Länsförsäkringar AB
Annual Report 2012

This is Länsförsäkringar AB

LÄNSFÖRSÄKRINGAR AB IN BRIEF

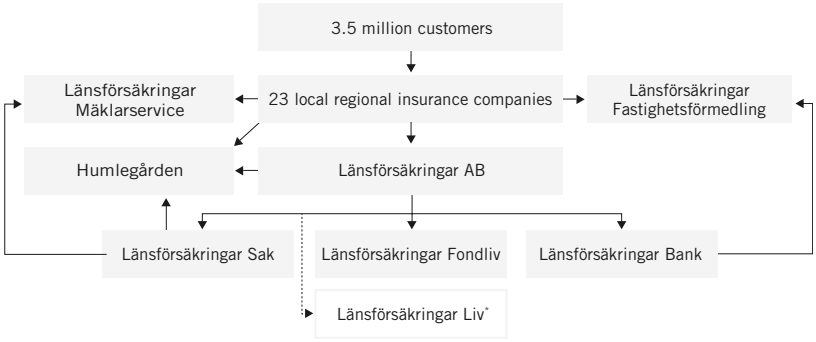
Hub of the Länsförsäkringar Alliance

The Länsförsäkringar Alliance offers a wide range of insurance, pension solutions, banking services, real-estate brokerage and other financial solutions for corporate customers and private individuals. Länsförsäkringar AB is the hub of the Länsförsäkringar Alliance. Länsförsäkringar AB's tasks are to conduct joint banking and insurance operations, pursue the Group's strategic development activities and provide service in areas that generate economies of scale and efficiency for the owners – the 23 regional insurance companies. Through it's distinctive role in Länsförsäkringar Alliance's value chain, Länsförsäkringar AB helps to increase competitiveness and reduce costs, thereby creating possibilities for the regional insurance companies to be successful in their respective markets. Customer contacts are handled by the local regional insurance companies.

THE YEAR IN BRIEF

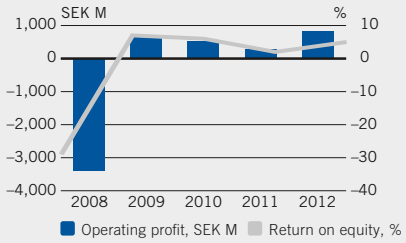
Strong earnings

- The Länsförsäkringar AB Group's operating profit increased SEK 534 M to SEK 821 M (287). Return on equity amounted to 4.7% (2.4).
- The equity increased SEK 714 M to SEK 13,913 M and solvency capital to SEK 15,589 M (14,800).
- Operating profit for the non-life insurance operations increased SEK 398 M to SEK 486 M (88). The improvement was due to lower claims costs and higher investment income.
- Operating profit in the Bank Group rose SEK 171 M to SEK 556 M (385). The increase was primarily due to an improvement in net interest income to SEK 2,071 M (1,728).
- Premium income for life-assurance and pension insurance in Länsförsäkringar Fondliv rose 34% to SEK 8,714 M (6,518).



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

Operating profit and return on equity, Länsförsäkringar AB Group



Operating profit and return on equity in 2012 amounted to SEK 821 M and 5%, respectively. The banking operations' earnings have strengthened in recent years, while earnings for the non-life insurance operations were more volatile. However, since the 2008 financial crisis, the risk in the non-life insurance operations' investment assets has been significantly reduced.

FIVE-YEAR SUMMARY

Länsförsäkringar AB, Group[1]	2012	2011	2010	2009	2008
Operating profit/loss, SEK M	821	287	536	693	–3,395
Solvency capital, SEK M	15,589	14,800	10,613	8,710	7,907
Total assets, SEK M	290,994	253,223	173,850	157,005	130,554
Return on equity, %	5	2	6[2]	7	–29

[1] Excluding the life-assurance operations, which are conducted with a prohibition against issuing dividends.
[2] Excludes rights issue.

Länsförsäkringar Sak, Group	2012	2011	2010	2009	2008
Premiums earned after ceded reinsurance, SEK M	4,024	4,003	3,769	3,524	3,020
Technical result for the insurance operations, SEK M	306	159	193	460	256
Operating profit/loss, SEK M	486	88	313	635	–3,108

Länsförsäkringar Bank, Group	2012	2011	2010	2009	2008
Deposits from the public, SEK M	62,396	49,610	41,590	37,365	35,090
Loans to the public, SEK M	149,942	134,011	117,910	99,582	78,564
Operating profit, SEK M	556	385	345	258	245
Return on equity, %	6	5	5	4	4
Tier 1 ratio according to Basel II, %	14	12	12	12	15

Länsförsäkringar Fondliv	2012	2011
Premium income, SEK M [1]	8,714	6,518
Net profit for the year, SEK M	128	297
Managed assets, SEK M	62,944	52,165
Solvency ratio	2.2	2.7

[1] In accordance with Insurance Sweden's definition.

Länsförsäkringar Liv, Group	2012	2011	2010	2009	2008
Premium income, SEK M [1]	4,319	13,048	12,893	11,879	10,722
Net profit for the year, SEK M	4,872	–13,063	3,716	18,106	–30,126
Collective consolidation, %	111	109	107	107	105
Solvency ratio, %	113	111	141	137	114

[1] In accordance with Insurance Sweden's definition.

CREDIT RATING

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

[1] Pertains to the company's covered bonds.
[2] pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.

Contents

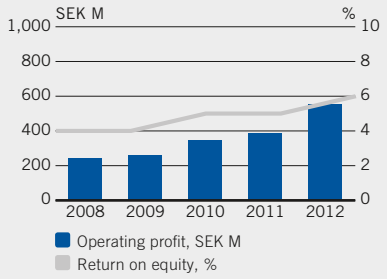
Introduction
2 Statement by the President
4 About Länsförsäkringar AB
6 Business activities
7 Organisation and facts
8 Owner control

Sustainability report
10 Sustainability at Länsförsäkringar
12 Social responsibility
13 Community engagement
14 Employees
16 Environment
18 GRI index

Financial statements
20 Board of Directors' Report
31 Corporate Governance Report
38 Five-year summary
39 Consolidated financial statements and notes
86 Financial statements and notes for the Parent Company
101 Audit report

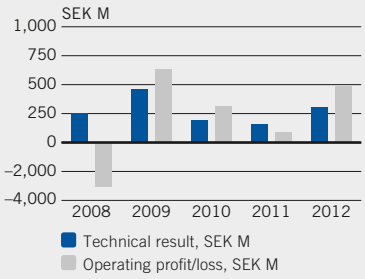
Other information
102 Board of Directors and auditors
104 Group management
106 Definitions
107 Summary of the Life Assurance Group's income statement and balance sheet
108 Financial calendar 2013
109 Addresses

Operating profit and return on equity, Länsförsäkringar Bank, Group



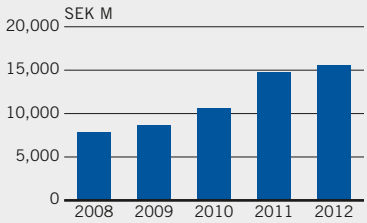
Operating profit in 2012 rose 44% to SEK 556 M and the return on equity amounted to 6%. The average return on equity in the past five years is 4.8%.

Profit/loss Länsförsäkringar Sak, Group



The Länsförsäkringar Sak Group reported strong earnings in 2012. The improvement was due to lower claims costs and higher investment income.

Solvency capital, Länsförsäkringar AB, Group



Solvency capital strengthened as a result of the positive trend in operating profit. A new share issue of SEK 3 M took place in 2011, which strengthened solvency capital.

STATEMENT BY THE PRESIDENT

Strong earnings and stable growth

The Länsförsäkringar AB Group's performed strongly during the year and substantially improved its earnings. Along with the new share issue from the owners, the earnings improvement strengthens its capital situation and creates opportunities for continued investments in banking and insurance.

Political and financial turmoil in Europe and the US dominated the financial markets and slowed global economic growth in the in 2012. The slowdown in Europe eventually affected strong economies like Sweden as well. The downturn prompted the Riksbank to lower its repo rate on several occasions during the year. Interest rates will remain at abnormally low until we see lower unemployment and a stable upswing in the economy.

Swedish interest rates were so low in the summer that the Swedish Financial Supervisory Authority decided to introduce a temporary floor for the discount rate for life-assurance companies. In mid-February, the Authority announced that the temporary floor had been extended until the end of the year, and would subsequently be replaced by a rate based on the new solvency regulations. The Authority's adjustments of the discount rate to future regulations create clarity and enable the industry to take a long-term approach, which is positive for our customers.

The stock market rose in the third quarter of 2012 and risk willingness returned. The upswing was attributable to the stimulus measures by the US Federal Reserve, which provide a counterbalance to the uncertainty surrounding the handling of the fiscal cliff in the US, a hard landing in China and the financial crisis in Europe. Accordingly, it was generally a positive year for the stock markets and high investment income led to a favourable trend for many of our funds and unit-linked insurance investors.

Strong earnings

The Länsförsäkringar AB Group performed strongly in 2012 and substantially improved its earnings through to improved net interest income, a more favourable claims trend and high investment income. The bank continued its strong performance with stable growth and improved profitability. The loan portfolio has maintained high credit quality and loan losses in the banking operations are low. Non-life insurance is a relatively mature market that is growing slowly and where expansion is primarily taking place in animal and health insurance. Länsförsäkringar AB reported stable growth and favourable profitability in these growth markets in 2012. Since the acquisition of Länsförsäkringar Fondliv, the focus has been on developing the combined life-assurance and pension offering. In 2012, the Länsförsäkringar Fondliv's premium income increased more than 30%.

Development and service

One of Länsförsäkringar AB's tasks is to manage the Länsförsäkringar Alliance's joint development activities and provide service to the regional insurance companies. In 2012, we delivered just over 50 projects that provided value for the regional insurance companies and our customers. In the spring, we launched My Firm, a straight-forward product package that simplifies life for our business customers. Personal Investment Plan, which ensures that customers receive sound advice, clear documentation and high-quality meetings, was introduced at year-end. During the year, customers were also able to access more services via mobile telephone. Now, for example, they can easily transfer money and pay e-invoices and bills to bank or plus giro accounts. At the end of January 2013, Länsförsäkringar won the award for best mobile app at the Web Service Award, demonstrating our skill at prioritising and developing smart solutions based on customer requirements and needs.

Prepared for regulatory changes

In the aftermath of the most recent financial crisis, banking and insurance regulations were tightened and expanded on many points. These are essentially positive measures that will lead to a healthier financial sector. At the same time, we are concerned about the cost impacts as the level of detail in the rules grows. In insurance, the forthcoming Solvency II rules entail significant adjustments. We are now making the necessary adjustments to further strengthen our internal governance and control. Over the past five years, we have successively strengthened our risk control, regulatory compliance and internal audit functions.

The regulatory changes also entail stricter capital requirements in banking and

insurance. For our insurance operations, we are planning to utilise the partial internal models to calculate capital requirements. The Financial Supervisory Authority is in the process of reviewing our models, the aim which is to make the capital requirements fairer and better adapted to our operations than if they are calculated using the standard formula under the rules.

Our owners, the 23 regional insurance companies, have a very high level of capitalisation which they have maintained for many years. This provides great security for the Group at a time of stricter capital requirements. The Länsförsäkringar AB Group needs sufficiently strong capitalisation, but can also rely on the financial strength of its owners and their capital contributions if required.

In January 2013, the owners decided to contribute SEK 500 M to strengthen our financial base for continued investments in banking and insurance. The issue will also strengthen Länsförsäkringar Bank's capital base for the purpose of meeting the new capital adequacy requirements that are being imposed on leading Swedish banks.

Most satisfied customers

Länsförsäkringar's top ranking in the Swedish Quality Index's customer satisfaction survey for banking and insurance is reflected in the sharp increase in business volumes in both unit-linked insurance and banking. Our market-leading position in non-life insurance and a stable increase in premiums earned are also testimony to the strength of our brand. In 2012, the Reputation Barometer again revealed that we have the highest reputation among financial brands in Sweden. We are perceived to be secure and stable, particularly in times of uncertainty. The fact that the regional insurance companies are owned by their customers is also a source of stability and long-term strength. Respect for customers' security is the sole interest governing the business, which ensures a long-term approach.

Challenges going forward

Länsförsäkringar finds itself at an exciting development stage. As a whole, we have a broad offering in banking, insurance and real-estate brokerage services that creates a sense of security for our customers. As usual, we will continue to develop our offering based on our customers' needs. Similar to our competitors, efficiency and professionalism are critical to an attractive customer offering. We will continue to develop a profitable bank by encouraging more customers to choose more banking products. We are carrying out an extensive campaign to be our business customers' best occupational pension partner through a strong fund selection and unique view of advisory services. Going forward, we are focusing on generating high returns for traditional life-assurance customers. With a modified offering adapted to the economic climate and the regulations we currently follow, we can create opportunities for better long-term returns.

Stockholm, March 2013

Sten Dunér
President, Länsförsäkringar AB

ABOUT LÄNSFÖR-SÄKRINGAR AB

A strong, joint hub creates local success

Länsförsäkringar AB and its subsidiaries are tasked 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, to create opportunities for the regional insurance companies to be successful in their respective markets.

Länsförsäkringar AB is the hub of the Länsförsäkringar Alliance and is wholly owned by the regional insurance companies, together with 14 local insurance companies. The regional insurance companies impose demands on capital use and a reasonable return on equity corresponding to 5% over risk-free interest rate. In 2012, the return on equity (ROE) amounted to 4.7%. In addition to the Parent Company, Länsförsäkringar AB, the Group encompasses Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv and its subsidiaries are not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders.

Together we create security

Länsförsäkringar AB has worked for many years on vision and value-based planning of the operations. The vision and values serve as guiding principles for all operations in the Group. The vision is a description of how Länsförsäkringar AB wants things to be in the world in which it operates. The vision is "together we create security."

With almost 6,000 employees, the Länsförsäkringar Alliance is working to provide financial security for 3.5 million customers. Länsförsäkringar exists to create a sense of security for our customers no matter what their needs – from buying a home, non-life insurance, pension, banking services and mortgages to various types of savings. The Länsförsäkringar Alliance's success is built on local presence and extensive experience.

The values describe how Länsförsäkringar AB employees are expected to relate to each other and to customers in order to fulfil the vision and achieve the objectives. Länsförsäkringar AB's common values are trust, commitment, openness and professionalism.

Mission

The jointly owned company Länsförsäkringar AB is tasked with conducting profitable business activities in non-life insurance, life assurance and banking services, developing products, concepts, meeting places and tools, and providing business services to the regional insurance companies. This ensures that the regional insurance companies can offer their customers the right range of products and enables private individuals, companies and agricultural customers in Sweden to live with a sense of security.

Economies of scale – the large scale in the small through Länsförsäkringar AB

Cooperation in the Länsförsäkringar Alliance has gradually emerged. The local companies decided to cooperate together to achieve economies of scale and concentrate on what's most important: meeting with customers. Instead of developing these resources at local level, the regional insurance companies can share expenses in such areas as product and concept development, IT operations and management and brand communication. The separation between the 23 regional insurance companies and Länsförsäkringar AB creates a clear focus for each party. Länsförsäkringar AB creates the conditions for the regional insurance companies to be more effective in their roles. Economic efficiency is a basic prerequisite for this. That is why certain non-life insurance operations are best suited to a joint concession. This interface does not affect customer relations, which are managed by the respective regional insurance company in the same manner as a local bank or insurance company. This is the foundation of the Länsförsäkringar concept. For customers, Länsförsäkringar is always close at hand with local decision-making. This is rooted in a local presence and decision-making powers: – experience has proven that local decision-making authority, combined with shared strengths, creates substantial value-added for customers.

Governance of risk-taking and capital use

Business activities are conducted to generate a profit so that the company can pay competitive returns on equity, including a risk premium over the risk-free interest rate. All capital not required for Länsförsäkringar AB's operations is returned over time to the owners in the form of dividends. The Group's capital situation in relation to its combined risks forms the basis of decisions on potential dividend payments. Länsförsäkringar AB endeavours to maintain a balance between capital strength and risk-taking to justify a minimum credit rating of A.

Governance of risk-taking and capital use is a priority for the Group. The banking operations already have targets for risk-based capital strength in the form of a Tier 1 ratio target. In recent years, the non-life insurance operations and entire Group have started applying risk-based capital strength targets more clearly in their internal governance. These targets are set taking into account internal assessments of the risk level of various operations, current and future legal requirements and the view of rating agencies. Additional steps are being planned to more systematically govern risk-taking in the business activities based on how it affects the Group's capital use. The purpose is to increase the chances of achieving sufficient returns on equity by closely controlling risk-taking and improving the governance and planning of the Group's capital use.

Almost two thirds of the Länsförsäkringar Alliance's capital, excluding the capital in Länsförsäkringar Liv, which belongs to policyholders, is invested in the regional insurance companies. Accordingly, the Group's capital strength is evaluated based not only – on its own situation but also the capital strength of the regional insurance companies. Rating agencies and other stakeholders have that approach. The regional insurance companies are extremely well consolidated and thus are well-positioned to contribute capital to the Group. This was demonstrated by Länsförsäkringar AB's acquisition of Länsförsäkringar Fondliv in 2011, which the regional insurance companies enabled by contributing SEK 3 billion to Länsförsäkringar AB.

At Länsförsäkringar AB's Extraordinary General Meeting in January 2013, the owners resolved to implement a new share issue of SEK 500 M. The reason for the new share issue is to strengthen the company's financial base for continued investments in banking and insurance. The issue will also strengthen Länsförsäkringar Bank's capital base for the purpose of meeting the new capital adequacy requirements being imposed on leading Swedish banks.

BUSINESS ACTIVITIES

Non-life insurance

Länsförsäkringar Sak is responsible for the non-life insurance operations, including animal and crop insurance, which have been assigned to Länsförsäkringar AB by the regional insurance companies. Its role is to complement the companies' offering with specialist products to meet customer needs and to start new businesses that can be channelled through the regional insurance companies. This business enables the regional insurance companies to offer customers a broad range of insurance for people, animals and property, and obtain sound reinsurance coverage through joint group cover and pool solutions.

The animal insurance operations are conducted in the subsidiary Agria Djurförsäkring and the Länsförsäkringar Alliance's reinsurance solutions are managed jointly by Länsförsäkringar Sak, which is also where internationally assumed reinsurance is underwritten. Of the Länsförsäkringar Alliance's combined premiums earned of SEK 19,363 M, premiums earned from the non-life insurance operations in Länsförsäkringar AB amounted to SEK 3,940 M.

Banking

Länsförsäkringar Bank offers banking services to private individuals, agricultural customers and small businesses. Sales, advisory services and customer service are carried out through the regional insurance companies as well as online and by telephone. Deposits and certain lending operations are conducted by the Parent Company, while most of the lending and funding operations are conducted through the subsidiary Länsförsäkringar Hypotek. The subsidiary Länsförsäkringar Fondförvaltning provides mutual funds. The subsidiary Wasa Kredit offers financing services to corporate customers and private individuals – primarily leasing, renting and hire purchase. According to the 2012 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied retail banking customers for the eighth consecutive year. The number of Länsförsäkringar Bank customers rose 7% to 954,000. Business volumes in the banking operations increased 13% to SEK 283 billion.

