

# Länsförsäkringar Alliance

*Interim Review January–March 2016*

## FIRST QUARTER OF 2016 COMPARED WITH FIRST QUARTER OF 2015

- Operating loss for the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 277 M (profit: 3,635). Premiums earned after ceded reinsurance amounted to SEK 5,871 M (5,470).
- The technical result in Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 356 M (398). The combined ratio amounted to 97 (95).
- Investment income in Länsförsäkringar Alliance amounted to SEK –150 M (3,772).
- Operating profit for the Bank Group amounted to SEK 341 M (279). Net interest income strengthened to SEK 789 M (685).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 118 M (132). Premium income amounted to SEK 2,297 M (2,454). Commission income amounted to SEK 336 M (343).
- Loss for Länsförsäkringar Liv amounted to SEK 1,082 M (profit: 1,789).

## FIRST QUARTER OF 2016 COMPARED WITH FOURTH QUARTER OF 2015

- Operating loss for Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 277 M (profit: 1,637). Premiums earned after ceded reinsurance amounted to SEK 5,871 M (5,824).
- The technical result in Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 356 M (804). The combined ratio amounted to 97 (89).
- Investment income in Länsförsäkringar Alliance amounted to SEK –150 M (2,188). Solvency capital decreased SEK 21 M to SEK 51,607 M.
- Operating profit for the Bank Group amounted to SEK 341 M (312). Net interest income amounted to SEK 789 M (805).
- Operating profit for Länsförsäkringar Fondliv amounted to SEK 118 M (102). Premium income amounted to SEK 2,297 M (2,025). Commission income amounted to SEK 336 M (342).
- Loss for Länsförsäkringar Liv amounted to SEK 1,082 M (profit: 3,502).

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



During the quarter, we saw further examples of confirmation that our way of offering banking and insurance services is popular among customers.

According to the 2016 Sustainable Brand Index survey, Länsförsäkringar is the most sustainable brand in the insurance industry and our bank again topped the 2016 Reputability Barometer.

Growth for the Länsförsäkringar Alliance remained favourable. The positive trend in premiums for the non-life insurance business continued and we saw growth in most areas. However, higher claims costs and a weaker stock market meant that earnings were weaker than the first quarter of the preceding year. Fire-damage claims at the start of the year were the main reason that claims costs increased and the combined ratio rose to 97. The positive performance of the banking operations continued, with increasing business volumes and strengthened ear-

nings. Growth in mortgage volumes remained at a stable level and credit growth in Wasa Kredit performed well. Naturally, the continued low interest rates do not help our savings business, although deposit volumes performed better year-on-year. Operating profit for the bank rose 22% to SEK 341 M.

Uncertainty regarding developments in China and the weak performance of industry in the US were factors in the sharp downturn in the stock markets in January. Although the markets recovered toward the end of the quarter, the stock-market trend for the quarter was weak. Turmoil in the stock markets impacts the operations in several ways, for example, investment income in the regional insurance companies was negatively affected, as was growth in insurance capital in unit-linked insurance and fund savings.

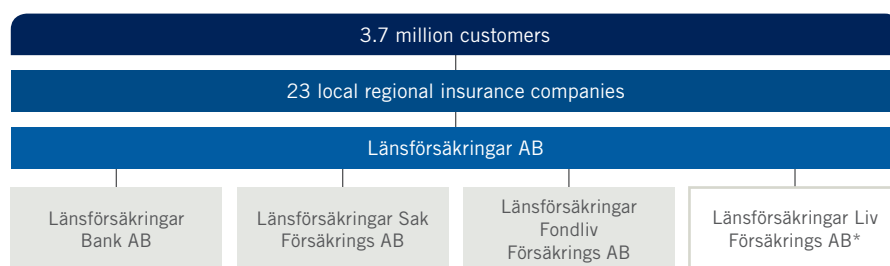
## LÄNSFÖRSÄKRINGAR ALLIANCE

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 3.7 million customers and about 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. The Länsförsäkringar AB Group 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.



\*The company is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB.

## CREDIT RATING

Länsförsäkringar AB's credit rating is A3/Stable from Moody's. Länsförsäkringar Bank's credit rating is A1/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	A1/Stable	P-1
Länsförsäkringar Hypotek <sup>1)</sup>	Standard & Poor's	AAA/Stable	
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	
Länsförsäkringar Sak	Standard & Poor's	A/Stable	
Länsförsäkringar Sak	Moody's	A2/Stable	

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

## MARKET COMMENTARY

The year got off to a shaky start in global stock markets. Uncertainty regarding developments in China and weak figures from industry in the US resulted in the market losing confidence in the global economy. The reluctance to take risks pushed up interest rates on corporate loans, while rates on government bond rates declined. Better economic statistics were published during the quarter and the market recovered.

Industry in the US was impacted by a stronger USD and falling oil prices. The performance of the US services sector improved and the labour market continued to strengthen. There were signs of growing pressure on inflation in the US economy.

