	-281
<b>Profit before tax</b>	<b>501</b>	<b>594</b>	<b>225</b>	<b>1,582</b>	<b>1,320</b>	<b>4,736</b>	<b>5,214</b>
Tax	-14	-15	-14	-6	-43	-17	-40
<b>PROFIT FOR THE PERIOD</b>	<b>487</b>	<b>579</b>	<b>211</b>	<b>1,577</b>	<b>1,277</b>	<b>4,719</b>	<b>5,174</b>
Items that cannot be transferred to profit for the period	-	-	-	-	-	-	-1
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>487</b>	<b>579</b>	<b>211</b>	<b>1,577</b>	<b>1,277</b>	<b>4,719</b>	<b>5,173</b>

### BALANCE SHEET

SEK M	Sep 30, 2014	Dec 31, 2013
<b>ASSETS</b>		
Investment assets	116,905	112,755
Reinsurers' portion of technical provisions	605	605
Receivables	2,781	2,003
Other assets	4,168	3,708
Prepaid expenses and accrued income	1,571	1,084
<b>TOTAL ASSETS</b>	<b>126,030</b>	<b>120,155</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	17,260	17,118
Technical provisions	101,170	97,563
Provisions for other risks and expenses	148	146
Deposits from reinsurers	605	605
Liabilities	6,507	4,345
Accrued expenses and deferred income	340	378
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>126,030</b>	<b>120,155</b>

# Financial calendar

Year-end review, Länsförsäkringar Alliance..... **February 10, 2015**  
Year-end report, Länsförsäkringar AB..... **February 10, 2015**  
Year-end report, Länsförsäkringar Bank..... **February 10, 2015**  
Year-end report, Länsförsäkringar Hypotek..... **February 10, 2015**

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## FOR FURTHER INFORMATION, PLEASE CONTACT:

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

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

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

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