Life-assurance and pension insurance

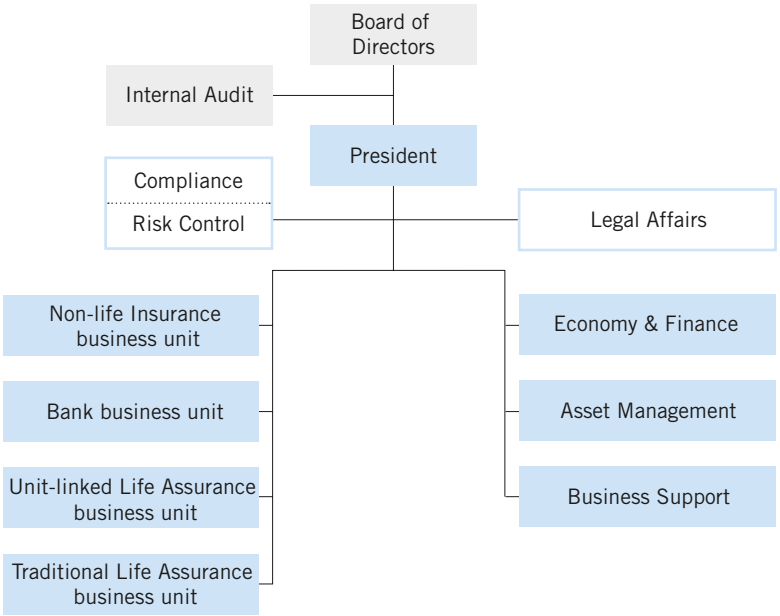
Länsförsäkringar AB's acquisition of Länsförsäkringar Fondliv in autumn 2011 laid the foundation for a future focus on pension solutions for companies and private individuals. Länsförsäkringar Fondliv offers unit-linked insurance and Guarantee Management. Länsförsäkringar offers 30 of its own funds and about 45 external funds. The former are found in Länsförsäkringar's own mutual fund company and are managed by external managers. The unit-linked life assurance company manages SEK 63 billion on behalf of life-assurance and pension insurance customers.

No new insurance policies under traditional management were underwritten by Länsförsäkringar Liv from September 6, 2011. The main exceptions are collective agreement pensions, for which Länsförsäkringar Liv has entered into agreements with pension selection centres. Investments are normally made in interest-bearing securities, equities, properties and alternative investments. In 2012, Länsförsäkringar Liv continued its work on safeguarding investors' money and the investment portfolio was redistributed. The percentage of interest-bearing investments was gradually increased as equities, properties and alternative investments were divested. Länsförsäkringar Liv and its subsidiaries are not consolidated in the consolidated financial statements, since the company's earnings accrue in their entirety to the policyholders.

For a more detailed description of the operations, refer to the Board of Directors' Report on pages 22–28.

ORGANISATION AND FACTS

ORGANISATIONAL CHART – LÄNSFÖRSÄKRINGAR AB



SHAREHOLDERS IN LÄNSFÖRSÄKRINGAR AB

	Number of shares			
Company	**A**	**B**	**C**	**Share of equity, %**
Länsförsäkringar Skåne	141,849	771,722	–	9.7
Länsförsäkringar Stockholm	129,212	748,237	–	9.3
Länsförsäkringar Östgöta	114,155	583,063	–	7.4
Dalarnas Försäkringsbolag	104,708	517,570	–	6.6
Länsförsäkringar Älvsborg	100,176	514,862	–	6.5
Länsförsäkringar Göteborg och Bohuslän	87,010	515,041	934	6.4
Länsförsäkringar Bergslagen	86,351	434,137	–	5.5
Länsförsäkringar Jönköping	82,812	419,680	–	5.3
Länsförsäkringar Uppsala	73,298	376,193	–	4.8
Länsförsäkringar Västerbotten	57,195	290,232	–	3.7
Länsförsäkringar Södermanland	58,117	285,932	–	3.7
Länsförsäkringar Halland	56,785	285,258	–	3.6
Länsförsäkringar Göinge-Kristianstad	49,982	286,011	–	3.6
Länsförsäkringar Gävleborg	60,058	270,352	–	3.5
Länsförsäkringar Kalmar län	56,717	261,469	–	3.4
Länsförsäkringar Västernorrland	50,186	244,134	–	3.1
Länsförsäkringar Skaraborg	64,058	222,213	–	3.0
Länsförsäkringar Jämtland	35,795	199,055	–	2.5
Länsförsäkring Kronoberg	36,701	179,725	–	2.3
Länsförsäkringar Värmland	31,160	179,433	–	2.2
Länsförsäkringar Norrbotten	16,960	113,586	–	1.4
Länsförsäkringar Blekinge	23,088	106,487	–	1.4
Länsförsäkringar Gotland	16,305	64,816	–	0.9
14 local insurance companies	–	–	4,439	0.05
Total number of shares	**1,532,678**	**7,869,198**	**5,373**	**100.0**

SHARE TREND, LÄNSFÖRSÄKRINGAR AB

SEK	**2012**	**2011**	**2010**	**2009**	**2008**
Equity per share	1,479	1,403	1,356	1,279	1,186

OWNER CONTROL

Internal owner control in the Länsförsäkringar Alliance is part of a multi-faceted interaction between the regional insurance companies. The regional insurance companies are simultaneously members of a federation, principals and users of Länsförsäkringar AB's services, distributors of Länsförsäkringar AB's products and owners of Länsförsäkringar AB.

In the interaction between the regional insurance companies, owner control not only involves controlling the joint operations, but also ensuring that all regional insurance companies assume their share of the responsibility for the development of the operations in which they have jointly invested. The development of the joint business and growth plans in recent years has made owner control of the regional insurance companies vis-à-vis Länsförsäkringar AB a higher priority. Owner control has become an increasingly important element of the interaction between the regional insurance companies.

Foundations of owner control

Länsförsäkringar AB is a limited liability company and the parent company of a financial group, with shares owned individually in various holdings by the 23 regional insurance companies and 14 local insurance companies. Each of the regional insurance companies, as an owner, is responsible for ensuring that well-functioning owner control is in place vis-à-vis Länsförsäkringar AB. The boards of directors of the regional insurance companies are formally responsible for owner control.

Based on the federal organisation and purpose of the ownership of Länsförsäkringar AB, the regional insurance companies have created joint forms of owner control. Forms that comply with the requirements usually imposed on owner control and that at the same time take into account the federal conditions of the cooperation between the companies.

Owner control at Länsförsäkringar AB has clear advantages compared with the many larger financial groups. This is because all the regional insurance companies have the same ownership purpose are active and collectively have the financial capacity to ensure long-term ownership.

Owner-control logic

The logic behind owner control centres on the relationship between the boards of the regional insurance companies, Länsförsäkringar AB's Annual General Meeting, the regional insurance companies' owner consortium and Länsförsäkringar AB's Board of Directors. Formal owner control takes place through the Annual General Meeting, although the regional insurance companies' owner consortium and their representation on Länsförsäkringar AB's Board are also important components. The duties of the Annual General Meeting are formally governed by law and the Articles of Association. The duties of the consortium are governed in the regional insurance companies' consortium agreement.

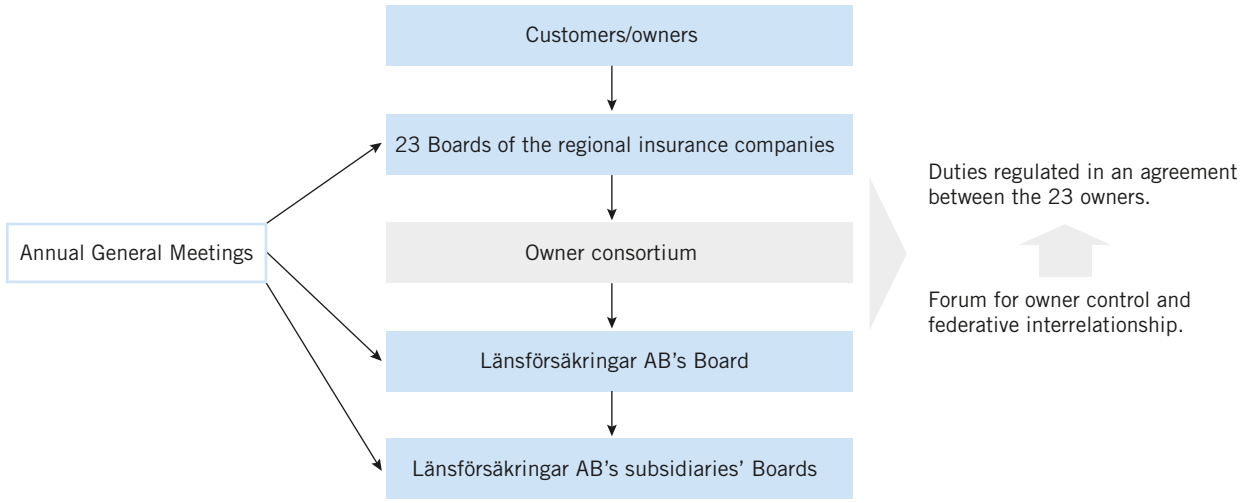
Länsförsäkringar AB's Board is elected by the General Meeting, which comprises representatives of all shareholders. The Board is elected based on a process controlled by the owners through a Nomination Committee appointed by the General Meeting. The Nomination Committee's composition, mandate period and so forth are governed by the Articles of Association. The Chairman of the consortium is responsible for the process of renewing the Nomination Committee.

The primary task of the Nomination Committee is to propose the election of members to the Board of Directors of Länsförsäkringar AB. Accordingly, the Nomination Committee lays the foundation for control of Länsförsäkringar AB's operations. As part of its role, the Nomination Committee represents the owners and their intentions with Länsförsäkringar AB, and ensures that Länsförsäkringar AB's Board is staffed with the right expertise.

The task delegated by the owners' to the Nomination Committee is documented in a separate instruction adopted by the General Meeting. It is important that there is a clear boundary between the Nomination Committee and the Board. The Nomination Committee works independently from the Board on behalf of the owners. At the same time, interplay between the Nomination

OWNER CONTROL IN THE LÄNSFÖRSÄKRINGAR ALLIANCE

Owner control mainly concerns the relationship between the Boards of the regional insurance companies, Länsförsäkringar AB's Annual General Meeting, and the regional insurance companies' owner consortium and Länsförsäkringar AB's Board of Directors. The owner consortium is not a legal entity but has a central role in this interrelationship.



Committee and the Chairman of the Board is important to maintain process quality and avoid polarisation. One example is the Board's annual evaluation of its work. The evaluation is documented and provided to the Nomination Committee and thereby also comprises the basis of the Nomination Committee's evaluation of the Board.

Länsförsäkringar AB's Board serves as the representative of the owners within the framework of the owners' intentions. Länsförsäkringar AB's Board pursues the strategies and targets agreed on by the owners, thus performing the owners' assignments. At the same time, Länsförsäkringar AB's Board has a major responsibility for safeguarding the capital invested in Länsförsäkringar AB by the regional insurance companies. The regional insurance companies' assignment to Länsförsäkringar AB's Board is decided by the consortium and documented in, for example, the Länsförsäkringar Alliance's governance documents. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.

SUSTAINABILITY REPORT

Sustainability at Läns-försäkringar

"Long-term work with sustainability issues is not merely a chosen strategy for the local customer-owned, regional insurance companies and jointly owned Länsförsäkringar AB – it is an expression of who we are and a natural part of our operations."

STEN DUNÉR,
President Länsförsäkringar AB

BACKGROUND

Financial, environmental and social sustainability has always been a natural part of Länsförsäkringar's operations rather than a chosen strategy. This applies to all 23 customer-owned companies that jointly own Länsförsäkringar AB – the entire operations, with the single purpose of creating individual security for its customers and owners. Security involves more than preventing non-life insurance claims: it is just as much a question of financial security in the event of property damage or loss and respect for our banking customers' personal finances, and a the quality of life and comfortable retirement of life-assurance and pension insurance customers. A great commitment is involved, with the additional goal of reducing risks and creating security in the environments where these people live and work. Länsförsäkringar has a history of commitment that does not always demand something in return, where local efforts are not only designed to benefit local customers, but also the community at large.

Reporting in accordance with GRI guidelines

Länsförsäkringar AB reports its long-term efforts with social, environmental and economic sustainability issues in accordance with Global Reporting Initiative (GRI) standards. The Global Reporting Initiative (GRI) is a voluntary framework for sustainable development reporting.

The contact person for the report is Pär Hjärtström, Corporate Communications, par.hjartstrom@lansforsakringar.se.

Ethical guidelines

Länsförsäkringar AB operates in distinctively trust-based industries and complies with ethical guidelines adopted by the Board of Directors. All employees must therefore act in a manner that earns the long-term trust and respect of customers, employees, government authorities and other stakeholders. The definition of ethical values may change over time. Ethical standards are based on common sense and good judgement. If an action or decision can be openly reported to employees, customers, government authorities and others, chances are it complies with the ethics and moral values in society.

A customer-owned corporation provides longevity

The only principal of the regional insurance companies is their cutomers Concepts such as Respect and the Customer have always been natural implications of what the regional insurance companies are: customer-owned companies with the sole purpose of creating individual security for their customers and owners. Customer value is always the guiding principle. While customers are not the only stakeholders, the sole purpose is to provide the most stable and secure operations possible for customers. Operations are based on a true customer focus, combined with sound business practices. Länsförsäkringar has a history where commitment and respect do not always require something in return, but where the aim is to benefit society at large. This naturally makes us a stable and secure player. One example is that Länsförsäkringar Bank and its subsidiaries have never needed government support or tapped the state garanteed funding programme. None of Länsförsäkringar AB's companies received any government support during 2012.

SOCIAL RESPONSIBILITY

Increasing security and reducing claims shows respect for our customers' money

Everyday commitment comprises the entire operations from non-life insurance to pension savings and banking services. With 700,000 non-life insurance operations divided between three million customers, claims prevention is one of our most important tasks. Länsförsäkringar creates long-term security for its policyholders, bank customers and pension savers. Conditions vary within the broad-based banking and insurance operations, but the goal, is always the same: to provide for financial security for individuals and companies. The regional insurance companies work closely with their own customers and Länsförsäkringar AB to create the right conditions.

Claims prevention efforts show respect for customers' money

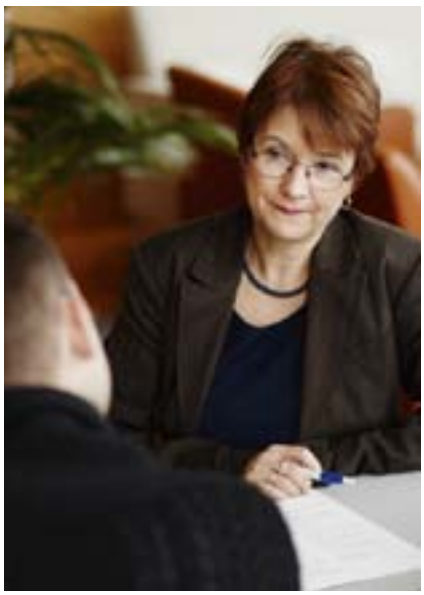
The Länsförsäkringar Alliance devotes substantial effort to claims prevention. This is also a natural consequence of what Länsförsäkringar represents. The local regional insurance companies are owned by their non-life insurance customers, which, in practice means that the capital belongs to their customers. By reducing claims costs, premiums can be kept to a minimum. In the areas of fire and water, claims prevention efforts have been ongoing for many years by the regional insurance companies and jointly through Länsförsäkringar AB. Joint efforts are aimed at lobbying authorities and professional associations to formulate building regulations to increase fire and water-damage safety. Länsförsäkringar AB works in a similar manner with road safety. Preventing claims also plays an important role in environmental practices.

Mitigating financial crime

Security for Länsförsäkringar AB is an explicit priority and comprises information security, IT security, operational risk, continuity planning and physical security. All employees must comply with clearly defined laws, regulations and procedures. They undergo training, primarily through e-learning and the intranet, but also in the form of targeted training periods. Länsförsäkringar conducts continuous training programmes in security and money laundering to raise awareness of financial crime risks and how to manage them.

Länsförsäkringar Bank conducts extensive work to minimise the banking operations' risk of exposure to, or being exploited for, financial crime. The banking operations analyse risks in this area on a regular basis. Transactions are monitored actively to detect money laundering and the funding of terrorist activities. Other types of attempted fraud, such as credit card fraud, are also monitored. Employees report non-compliances or deviations via a joint reporting system.

Länsförsäkringar Bank participates in the Swedish branch of ECPAT, which aims to monitor and stop payments for child pornography via the Swedish payment system.



Community engagement

The regional insurance companies have been firmly committed to the development and growth of local communities for many years. All regional insurance companies assist and work actively with organisations, clubs, associations, sports clubs and the business sector. Security is the very foundation of Länsförsäkringar's operations. Our long-held aim is to create individual security by offering insurance. But at the same time, an important part of our work has involved minimising risks and creating security where people live and work. Efforts that benefit not only Länsförsäkringar's customers but society as a whole. Examples include road safety and health promotion efforts as well as active environmental and climate initiatives at local and national levels. Länsförsäkringar takes an active role in claims prevention, which helps to reduce both claims costs and carbon emissions. In addition to specific claims-prevention measures, active prevention work is conducted in the community with the purpose of creating the best possible living conditions for the people in the county. Respect for the local community is also demonstrated by a long-term respect for pension savers' money and local modifications of the banking offering. Long-term efforts are also contributing to research that aims to increase personal security and reduce risks in society.

COMMUNITY ENGAGEMENT – BEST PRACTICES

The Länsförsäkringar Alliance can show many examples of activities designed to benefit the local community and its citizens, including:

Environmental work on Gotland

In partnership with Reagro, Länsförsäkringar Gotland launched a recycling service for agricultural customers in 2012. In the new arrangement, farmers are paid for scrap but have to pay for hazardous waste. In 2012, 88 orders were received and 194 tonnes of scrap, 1.2 tonnes of hazardous waste and nearly 10,000 litres of waste oil were collected.

You decide what your head is worth

Some of the claims-prevention activities by Länsförsäkringar Västerbotten are directed at young moped drivers. The strategy for improving moped safety is to increase the use of helmets, and ensure they are worn correctly. Based on research published by Hjärnfonden (the Brain Fund), the company has produced an information kit entitled "You decide what your head is worth" to explain why wearing a helmet, and choosing the right helmet for the right activity, is so important. The information kit is used in schools and driving courses to encourage more people to wear helmets.

Neighbourhood watch in multi-family dwellings

Länsförsäkringar Halland took an active role in the "Neighbourhood Watch in Multi-Family Dwellings" research project. When Halmstad University evaluated the impacts of the project, crime levels had fallen by 37% and 23% in the participating districts, which is higher than in each of the municipalities and Sweden in general. The project, which is unique in Sweden, was named Best Swedish Crime Prevention Project in 2012 and in December, received an honourable mention and was ranked second among entries from 22 countries in the European Crime Prevention Award 2012 (ECPA).

Fire safety in Västerbotten!

Prior to 2012, the board of Länsförsäkringar Västerbotten decided that the company would contribute to raising awareness about fire safety in the home. A wide range of activities under the "Fire safety in Västerbotten" umbrella garnered enthusiasm in Västerbotten – from tips and recommendations on TV to a fire alarm concert at the opera house in Umeå.

Our heart beats for Gotland

Over the past few years, Länsförsäkringar Gotland has actively participated in the "Heartbeat for Gotland" project aimed at increasing access to heart defibrillators and raising knowledge of cardiopulmonary resuscitation (CPR). More than 2,000 people from Gotland have received training as a result of the project. Some 90% of parishes on Gotland already own, or have initiated efforts to acquire, their own defibrillator. All personnel at Länsförsäkringar Gotland have participated in training, and there are defibrillators at all branches.

EMPLOYEES

Clear focus on the business and core values

Länsförsäkringar AB works pro-actively with a clear business focus, combined with the will to constantly improve and simplify daily procedures. Through regular monitoring, reflection and feedback on performance, the goal is to work together to achieve a culture permeated by Trust, Commitment, Openness and Professionalism.