Despite this, the Federal Reserve remained cautious in its statements and concern was expressed regarding trends in the economic environment, which is interpreted as rises in interest rates being very slow. It also meant that pressure eased on expectations of increases in the USD.

Confidence among households and companies was relatively stable despite concern in the financial markets, the refugee situation and terrorist attacks. However, the economy continued to grow slowly, pressure on inflation remained low and the ECB did not succeed in weakening the EUR. In March, the ECB launched a new loan package to banks, expanded its asset purchase programme and made further interest-rate cuts. The situation in the financial markets stabilised fol-

lowing the ECB's measures and the stock markets recovered most of their losses. However, the US, Europe and Sweden were still in the red at the end of the quarter. Risk appetite improved, which had a positive effect on credit spreads and boosted demand for bank bonds.

Economic statistics for Sweden remained strong, despite the high confidence among companies falling slightly. The trend in the labour market was strong, and companies continue to require new employees. The Riksbank lowered the repo rate again at its meeting in February since lower inflation is expected again. Housing prices continued to rise again towards the end of the quarter, following a quiet end to 2015 for the housing market and a cautious approach at the start of 2016.

# Financial overview

Report commented on the development January-March 2016 compared to the same period in 2015, unless otherwise stated.

## LÄNSFÖRSÄKRINGAR ALLIANCE

	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Total capital, SEK M	55,952	52,243	55,562	55,562
<b>Non-life insurance</b>				
Solvency capital, SEK M	51,607	50,334	51,628	51,628
Solvency margin, %	217	224	222	222
Return on equity, %	-2	29	8	8
Premiums earned after ceded reinsurance, SEK M	5,871	5,470	5,824	22,705
Technical result, SEK M	356	398	804	2,700
Operating profit, SEK M	-277	3,635	1,637	4,365
Combined ratio	97	95	89	91

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

	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Operating profit, SEK M	537	487	761	2,155
Total assets, SEK M	392,523	374,540	384,595	384,595
Return on equity, %	9	9	12	9
Capital base for the financial conglomerate <sup>2) 3)</sup>	-	19,276	21,548	21,548
Necessary capital requirement for the financial conglomerate <sup>2) 3)</sup>	-	15,517	15,892	15,892

<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 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Premiums earned after ceded reinsurance, SEK M	1,297	1,227	1,297	5,074
Technical result, SEK M	150	124	421	821
Operating profit, SEK M	172	171	477	908

## LÄNSFÖRSÄKRINGAR BANK, GROUP

	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Deposits from the public, SEK M	84,494	75,857	83,925	83,925
Loans to the public, SEK M	205,977	183,441	201,964	201,964
Operating profit, SEK M	341	279	312	1,175
Return on equity, %	10	9	15	11
Tier 1 ratio Bank Group, %	26.2	17.4	26.6	26.6
Total capital ratio Bank Group, %	31.4	21.7	32.0	32.0

## LÄNSFÖRSÄKRINGAR FONDIV

	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Premium income, SEK M	8,488	8,669	8,645	8,645
Operating profit, SEK M	118	132	102	516
Managed assets, SEK M	100,410	104,919	102,807	102,807
Solvency ratio <sup>3)</sup>	-	1.5	1.8	1.8

## LÄNSFÖRSÄKRINGAR LIV, GROUP

	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Premium income after ceded reinsurance, SEK M	1,806	2,312	1,919	1,919
Profit, SEK M	-1,082	1,798	3,502	5,089
Managed assets, SEK M	115,026	123,050	114,952	114,952
Solvency ratio, % <sup>3)</sup>	-	124	128	128

<sup>3)</sup> Calculations of capital requirements and own funds under new legislation for insurance companies, Solvency II, had not been completed on the date of publication of this interim review.

# Non-life insurance

- The technical result from the Länsförsäkringar Alliance's non-life insurance operations amounted to SEK 356 M (398) and the combined ratio amounted to 97% (95).
- Investment income amounted to negative SEK 150 M (pos: 3,772).
- Solvency capital declined SEK 21 M to SEK 51,607 M.

## NON-LIFE INSURANCE, LÄNSFÖRSÄKRINGAR ALLIANCE

KEY FIGURES, SEK M	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Premiums earned after ceded reinsurance	5,871	5,470	5,824	22,705
Technical result	356	398	804	2,700
Bonuses and discounts	-72	-58	-1,089	-1,263
Operating profit	-277	3,635	1,637	4,365
Investment income	-150	3,772	2,188	3,794
Solvency capital	51,607	50,334	51,628	51,628
Solvency margin, %	217	224	222	222
Expense ratio	19	19	20	19
Claims ratio	79	76	69	72
Combined ratio	97	95	89	91

### Earnings

The Länsförsäkringar Alliance's operating loss for non-life insurance operations amounted to SEK 277 M (profit: 3,635). The lower earnings were mainly due to lower investment income of a negative SEK 150 (pos: 3,772) as a result of the stock market downturn in the quarter. Discounts increased slightly to a negative SEK 72 M (neg: 58) and other non-technical income and expenses totalled an expense of SEK 73 M (expense: 62). The technical result amounted to SEK 356 M (398) and the lower result was primarily due to the claims-cost trend. Earnings for the quarter were also negatively impacted by interest-rate revaluation effects in the annuities operations. The combined ratio amounted to 97% (95). The claims ratio amounted to 79% (76) and the expense ratio to 19% (19). Solvency capital declined SEK 21 M to SEK 51,607 M, and the solvency margin fell to 217% (224).