Leadership and performance

Länsförsäkringar AB has worked with performance management and a clear focus on the business and core values for many years. The aim is to drive and develop employee performance in the short and long term. To further improve performance, the focus in 2012 was on clear leadership that, utilises the potential of each employee and drives performance in an optimal manner. To succeed in these efforts, managers have proceeded from a special working model based on some ten different activities that have proved successful in coaching performance. Employees receive regular feedback to help them achieve the goals in their personal goal contract.

The working model for performance coaching was continuously monitored in the autumn of 2012. Employees evaluated their manager based on the activities identified as successful. The results showed a gradual improvement in performance management throughout the organisation.

Health

Maintaining a good health and a positive working environment is essential for improving performance. Employees have the opportunity to exercise for an hour a week during working hours. A major project, involving the renovation of the fitness facility, where employees can participate in a range of activities, was implemented in the spring of 2012. In the company's view, physical activity at work increases efficiency and improves social cohesion, and investing in health makes Länsförsäkringar more attractive as an employer. It also helps to reduce sickness absence.

All employees have health care insurance that provides rapid access to specialised care. Medical advice and follow-ups are provided through the sickness reporting service and managers can receive professional advice regarding rehabilitation for employees, if required.

Gender equality

Länsförsäkringar AB promotes gender equality in the workplace. The initial goal is to create a more even gender distribution among managers at all levels. The current distribution is 60% men and 40% women. Various activities for securing a better balance have been identified, and this focus will intensify in coming years. The target figure for 2015 is 50% men and 50% women in corporate management as well as at department and Group management level. Länsförsäkringar AB has been nominating candidates to Ruter Dam, an executive development and mentor programme for women in management, for several years. The programme contributes to Länsförsäkringar AB's goal of increasing the number of women in management who accept executive positions in the company.

Focus on internal mobility and skills

Länsförsäkringar AB and the 23 regional insurance companies offer a large internal labour market and provide career development opportunities for employees. During the year, about 500 vacant positions were advertised internally in the Länsförsäkringar Alliance. Greater internal mobility is a strategic focus for Länsförsäkringar AB, and internal procedures and working practices are in place. From the company's perspective, the aim is to create a corporate culture that stimulates internal mobility and develops individuals and the organisation. In our efforts to meet future changes and the increasing demands of the economic environment and to support the regional insurance companies' development and service operations, competencies are a constant concern.

Länsförsäkringar AB provides joint training activities for the Länsförsäkringar Alliance. These primarily comprise diploma courses in banking, life-assurance and non-life insurance. Some 150 training courses commenced in 2012. A total of 9,000 training days and 700 tests were implemented.

Leadership courses are offered as part of the company's own training activities and the European Alliance Partners Company (Eurapco). Senior-level managers and specialists are nominated for these training programmes every year.

Strong employer brand

Länsförsäkringar was awarded "The Insurance Industry's Most Attractive Employer" title for the tenth consecutive year by a healthy margin. The award was based on the 2012 Corporate Barometer survey of economics students conducted by Universum. No other insurance company was among the top 100.

This is proof of a strong employer brand. Länsförsäkringar offers banking, insurance and real-estate brokerage services. For current and potential employees, this presents major opportunities for development in a diversity of professions.

In marketing itself as an attractive employer, Länsförsäkringar utilises social media, where students are active in their free time and when seeking employment. The communication channel for this target group is a career page on Facebook and Careerbook. The 23 regional insurance companies have many local partnerships with universities and colleges, which also strengthens the employer brand in the recruitment market.

EMPLOYEE STATISTICS LÄNSFÖRSÄKRINGAR AB GROUP INCLUDING LÄNSFÖRSÄKRINGAR LIV

Employees	2012	2011
Permanent employees, total	1,510	1,538
of whom men	673	691
of whom women	837	847
Permanent employees recruited during the year	111	134
Permanent employees who have left and now work at another company in the Länsförsäkringar Alliance	11	8
Permanent employees who left during the year	115	86

100% of employees have collective agreements, except for corporate management who form an independent category.
The minimum period of notice for changes in the operations is not regulated in the collective agreement.
Länsförsäkringar AB complies with the Swedish Employment (Co-determination in the Workplace) Act.

Age range, all employees	2012	2011
0–30 years of age	129	120
31–40 years of age	418	413
41–50 years of age	515	528
51–60 years of age	374	375
61–	74	102
Average age, women	44	45
Average age, men	45	46

	2012		2011	
Age range, managers	Female managers	Male managers	Female managers	Male managers
0–30 years of age	2	1	1	1
31–40 years of age	19	25	16	27
41–50 years of age	35	40	36	46
51–60 years of age	19	31	19	33
61–	2	4	4	3
Total	**77**	**101**	**76**	**110**
Total	**178**		**186**	

Average age, managers	2012	2011
Women	46	46
Men	46	46

	2012		2011	
Gender distribution among management and Board	Women	Men	Women	Men
President	3	8	3	7
Management teams [1]	20	41	19	39
Board members [2]	19	53	21	64

[1] Includes union representatives.
[2] Board members including union representatives.

Sickness absence, %	2012	2011
Total sickness absence as a percentage of ordinary working hours	2.3	2.6
Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more	36.3	34.9

Sickness absence by gender, %	2012	2011
Men	1.4	1.4
Women	3.1	3.6

Sickness absence by age category, %	2012	2011
Up to age 29 years of age	2.9	4.2
30–49 years of age	2.2	2.1
50 years of age or older	2.4	3.2

Total sickness absence, %	2012	2011	2010	2009	2008
	2.3	2.6	2.5	2.5	3.4

ENVIRONMENT

Environmental consideration: part of sustainable enterprising

Länsförsäkringar AB works continuously to reduce the environmental impact of its offices and business activities. Extensive activities have been initiated to reduce paper-based communication to customers – while simultaneously improving the quality of information.

Länsförsäkringar AB contributes to strengthening regional insurance companies' efforts to reduce the number of claims and minimise the effects of incurred damage. Damage that does not occur has no environmental impact. Another important role is to provide customers with information regarding the possible environmental impact of Länsförsäkringar's operations. Commitment to environmental issues contributes to a more ecologically sustainable society.

Emissions of environmentally harmful substances

Any kind of damage to the environment, that can be avoided is important. Every case of damage impacts the environment in the form of energy consumption, mitigation, transport, material use and waste. According to Länsförsäkringar's calculations, water damage results in 300 kg of carbon dioxide emissions. Transport accounts for approximately 80 kg, dehumidification for 10 kg and the manufacturing and handling of materials for 210 kg. Accordingly, helping customers to avoid damages is an important environmental measure. Länsförsäkringar has calculated that approximately 25 tons of carbon dioxide are emitted when a house burns down. In addition to atmospheric emissions from the fire, environmentally hazardous substances are released into soil and nearby watercourses from the firewater used to extinguish the blaze. Länsförsäkringar conducts joint damage prevention efforts through Länsförsäkringar AB. The purpose is to strengthen Länsförsäkringar's role in a sustainable society and contribute to the development of the local community through greater security and less damage.

Insurance products for a non-toxic environment

Länsförsäkringar AB has developed and provided recycling insurance for the agriculture sector for several years. This insurance reduces the amount of environmentally harmful waste and scrap generated by agriculture. In 2012, approximately 389 tonnes of hazardous waste and 5,306 tonnes of scrap and plastic from agricultural and rural properties were recycled. Furthermore, Länsförsäkringar offers wind-farm insurance, which includes the recycling of wind-power turbines when they are no longer in use.

Supporting research

The Foundation for Regional Insurance Companies' Research Fund provides financial assistance for scientific research into everyday security. Since the early 1990s, the Research Fund has financed almost 160 research projects for a combined total of about SEK 90 M, in such areas as road safety, crime prevention, health and welfare, climate, the environment, fire, forests, agriculture and product recycling.

Travel and resource consumption

Länsförsäkringar AB measures carbon dioxide emissions from business-related travel and from electricity and heat consumption generated by the branches. The electricity used has been designated a Good Environmental Choice by the Swedish Society for Nature Conservation. Video conferences are used as an alternative to travelling, which saves both working hours and the environment. The branches use district heating and properties are certified according to Green Building, since they consume 25% less energy than the current standard for new construction in line with the Swedish National Board of Housing, Building and Planning's construction regulations. One of the properties has also received an Environmentally Classified

Carbon dioxide emissions from business-related travel	2012	2011
Road and air	617 tonnes CO_2	601 tonnes CO_2

Energy consumption in Länsförsäkringar AB's office properties	2012	2011	Renewable resource
Electricity	6,931 Mwh 59,929 kg CO_2	7,166 Mwh 60,397 kg CO_2	100% (Good Environmental Choice)
Heating	2,623 Mwh 207,217 kg CO_{2ekv}	2,536 Mwh 200,344 kg $CO_{2\ equiv}$	86% (District heating)

Source-sorted materials from the office properties (the large volumes are presented here)
All waste is sorted and collected for recycling of materials or energy

Combustible	Glass containers	Paper	Electronics	Metal	Corrugated cardboard	Waste food that is converted to biogas
28,320 kg	1,409 kg	99,507 kg	5,180 kg	2,669 kg	21,144 kg	82,246 kg (waste food is weighed from 2012)

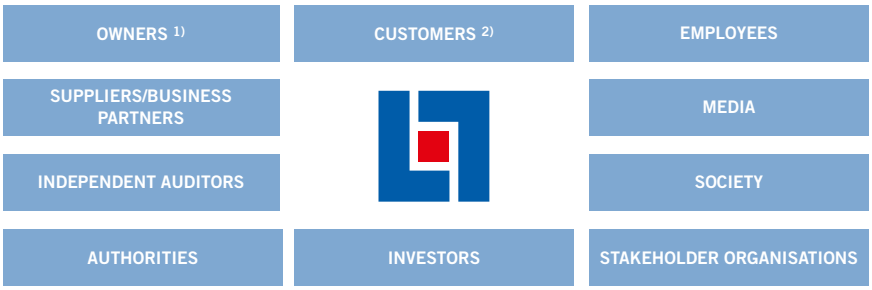
Building certificate and obtained an overall Silver rating. All waste is separated and primarily recycled. As an insurance and banking company, Länsförsäkringar is a major consumer of paper and in less than one year, sends more than 72 million sheets of paper to its customers. Länsförsäkringar AB has set a multi-year target to reduce the volume of paper-based communication with customers.

Sustainable environmental efforts

Länsförsäkringar has held ISO 14001 environmental management system certification for many years. This is a guarantee that systematic and long-term environmental activities are carried out. Regular audits of environmental practices ensure that these efforts are continuously developed. Focus areas include increasing digital communication, thereby reducing paper-based communication with customers, and that all purchasing and procurement by Länsförsäkringar AB places environmental requirements on the product or service being purchased. By demanding environmental compliance, the market is driven to meet these requirements and Länsförsäkringar contributes to a better environment and better future health.

Länsförsäkringar AB's stakeholders

Several groups are particularly interested in how Länsförsäkringar AB conducts its operations. The illustration shows the company's main stakeholders, chosen on the basis of their influence. By engaging in dialogue with stakeholders, Länsförsäkringar AB can raise its knowledge of external expectations and expand its business.



1) 23 regional insurance companies.
2) Customers in regional insurance companies and in Länsförsäkringar AB's subsidiaries.

LÄNSFÖRSÄKRINGAR INVESTS RESPONSIBLY

Through Länsförsäkringar Fondförvaltning, Länsförsäkringar invests in a large number of companies all over the world. Those with operations that are integrated with finance, the environment and social issues will prove the best investments over time. Working with responsible investments is based on the same core values adopted by the Swedish government in the international conventions signed by Sweden in such areas as the environment, human rights, child labour, labour laws, corruption and inhumane weapons. In this responsible investment work, the fund company cooperates with an external analysis firm. Companies subject to lobbying do not respond and/or do not perform in the desirable manner are, divested and placed on the fund company's black list. External managers engaged by the fund company are not permitted to invest in blacklisted companies. Companies remain blacklisted until they can prove that breaches of conventions have ceased and that they have introduced a sufficiently strong policy. Another option is to immediately divest the holding without engaging in any dialogue. At present, the fund company has decided to exclude all companies involved in the production of nuclear weapons, cluster bombs and landmines.

ABOUT THE 2012 SUSTAINABILITY REPORT

Länsförsäkringar AB's Sustainability Report pertains to the 2012 fiscal year. This is the second year Länsförsäkringar has applied the GRI's Sustainability Reporting Guidelines, Version G3.0. The information in the Sustainability Report has not been audited by a third party, but Länsförsäkringar AB deems that the information in the 2012 Annual Report and Sustainability Report complies with Application Level C of the GRI Guidelines.

Länsförsäkringar AB's intention is that the 2012 Sustainability Report and Annual Report will provide a fair indication of Länsförsäkringar AB's social, environmental and economic performance and earnings. The disclosures in the Sustainability Report have been chosen on the basis of an analysis of the issues that are most significant for the operations, the factors that Länsförsäkringar measures and can report and the information that identified stakeholders are expected to request.

Unless otherwise stated, the disclosures apply to the entire Länsförsäkringar AB Group. No adjustments have been made to previously collected data, nor any changes to the measurement methods, scope and boundary compared with the preceding year. In 2012, there were no incidents or deviations from current legislation that resulted in significant fines or non-monetary sanctions against Länsförsäkringar AB.

The table below includes the standard disclosures that are mandatory for Application Level C, all key performance indicators for GRI's G3 protocols, additional indicators and indicators for the GRI Financial Services Supplement (FSSS) against which Länsförsäkringar AB reports.

	Standard disclosures/performance indicators	Page reference	Reported/ Partially reported
1.	**STRATEGY AND ANALYSIS**		
1.1	President and CEO's statement about the organisation and its strategy.	2–3, 10	■
1.2	Description of key impacts, risks, and opportunities.	2–3, 12, 16	■
2.	**ORGANISATIONAL PROFILE**		
2.1	Name of the organisation.	20	■
2.2	Primary brands, products and/or services.	6, 22–28	■
2.3	Operational structure of the organisation.	7, 20	■
2.4	Location of organisation's headquarters.	109	■
2.5	Number of countries where the organisation operates.	22–23	■
2.6	Nature of ownership and legal form.	4, 7–8, 31	■
2.7	Markets served.	22–28	■
2.8	Scale of the reporting organisation.	Inside cover, 1, 4, 6, 38	■
2.9	Significant changes during the reporting period.		■
2.10	Awards received in the reporting year.	3, 6, 15	■
3.	**REPORT PARAMETERS**		
Report Profile			
3.1	Reporting period.	18	■
3.2	Date of most recent previous report.	18	■
3.3	Reporting cycle.	18	■
3.4	Contact point for questions regarding the report.	11	■
Report scope and boundary			
3.5	Process for defining report content.	18	■
3.6	Boundary of the report.	18	■
3.7	Specific limitations on the scope or boundary of the report.	18, 42–44	■
3.8	Basis for reporting on other entities.	18, 42–44	■
3.10	Explanation of any restatements provided in earlier reports.	18	■
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	18	■
Assurance			
3.12	Table identifying the location of the Standard Disclosures in the report.	18–19	■
3.13	Policy and current practice with regard to seeking external assurance for the report.	18	■

	Standard disclosures/performance indicators	Page reference	Reported/ Partially reported
4.	**GOVERNANCE, COMMITMENTS AND ENGAGEMENT**		
Governance			
4.1	Governance structure of the organisation.	8, 31–33	■
4.2	Indicate whether the Chair of the Board is also an executive officer.	34	■
4.3	The number of members of the Board that are independent and/or non-executive members.	32, 36	■
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board.	32, 103	■
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to the economic, environmental and social performance.	8, 11	■
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives.	11, 31	■
4.13	Memberships in associations and/or national/ international advocacy organisations.	12	■
Stakeholder engagement			
4.14	List of stakeholder groups.	17	■
4.15	Basis for identification and selection of stakeholders.	17	■

INDICATORS

	ECONOMIC PERFORMANCE INDICATORS		
EC 1.	Direct economic value generated and distributed.	40–41	■
EC 2.	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	16	■
EC 3.	Coverage of the organisation's defined benefit plan obligations.	79	■
EC 4.	Significant financial assistance received from government.	11	■
EC 6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		■
EC 7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	14–15	■
EC 8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		■
EC 9.	Understanding and describing significant indirect economic impacts, including the extent of impacts.	12, 16	■

Standard disclosures/performance indicators		Page reference	Reported/ Partially reported
ENVIRONMENT PERFORMANCE INDICATORS			
EN 1.	Materials used by weight or volume.	16	Partially reported
EN 2.	Percentage of materials used that are recycled input materials.	16	Not reported
Energy			
EN 3.	Direct energy consumption by primary energy source.		Not relevant due to operations and/or geographic presence
EN 4.	Indirect energy consumption by primary energy source.	16	Reported
EN 5.	Energy saved due to conservation and efficiency improvements.	16	Partially reported
EN 6.	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	16	Partially reported
EN 7.	Initiatives to reduce indirect energy consumption and reductions achieved.	16	Partially reported
EN 8.	Total water withdrawal by source.		Not relevant due to operations and/or geographic presence
Biodiversity			
EN 11.	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		Not relevant due to operations and/or geographic presence
EN 12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		Not relevant due to operations and/or geographic presence
Emissions, effluents and waste			
EN 16.	Total direct and indirect greenhouse gas emissions by weight.	16	Reported
EN 17.	Other relevant indirect greenhouse gas emissions by weight.	16	Reported
EN 18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	16	Partially reported
EN 19.	Emissions of ozone-depleting substances by weight.		Not relevant due to operations and/or geographic presence
EN 20.	NO, SO, and other significant air emissions by type and weight.		Not relevant due to operations and/or geographic presence
EN 21.	Total water discharge by quality and destination.		Not relevant due to operations and/or geographic presence
EN 22.	Total weight of waste by type and disposal method.	16	Partially reported
EN 23.	Total number and volume of significant spills.		Not relevant due to operations and/or geographic presence
Products and services			
EN 26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	16–17	Reported
EN 27.	Percentage of products sold and their packaging materials that are reclaimed by category.		Not relevant due to operations and/or geographic presence
Compliance			
EN 28.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	18	Reported
SOCIAL PERFORMANCE INDICATORS			
Labour practices and decent work			
LA 1.	Total workforce by employment type, employment contract, and region.	15	Reported
LA 2.	Total number and rate of employee turnover by age group, gender, and region.	15	Partially reported
Labour/Management Relations			
LA 4.	Percentage of employees covered by collective bargaining agreements.	15	Reported
LA 5.	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	15	Partially reported
Occupational health and safety			
LA 7.	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.	15	Reported
LA 8.	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		Not relevant due to operations and/or geographic presence
Training and education			
LA 10.	Average hours of training per year per employee by employee category.	15	Reported
LA 11.	Programs for skills management and lifelong learning.	14–15	Partially reported
LA 12.	Percentage of employees receiving regular performance and career development reviews.	14	Reported

Standard disclosures/performance indicators		Page reference	Reported/ Partially reported
Diversity and equal opportunity			
LA13.	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	15	Reported
LA 14.	Ratio of basic salary of men to women by employee category.		Not reported
Human rights			
HR 1.	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		Not reported
HR 2.	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		Not reported
Non-discrimination			
HR 4.	Total number of incidents of discrimination and actions taken.		Not reported
Freedom of association and collective bargaining			
HR 5.	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		Not relevant due to operations and/or geographic presence
HR 6.	Operations identified as having significant risk for incidents of child labour, and measures taken.		Not relevant due to operations and/or geographic presence
HR 7.	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken.		Not relevant due to operations and/or geographic presence
Community			
SO 1.	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		Not relevant due to operations and/or geographic presence
SO 2.	Percentage and total number of business units analysed for risks related to corruption.		Not reported
Corruption			
SO 3.	Percentage of employees trained in organisation's anti-corruption policies and procedures.	12	Partially reported
SO 4.	Actions taken in response to incidents of corruption.		Not reported
Public policy			
SO 5.	Public policy positions and participation in public policy development and lobbying.		Not reported
Compliance			
SO 8.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	18	Reported
Customer health and safety			
PR 1.	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		Not relevant due to operations and/or geographic presence
Product and service labelling			
PR 3.	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		Not reported
PR 4.	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.		Not reported
Product development			
PR 5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	3, 6	Partially reported
Marketing communications			
PR 6.	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		Not reported
Compliance			
PR 9.	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	18	Reported
FSSS			
FS 8.	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	17	Partially reported
FS 13.	Access points in low-populated or economically disadvantaged areas.	7, 11	Partially reported

Legend:

- Reported
- Partially reported
- Not reported
- Not relevant due to operations and/or geographic presence

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President of Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, hereby submit the Annual Report and consolidated financial statements for the 2012 fiscal year.

Ownership and Group structure

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies and 14 local insurance companies. In addition to the 23 regional insurance companies, the Länsförsäkringar AB Group, including the Länsförsäkringar Liv Group, comprises the Länsförsäkringar Alliance.

Länsförsäkringar AB is the Parent Company of Länsförsäkringar Sak Försäkrings AB (referred to below as Länsförsäkringar Sak) with subsidiaries, Länsförsäkringar Bank AB (referred to below as Länsförsäkringar Bank) with subsidiaries and Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) (referred to below as Länsförsäkringar Fondliv).

Länsförsäkringar Liv and its subsidiaries are wholly owned by Länsförsäkringar AB but are not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders.

Focus of operations

Länsförsäkringar AB has three primary tasks: to conduct business activities in non-life insurance, life assurance and banking services; to provide business services to the regional insurance companies in areas in which economies of scale and efficiency arise, and to conduct Länsförsäkringar's joint strategic development activities.

The business activities are carried out in the Non-life Insurance, Banking, Unit-linked Life Assurance and Traditional Life Assurance business units, whose task is to conduct business and assume responsibility for direct product-related support for the regional insurance companies. The financial control of the business units is primarily based on the owners' yield requirements and risk tolerance. The business activities are conducted to generate a profit, so that the company can pay a competitive return on equity. Business service and Länsförsäkringar's joint development activities are conducted in the support functions of the Business Service unit. The accounting, capital planning and Group controller functions are part of the Finance unit. The Asset Management unit manages the Group's and Länsförsäkringar Liv's investment portfolios.

Significant events during the year

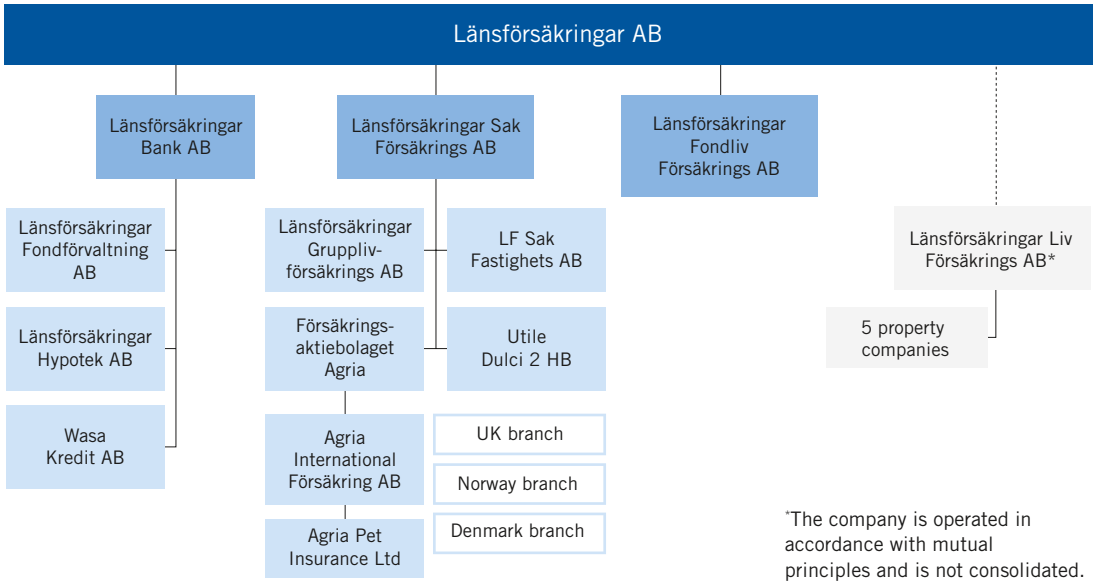
Länsförsäkringar AB established a Swedish MTN programme with a loan framework of SEK 2.5 billion. The MTN programme gives the company the option of issuing bonds in EUR and SEK with accruing and fixed interest in the capital market. On October 10, 2012, SEK 2.2 billion had been subscribed for by various players.

In connection with the issue, Länsförsäkringar AB repaid a loan of SEK 1.8 billion.

Significant events after balance-sheet date

At the Extraordinary General Meeting of Länsförsäkringar AB held on January 23,

Länsförsäkringar AB Group structure, December 31, 2012



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

2013, the owners resolved to implement a new share issue of SEK 500 M, meaning that the owners, i.e., the regional insurance companies and local insurance companies, will contribute capital. The reason for the new share issue is to strengthen Länsförsäkringar AB's financial base for continued investments in banking and insurance. The issue will also strengthen Länsförsäkringar Bank's capital base for the purpose of meeting the new capital adequacy requirements being imposed on leading Swedish banks.

Future outlook

Developments in the financial sector bring demands for greater efficiency, low risks and higher capital adequacy, as well as more stringent reporting and transparency requirements. This is in addition to consumer demand for products that are clearer and less complex, more advisory services and increased accessibility. As a result Länsförsäkringar AB's role and importance in ensuring that the regional insurance companies remain competitive will gradually increase over time.

The keys to success will be profitability, key figures and high credit ratings. Other important success factors will be considerably enhanced IT efficiency and development activities that are not weighed down by high future administrative expenses. In addition, Länsförsäkringar AB must be an attractive employer able to attract the best talent in each generation within each function.

In coming years, legislation from both Brussels and Stockholm is expected to affect requirements and conditions for the financial sector. The status of consumers will be strengthened in several areas, including expanded transfer options for pension capital and requirements for how fees are reported. The documentation of advice to consumers will acquire a greater focus and certain forms of sales will be prohibited – for example, a ban on provision will probably be introduced for insurance brokers. This, in turn, will shift the focus to the financial companies' fees and costs.

Earnings and financial position

Group

2012 was a strong year for the Länsförsäkringar AB Group. Consolidated operating profit amounted to SEK 821 M (287), up SEK 535 M. The improvement in profit was primarily due to higher earnings in the Bank Group, and also improved earnings for the non-life insurance operations and high investment income. The Group's earnings were charged with amortisation and impairment totalling SEK 498 M (418), of which amortisation of intangible assets from the acquisition of Länsförsäkringar Fondliv had an impact of SEK 129 M on earnings.

Operating profit for the banking operations increased SEK 171 M to SEK 556 M (385). The improved earnings were attributable to stronger net interest income due to the increase in both deposit and loan volumes. In addition, higher lending margins boosted net interest income.

Operating profit for the non-life insurance operations improved to SEK 486 M (88). Lower claims costs in the health insurance and reinsurance business areas and high investment income were the drivers behind the significantly improved earnings. The improved earnings in health insurance were primarily attributable to higher earnings in accidents and run-off gains in group life assurance.

Länsförsäkringar Fondliv contributed SEK 128 M (59) to the Group's earnings. Comparative figures pertain to two months. Intense focus on developing the life-assurance and pension offering led to higher expenses during the year.

The total return for 2012 was 3.6% (5.9). The fixed-income portfolio accounted for the largest positive contribution during the year. The favourable trend for non-government bonds contributed one percentage point to the returns for the year. Strategic positions, which at year-end amounted to about 46% of investment assets, contributed one percentage point and investments in hedge funds contributed 0.5 percentage points.

Länsförsäkringar Sak manages the entire claims annuities operation for the Länsförsäkringar Alliance. The indexed cash flows of claims annuities operations are measured at market value by discounting the nominal interest rate in accordance with the instructions of the Swedish Financial Supervisory Authority. For the past two years, liabilities have been hedged by using Swedish real return bonds to manage the interest-rate risk that arises from discounting liabilities.

During 2012, the interest rate fell approximately 10 basis points, compared with the interest-rate decline of 100 base points in 2011. In addition to the change in interest rates, compensation for inflation was significantly higher in 2011 compared with 2012. This provides an overall explanation as to why the total return including real return bonds was higher in 2011 compared with 2012. The total return, excluding real interest rate hedges, amounted to 4.8% (2.4).

The Länsförsäkringar AB Group's total assets increased to SEK 290,994 M (253,223). Shareholders equity amounted to SEK 13,913 M (13,198). Solvency capital totalled SEK 15,589 M (14,800) and the solvency margin amounted to 388% (369).

Parent Company

The Parent Company reported a profit of SEK 198 M (473) after financial items and a profit of SEK 204 M (476) after tax. Operating income of SEK 2,462 M (2,524) primarily comprised service income from consultancy activities in the support functions of IT, development and service. Earnings of SEK 271 M (627) included dividends of SEK 347 M (138) from the subsidiaries. The impairment of the holdings in Länsförsäkringar Liv adversely affected earnings in the amount of SEK 100 M. This impairment loss is the result of reduced synergy effects following the discontinuation of underwriting new insurance policies in Länsförsäkringar Liv. The Parent Company's total assets amounted to SEK 18,022 M (17,903), of which shareholders equity accounted for SEK 13,468 M (13,264).

Proposed appropriation of profit

Consolidated non-restricted equity amounted to SEK 8,176 M. There is no requirement for a provision for restricted reserves. According to the statement of financial position for Länsförsäkringar AB, non-restricted equity totalling SEK 7,726,488,686 is at the disposal of the Annual General Meeting. The Parent Company's non-restricted equity does not include any unrealised gains.

The Parent Company's non-restricted equity comprises	
Share premium reserve, SEK	3,972,647,642
Retained earnings, SEK	3,549,744,667
Net profit for the year, SEK	204,096,377
Non-restricted equity, December 31, 2012, SEK	**7,726,488,686**

The Board of Directors proposes that SEK 7,726,488,686 of the unappropriated earnings in the Parent Company be carried forward, of which SEK 3,972,647,642 to the share premium reserve.

NON-LIFE INSURANCE BUSINESS OPERATION

In 2012, business was underwritten in the areas of health, health care, accident, property, cargo and liability insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (motor third-party liability insurance and motor-hull insurance). Länsförsäkringar Sak also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance. Run-off transactions for motor third-party liability insurance underwritten up to and including 2003 are managed by Länsförsäkringar Sak. As of 2004, this type of business is underwritten by the regional insurance companies. Claims annuities operations are also conducted in conjunction with run-off motor third-party liability insurance. Länsförsäkringar Sak's subsidiary Agria Djurförsäkring is specialised in animal and crop insurance, with a stict focus on and involvement with animals and their owners. Agria International, a subsidiary of Agria Djurförsäkring, has the task of establishing and conducting the Agria concept in foreign markets. Agria International is established in the UK, Norway and Denmark. The subsidiary Länsförsäkringar Gruppliv underwrites group life assurance and employment group life assurance. Non-life insurance is divided into the following business areas: Agria Djurförsäkring (animal insurance), BA Health, BA Commercial and BA Reinsurance.

Earnings and profitability

Operating profit strengthened to SEK 486 M (88), due to a strong technical result and high investment income. The combined ratio improved 4 percentage points to SEK 97 (101). This year-over-year improvement is due to strong earnings in BA Health and run-off gains in accident insurance. Premiums earned after ceded reinsurance rose 0.5% to SEK 4,024 M (4,004). Premiums earned for Agria International declined due to discontinued portfolios, with increases primarily in Agria Djurförsäkring. Growth was achieved with higher profitability since claims costs were lower than the preceding year, despite higher volumes.

Market and business volumes

The non-life insurance market is a relatively mature market that is growing slowly. Growth was primarily noted in animal insurance, accident and health insurance and motor-hull insurance.

Partnerships between banks, other organisations and companies, and investments in online and mobile solutions characterise the Swedish non-life insurance market. The main purpose of these activities is to strengthen distribution volumes and better reach customers in situations where insurance solutions are needed. Market competition is intense and cost reductions are a key to maintaining competitive strength. Claims adjustment and claims services have become a prioritised area partly to enhance efficiency, which reduces costs, but also to improve quality and the customer experience, by providing customers with value other than the lowest price amid intense price pressure.

Agria Djurförsäkring

Agria Djurförsäkring is a market leader in Sweden, with a market share of 58%. Premiums earned for own account in animal insurance amounted to SEK 1,999 M (1,916) and the technical result improved to SEK 70 M (77). Operating profit strengthened to SEK 96 M (79). The international business continued to grow in Norway and Denmark, while premiums earned in the UK declined following a discontinuation of external portfolios.

The business area for dogs, cats and other small animals continued to grow and had a successful year. Horse insurance is Agria´s most cyclical market, with a slightly declining portfolio. In contrast to the market trend, however, Agria is continuing to take market share in the segment. Horse insurance reported favourable earnings, largely due to a major focus on operating expenses and a stable claims cost level.

Sales in Denmark more than doubled compared with 2011. In the UK branch, a number of measures were implemented during the year to improve profitability, including a discontinuation of external portfolios. This is paving the way for strong, stable future profitability. Agria Dyreforsikring is a leader in animal insurance in Norway. In 2012, the Norwegian market faced rapidly rising costs for veterinary care, which had a negative impact on earnings.

BA Health

Länsförsäkringar is increasing both premium volumes and the number of policies in personal-risk insurance. The accident and health insurance market is expanding, increasing 7% during the year. The market share for Länsförsäkringar Sak in accident and health insurance is stable at about 20% and continues to lead the health care insurance market. Premiums earned for own account in BA Health amounted to SEK 992 M (969) and profit totalled SEK 137 M (108). The improved earnings were primarily attributable to strong earnings in accidents and run-off gains in group life assurance.

In BA Health, the introduction of a new generation of group insurance policies was the first step toward modernising the market. The aim is to create policies that are better tailored to current society. In 2012, a more comprehensive health care insurance was developed. The already popular health care insurance was expanded to include preventive health services in the form of a health profile, self-help programme and personal counselling for managers and

employees. Work-oriented rehabilitation and treatment for addiction and substance abuse will also be included in the insurance. This health care insurance supports employees in improving their health and helps companies reduce sickness absence rates. The health insurance market is constantly growing, although the pace of growth has now levelled off and according to the latest survey was 7.9%.

BA Commercial

Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers with specialised liability, cargo, motor-hull and property insurance solutions. Premiums earned amounted to SEK 553 M (645), down 14.3% compared with the preceding year. The decline is mainly a result of more intense competition in liability insurance. Earnings strengthened to SEK 65 M (57). The commercial insurance market is sensitive to the economic slowdown with premiums that, in many cases, are based on a company's sales and are currently at relatively low levels. Although volumes in the cargo insurance market remained unchanged, Länsförsäkringar Sak´s portfolio rose more than 10% in 2012. New competition among cargo market players has temporarily stalled and pressure on prices has eased slightly.

In liability insurance, intense competition continues and companies that previously focused strictly on industrial clients alone are now cultivating the same market as Länsförsäkringar Sak.

The interests of the Länsförsäkringar Alliance's corporate customers in Sweden are increasingly international and demand for commercial insurance solutions is increasing among new and existing customers. Through the International Network of Insurance (INI), Länsförsäkringar is one of the few companies in the Swedish market to, offer customised and local insurance solutions in more than 100 countries at competitive prices.

BA Reinsurance

BA Reinsurance in Länsförsäkringar Sak manages the Länsförsäkringar Alliance's reinsurance cover through a number of pool solutions and joint group insurance cover, as well as assumed international reinsurance. Premiums earned amounted to SEK 478 M (473) and earnings improved substantially to SEK 51 M (1). The price level in international catastrophe insurance was market-adjusted following the high number of claims in 2011, and premium increases prior to 2012 had a distinctly positive impact on earnings. The largest single claims were related to Hurricane Sandy, which hit the East Coast of the US in October, and drought-devastated maize and soybean crops in the US during the summer.

Compared with 2011, 2012 was a calmer year for the reinsurance market and profitability was favourable for reinsurance companies. While sharp premium increases were introduced for claims-afflicted reinsurance contracts prior to 2012, the market was more stable prior to 2013. Hurricane Sandy is estimated to have cost insurance companies as much as USD 25 billion. The extent of the damage is sufficient to impact pricing in the reinsurance market outside the US. Internal reinsurance in the Länsförsäkringar Alliance and jointly procured reinsurance are a major asset for Länsförsäkringar and its customers. It ensures a stable, low-cost solution by distributing risk in the Länsförsäkringar Alliance and underwriting external cover for large claims.

Asset management

Due to an efficient and competitive management model that takes account for Länsförsäkringar Sak's risk level, investment assets provide a stable return with favourable profitability over time. During the year, risk in the portfolio remained low, with most of the total market risk in interest-bearing assets. The total return amounted to 3.7% (6.0). The fixed-income portfolio accounted for the largest positive contribution, 1.8 percentage points. The favourable trend for non-government bonds made a strong contribution to returns for the year, the contribution to the total return was 0.7 percentage point. Strategic positions, which at year-end amounted to about 56% of investment assets, contributed 1.3 percentage points. Investments in hedge funds contributed 0.4 percentage points. The total return excluding liability hedges amounted to 5.2% (6.4).

Non-life insurance

- **Operating profit amounted to SEK 486 M (88).**
- **The technical result rose to SEK 304 M (159) primarily attributable to reduced claims costs.**
- **Premiums earned increased to SEK 4,024 M (4,004).**
- **The combined ratio was 97% (101).**

BANK BUSINESS OPERATION

Länsförsäkringar is the fifth largest retail bank in Sweden, with business volumes of SEK 283 billion and 954,000 customers. The strategy, which has not been changed since 2000 – a few years after the bank was founded in 1996 – is to offer attractive banking and insurance services to the regional insurance companies' 3.5 million customers. The prioritised target groups are the 2.9 million home-insurance customers. The offering to agricultural customers and small businesses is continuously being enhanced. The success of the strategy is based on Länsförsäkringar's strong brand and customer ownership values.

Länsförsäkringar has Sweden's most satisfied retail bank customers for the eighth time in nine years, according to the Swedish Quality Index. Länsförsäkringar also has Sweden's most satisfied retail mortgage customers for the eighth consecutive year, according to the Swedish Quality Index.

The number of Länsförsäkringar Bank customers rose 7% to 954,000 (889,000). The number of customers with Länsförsäkringar as their primary bank increased 14% to 290,000 (255,000), and of these customers 93% (93) already have an insurance policy with Länsförsäkringar. The number of products per customer rose to 4.8 (4.7).

Earnings and profitability

Profit before loan losses increased 49% to SEK 647 M (434) and operating profit rose 44% to SEK 556 M (385). Return on equity strengthened to 6.3% (4.8).

Operating income increased a total of 24% to SEK 1,882 M (1,520), a result of improved net interest income. Net interest income increased 20% to SEK 2,071 M (1,728), attributable to improved lending and deposit volumes as well as higher lending margins. The investment margin strengthened to 1.11% (1.07). Net interest income was charged with SEK 65 M (56) for fees to the stability fund. Net gains from financial items amounted to SEK 5 M (10). Commission income rose 4% to SEK 984 M (948). Commission expense amounted to SEK 1,369 M (1,364).