### Business volumes

Premiums earned rose 7% to SEK 5,871 M (5,470), attributable to portfolio increases and premium increases. The largest volume increase was in motor hull insurance, which increased 6%. In private insurance, the increase was slightly more than 6%, primarily

due to accident, homeowner and household insurance. Growth for Agria also remained favourable, with a strong increase in pet insurance. In the agriculture and business segments, premium volumes increased 4%.

### Claims trend

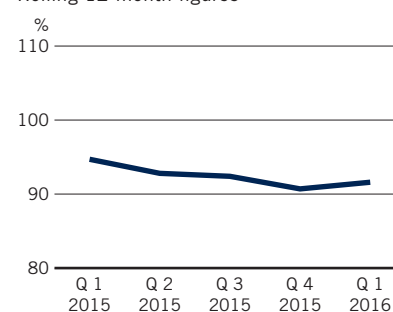
Claims payments after ceded reinsurance amounted to SEK 4,563 M (4,131). The cost increase was mainly related to portfolio growth and fire and water-damage claims, with large-scale fires accounting for almost SEK 150 M. However, the rate of increase in claims costs in motor hull insurance was lower year-on-year, despite a strong increase in the portfolio. The annuities operations had a negative earnings effect of SEK 120 M due to the trend in real interest rates during the quarter. As a result, the portion of investment income transferred from the financial operations will be lower in 2016.

### Investment income

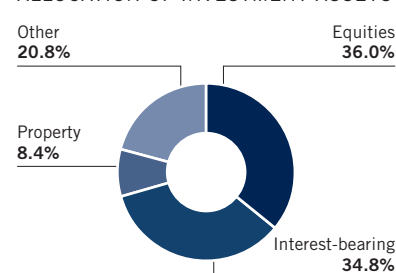
Investment income was negative at SEK 150 M (pos: 3,772) during the quarter due to the downturn in the stock market. This result was mainly due to the stock-market decline during the period, while falling interest rates and the favourable performance

of credit spreads at the end of the quarter had a positive impact on investment income. Properties also made a positive contribution to investment income.

COMBINED RATIO  
Rolling 12-month figures



ALLOCATION OF INVESTMENT ASSETS



Total investment assets amounted to SEK 87.0 billion on 31 March 2016.

# Bank

- Operating profit rose to SEK 341 M (279) and the return on equity strengthened to 10% (9). Net interest income rose to SEK 789 M (685).
- Loan losses amounted to SEK 20 M (0), net, corresponding to loan losses of 0.04% (0.00).
- Business volumes rose to SEK 404 billion (372). Deposits increased to SEK 85 billion (76) and lending increased to SEK 206 billion (183). The number of customers with Länsförsäkringar as their primary bank increased to 390,000 (358 000).

## LÄNSFÖRSÄKRINGAR BANK, GROUP

KEY FIGURES, SEK M	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Deposits from the public	84,494	75,857	83,925	83,925
Loans to the public	205,977	183,441	201,964	201,964
Operating profit	341	279	312	1,175
Return on equity, %	10	9	9	9
Cost/income ratio before loan losses	0.51	0.56	0.54	0.57

### Earnings

Operating profit rose 22% to SEK 341 M (279), primarily due to higher net interest income and improved net gains from financial items. Return on equity strengthened to 9.7% (9.1). Net interest income increased 15% to SEK 789 M (685), mainly attributable to higher volumes and improved margins.

Net gains from financial items amounted to SEK 40 M (1), as a result of unrealised changes in value of financial instruments with accompanying hedge accounting. Commission income declined 5% to SEK 354 M (372) due to lower income from the

fund business. Net commission amounted to an expense of SEK –111 M (–80), due to higher remuneration to the regional insurance companies as a result of the volume trend. Operating expenses amounted to SEK 383 M (355), up 8%. The increase was mainly due to the ongoing IT investments and update of the IT system. The cost/income ratio was 0.51 (0.56) before loan losses and 0.54 (0.65) after loan losses.

Loan losses amounted to SEK 20 M (0), net, corresponding to loan losses of 0.04% (0.00). Impaired loans, gross, amounted to SEK 249 M (281), corresponding to a percentage of impaired loans, gross, of 0.12% (0.15).

Business volumes increased 9%, or SEK 32 billion, to SEK 404 billion (372). Lending rose 12%, or SEK 23 billion, to SEK 206 billion (183) with continued high credit quality. Mortgage lending increased 15%, or SEK 20 billion, to SEK 151 billion (131). Deposits rose 11%, or SEK 9 billion, to SEK 85 billion (76). The volume of managed funds fell 8%, or SEK 9 billion, to SEK 104 billion (113), mainly as a result of changes in value.

### Funding and liquidity

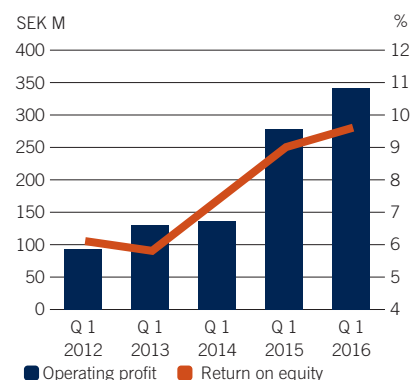
The Bank Group has a low refinancing risk and the maturity structure is highly diversified. Debt securities in issue increased to a nominal SEK 137 billion (122), of which covered bonds amounted to SEK 107 billion (94), senior long-term funding to SEK 29 billion (25) and short-term funding to SEK 2 billion (3). The average remaining term for the long-term funding was 3.4 years (3.2) on 31 March 2016. The bonds issued by the bank continued to have longer average maturities than other maturities in recent years. A transaction of a nominal EUR 8 billion matured during the quarter.

Covered bonds were issued during the quarter at a volume corresponding to a nominal SEK 8 billion (7), repurchased covered bonds to a nominal SEK 0 billion (2) and matured covered bonds to a nominal SEK 8 billion (6). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 1 billion (6) during the year.

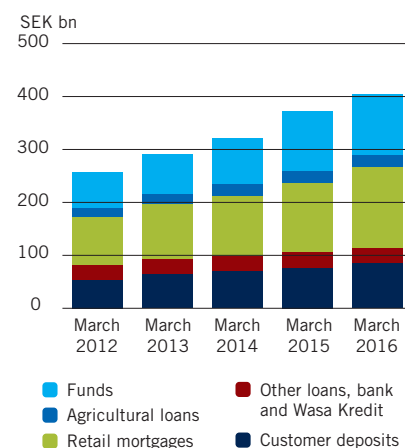
The liquidity reserve totalled SEK 39 billion (36), according to the Swedish Bankers' Association's definition. The liquidity reserve is invested in securities with very high credit quality that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. By utilising the liquidity reserve, contractual undertakings for about two years can be met without needing to secure new funding in the capital market.

The Bank Group's Liquidity Coverage Ratio (LCR), according to the Swedish Financial Supervisory Authority's definition, amounted to 179% (206) on 31 March 2016 and was an average of 215% (229) during the first quarter of 2016.

### BANK OPERATING PROFIT AND RETURN ON EQUITY



### BUSINESS VOLUMES



## Capital Adequacy, Banking operations

The Common Equity Tier 1 capital ratio for the group encompassed by the group rules for banking operations (consolidated situation), meaning the Länsförsäkringar Bank Group consolidated with Länsförsäkringar AB and the property company Utile Dulci 2 HB, was 20.3% (21.4). The Common Equity Tier 1 capital increased 7% during the quarter based on earnings and dividends to Länsförsäkringar AB from Länsförsäkringar Sak. The Risk Exposure Amount rose 12% or SEK 6.4 billion, largely due to nonrecurring effects. Firstly, Länsförsäkringar AB acquired participations in the property-holding partnership Utile Dulci from Länsförsäkringar Sak for SEK 1.0 billion. Länsförsäkringar AB's participating interest amounted to 46%, which is why Utile Dulci is considered to be an associated company, and impacted the Risk Exposure Amount by SEK 2.5 billion. Secondly, a change in the allocation of indicators for operational risk in Länsförsäkringar AB's operations led to an increase of more than SEK 1.5 billion in the Risk Exposure Amount for operational risk.

### CAPITAL ADEQUACY, BANKING OPERATIONS

Consolidated situation (SEK M)	31 Mar 2016	31 Dec 2015
IRB Approach	30,878	30,317
retail exposures	23,544	22,989
exposures to corporates	7,334	7,328
Standardised Approach	14,551	11,822
Total REA	58,132	51,724
Common Equity Tier 1 capital	11,829	11,064
Tier 1 capital	13,029	12,264
Total capital	15,325	14,561
Common Equity Tier 1 capital ratio	20.3%	21.4%
Tier 1 ratio	22.4%	23.7%
Total capital ratio	26.4%	28.2%



# 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 2011.

## UNIT-LINKED INSURANCE AND TRADITIONAL LIFE ASSURANCE

- Operating profit for Länsförsäkringar Fondliv amounted to SEK 118 M (132).
- Länsförsäkringar Fondliv manages SEK 100 billion for life-assurance and pension insurance customers.
- Operating profit for Länsförsäkringar Liv amounted to SEK –1,082 M (pos:1,804).
- Länsförsäkringar Liv manages SEK 115 billion for life-assurance and pension insurance customers.