Operating expenses rose 14% to SEK 1,235 M (1,086), attributable to higher IT administrative expenses and other volume-based costs. The cost/income ratio before loan losses strengthened to 0.66 (0.71) and the cost/income ratio after loan losses strengthened to 0.70 (0.75).

Loan losses remain low at SEK 91 M (48), net, corresponding to loan losses of 0.06% (0.04). Reserves totalled SEK 325 M (284), corresponding to an unchanged provision ratio of 0.21%. Impaired loans amounted to SEK 298 M (233) and the percentage of impaired loans was 0.19% (0.17).

Market and business volumes

Deposits from the public increased 26%, or SEK 12 billion, to SEK 62 billion (50). The market share strengthened to 4.3% (3.8) in 2012 and the share of market growth was slightly more than 10%, according to data from Statistics Sweden. The volume of managed funds rose 5%, or SEK 3 billion, to SEK 70 billion (67), primarily attributable to value appreciation. Loans to the public rose 12%, or SEK 16 billion, to SEK 150 billion (134). Retail mortgages in Länsförsäkringar Hypotek increased 14%, or SEK 12 billion, to SEK 101 billion (89). All loans are granted in Sweden and in SEK. The market share for household deposits and retail mortgages strengthened to 4.9% (4.6) in 2012. The loan portfolio, totalling SEK 150 billion (134), has a favourable geographic distribution and maintains high credit quality. A total of 88% (81) of the portfolio comprises household credits. Most of the total portfolio, 71% (72), pertained to retail mortgages, of which 80% (80) comprised collateral in single-family homes and 20% (20) tenant-owned apartments. First-lien mortgages for agricultural properties rose 22% to SEK 17 billion (14) and agricultural loans increased a total of 15% to SEK 19 billion (17). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 86% (82) of agricultural loans, and the average agricultural commitment amounted to SEK 1.7 M (1.6).

Funding

Debt securities in issue rose 13%, or SEK 13 billion, to SEK 114 billion (101), of which covered bonds amounted to SEK 91 billion (86). The Bank Group has a low refinancing risk, and long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Covered bonds issuance totalled a nominal value of SEK 29 billion (27) and repurchased covered bonds a nominal value of SEK 16 billion (12). Covered bonds that matured during the year amounted to a nominal amount of SEK 7 billion (8). Financing is also conducted through Länsförsäkringar Bank's funding programmes. Covered bonds with a nominal value of SEK 11 billion (7) were issued under the MTN programme. The maturity structure of the Bank Group's funding is highly diversified.

Liquidity

The liquidity reserve had a nominal value of SEK 37 billion (30) at December 31, 2012. All liquidity is invested in Swedish securities with high credit quality. A total of 77% of the liquidity reserve comprises Swedish covered bonds with a credit rating of AAA /Aaa, 18% Swedish government bonds, 4% other Swedish bonds and 1% German government securities. The liquidity of the investments is high and all securities included in the liquidity reserve are eligible for transactions with the Riksbank. By utilising the liquidity reserve, contracted undertakings for 18 months can be met without new funding in the capital market.

The Bank Group's Liquidity Coverage Ratio (LCR) averaged 248% during the fourth quarter of 2012. The LCR in EUR amounted to 158% on December 31, 2012.

Capital adequacy

The Bank Group applies the Internal Ratings-Based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposures 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. The Standardised Approach continues to be applied to exposures to central governments, local governments, county councils, institutions and off-balance sheet items. On December 31, 2012, 88% of the loan portfolio comprised retail credits in accordance with the Advanced IRB Approach. The Core Tier 1 ratio according to Basel II strengthened to 13% (12). The capital base strengthened to SEK 7,546 M (6,686) and the capital adequacy ratio according to Basel II was 16% (14). Tier 1 capital amounted to SEK 6,612 M (5,747) net, and the Tier 1 ratio according to Basel II strengthened to 14% (12).

Bank

- **According to the Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank and mortgage customers.**
- **Operating profit rose to SEK 556 M (385), attributable to a higher net interest income.**
- **Deposits rose to SEK 62 billion (50) during the year and the market share increased to 4.3% (3.8).**
- **The number of customers increased to 954,000 (889,000) and business volumes rose to SEK 283 billion (251).**

LIFE-ASSURANCE AND PENSION INSURANCE BUSINESS OPERATIONS

Unit-linked insurance

Länsförsäkringar Fondliv offers unit-linked insurance and Guarantee Management in life assurance. Unit-linked insurance is Länsförsäkringar's first choice since new sales under traditional management were discontinued. During the year, Fondliv focused on sales activities and product development to assume responsibility for Länsförsäkringar's combined pension offering.

Earnings and profitability

Profit for Länsförsäkringar Fondliv totalled SEK 128 M (297). The decline from the preceding year was primarily due to higher operating expenses and a positive nonrecurring effect of the dissolution of previously reserved tax of SEK 118 M in 2011. The higher operating expenses were mainly attributable to nonrecurring expenses for developing the life-assurance and pension offering, but also increased expenses for regulatory adjustments. Most of Fondliv's premiums are recognised in the balance sheet. Premium income in the income statement amounted to SEK 20 M (20). The portion of premiums that contain a material insurance risk are recognised as premium income. Fees for the financial component of agreements are recognised as fees from financial agreements. The fees rose 9% compared with the preceding year to SEK 431 M (397) and management remuneration rose 11% compared with the preceding year to SEK 426 M (385). The increase was due to the higher fund values during the year as a result of increased premiums and positive returns.

Market

New sales in the life-assurance market declined during the year. The reason was the Investment Savings Account (ISK) introduced at the start of the year as an alternative to endowment insurance, which affected many unit-linked insurance companies active in the capital-investment market. Länsförsäkringar focuses on occupational pensions and thus was not affected significantly by the major shift that has taken place from endowment insurance to ISK. A very large portion of Länsförsäkringar's new life-assurance sales is from pension solutions for companies that do not have collective agreements. This is a market with a great need for individual advice. An individual pension analysis is performed, after which the customer receives an offer normally comprising pension savings and various insurance solutions they need to lead a financially secure life. Länsförsäkringar sells proprietary unit-linked insurance solutions through its in-house sales force (including franchisees) and insurance brokers. Länsförsäkringar continued to have the most satisfied customers in the occupational-pension sector for corporate customers, according to the Swedish Quality Index.

The total market share for unit-linked insurance, measured in sales value, amounted to 11.5% (11.0) in 2012. The share of the strategically important sub-market of non-collectively agreed occupational pensions was 17.2% (18.7).

Business volumes

Total premium income for Fondliv amounted to SEK 8,714 M (6,518). The occupational pension product area accounted for 80% of total premiums paid, collective agreement pensions represented 6% and endowment insurance 6%. Capital transfers strengthened premium income by SEK 2,342 M. The proprietary sales channels performed positively compared with the year-earlier period and increased 18%. Sales in the sub-market of non-collectively agreed occupational pensions totalled SEK 7,252 M (7,448).

Guarantee Management

Guarantee Management is Länsförsäkringar's new option for customers seeking a guarantee element to their savings and wishing to know the lowest level of their future payments. The guarantee means that customers are guaranteed to recoup the payments made in the savings but with the possibility of additional returns if they save for at least ten years. The assets of Guarantee Management are divided between equity and fixed-income investments, where the fixed-income element will always be at least 40% and the equities portion may be as low as zero. The Asset Management Unit at Länsförsäkringar AB manages this product.

The return since the product was launched on February 15 to year-end was 2.5%. The fixed-income element during the year comprised Länsförsäkringar Bond Fund and Länsförsäkringar Money Market Fund, and returns benefited from the large holdings of these funds in mortgage bonds.

Länsförsäkringar Fondliv

- **The unit-linked life assurance company manages SEK 63 billion (52) on behalf of life-assurance and pension insurance customers.**
- **Sales amounted to SEK 9 billion, making Länsförsäkringar Sweden's third largest unit-linked insurance company.**
- **Profit for the unit-linked life assurance company totalled SEK 128 M (297).**

In the equities portion, the holdings in Länsförsäkringar USA Index Fund made a stable positive contribution during the year. The portion invested in Länsförsäkringar Growth Market Fund generated a strong contribution to returns towards the end of the year.

Unit-linked insurance

Länsförsäkringar's fund range comprises of Länsförsäkringar's own funds and about 45 external funds. The former are found in Länsförsäkringar's own fund company and are managed by selected external managers. The external funds provide additional breadth and variety in the offering and were chosen because they have posted favourable results compared with other similar funds in the market. Since the discontinuation of traditional management, the fund range has been supplemented by funds with similar orientations and risk levels as traditional management. Three new funds were added in February that can be used as building blocks to create a corresponding management option: Standard Life GARS, Lynx Dynamic and Enter Return. The following funds were launched during the year: GAM Star China, JP Morgan Brazil, JP Morgan US Small, Cap Growth Enter Sweden and JP Morgan Africa. These funds either fill the categories that Länsförsäkringar's fund range had been lacking or supplement the range to offer more choice in a particular category. The vast majority of funds generated a positive trend. More than half of the funds rose more than 10%. Equity funds with investments in Sweden, Europe and emerging markets had the best performance, whereas for fixed-income funds those focusing on loans and mortgage bonds performed the best.

Traditional life assurance

In 2012, work on safeguarding savers' money continued. Länsförsäkringar Liv's key figures were negatively affected by the sharp decline in Swedish market interest rates in 2011. The rate decline impacted the balance sheet, since liabilities to the policyholders are discounted by the market interest rate. Länsförsäkringar Liv's liabilities have a relatively long duration, which means that the impact of the discount is significant.

Turmoil in the financial markets continued in 2012, and the debt crisis in Europe was a centre of focus. Risk willingness declined during the spring and start of the summer, with the Swedish long-term interest rate falling to a historically low level and investors seeking safer investments such as Swedish government bonds. The Swedish Financial Supervisory Authority announced at the start of June that it intended to introduce a floor for the discount rate of life-assurance companies. Following this decision, the long-term Swedish rate rose sharply from very low levels. The interest rate remained volatile during the summer and autumn, yet at low levels.

Following an action plan, Länsförsäkringar Liv continued to reduce risks in the investment portfolio and strengthen key figures. Longer durations in fixed-income investments and successive sales of equities exposure through private equity funds and property exposure led to a further reduction in risks in the investment portfolio. During 2012, investment assets in traditional management mainly comprised long-term interest-bearing assets.

Systematic activities to manage and control the operations' risks were of immediate importance to the company and its customers. These measures also generated the expected positive effects on earnings and key figures. Insurance capital in traditional management will eventually grow at least in line with the guaranteed interest rate. In addition, customers can receive bonuses if the total return is favourable over time. There is a long-term connection between total returns and the ability to offer customers a high bonus rate.

Earnings and profitability

Profit for the Länsförsäkringar Liv Group for 2012 amounted to SEK 4,872 M (loss: 13,063). The positive result was due to positive investment income and reduced technical provisions. Investment income in traditional management was 6.1% (6.5) in 2012. The market interest rate that had an adverse effect on earnings in 2011 fell slightly in 2012, although the impact on earnings was relatively minor. The long-term interest rate trend impacts the earnings of life-assurance companies because liabilities to policyholders are discounted by the market interest rate. Accordingly, falling interest rates mean higher liabilities. In 2012, declining rates could be matched against positive investment income in Länsförsäkringar Liv. This was a deliberate strategy with the investment portfolio being matched at an early stage with liabilities in order to reduce risk when interest rates fell. Returns were positively impacted by a high percentage of fixed-income investments with long maturities. Interest-bearing investments in the form of corporate loans and mortgage bonds yielded healthy returns throughout the year and contributed to a favourable total return. The return on alternative investments also made a contribution, despite representing a small percentage of the portfolio. This strategy has proven successful and generated the results expected based on the prevailing interest rates in 2012.

Total premium income in Länsförsäkringar Liv (Group) amounted to SEK 4,319 M (6,514), down 34%, mainly because all new sales of insurance policies in Länsförsäkringar Liv have been discontinued. Premiums continued to be paid for valid insurance policies, but no new policies were added. An exception to the sales stop was new sales of insurance in risk operations in 2012. The largest decrease in premium payments took place in one-off premiums, while continuous premiums declined less. Claims payments paid amounted to SEK 7,491 M (5,432). Net investment income totalled SEK 7,659 M (4,530). Investment assets according to the balance sheet rose to SEK 126,528 M (117,923) during the year.

The bonus rate in 2012 was 0%. The average bonus rate since Länsförsäkringar's traditional life-assurance operations were started in 1985 is 8.3%.

Key figures for Länsförsäkringar Liv

In 2012, Länsförsäkringar Liv worked actively on strengthening its solvency and reducing the risk of a decline in solvency. For example, the investment portfolio was further matched against liabilities to protect the company's balance sheet from falling interest rates. The solvency ratio shows the value of the company's assets in relation to the guaranteed commitments to customers. Since solvency is one of the company's most important financial restrictions, at lower levels the solvency ratio becomes a measure of the long-term repayment capacity. The measure reflects a situation if the

entire guaranteed capital were to be paid on a single day. Länsförsäkringar Liv's current investment portfolio, of which more than 90% comprises interest-bearing investments, is deemed to contain too low a level of high-yield investments to generate a favourable return over time. Accordingly, the company will continue to prioritise improved key figures.

The solvency ratio amounted to 113% (111) on December 31, 2012. The capital base, the solvency surplus, amounted to SEK 13,969 M on December 31, 2012, an increase of 27% for the year. Meanwhile, the capital requirement totalled SEK 4,527 M, giving a solvency rate of 3.1 (2.4). The strengthening of the capital base was due to the company's positive earnings in 2012, although this increase was reduced by the surplus paid.

Collective consolidation amounted to 111% (109) on December 31, 2012. Collective consolidation is a measurement of a life-assurance company's ability to distribute a bonus. The measurement describes the market value of the company's assets in relation to the guaranteed commitments and the preliminary bonus allocation. The debt coverage ratio for private pensions amounted to 112% (107) and for occupational pensions to 112% (107).

Länsförsäkringar Liv

- **In 2012, Länsförsäkringar Liv continued its work on safeguarding savers' money and the investment portfolio was redistributed.**
- **The solvency ratio was stable during the year and amounted to 113% (111) on December 31, 2012.**
- **The guaranteed bonus rate was 0% for all of 2012 as a precautionary strategy aimed at safeguarding key figures and future bonuses.**
- **The total return in traditional management was 6.1% (6.5).**

OTHER INFORMATION

Risks and risk management

The Länsförsäkringar AB Group's operations give rise to various types of risks. The majority of these risks arise in the Group's subsidiaries. A description of the Group's total risks and how they are controlled and managed is provided in the Group's note 2 Risks and risk management.

The risk scenario was stable in 2012, but with the shift seen for several years where, the banking operations are growing faster than the unit-linked life assurance and non-life insurance operations. The risks that arose directly in the Parent Company were 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.

The Parent Company's interest-rate risk is relatively low since the fixed-interest periods of its funding and investments are short. The maturity periods for loans and investments differ from the fixed-interest periods. A loan of SEK 290 M to Länsförsäkringar Bank has an undetermined term.

The Parent Company's liquidity on December 31, 2012 comprised short-term, interest-bearing investments and cash and cash equivalents totalling SEK 1,392 M (1,452). A benchmark portfolio has been created for the management of the company's financial assets. At year-end, the largest portion w ould be invested in interest-bearing assets and a smaller portion in equities. At December 31, 2012, equity-related assets amounted to SEK 38 M (37).

Employees

Länsförsäkringar AB has worked with performance management and a clear focus on the business and the company's core values for many years. With the aim of further improving performance, the focus in 2012 was on clear leadership that utilises the potential of each employee. To succeed in these efforts, managers have a working model based on a number of activities that have proved successful when coaching performance. Employees receive regular feedback on their performance to help them achieve their personal goals. The results show an upward curve throughout the entire organisation, while the organisation has also introduced joint leadership practices.

The Länsförsäkringar AB Group and the 23 independent regional insurance companies offer a large internal labour market and career development opportunities for their employees. In 2012, about 500 vacant positions were advertised internally in the Länsförsäkringar Alliance. Länsförsäkringar AB's focus was to increase internal mobility. The aim is to create a culture that stimulates internal mobility and develops individuals and the organisation. In our efforts to meet future changes and the increasing demands of the economic environment and to support the regional insurance companies' development and service operations, competencies are a constant concern.

Maintaining a good health and a positive working environment is essential for improving performance. Employees can exercise for an hour a week during working hours and in keeping with the company's basic view is that physical activity at work increases efficiency and improves social cohesion. This investment in health makes Länsförsäkringar an attractive employer. Fitness activities are also to reduce sickness absence. Sickness absence in the Länsförsäkringar AB Group totalled 2.3% (2.6).

All employees have health care insurance that provides rapid access to specialised care. Medical advice and follow-ups are provided through the sickness reporting service and managers can receive professional advice regarding rehabilitation for employees, if required.

Länsförsäkringar AB promotes gender equality in the workplace. The initial goal is to create a more even gender distribution among managers at all levels. The current distribution is 60% men and 40% women. Various activities for securing a better balance have been identified, and this focus will intensify in coming years. The target for 2015 is 50% men and 50% women in corporate management as well as at department and Group management level. Länsförsäkringar AB has been nominating candidates to Ruter Dam, an executive development and mentor programme for women in management, for several years. The programme contributes to Länsförsäkringar AB's goal of increasing the number of women in management who accept executive positions in the company.

Information regarding the average number of employees, salary and remuneration, as well as details of salary and other remuneration to senior executives and auditors' fees, is provided in notes 6 and 7 for the Parent Company and notes 13 and 14 for the Group.

Environment

For the Länsförsäkringar AB Group concern for the environment is important to society's sustainable development. Länsförsäkringar AB's environmental management system has been ISO 14001-certified since 2004 . In 2012, this certification was confirmed by a new certification partner, SFK Certifiering. A new three-year period commenced, with annual follow-up audits that provide opportunities to better adapt operations to environmental considerations. In addition to the audits of Länsförsäkringar AB's environmental practices by SFK Certifiering, the company's internally trained environmental auditors are reviewed as well. All regional insurance companies are also ISO 14001-certified.

The company works continuously to reduce its environmental impact in line with the environmental policy. Areas with a negative impact on the environment have

been identified. Efforts to reduce the environmental impact of the Swedish agricultural sector are continuing. Under Länsförsäkringar's recycling insurance, scrap and environmentally harmful waste generated by agricultural operations are collected for recycling or destruction.

To reduce the environmental impact of business travel, train travel is increasingly used in line with company-wide travel guidelines. To reduce the amount of business travel, investments were also made in technical equipment that allow meetings to be held by telephone, video or online.

Company cars are 100% green, according to the company's definition. The company has also installed charging stations for electric cars in its car parks to stimulate the use of cars that do not operate on fossil fuels.

Another focus area for Länsförsäkringar AB is paper-based communication with customers. Far-reaching efforts were made to analyse how paper-based communication can be changed, resulting in activities that will be implemented in forthcoming years. To reduce the paper consumption, digital solutions are being developed. The online channel also provides major opportunities for reducing paper-based communication, while simultaneously improving the information quality.

A key function that also has an environmental impact is the purchasing of products and services used in operations. According to the company's purchasing policy, the environmental impact of purchasing processes will be minimised. Continuous efforts are taking place to develop environmental standards for all categories of purchasing and procurement.

Länsförsäkringar AB's office properties are environmentally classified as energy-efficient and designed to promote health and sustainability, in line with the Sweden Green Building Council's certification scheme and the Green Building system.

The results of the year's operations and the financial position of the Länsförsäkringar AB Group and the Parent Company at December 31, 2012 are presented in the following financial statements with accompanying notes for the Group and Parent Company.