### LÄNSFÖRSÄKRINGAR FOND LIV AND LÄNSFÖRSÄKRINGAR LIV

KEY FIGURES, SEK M	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
<b>Länsförsäkringar Fondliv</b>				
Premium income, net (rolling 12 months)	8,488	8,669	8,645	8,645
Operating profit	118	132	102	516
Managed assets	100,410	104,919	102,807	102,807
Solvency ratio	–	1.5	1.8	1.8
<b>Länsförsäkringar Liv</b>				
Operating profit	–1,082	1,804	3,514	5,104
Managed assets	115,026	123,050	114,952	114,952
Collective consolidation, New Trad, %	111	124	114	114
Collective consolidation, Old Trad, %	122	124	120	120
Solvency ratio, %	–	124	128	128

### Earnings

Operating profit for Länsförsäkringar Fondliv amounted to SEK 118 M (132). Income fell due to lower insurance capital. Operating expenses declined to SEK 231 M (234), primarily due to lower selling expenses. Total premium income amounted to SEK 2,297 M (2,454). The decline was mainly the result of the reduction in capital transferred. Capital transferred amounted to SEK 256 M (342). Insurance capital amounted to SEK 100 billion on 31 March 2016, down 4% due to the decline in value of the funds. Total sales excluding collective-agreement occupational pensions amounted to SEK 2,539 M (2,245), up 13%.

Loss for Länsförsäkringar Liv amounted to SEK 1.1 billion (profit: 1.8). These earnings were negatively affected by falling long-term market interest rates, which

led to an increase in liabilities to policyholders. Overall positive investment income offset this increase in liabilities and had a positive contribution of SEK 1.1 billion (4.3) on earnings. Changing conditions to New Trad had a positive effect of SEK 0.2 billion on earnings. Operating expenses totalled SEK 112 M (111). Claims paid amounted to SEK 1.5 billion (1.7). Investment assets amounted to SEK 116.9 billion (123.1).

Collective consolidation is a measurement of the company's ability to distribute a bonus in the short term and is calculated as the ratio between total capital and insurance capital. Collective consolidation was 111% (124) for New Trad and 122% (124) for Old Trad.

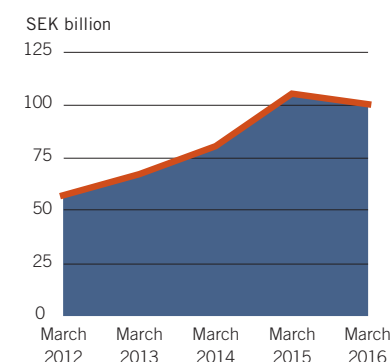
New legislation for insurance companies, Solvency II, came into effect on 1 Ja-

nuary 2016. The calculations of capital requirements and own funds on 31 March 2016 had not been completed on the date of publication of this interim review. The capital situation will be reported in 2016 one quarter in arrears. Information on capital requirements and own funds will be provided on Länsförsäkringar's website as soon as the calculations have been completed.

Länsförsäkringar AB, with its insurance companies, has applied to the Financial Supervisory Authority to use a partial internal model for calculating capital requirements under Solvency II for both individual insurance companies and at group level. The Financial Supervisory Authority has not yet made a decision. Until a decision is received, own funds and capital requirements for the insurance operations will be calculated according to Solvency II, using the standard formula for capital requirements, except for the occupational pension operations for which own funds and capital requirements are to be calculated according to the rules that applied prior to Solvency II coming into effect, meaning the transition rules.

Länsförsäkringar Fondliv and Länsförsäkringar Liv have satisfactory margins for capital requirements applicable after the introduction of Solvency II.

### MANAGED ASSETS UNIT-LINKED INSURANCE



## Fund and guarantee management

### Unit-linked insurance

Some 24% of the 83 funds in the recommended fund range performed positively during the quarter and 76% negatively. Two of the funds increased by more than 10%, while five funds declined more than 10%. Funds in commodities and certain emerging markets generated the highest returns. Emerging market funds focusing on Russia, Eastern Europe and Latin America recovered after a weak performance in 2015. The fixed-income funds generating the best returns included Bluebay Emerging Market Select and Öhman Realräntefond.

### Guarantee products

Länsförsäkringar Fondliv conducts traditional insurance through guarantee management.

Länsförsäkringar Liv conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension.

### Guarantee Management

Premium income for guarantee management amounted to SEK 96 M (121). The decline was due to capital transferred, which has more than halved. Managed assets amounted to SEK 2 billion (2). The return was a negative 1.0% (pos: 3.6). The lower return was attributable in its entirety to shareholdings.

### New Trad

New Trad offers customers the opportunity to change the conditions of their existing traditional insurance policies.

Managed assets in New Trad amounted to SEK 15 billion. The return was a negative 1.5% (pos: 4.8), due to the weak trend in equities. The bonus rate amounted to 6% (8). The bonus rate was lowered from 10% on 1 February 2016.