CORPORATE GOVERNANCE REPORT

Introduction

Länsförsäkringar AB is wholly owned by the 23 customer-owned regional insurance companies, together with 14 local insurance companies. The Länsförsäkringar AB Group comprises the Parent Company Länsförsäkringar AB with a number of directly and indirectly owned subsidiaries. The business operations of the Länsförsäkringar AB Group are those deemed by the Länsförsäkringar Alliance as best suited to be run jointly. Most of the Länsförsäkringar Alliance's development and service activities are coordinated with Länsförsäkringar AB with shared priorities.

Länsförsäkringar AB is a public limited liability company, whose bonds have been listed on Nasdaq OMX Stockholm since November 2012. Länsförsäkringar AB complies, where applicable, with the Swedish Code of Corporate Governance (the Code), effective February 1, 2010. Deviations are primarily because Länsförsäkringar AB is not a stock-market company. Deviations from the provisions of the Code and explanations for such deviations are presented in the Deviations from the Code section.

According to the Code, good corporate governance is assurance that companies are managed in a manner that optimises efficiency for their shareholders. However, good corporate governance is also significant for other company stakeholders, such as customers, bond investors and supervisory authorities.

Description of the corporate governance system

The Länsförsäkringar AB Group has a corporate governance system that aims to ensure satisfactory control and management of the Group and to define the primary components on which control and management are based. The corporate governance system is regulated in the joint Group instructions, which comprise the basic governance documents pertaining to governance and monitoring in the Länsförsäkringar AB Group.

Länsförsäkringar AB's corporate governance model can be described as the framework upon which Länsförsäkringar AB's assignment from the shareholders is put into practice in the form of business activities – or how Länsförsäkringar AB wants to manage and organise the operations within the framework of applicable internal and external regulations. The corporate governance system is based partly on the assignment from the owners, but also risk-based performance management.

The assignment from the owners comprises the regional insurance companies' request for a coherent delivery of the activities within Länsförsäkringar AB and the Länsförsäkringar Alliance's joint strategies, as determined by Länsförsäkringar AB's shareholder consortium.

Risk-based performance management means that Länsförsäkringar AB's operations must be conducted with conscientious risk-taking but without compromising the Länsförsäkringar AB Group's long-term profitability and viability. The risk tolerance established by the Board of Länsförsäkringar AB provides guidance for the operations in regard to the risks that can and cannot be accepted. The risk-based performance management in the Länsförsäkringar AB Group aims to ensure:

- conscious risk-taking within the framework of the risk tolerance established by the Board,
- a culture and environment where management is fully responsible for its operations, including effective internal control, risks, laws and regulations, results and target fulfilment, deviation reports and feedback, and
- a process for business and capital planning that ensures that capital is, and remains, adequate to bear the operation's risks.

On this basis, a vision for Länsförsäkringar AB's operations was formulated and targets are set annually within the framework of the established risk tolerance.

Based on the above, and on the requirements in external regulatory frameworks, the following components of the corporate governance system were established.

A suitable and surveyable organisational structure and decision process, and a clear distribution of responsibility and work assignments

The basis for the corporate governance system is the operational organisation structure established by the Board, where the decision process and distribution of responsibility between the "lines of defence" are central areas (refer to Internal control systems below). The corporate governance model thus comprises a description of the organisation, the decision process, how responsibilities are distributed, the working methods of the Board and the management, and the responsibilities of central senior executives and functions.

Governing policies

Based on the assignment from the owners, a number of governing policies have been established for the control and management of Länsförsäkringar AB, including:

- The starting point is that all non-licensable activities in Länsförsäkringar AB are conducted and managed as if they were licensable.
- Operations are managed with the aim of optimising economies of scale in Länsförsäkringar AB and the Länsförsäkringar Alliance, since size is a decisive competitive advantage.
- Business activities are conducted with conscientious risk-taking, but must never compromise Länsförsäkringar AB's profitability and viability.

- Internal control is an integral part of the operations.
- Employee benefits are market-based and encourage performance and efficient risk management. The structure and level of benefits are harmonised with Länsförsäkringar AB's core values.

Internal control systems

The internal control process, which is part of the control and management of Länsförsäkringar AB, aims to enable sound and responsible control and management of the operations based on the operational assignment, objectives, risk tolerance and strategy. This includes ensuring the accuracy of the information provided to the Financial Supervisory Authority as well as other financial and non-financial information, the ability to identify, measure, monitor and manage risks, and compliance with internal and external regulatory frameworks. The internal control process encompasses all parts of the organisation, including outsourced activities, and must be an integral part of the operations. Internal control is based on a system with a strong culture of risk and regulation, with three lines of defence. The first line of defence, operations, includes responsibility for the operational's risks. The operations are responsible for ensuring that monitoring processes are in place, implemented and reported. To support the internal control process, a Compliance function and a Risk Control function have been established and form the second line of defence. Compliance holds a supportive and controlling role with the aim of ensuring that the operations are conducted in regulatory compliance. Risk Control is responsible for independent risk control and provides support for conducting operations with a high level of risk control. Internal Audit, the third line of defence, comprises the Board's support for quality assurance and evaluation of the organisation's risk management, governance and internal control.

Business planning

A business plan is established on an annual basis for Länsförsäkringar AB and each unit in Länsförsäkringar AB with targets based on Länsförsäkringar AB's vision and risk tolerance.

Risk-management system

The purpose of the risk management system is to ensure that Länsförsäkringar AB is continuously able to identify, measure, manage and report risks and dependencies between various risks. The system is an integral part of Länsförsäkringar AB's organisational structure and decision process and is designed with appropriate consideration for established organisational and decision processes.

The risk-management system contains the strategies, processes and reporting procedures that are necessary for continuously identifying, measuring, monitoring, managing and reporting risks. The risk-management system addresses the risks that the company is, or could be, exposed to and their mutual dependencies.

Principles for outsourcing activities

The distribution of work in Länsförsäkringar AB and outsourcing activities are important tools for achieving economies of scale.

Suitability requirements

Employees and Board members are subject to suitability requirements.

Business continuity planning

Länsförsäkringar AB shall have a business continuity plan in place that defines and manages the business-critical processes that must continue to function in an emergency.

Efficient systems for transferring information within Länsförsäkringar AB, submission of information to authorities, and other internal and external reporting

This pertains to systems for submitting information to authorities, transferring information within Länsförsäkringar AB and internal and external reporting.

An overview of the corporate governance structure in Länsförsäkringar AB is illustrated in the figure on the following page.

Shareholders and General Meeting

The shareholders exercise their influence at the General Meeting, which is the company's highest decision-making body. A General Meeting is normally held once per year, the Annual General Meeting. No shareholder is entitled to own more than 9.9% of the capital or votes in the company.

Shareholders' power of decision

At General Meetings, no one may vote using their own or anyone else's shares for more than 99/1,000 votes represented at the Meeting. Motions are passed at General Meetings by a simple majority of votes unless the Swedish Companies Act prescribes another specific voting majority. The resolutions of the Annual General Meeting pertain to the Annual Report, the election of members of the Board and auditors, remuneration to Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The remuneration proposal for Board members presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman and other Board members, and includes remuneration for committee work. The 2012 Annual General Meeting approved the principles for remuneration and other terms of employment for corporate management.

Nomination Committee

The General Meeting of Länsförsäkringar AB appoints a Nomination Committee, which is charged with presenting proposals for members of the Board of Directors and auditors of Länsförsäkringar AB and its directly owned subsidiaries and certain other companies and bodies as well as fees to these members and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. The Nomination Committee is responsible for ensuring that a suitability assessment of proposed Board members is performed. The Nomination Committee applies established processes and procedures for the suitability assessment and ensure that the suitability assessment of the Board members takes place during the current mandate periods.

Nomination Committee prior to 2013 Annual General Meeting

The Nomination Committee has comprised Göran Trobro (Chairman) (Länsförsäkringar Göinge Kristianstad), Ulf W Eriksson (Länsförsäkringar Värmland), Otto Ramel (Länsförsäkringar Skåne), Conny Sandström (Länsförsäkringar Västerbotten) and Örian Söderberg (Länsförsäkringar Jönköping) since the 2012 Annual General Meeting.

Prior to the 2013 Annual General Meeting, the Nomination Committee has:

- Studied the Board's evaluation of its work,
- Studied the Board Chairman's, Board members' and President's views on the operations, the Board's work and requirements for expertise and experience,
- Reviewed and discussed requirements for expertise and experience with respect to the needs of the operations and regulatory requirements.

Prior to 2013 Annual General Meeting, the Nomination Committee will

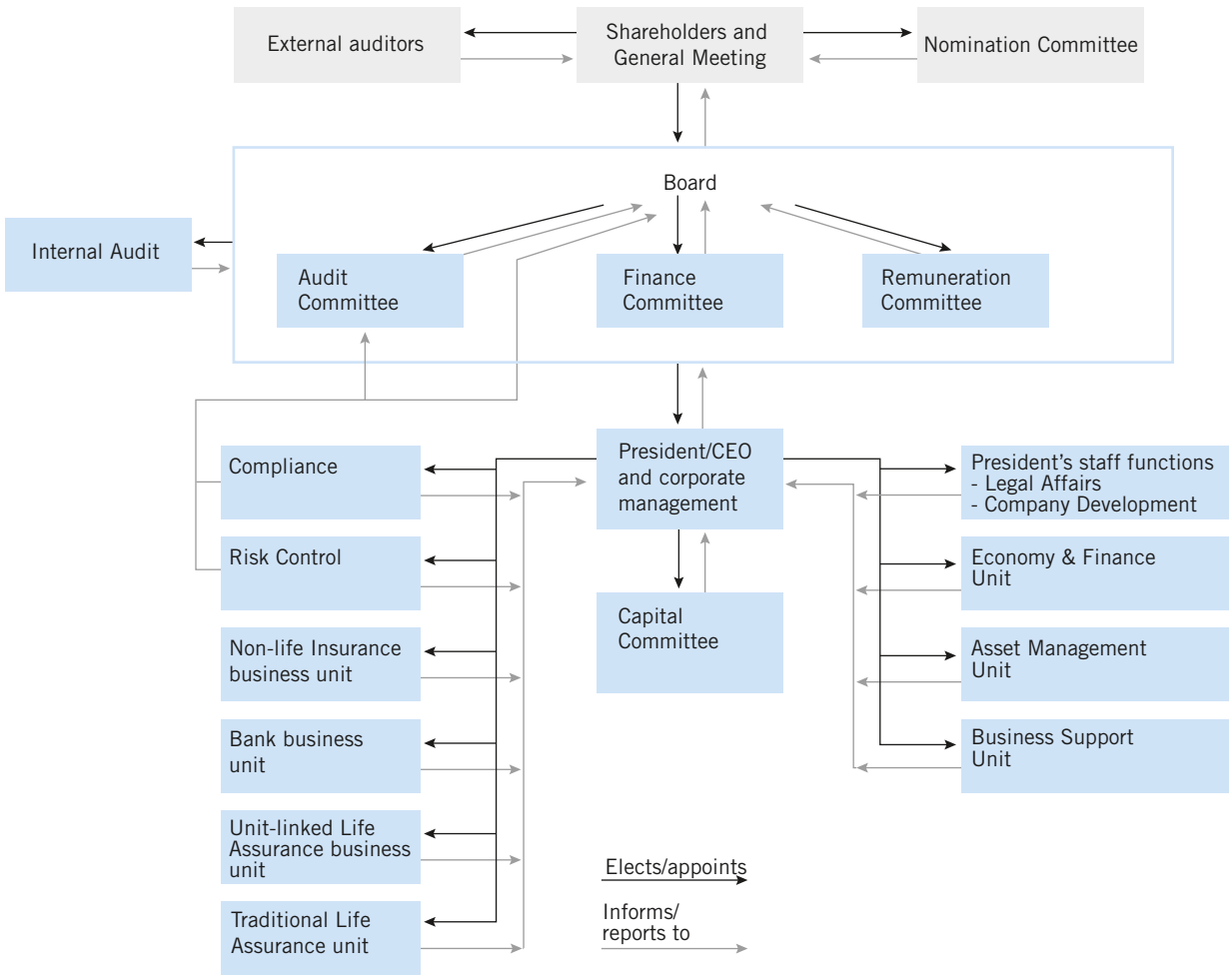
- Evaluate the candidates' independence
- Nominate Board members, including the Chairman of the Board and in certain cases, a Deputy Chairman,
- Carry out suitability assessments of Board members in accordance with established processes and procedures,
- Propose fees to Board members, auditors and other bodies.

The Nomination Committee's proposals are presented in the notice to convene the Annual General Meeting. The Nomination Committee presents and motivates its proposals at the Annual General Meeting, and provides an account of how its work was conducted.

External auditors

The Annual General Meeting appoints the external auditors. Nominations are made to the Nomination Committee. In accordance with the Articles of Association, Länsförsäkringar AB has between one and three auditors and between zero and three deputy auditors. The auditors are appointed for a mandate period of not more than four years. At the 2012 Annual General Meeting, Stefan Holmström, KPMG AB, was appointed auditor and Johan Bæckström, KPMG AB, was appointed deputy auditor, both for a mandate period of three years. Stefan Holmström has served as the company's auditor since 2000. Alongside Länsförsäkringar Bank, his major audit assignment is Handelsbanken AB (publ). Stefan Holmström has no other assignments in any other company that affect his independence in relation to Länsförsäkringar Bank.

LÄNSFÖRSÄKRINGAR AB'S GOVERNANCE STRUCTURE



The auditors examine Länsförsäkringar Bank's Annual Report and Corporate Governance Report, as well as the administration of the Board and the President. At the Annual General Meeting, the auditors present the audit report and describe the audit process. The auditors presented their audit results and observations to the Board on one occasion during 2012. The auditors also participate in meetings of the Audit Committee.

Board of Directors

The Board of Directors of Länsförsäkringar AB is appointed by the Annual General Meeting and, in accordance with the Articles of Association, is composed of between eight and twelve members elected by the General Meeting, with or without deputies. Board members are elected for a mandate period of two years. In addition, members and deputies appointed by trade-unions are members of the Board. The President is not a member of the Board. The company has no time limit for the length of time a member may sit on the Board and no upper age limit for Board members. The Chairman and Deputy Chairman of the Board are appointed by the Annual General Meeting. The President, Board Secretary, Head of Legal Affairs and Head of Corporate Communications participate in Board meetings except for matters in which there may be a conflict of interest or when it would otherwise be inappropriate for them to attend. Employees reporting on particular issues attend meetings when they make their presentations.

The Board currently comprises ten regular members and two deputies. Ten of the members were elected by the Annual General Meeting. Two members and two deputies were appointed by trade-unions. The Board members are listed on pages 102–103.

Board responsibilities and delegation of duties

The Board is responsible for the organisation and administration of the company and decides on issues of material significance and of an overall nature relating to the company's operations. The Board appoints, dismisses and assesses the President, adopts an appropriate operational organisation for Länsförsäkringar AB and the Länsförsäkringar AB Group, the goals and strategies of the operations, and ensures that efficient systems are in place for internal control and risk management.

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board and its Chairman, the number of Board meetings, procedures for reporting on the operations reports and financial statements as well as procedures for Board meetings, notices of meetings, presentation of material, delegation of work duties within the Board and disqualification.

The Board is continuously informed about the performance of the company in order to continuously assess the company's financial situation and position. Through its formal work plan, the Board has established that financial reporting shall take place in accordance with established reporting instructions and through regular Board meetings. The Board also regularly manages and evaluates the company's and the Group's risks and risk management. During the year, the Board regularly reviews earnings and sales trends, investment income, the financial position, etc., in relation to the business plan and forecasts. The Board receives reports from Compliance, Risk Control and Internal Audit four times per year. The Board continuously monitors current matters with authorities.

Chairman

According to the formal work plan, the Chairman leads the Board's work and ensures that the Board fulfils its duties. The Chairman also ensures that the Board meets as required, is provided with the opportunity to participate in meetings, receives satisfactory information and documentation for decision-making, and applies an appropriate working methodology. On the basis of ongoing contact with the President, the Chairman is informed of significant events and developments within the company, including between Board meetings, and supports the President in his work.

Work of the board

In its formal work plan, the Board has established a standard for its agenda, annually recurring items of business and a standard for information and decision-making material. In an internal Group directive, the Board has established the company's and the Group's operational organisation and clarified the distribution of work duties between the various units and executives in the company and the Group. In addition to the internal Group directive, the Board establishes its directive for the Board, the President and a large number of governance documents for the operations at least once a year, regardless of whether any amendments are required.

The Board has established a Finance Committee, an Audit Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in its formal work plan or in separate instructions. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

The Board conducts annual strategic seminars and annual evaluations of the President's work and terms of employment. The Board meets the company's auditors at least once per year (refer also to the Audit Committee section below).

The dates of Board meetings are established for the next 18-month period at the first scheduled meeting following the Annual General Meeting. A notice of each meeting, including a preliminary agenda, is sent out 14 days in advance. Documentation for the meeting is normally discussed about one week prior to the meeting. All documents and presentation slides are saved electronically.

During 2012, the Board devoted particular attention to such issues as the new capital adequacy rules for insurance companies, Solvency II, the financial situation in the business world and subsequent effects on the operations, capital and liquidity issues, and IT efficiency enhancements. On several occasions throughout the year, the Board participated in Solvency II training.

The number of Board meetings and members' attendance at these meetings are presented in the table on page 35.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. In 2012, this took the form of an online survey. A summary of the findings was presented to the Board for discussion.

Audit Committee

The Audit Committee is responsible for preparing the Board's work in the following areas:

- Monitoring and quality assuring the company's and Group's financial reporting.
- Monitoring the efficiency of the company's and Group's internal governance and control.
- The direction, scope and coordination of the Internal Audit function's work.
- Receiving regular reports of the external auditors' observations, evaluating the external auditors' efforts, impartiality and independence.
- Outsourced work.

At the statutory Board meeting immediately following the 2012 Annual General Meeting, Gösta af Petersens (Chairman), Jan Fock and Christer Olander were appointed members of the Audit Committee.

The number of Audit Committee meetings and members' attendance at these meetings are presented in the table below.

Finance Committee

The Board of Directors of Länsförsäkringar AB has appointed three members to a Finance Committee for the Länsförsäkringar AB Group. The remaining members are appointed by the boards of certain subsidiaries. The Committee is designed as a forum for financial analysis of the business environment and macroeconomics, as well as to prepare and coordinate asset management issues to be presented to each Board for decision. It is also the duty of the Finance Committee to monitor compliance with established objectives, investment orientation, chains of command, etc.

The Board meeting immediately following the 2012 Annual General Meeting appointed Jan Fock (Chairman), Anne-Marie Pålsson and Sten Dunér (President) to represent Länsförsäkringar AB on the Finance Committee.

The number of Finance Committee meetings and members' attendance at these meetings are presented in the table below.

Remuneration Committee

The Remuneration Committee prepares remuneration issues regarding corporate management and employees with overall responsibility for any of the company's control functions, in addition to preparing decisions on measures to monitor application of the remuneration policy. The Committee also prepares the principles for remuneration and other terms of employment for corporate management.

At the Board meeting immediately following the 2012 Annual General Meeting, Jan Fock (Chairman), Sune Nilsson and Gösta af Petersens were appointed members of the Remuneration Committee.

The number of Remuneration Committee meetings and members' attendance at these meetings are presented in the table below.

President/CEO and corporate management

Sten Dunér has served as the President of Länsförsäkringar AB since October 2009. Dunér was born in 1951 and has worked at Länsförsäkringar AB since 1982. To ensure that the operations of each subsidiary comply with the overall objectives for the Länsförsäkringar AB, the President of Länsförsäkringar AB, as a general rule, also serves as the Chairman of the Board of each subsidiary.

In terms of operations, the Länsförsäkringar AB Group is organised into four business units and three support functions: Business Support, Asset Management and Finance. In addition, there are two President's staff functions for Legal Affairs and Corporate Development, and the control functions of Internal Audit, Compliance and Risk Control. To ensure the coordination of the operations in each business unit, the head of the business unit is also the president of the unit's parent company. Furthermore, the heads of each business unit, as a general rule, also serve as the Chairmen of the Boards of each directly owned subsidiary.

Länsförsäkringar AB's corporate management comprises the presidents and head of the business units and support functions. The head of President's staff function Legal Affairs and the Head of Corporate Communications are co-opted members of corporate management. Corporate management comprises the management team for the entire Länsförsäkringar AB Group. Corporate management discusses and decides on issues concerning the Group's units, Länsförsäkringar AB's President's staff functions and the Compliance and Risk Control functions. The influence of tradeunions at Group level is also ensured through corporate management.

The President established a Capital Committee to address issues regarding risk-taking, risk management and the balance between risk-taking and use of capital in

Meetings and attendance

The table below shows the number of meetings held by each body from the 2012 Annual General Meeting until December 2012, and the attendance by each Board member:

	Board of Directors	Finance Committee	Audit Committee	Remuneration Committee
Total number of meetings	**7**	**3**	**4**	**1**
Gösta af Petersens	7	–	4	1
Hans Benndorf	7	–	–	–
Fredrik Daveby	7	–	–	–
Sten Dunér	–	3	–	–
Christer Ekehov, suppleant	0	–	–	–
Mats Fabricius	7	–	–	–
Jan Fock	7	3	3	1
Lars Hallkvist	7	–	–	–
Åsa Jansson, suppleant	0	–	–	–
Tomas Jönsson	5	–	–	–
Susanne Lindberg	6	–	–	–
Sune Nilsson	7	–	–	1
Ann-Christine Norrström	7	–	–	–
Christer Olander	5	–	4	–
Ann-Marie Pålsson	–	3	–	–
Lars-Eric Åström	7	–	–	–

the Länsförsäkringar AB Group. The members of this Committee are appointed by the President of Länsförsäkringar AB. The Committee is governed by a separate formal work plan.

Control functions

Internal Audit

Internal Audit is an independent review function that constitutes the Board's support in the evaluation of the organisation's risk management, governance and controls. Based on its reviews and advice, Internal Audit evaluates and ensures the quality and the efficient execution of the operations' overall internal governance and control systems, that the overall reporting to the Board provides a true and fair view of the operations, that operations are being conducted in accordance with applicable internal and external regulations, and compliance with the Board's decisions and intentions. Internal Audit reports to the Länsförsäkringar AB Group's Board of Directors and to the boards of each subsidiary, but is organisationally subordinated to the Chairman of the Audit Committee.

Compliance

The role of compliance is to provide support and control to ensure that the operations comply with regulatory requirements. The function identifies and provides information on, among other things, the risks that may arise due to lack of regulatory compliance, assists in formulating internal rules, monitors regulatory compliance and ensures that the operations are informed about new and amended regulations. Compliance risks and actions taken are regularly reported to the President and Board of Länsförsäkringar AB and its licensable subsidiaries. Compliance also includes the Länsförsäkringar AB Group's function for counteracting money laundering.

Risk Control

Risk Control is responsible for independent risk control and supports the President, management and operating units in fulfilling their responsibility to conduct operations with a high level of risk control. The function reports regularly to the board and president of each company. Risk Control is also responsible for the independent risk control of the Asset Management unit's operations. Risk Control reports this work to the President and Board of Länsförsäkringar AB. The Bank business unit has a separate risk control function under the Head of the Bank business unit. Reporting is addressed to the respective board and president of the business unit. The Head of Risk Control is appointed by the President of Länsförsäkringar AB. Risk Control reports regularly to the Board and President.

Deviations from the Code

Länsförsäkringar AB complies with the Code, where applicable. Deviations are primarily because Länsförsäkringar AB is not a stock-market company. Major deviations from the provisions of the Code and explanations for such deviations are presented below.

Notice

Notice and publication of information about and prior to an Annual General Meeting. These deviations from the provisions of the Code are due to the fact that the company is not a stock-market company and has only a limited number of shareholders.

Nomination Committee

A deviation from the provisions of the Code exists regarding the independence of a majority of the members of the Nomination Committee in relation to the company. Another deviation from the Code concerns the publication of information about and from the Nomination Committee on the company's website. These deviations are due to the fact that the company is not a stock-market company and has only a limited number of shareholders.

Composition of Board

A deviation from the Code exists regarding the independence of a majority of the Board members elected by the Annual General Meeting in relation to the company and that not less than two Board members must be independent in relation to the company's major shareholders. According to the instruction for the Nomination Committee, the Board of Directors shall be appropriately composed with respect to the company's operations, stage of development and other circumstances, and characterised by diversity and breadth in terms of the members' competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.

Mandat for Board members

The mandate for Board members is two years. The company deviates from the Code's stipulation of a maximum mandate of one year due to the supremacy of the Annual General Meeting to dismiss and appoint Board members irrespective of their term. A mandate of longer than one year helps to ensuring continuity and establishes competence on the Board.

BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control is part of the control and management of Länsförsäkringar AB. Internal control is a process designed to provide reasonable assurance that the operating objectives are achieved in terms of appropriate and effective business operations, reliable financial reporting and information about the operations, the ability to identify, measure, monitor and manage risks and compliance with applicable external regulations. The internal control process encompasses all parts of the organisation, including outsourced activities, and is an integral part of Länsförsäkringar AB's operations.

Internal Control over Financial Reporting (ICFR) is defined as the process, issued by the Board, management and other personnel, aimed at providing reasonable assurance of the reliability of the financial reporting.

In 2011, the Board began a process to strengthen the internal governance and control of Länsförsäkringar AB's operations and processes.

This work continued in 2012 and was based on the company-wide and systematic identification and evaluation of risks and the existing control structure for financial reporting and associated IT security. Viewing ICFR as a process/cycle highlights the internal relationships between the five different Committee of Sponsoring Organizations (COSO) components (control environment, risk assessment, control activities, information and communications, and monitoring) and enables corporate management to remain flexible in the choice of controls to achieve targets and so that the Länsförsäkringar AB Group can continuously adapt and improve its internal control structure.

Progress is continuously being made, although work remains to be done before the internal control and risk management processes in Länsförsäkringar AB's financial reporting are fully implemented.

In 2013, the company will continue to enhance the internal control and risk management of the financial reporting in the Group's companies and processes. Work will mainly be focused on further developing and documenting the financial processes and their control structures. The diagram below outlines how Länsförsäkringar AB is starting to work on ICFR in a structured manner and how it plans to work on these components going forward.

Implement risk assessments and define limitations/scope

The following three steps are carried out each year to identify material risks and define the scope of the ICFR framework: risk assessments of unexpired risk "top-down", limitations/scope for legal units and processes and IT environment.

The results of these risk assessments are collated and activities are carried out to determine the scope of the ICFR. These results and activities are compiled into an annual ICFR report that describes the scope and target profile for the forthcoming year and is presented to the Audit Committee.

For the 2012 fiscal year, the results from the risk assessments and plans for the continued work on ICFR and activities were presented to the Audit Committee.

Validate the design of expected controls

Once a year, ICFR examines the processes from a design perspective to validate the current structure of Group-wide ICFR controls, so as to ensure that the control structure eliminates identified financial reporting risks in the relevant processes. This review takes place in annual workshops that include experts from the business units, asset management, business support and finance.

Plan activities for monitoring and audits

An ICFR monitoring plan for the forthcoming year is created based on the scope and design of the ICFR framework and controls. The plan includes how, when and by whom controls are monitored, for the legal units, and the relevant processes under the framework.

In 2012, key controls linked to the financial reporting were identified. The outcome of these controls is reported by the operations quarterly. Key controls are reviewed when new ICFR work methodologies are put in place.

Monitor and evaluate controls

ICFR controls are monitored and evaluated continuously and in most cases are incorporated into the daily operations of each department to evaluate and assess the design of the controls and their efficacy. Monitoring takes place by continuously following up key controls, which in 2013 will be combined with separate evaluations according to the monitoring plan.

Assess and report ICFR unexpired risk

Results of the monitoring activities are consolidated and analysed to assess the unexpired risk in the ICFR. This takes place every quarter in conjunction with the production of the interim reports and annual reports, and is summarised in an ICFR monitoring report that describes the unexpired financial reporting risk in the Länsförsäkringar AB Group, including an evaluation of identified shortcomings in controls and the credibility/confidence in compensating controls. This report is presented to the Group's CFO every quarter and to the Audit Committee every year.

Internal Control over Financial Reporting (ICFR) is defined as the process, issued by the Board, management and other personnel, that aims at providing reasonable assurance of the reliability of the financial reporting.

This diagram illustrates how Länsförsäkringar AB will initiate structured work on ICFR and plans to work on these components going forward.

Five-year summary

Amounts in SEK M unless otherwise stated.

Länsförsäkringar AB Group	2012	2011	2010	2009	2008
Group					
Operating profit/loss	821	287	536	693	–3,395
Net profit/loss for the year	685	208	418	509	–2,480
Return on equity, %[1]	5	2	6	7	–29
Total assets, SEK billion	291	254	174	157	131
Number of shares, 000s	9,407	9,407	7,251	6,298	6,298
Equity per share, SEK	1,479	1,403	1,356	1,279	1,186
Solvency capital					
Equity	13,913	13,198	9,831	8,058	7,466
Subordinated debt	900	900	114	114	114
Deferred tax	776	701	668	538	327
Total solvency capital	**15,589**	**14,800**	**10,613**	**8,710**	**7,907**
Solvency margin, %[2]	388	369	278	228	252
Capital base for the financial conglomerate[3]	14,590	13,665	13,480	12,147	11,868
Necessary capital requirement for the financial conglomerate	12,661	11,620	9,970	9,303	9,364
Average number of employees	1,432	1,376	1,341	1,433	1,490
INSURANCE OPERATIONS [4]					
Non-life insurance operations					
Premiums earned (after ceded reinsurance)	3,795	3,754	3,549	3,285	2,793
Investment income transferred from financial operations	162	189	201	435	526
Claims payments (after ceded reinsurance) [5]	–2,557	–2,713	–2,495	–2,211	–1,775
Technical result, non-life insurance operations[23]	**263**	**121**	**192**	**429**	**335**
Premium income, non-life insurance					
Premium income before ceded reinsurance	5,703	5,768	,5,671	5,888	5,385
Premium income after ceded reinsurance	3,771	3,764	3,605	3,575	2,951
Life-assurance operations					
Premium income after ceded reinsurance	249	251	219	240	190
Fees pertaining to financial agreements	402	61	–	–	–
Investment income, net	18	8	1	5	9
Claims payments (after ceded reinsurance)	–140	–157	–179	–140	–159
Technical result, life assurance operations[23]	**378**	**92**	**1**	**–3**	**–8**
Operating profit/loss for insurance operations [6]	**613**	**147**	**323**	**505**	**–3,003**
Key figures					
Cost ratio [7]	30	30	31	33	47
Expense ratio [8]	24	23	23	26	36
Claims ratio [9] [20]	73	79	78	75	75
Combined ratio [20]	97	102	101	100	111
Management cost ratio, life-assurance operations [10] [21]	1	2	12	14	29
Direct yield, % [11]	1.2	2.7	1.9	1.7	2.3
Total return, % [12]	3.5	6.0	4.3	6.2	–12.0
Financial position					
Investment assets, SEK billion [13]	17	15	16	17	16
Unit-linked insurance assets for which the policyholder bears the risk, SEK billion Technical provisions (after ceded reinsurance), SEK billion	62	52	–	–	–
Technical provisions (after ceded reinsurance), SEK billion	14	14	14	14	14

Länsförsäkringar AB Group	2012	2011	2010	2009	2008
Banking operations					
Net interest income	2,071	1,728	1,363	1,148	1,211
Operating profit	556	385	345	258	245
Net profit for the year	433	298	245	178	177
Return on equity, %[14]	6	5	5	4	4
Total assets, SEK billion	197	170	149	131	104
Equity	7,172	6,332	5,529	4,694	4,291
Cost/income ratio before loan losses [15]	0.66	0.71	0.72	0.76	0.75
Investment margin, % [16]	1.11	1.07	0.93	0.96	1.30
Tier 1 ratio according to Basel II, % [17]	13.7	12.1	11.8	12.5	14.6
Capital adequacy ratio according to Basel II, %	15.6	14.0	13.5	14.8	17.7
Loan losses in relation to lending, %[19] [22]	0.06	0.04	0.03	0.04	0.07
Other operations					
Income	2,148	2,477	2,184	2,219	3,049
Operating loss	–273	–125	–112	–138	–493

1) Operating profit plus change in value of owner-occupied property less standard tax at 26.3% (28.0% in 2008) in relation to average equity adjusted for new share issue and dividends.
2) Solvency capital as a percentage of premium income after ceded reinsurance.
3) The financial conglomerate comprise 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. The financial conglomerate also includes Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. The capital base is calculated in accordance with the aggregation method. In accordance with the Swedish Financial Conglomerates (Special Supervision) Act.
4) The earnings, financial position and key figures of the insurance operations are recognised in accordance with the Swedish Annual Accounts Act for Insurance Companies and FFFS 2008:26, the regulation of the Swedish Financial Supervisory Authority.
5) Excluding claims adjustment costs.
6) The operating profit for the insurance operations includes the Länsförsäkringar Sak Group and Länsförsäkringar Fondliv's investment income and other non-technical income and expenses.
7) Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.
8) 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 regulations of the Swedish Financial Supervisory Authority.
9) 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.
10) 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.
11) Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administrative expenses for asset management and operating expenses for properties in relation to the average value of the investment assets during the year.
12) Total return is calculated as the sum of all direct yields and changes in the value of the investment portfolio in relation to the average value of the investment assets during the year.
13) Investment assets comprise owner-occupied property, shares and participations in associated companies, investment property, 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.
14) Operating profit less standard tax at 26.3% (28.0 in 2008) in relation to average equity, adjusted for changes in value of financial assets recognised in equity.
15) Total expenses before loan losses in relation to total income.
16) Net interest in relation to average total assets.
17) Tier 1 capital at year-end in relation to the closing risk-weighted amount.
18) Closing capital base in relation to the closing risk-weighted amount.
19) Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.
20) After recalculation in 2010 in accordance with new accounting policy for indexation of claims annuities.
21) Includes Länsförsäkringar Fondliv from 2011.
22) After recalculation in accordance with the new accounting policy for loan losses.
23) The Länsförsäkringar Sak Group's technical result amounted to SEK 304 M in 2012. This Group includes Länsförsäkringar Gruppliv Försäkrings AB, which is recognised in the life-assurance operations. The technical result for Länsförsäkringar Gruppliv Försäkrings AB amounted to SEK 41 M in 2012.

FINANCIAL STATEMENTS GROUP

Consolidated income statement 40
Consolidated statement of comprehensive income..... 40
Consolidated statement of financial position 40
Consolidated statement of changes in shareholders' equity .. 41
Consolidated statement of cash flows..... 41

Note 1 Accounting policies 42
Note 2 Risks and risk management 56
Note 3 Earnings per segment 67
Note 4 Acquisitions of operations 68
Note 5 Premiums earned after ceded reinsurance 68
Note 6 Interest income 69
Note 7 Interest expense..... 69
Note 8 Investment income, net 69
Note 9 Commission income 69
Note 10 Other operating income 69
Note 11 Claims payments 70
Note 12 Commission expense 70
Note 13 Employees, staff costs and remuneration to senior executives..... 70
Note 14 Fees and remuneration to auditors..... 71
Note 15 Other administration expenses 71
Note 16 Loan losses, net 71
Note 17 Tax 71
Note 18 Earnings per share 72
Note 19 Goodwill 72
Note 20 Other intangible assets 72
Note 21 Property and equipment 73
Note 22 Owner-occupied property..... 73
Note 23 Shares in Länsförsäkringar Livförsäkringsaktiebolag (publ)..... 73
Note 24 Shares and participations in associated companies..... 74
Note 25 Investment property 74
Note 26 Loans to the public 74
Note 27 Unit-linked insurance assets policyholder bears the risk 74
Note 28 Financial leasing 75
Note 29 Shares and participations..... 75
Note 30 Bonds and other interest-bearing securities..... 75
Note 31 Treasury bills and other eligible bills..... 75
Note 32 Derivatives..... 75
Note 33 Fair value adjustment of interest-rate-risk hedged items in portfolio hedge 75
Note 34 Other receivables 75
Note 35 Prepaid expenses and accrued income..... 75
Note 36 Cash and cash equivalents..... 75
Note 37 Equity..... 76
Note 38 Subordinated liabilities 76
Note 39 Technical reserves..... 77
Note 40 Unit-linked insurance liabilities policyholder bears the risk 78
Note 41 Deferred tax assets and liabilities..... 78
Note 42 Other provisions 79
Note 43 Debt securities in issue 80
Note 44 Deposits from the public 80
Note 45 Due to credit institutions 80
Note 46 Other liabilities 80
Note 47 Accrued expenses and deferred income..... 80
Note 48 Pledged assets and contingent liabilities 80
Note 49 Anticipated recovery and settlement periods for assets and liabilities..... 81
Note 50 Assets and liabilities by category..... 82
Note 51 Fair value valuation techniques 84
Note 52 Disclosures on related parties..... 84
Note 53 Group companies..... 85
Note 54 Supplementary information to statement of cash flows 85
Note 55 Events after balance-sheet date 85
Note 56 Information regarding the Parent Company 85

Consolidated income statement

SEK M	Note	2012	2011
Premiums before ceded reinsurance		6,012	6,165
Reinsurers' portion of premiums		–1,969	–2,158
Premiums earned after ceded reinsurance	5	**4,043**	**4,006**
Interest income	6	10,429	9,530
Interest expense	7	–8,278	–7,748
Net interest income		**2,151**	**1,782**
Change in unit-linked insurance assets policyholder bears the risk		3,659	–423
Dividends in unit-linked insurance assets policyholder bears the risk		1,085	23
Investment income, net	8	59	–37
Commission income	9	1,841	1,183
Other operating income	10	2,036	2,516
Total operating income		**14,874**	**9,050**
Claims payments before ceded reinsurance		–3,986	–3,993
Reinsurers' portion of claims payments		1,290	1,131
Claims payments after ceded reinsurance	11	**–2,697**	**–2,862**
Change in life assurance provision		–2	–1
Change in unit-linked insurance liabilities policyholder bears the risk		–4,846	400
Commission expense	12	–2,029	–1,773
Staff costs	13	–1,586	–1,473
Other administration expenses	14, 15	–2,802	–3,006
Loan losses	16	–91	–48
Total expenses		**–14,053**	**–8,763**
Operating profit		**821**	**287**
Tax	17	–136	–78
Net profit for the year		**685**	**208**
Earnings per share before and after dilution, SEK	18	73	27

Consolidated statement of comprehensive income

SEK M	Note	2012	2011
Net profit for the year		**685**	**208**
Other comprehensive income	37		
Translation differences for the year from foreign operations		–2	–2
Revaluation of owner-occupied property		49	51
Change for the year in fair value of available-for-sale financial assets		–58	167
Tax attributable to components attributable to other comprehensive income	17	39	–57
Total other comprehensive income for the year, net after tax		**29**	**159**
Comprehensive income for the year		**713**	**367**

Consolidated statement of financial position

SEK M	Note	Dec 31, 2012	Dec 31, 2011
ASSETS			
Goodwill	19	710	711
Other intangible assets	20	3,952	4,066
Deferred tax assets	41	22	148
Property and equipment	21	80	105
Owner-occupied property	22	2,448	2,444
Shares in Länsförsäkringar Liv Försäkrings AB	23	308	408
Shares and participations in associated companies	24	24	24
Reinsurers' portion of technical reserves	39	6,731	6,385
Investment property	25	–	7
Loans to the public	26, 28	149,942	134,011
Unit-linked insurance assets policyholder bears the risk	27	62,384	52,165
Shares and participations	29	948	1,042
Bonds and other interest-bearing securities	30	44,669	32,031
Treasury bills and other eligible bills	31	5,222	8,341
Derivatives	32	1,900	1,640
Change in value of hedge portfolios	33	878	710
Other receivables	34	2,397	2,316
Prepaid expenses and accrued income	35	3,948	3,474
Cash and cash equivalents	36	4,429	3,193
Total assets		**290,994**	**253,223**
EQUITY AND LIABILITIES			
Equity	37		
Share capital		941	941
Other capital contributed		8,774	8,774
Reserves		415	387
Retained earnings, including net profit for the year		3,783	3,097
Total equity		**13,913**	**13,198**
Subordinated liabilities	38	900	900
Technical reserves	39	20,582	20,369
Unit-linked insurance liabilities policyholder bears the risk	40	62,580	52,168
Deferred tax liabilities	41	799	850
Other provisions	42	175	230
Debt securities in issue	43	115,476	100,391
Deposits from the public	44	61,901	49,323
Due to credit institutions	45	1,063	3,992
Derivatives	32	3,111	2,684
Change in value of hedge portfolios	33	2,177	1,837
Other liabilities	46	3,421	2,824
Accrued expenses and deferred income	47	4,897	4,457
Total shareholders' equity and liabilities		**290,994**	**253,223**

For information about pledged assets and contingent liabilities, see note 48.