### Old Trad

The primary aim of investments in Old Trad is to ensure that the guaranteed bonus can be realised even in the event of a negative market trend. This is ensured by making most investments in long-term interest-bearing investments. The scope for investing customer savings in assets with higher expected returns is limited. The percentage of interest-bearing assets amounted to 87% (90). Managed assets amounted to SEK 87 billion and the total return was 2.0% (3.1). Falling interest rates had a positive impact on interest-bearing investments. The bonus rate for the quarter was 2%.

### New World

New World is a traditional insurance form in which capital is largely invested in equities. Managed assets amounted to SEK 11 billion and the total return was a negative 1.7% (pos: 5.5). The weak performance in the equities market was the reason for the negative return.



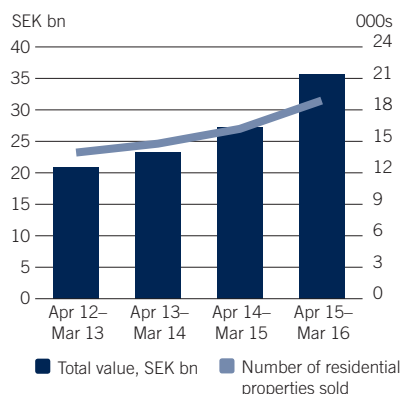
# Real-estate brokerage

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

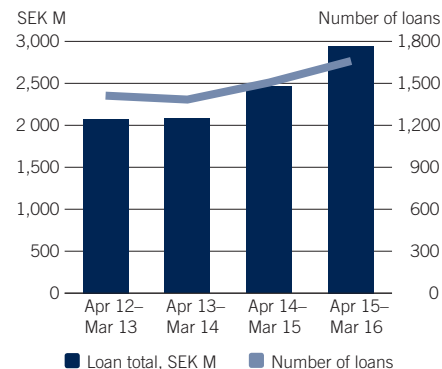
Länsförsäkringar Fastighetsförmedling has 159 branches throughout Sweden. Strong growth has advanced Länsförsäkringar Fastighetsförmedling to the position of third largest brokerage in Sweden. The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering. The aim is to offer more than just the brokerage and sale of residential properties. The operations are conducted in franchise form, whereby the regional insurance company acts as the franchiser for the local branch. This means that Länsförsäkringar Fastighetsförmedling differs from national estate-agent chains by always being locally based.

A total of 7,254 (6,308) single-family homes, 10,761 (8,705) tenant-owned apartments, 882 (1,184) vacation homes and 478 (395) agricultural properties were brokered in the period from April 2015 to March 2016. The value of these sales amounted to SEK 37 billion (28). During the period, sales of single-family homes and vacation homes resulted in SEK 3 billion in first-lien mortgages in Länsförsäkringar's mortgage institution, divided between 1,660 trans-

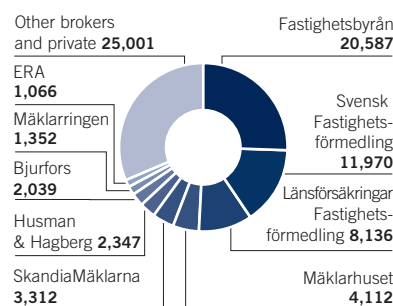
NUMBER OF SINGLE-FAMILY HOMES, VACATION HOMES AND TENANT-OWNED APARTMENTS SOLD BY LÄNSFÖRSÄKRINGAR FASTIGHETSFÖRMEDLING



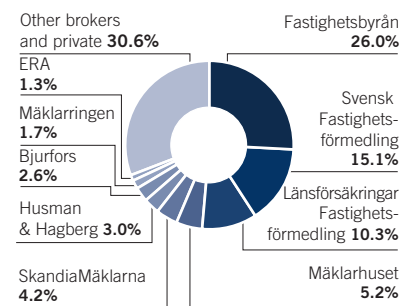
SINGLE-FAMILY HOMES AND VACATION HOMES, SOLD BY LÄNSFÖRSÄKRINGAR FASTIGHETSFÖRMEDLING WHERE LOANS WERE INVESTED IN LÄNSFÖRSÄKRINGAR HYPOTEK



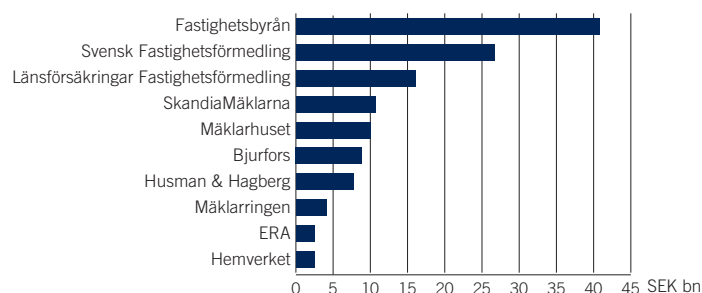
NUMBER OF SINGLE-FAMILY HOMES AND VACATION HOMES SOLD



MARKET SHARES 31 MARCH 2016



VALUE OF SALES OF SINGLE-FAMILY HOMES AND VACATION HOMES



Source: Värderingsdata

# Financial statements

## LÄNSFÖRSÄKRINGAR ALLIANCE NON-LIFE INSURANCE

### INCOME STATEMENT

SEK M	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Premiums earned after ceded reinsurance	5,871	5,470	5,824	22,705
Investment income transferred from financial operations	144	104	130	507
Claims payments after ceded reinsurance	-4,563	-4,131	-3,971	-16,192
Operating expenses	-1,079	-1,033	-1,167	-4,281
Other technical revenue/expenses	-17	-12	-12	-39
<b>Technical result from non-life insurance operations before partner discounts</b>	<b>356</b>	<b>398</b>	<b>804</b>	<b>2,700</b>
Bonuses and discounts	-72	-58	-1,089	-1,263
<b>Technical result from non-life insurance operations after partner discounts</b>	<b>283</b>	<b>340</b>	<b>-285</b>	<b>1,437</b>
Total investment income	-150	3,772	2,188	3,794
Investment income transferred to insurance operations	-337	-414	-132	-531
Other non-technical expenses	-73	-62	-134	-334
<b>OPERATING PROFIT</b>	<b>-277</b>	<b>3,635</b>	<b>1,637</b>	<b>4,365</b>

### BALANCE SHEET

SEK M	31 Mar 2016	31 Dec 2015
<b>ASSETS</b>		
Shares and participations	31,304	31,646
Bonds and other interest-bearing securities	30,268	29,596
Other investment assets	25,412	24,487
<b>Total investment assets</b>	<b>86,984</b>	<b>85,729</b>
Reinsurers' portion of technical provisions	11,722	10,829
Receivables and other assets	10,917	10,617
Cash and bank balances	5,601	5,799
Prepaid expenses and accrued income	1,228	1,249
<b>TOTAL ASSETS</b>	<b>116,451</b>	<b>114,224</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	42,701	42,679
Technical provisions (before ceded reinsurance)	54,150	53,296
Other provisions and liabilities	17,097	15,630
Accrued expenses and deferred income	2,503	2,619
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>116,451</b>	<b>114,224</b>

# LÄNSFÖRSÄKRINGAR AB, GROUP

## INCOME STATEMENT

SEK M	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Premiums earned before ceded reinsurance	1,788	1,741	1,853	6,775
Reinsurers' portion of premiums earned	-351	-371	-565	-1,583
<b>Premiums earned after ceded reinsurance</b>	<b>1,438</b>	<b>1,370</b>	<b>1,288</b>	<b>5,192</b>
Interest income	1,715	1,853	1,735	7,083
Interest expense	-926	-1,159	-930	-4,077
<b>Net interest income</b>	<b>789</b>	<b>695</b>	<b>805</b>	<b>3,006</b>
Change in unit-linked insurance assets – policyholder bears the risk	-2,999	10,162	4,516	5,365
Dividends in unit-linked insurance assets – policyholder bears the risk	–	–	–	8
Investment income, net	2	117	83	-6
Commission income	617	639	652	2,595
Other operating income	517	472	532	2,104
<b>Total operating income</b>	<b>364</b>	<b>13,455</b>	<b>7,876</b>	<b>18,263</b>
Claims payments before ceded reinsurance	-1,110	-1,069	-872	-3,968
Reinsurers' portion of claims payments	257	261	330	930
<b>Claims payments after ceded reinsurance</b>	<b>-853</b>	<b>-808</b>	<b>-542</b>	<b>-3,038</b>
Change in life-assurance reserve	-115	-115	37	-5
Change in unit-linked insurance liabilities – policyholder bears the risk	3,022	-10,231	-4,557	-5,349
Commission expense	-640	-642	-693	-2,663
Staff costs	-485	-471	-451	-1,826
Other administration expenses	-737	-701	-894	-3,220
Loan losses	-20	-0	-15	-6
<b>Total expenses</b>	<b>173</b>	<b>-12,968</b>	<b>-7,115</b>	<b>-16,108</b>
<b>Operating profit</b>	<b>537</b>	<b>487</b>	<b>761</b>	<b>2,155</b>
Tax	-110	-92	-105	-389
<b>NET PROFIT FOR THE PERIOD</b>	<b>427</b>	<b>395</b>	<b>656</b>	<b>1,765</b>
Earnings per share before and after dilution, SEK	41	39	63	171

## STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
<b>Net profit for the period</b>	<b>427</b>	<b>395</b>	<b>656</b>	<b>1,765</b>
<b>Other comprehensive income</b>				
<b>Items that have been transferred or can be transferred to profit for the period</b>				
Translation differences attributable to foreign operations	-20	18	-9	3
Cash-flow hedges	79	20	-36	41
Change in fair value of available-for-sale financial assets	23	-37	-6	-195
Tax attributable to items that have been transferred or can be transferred to profit for the period	-23	4	9	34
<b>Total</b>	<b>60</b>	<b>5</b>	<b>-41</b>	<b>-117</b>
<b>Items that cannot be transferred to profit for the period</b>				
Revaluation of owner-occupied property	5	13	118	330
Revaluation of defined-benefit pension plans	–	–	2	2
Tax attributable to items that cannot be reversed to profit for the period	-1	-3	-26	-73
<b>Total</b>	<b>4</b>	<b>10</b>	<b>94</b>	<b>259</b>
<b>Total other comprehensive income for the period, net after tax</b>	<b>64</b>	<b>15</b>	<b>52</b>	<b>142</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>491</b>	<b>410</b>	<b>709</b>	<b>1,907</b>

## LÄNSFÖRSÄKRINGAR AB, GROUP

### STATEMENT OF FINANCIAL POSITION

SEK M	31 Mar 2016	31 Dec 2015
<b>ASSETS</b>		
Goodwill	727	738
Other intangible assets	3,689	3,672
Deferred tax assets	28	29
Property and equipment	44	53
Owner-occupied property	2,540	2,545
Shares in Länsförsäkringar Liv Försäkrings AB	8	8
Shares and participations in associated companies	74	74
Reinsurers' portion of technical reserves	11,738	10,845
Loans to the public	205,977	201,959
Unit-linked insurance assets – policyholder bears the risk	98,470	100,497
Shares and participations	1,454	1,832
Bonds and other interest-bearing securities	41,819	40,061
Treasury bills and other eligible bills	4,550	8,824
Derivatives	5,627	4,479
Change in value of hedge portfolios	1,023	815
Other receivables	7,795	3,678
Prepaid expenses and accrued income	3,170	3,111
Cash and cash equivalents	3,791	1,374
<b>TOTAL ASSETS</b>	<b>392,523</b>	<b>384,595</b>

SEK M	31 Mar 2016	31 Dec 2015
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1,042	1,042
Other capital contributed	10,272	10,272
Additional tier 1 instruments	1,200	1,200
Reserves	717	653
Retained earnings including profit for the period	7,788	7,370
<b>Total equity</b>	<b>21,020</b>	<b>20,538</b>
Subordinated liabilities	2,300	2,300
Technical reserves	20,145	18,376
Provisions for life assurance – policyholder bears the risk	98,838	101,002
Deferred tax liabilities	1,131	1,139
Other provisions	231	257
Debt securities in issue	141,302	141,269
Deposits from the public	83,647	82,702
Due to credit institutions	8,102	2,954
Derivatives	2,379	2,455
Change in value of hedge portfolios	4,075	2,899
Other liabilities	4,185	3,955
Accrued expenses and deferred income	5,168	4,749
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>392,523</b>	<b>384,595</b>

## LÄNSFÖRSÄKRINGAR LIV, GROUP

### INCOME STATEMENT

SEK M	Q 1 2016	Q 1 2015	Q 4 2015	Full-year 2015
Premium income after ceded reinsurance	420	533	471	1,919
Investment income, net	1,115	4,280	1,619	373
Claims payments	-1,459	-1,695	-1,466	-5,959
Change in technical provisions	-975	-1,116	3,124	9,497
Operating expenses	-112	-111	-162	-442
<b>Technical result, life insurance operations</b>	<b>-1,011</b>	<b>1,891</b>	<b>3,586</b>	<b>5,388</b>
Non-technical expenses	-71	-87	-72	-284
<b>Profit before tax</b>	<b>-1,082</b>	<b>1,804</b>	<b>3,514</b>	<b>5,104</b>
Tax	0	-6	-12	-15
<b>PROFIT FOR THE PERIOD</b>	<b>-1,082</b>	<b>1,798</b>	<b>3,502</b>	<b>5,089</b>
Items that cannot be transferred to profit for the period	-	-	-2	-2
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-1,082</b>	<b>1,798</b>	<b>3,500</b>	<b>5,087</b>

### BALANCE SHEET

SEK M	31 Mar 2016	31 Dec 2015
<b>ASSETS</b>		
Investment assets	116,875	115,356
Reinsurers' portion of technical provisions	481	481
Receivables	2,049	1,378
Other assets	3,987	3,945
Prepaid expenses and accrued income	1,279	957
<b>TOTAL ASSETS</b>	<b>124,671</b>	<b>122,117</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
Equity	20,061	21,402
Technical provisions	94,454	93,498
Provisions for other risks and expenses	317	137
Deposits from reinsurers	481	481
Liabilities	9,172	6,407
Accrued expenses and deferred income	186	192
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>124,671</b>	<b>122,117</b>

# Financial calendar 2016

## SECOND QUARTER:

Interim review, Länsförsäkringar Alliance .....	20 July
Interim report, Länsförsäkringar AB.....	20 July
Interim report, Länsförsäkringar Bank .....	20 July
Interim report, Länsförsäkringar Hypotek.....	20 July

## THIRD QUARTER:

Interim review, Länsförsäkringar Alliance .....	25 October
Interim report, Länsförsäkringar AB.....	25 October
Interim report, Länsförsäkringar Bank .....	25 October
Interim report, Länsförsäkringar Hypotek.....	25 October

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