Consolidated statement of changes in shareholders' equity

SEK M	Share capital	Other capital contributed	Translation reserve	Revaluation reserve	Fair value reserve	Retained earnings including net profit for the year	Total
Opening equity, January 1, 2011	725	5,990	–66	249	45	2,889	9,831
Comprehensive income for the year							
Net profit for the year						208	208
Other comprehensive income			–2	37	123		159
Comprehensive income for the year			**–2**	**37**	**123**	**208**	**367**
Shareholders' contribution							
New share issue	216	2,784					3,000
Closing equity, December 31, 2011	**941**	**8,774**	**–68**	**286**	**168**	**3,097**	**13,198**
Opening equity, January 1, 2012	941	8,774	–68	286	168	3,097	13,198
Comprehensive income for the year							
Net profit for the year						685	685
Other comprehensive income			–2	73	–43		28
Comprehensive income for the year			–2	**73**	–43	**685**	**714**
Closing equity, December 31, 2012	**941**	**8,774**	**–69**	**359**	**126**	**3,783**	**13,913**

Consolidated statement of cash flows

SEK M	Note	2012	2011
Operating activities			
Profit before tax		821	287
Adjustment for non-cash items	54	7,292	428
Tax paid		–25	–2
Cash flow from operating activities before changes in working capital		**8,088**	**713**
Cash flow from changes in working capital			
Change in investment property		8	–
Change in shares and participations, bonds and other interest-bearing securities and derivatives		–15,977	–692
Increase(–)/Decrease(+) in operating receivables		–16,538	–21,451
Increase(+)/Decrease(–) in operating liabilities		12,599	8,953
Cash flow from operating activities		**–11,821**	**–12,477**
Investing activities			
Acquisition of subsidiaries		–	–4,394
Purchase of intangible assets		–145	–202
Purchase of property and equipment		–91	–118
Divestment of property and equipment		7	9
Cash flow from investing activities		**–,229**	**–4,705**
Financing activities			
New share issue		–	3,000
Amortisation of loans		–1,800	–
Loans raised		–	2,586
Change in debt securities in issue		15,086	11,796
Cash flow from financing activities		**13,286**	**17,381**
Net cash flow for the year		1,236	200
Cash and cash equivalents, January 1		3,193	2,993
Exchange-rate differences in cash and cash equivalents		0	0
Cash and cash equivalents, December 31		**4,429**	**3,193**

Notes to the consolidated financial statements

Amounts are stated in SEK M unless specified otherwise.

NOTE 1 ACCOUNTING POLICIES

Compliance with standards and legislation

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 2008:26 of the Swedish Financial Supervisory Authority were applied. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups was applied.

The Parent Company applies the same accounting policies as the Group except for the cases described under the Parent Company's note 1 Accounting policies.

Conditions relating to the preparation of the Parent Company's and consolidated financial statements

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. Accordingly, the financial statements are presented in SEK, rounded to the nearest million, unless otherwise stated.

The statement of financial position has been presented based on liquidity. Assets and liabilities are recognised at cost, with the exception of investment property, owner-occupied property and the major portion of the Group's holding of financial instruments that are either measured at fair value or at an adjusted amortised cost.

The accounting policies for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated.

Judgements and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that management makes judgements and estimates, and makes assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the financial statements. These judgements and estimates, as made by management, are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Significant judgements utilised in the application of the Group's accounting policies

The mutual funds that were established by and are more than 50% owned by the Länsförsäkringar AB Group are included in the consolidated financial statements in accordance with IFRS. A non-controlling interest's share of such a fund is added to the company's own fund holding with the same amount recognised as other liabilities. At the closing of the 2012 accounts, the Länsförsäkringar AB Group did not own more than 50% of any of the established mutual funds.

Länsförsäkringar AB's holding in Länsförsäkringar Liv Försäkringsaktiebolag (publ) (referred to below as "Länsförsäkringar Liv") is not classified as a holding in a subsidiary in accordance with the definition in IAS 27 Consolidated and Separate Financial Statements and, accordingly, is not consolidated. Instead, Länsförsäkringar Liv is recognised and valued as unlisted shares in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Länsförsäkringar Bank has chosen to recognise compensation to the regional insurance companies as a commission expense. The regional insurance companies are compensated for their work with Länsförsäkringar Bank's customer-related matters in each of the regional insurance companies' geographic areas.

The types of category and valuation techniques selected and applied to financial instruments affect recognition in the accounts and are described below.

Significant estimates in the application of accounting policies were made in conjunction with the decision to change the reporting of indexation of claims annuities. The purpose of the change is to provide a truer and fairer view of the claims costs and key figures of the non-life insurance operations.

Significant sources of estimation uncertainty

Significant sources of uncertainty in estimates mainly comprise impairment requirements for loan losses. Loans identified on an individual basis as impaired, and accordingly on which impairment losses are to be recognised, are valued at the present value of future cash flows discounted by the original effective rate. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are firstly used as support in making estimates of expected future cash flows. Such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows. Secondly, other models are used based on historic experience.

Any impairment requirements on loans that are not deemed to require individual impairment loss recognition are identified and valued collectively. Firstly, a method is used which is based on the information collated and processed under the framework of capital adequacy work, and secondly, estimates are based on historical values and experience-based adjustments of these values to the current situation. Determining that a loss event has occurred for a group of receivables entails higher uncertainty since several different events may have an impact.

When calculating technical provisions, an actuarial estimate of anticipated additional costs for incurred claims and expenses for claims that may be incurred during the remaining term of the insurance policy is made. Another area that involves uncertainty in estimates is the depreciation period for prepaid acquisition costs for unit-linked insurance contracts. The assumption for the depreciation period is based on statistics relating to the terms of the insurance contracts.

Changed accounting policies

The amendments applied by the Group since January 1, 2012 are described below. Amendments to IFRSs applicable from 2012 did not have any impact on the consolidated financial statements. IFRS 7

Financial instruments: Disclosures, new disclosure requirements have been added regarding financial assets that have been derecognised in their entirety or in part, meaning that further information is to be provided regarding the Group's repurchase agreements.

New IFRSs and interpretations that have not yet been applied

The new and revised standards and interpretations described below will not take effect until the next fiscal year, and have not been applied when preparing these financial statements.

IAS 1 Presentation of Financial Statements. This amendment pertains to the presentation of items in other comprehensive income. The items are to be divided into two categories: items that may be reclassified to net profit for the period and items that cannot be "recycled" to net profit for the period. The amendment is to be applied from fiscal years beginning July 1, 2012 with retroactive effect. The Group will apply the amendment from January 1, 2013.

IAS 19 Employee Benefits. With the amendment, the corridor method is no longer to be used. Actuarial gains and losses are to be recognised against other comprehensive income. Expected returns on plan assets are not recognised. Returns on plan assets are to be recognised in profit and loss calculated based on the interest rate utilised for discounting pension commitments. The difference between the calculated and actual return on plan assets is to be recognised against other comprehensive income. The amendments are to be applied to fiscal years beginning on or after January 1, 2013 with retroactive application. The effect on earnings for 2012 caused by the amendments to this standard is not significant.

IFRS 9 Financial Instruments: Recognition and Measurement is to be applied not later than from 2015, although early application is permitted on the condition that the EU has approved the standard. The IASB has published the first two parts that will jointly comprise the final version of IFRS 9. The first part addresses the classification and measurement of financial assets. The categories of financial assets under IAS 39 will be replaced by two categories: measured at fair value or amortised cost. Amortised cost is to be utilised for instruments held as part of a business model the goal of which is to collect the contractual cash flows. These cash flows are to comprise payments of principal and interest on the principal outstanding on specified dates. Other financial assets are to be measured at fair value. The fair value option in IAS 39 will be retained. Changes in fair value are to be recognised in profit, except for changes in value of equity instruments that are not held for trading and for which a decision has been made to initially recognise the changes in value in other comprehensive income. Changes in value of derivatives in hedge accounting are not affected by this part of IFRS 9 and are to continue to be recognised in accordance with IAS 39. The IASB has also published the parts of IFRS 9 that pertain to the classification and measurement of financial liabilities. Most of the regulations are consistent with the previous IAS 39 rules, except regarding financial liabilities that are voluntarily measured at fair value according to the fair value option. The change in value for these liabilities is to be divided into changes attributable to own creditworthiness and changes in reference interest rate.

The company has not decided whether the new principles will be applied in advance or from 2015.

On December 31, 2012, the Group had treasury bills and other eligible bills as well as bonds and other interest-bearing securities valued at a carrying amount of SEK 49,891 M (40,373), of which SEK 1,203 M (1,666) comprises accumulated changes in fair value. Most of these items are subject to hedge accounting. Any reclassification to amortised cost will be made prospectively, as stipulated by the regulations, which means that previously recognised earnings will not be affected. A decision regarding reclassification will not be made until the new hedge accounting regulations have been established.

Under IFRS 9, financial liabilities measured at fair value are to be recognised in other comprehensive income. The Group's financial liabilities are recognised at amortised cost, which is why changes in the regulations will not have any effect on the reporting.

IFRS 10 Consolidated Financial Statements will replace IAS 27 Consolidated and Separate Financial Statements as regards the rules for consolidated financial statements and SIC 12 when a special purpose entity (SPE) should be consolidated by a reporting enterprise under the consolidation principles. IFRS 10 introduces a new model for the assessment of whether controlling influences exist for all investments that a company has, and standardised consolidation procedures. It is not likely that the amendment will lead to any change in the consolidated financial statements. IFRS 10 is to be applied to fiscal years beginning on or after January 1, 2014.

IFRS 12 Disclosure of Interest in Other Entities includes disclosure requirements for holdings in subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. The purpose of the recommendation is to provide the reader with a description of the types of companies to which the investment pertains and the risks linked to this type of investment. Information is also to be provided on the effect that the investment has on the Group's earnings, financial position and cash flow. The amendment will not impact the consolidated financial statements except for the requirements regarding supplementary disclosures. The standard is to be applied to fiscal years beginning on or after January 1, 2014.

IFRS 13 Fair Value Measurement sets out in a single IFRS framework for measuring fair value. This framework contains a fair value hierarchy comprising three levels of inputs for valuation techniques. The Group already follows the proposed hierarchy, meaning that the standard will have any appreciable effect on the reporting. IFRS 13 also entails that changes in credit risks will affect the measurement of derivatives. The Bank Group has CSA agreements with all derivative counterparties, meaning that the credit risk is small. The standard will be applied to fiscal years beginning on or after January 1, 2013.

Consolidated financial statements

Consolidation principles

The consolidated financial statements encompass the accounts for the Parent Company and the companies in which the Parent Company, directly or indirectly, has a controlling influence. A controlling influence means the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial benefits. This usually involves a requirement of more than 50% of the number of votes per participation, although a company also exercises a controlling influence when it has the right to appoint the majority of Board members.

Shares that potentially carry voting rights that can be utilised or converted without delay are taken into account in assessing the existence of a controlling influence. If on the acquisition date a subsidiary meets the conditions for classification as held for sale in accordance

with IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations, it is recognised in accordance with this reporting standard.

In the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity.

Subsidiaries

Acquisitions on January 1, 2010 or later

Subsidiaries are recognised in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the identifiable assets and assumed liabilities, as well as any non-controlling interests, on the acquisition date. Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, arising are recognised directly in profit and loss.

For business combinations whereby consideration transferred, any non-controlling interests and the fair value of previously owned participations (for step acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are recognised separately, the difference is recognised as goodwill. If the difference is negative, known as a bargain purchase, it is recognised directly in profit and loss.

Consideration transferred in conjunction with the acquisition does not include payments pertaining to settlement of previous business relationships. This type of settlement is recognised in profit and loss.

Contingent consideration is recognised at fair value on the acquisition date. If the contingent consideration is classified as an equity instrument, no remeasurement takes place and settlement takes place in equity. Other contingent consideration is remeasured at each reporting date and the change recognised in profit and loss.

Non-controlling interests arise if the business combination does not comprise a 100% acquisition of the subsidiary. There are two options for recognising non-controlling interests. There are: recognising non-controlling interest's proportionate share of net assets, or recognising the non-controlling interest at fair value, meaning that the non-controlling interest has a share of goodwill. The choice between these two different options for recognising non-controlling interests can be made on an acquisition-by-acquisition basis.

In step acquisitions, goodwill is determined on the date on which the controlling influence arises. Previous holdings are measured at fair value and the change in value in profit and loss.

Holdings remaining following a divestment leading to the loss of a controlling influence are measured at fair value and the change in value in profit and loss.

Acquisitions between January 1, 2006 and December 31, 2009

For acquisitions that took place between January 1, 2006 and December 31, 2009, where the cost exceeds the fair value of acquired assets and assumed liabilities and contingent liabilities that are recognised separately, the difference is recognised as goodwill. When the difference is negative, it is recognised directly in profit and loss.

Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, arising are included in cost.

Acquisitions prior to January 1, 2006

For acquisitions that took place prior to January 1, 2006 (the date of the transition to IFRS), goodwill, after impairment testing, was recognised at a cost corresponding to the carrying amount in accordance with previously applied accounting policies. The classification and accounting treatment of business combinations occurring prior to January 1, 2006 were not restated in accordance with IFRS 3 when the Group's opening IFRS balance sheet was prepared at January 1, 2006.

Financial statements of subsidiaries in the consolidated financial statements

The financial statements of subsidiaries are included in the consolidated financial statements from the acquisition date until the date on which the controlling influence ceases.

If the subsidiary's accounting policies were not the same as the consolidated accounting policies, they were adjusted to consolidated accounting policies.

Losses attributable to non-controlling interests are also allocated if the non-controlling interest will be negative.

Special purpose enterprises

Special purpose enterprises are included in the consolidated financial statements when the financial significance of the business relationships between a Group company and a special purpose enterprise indicates that the Group company exercises a controlling influence over the special purpose enterprise.

The Länsförsäkringar AB Group has made the assessment that a mutual fund is a special purpose enterprise if the following conditions are met:

- The mutual fund was founded and is managed by a company in the Group.
- The Group owns more than 50% of the shares in the mutual fund.

Accounting of associated companies

Associated companies are companies in which the Group has a significant influence, but not a controlling influence, over operational and financial control, usually through holdings of participations of between 20% and 50% of the number of votes. Participations in associated companies are recognised in the consolidated financial statements in accordance with the equity method from the date on which the significant influence was obtained. The equity method entails that the value of the shares in the associated companies recognised in the Group corresponds to the Group's participations in the associated companies' equity and consolidated goodwill as well as any other remaining values of consolidated surpluses or deficits. Dividends received from associated companies reduce the carrying amount of the investment. The Group's participations in associated companies' net profit after tax and non-controlling interests adjusted for any depreciation/amortisation, impairment or dissolution of acquired surpluses or deficits are recognised in profit and loss.

Any differences arising from the acquisition between the cost of the holding and the owner company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities are recognised in accordance with IFRS 3 Business Combinations.

When the Group's share of recognised losses in the associated company exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also deducted against long-term financial balances without collateral, which in their financial significance comprise the portion of the owner company's net investment in the associated company. Contin-

ued losses are not recognised unless the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied until the date on which the significant influence ceases. Unrealised gains arising from transactions with associated companies are eliminated to the extent corresponding to the participation in the company owned by the Group. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that no impairment requirement exists.

The reporting dates and accounting policies for associated companies are the same as those applied in the Group.

Related parties

Legal entities closely related to the Länsförsäkringar AB Group include associated companies, companies within the Länsförsäkringar Liv Group, the regional insurance companies and other related companies. Legal entities closely related to the Parent Company Länsförsäkringar AB also include its subsidiaries. Related key persons are Board members, senior executives and their close family members.

Associated companies include all associated companies owned by the Länsförsäkringar AB Group and the Länsförsäkringar Life Group. Other related parties include Länsförsäkringar Mäklarservice AB, Länsförsäkringar PE Holding AB (publ), Länsförsäkringar Fastighetsförmedling AB, Humlegården Holding I AB, Humlegården Holding II AB, Humlegården Holding III AB and Humlegården Fastigheter AB. These companies are wholly owned within the Länsförsäkringar Alliance.

The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 23 regional insurance companies, with subsidiaries, and 14 local insurance companies, which together own 100% of Länsförsäkringar AB. Länsförsäkringar AB has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within Länsförsäkringar.

Operating segments

The Group's division of operating segments corresponds to the structure of the internal reports that the company's chief operating decision maker uses to monitor the operations and allocate resources between operating segments. The Group identified Group management as the company's chief operating decision maker. Accordingly, for the Länsförsäkringar AB Group, the reports on the earnings of the various segments of the operations that are received by Group management form the basis of segment reporting. This led to an accounting policy in the operating segments deviating from a policy applied in the consolidated financial statements. Changes in the fair value of owner-occupied property in segments in the Länsförsäkringar AB Group are recognised in operating profit instead of in other comprehensive income.

Pricing between the Group's segments is based on market conditions for the business operations of Non-Life Insurance, Unit-linked Life Assurance, Banking and Other Activities. Länsförsäkringar AB's corporate management establishes the service level pertaining to intra-Group transactions involving goods and services. Decisions about prices to be applied to the forthcoming year are made during the annual business planning process.

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key. Länsförsäkringar AB's corporate management arranges with the service levels and costs for the sale of goods and services to intra-Group companies jointly with a service committee comprising representatives from the insurance companies. Based on these discussions, the Board of Länsförsäkringar AB makes decisions on external pricing.

Segment information is provided only for the Group, in accordance with IFRS 8 Operating Segments.

Foreign currency

Transactions in foreign currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. The functional currency is the currency in the primary financial environments in which the Group companies conduct their operations, which means that the financial statements are presented in Swedish kronor. Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction.

Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate that applies on the balance-sheet date. Non-monetary assets and liabilities are translated to the rate in effect on the date of the transaction.

Exchange-rate differences arising due to the translation of balance-sheet items in foreign currency to the functional currency are recognised in profit and loss as exchange-rate gains or losses.

Translation of the financial statements of foreign operations

The Group has small foreign operations in the form of a Norwegian and a Danish branch, an associated company in Switzerland and a subsidiary and a branch in the UK. Assets and liabilities in branches, associated companies and subsidiaries are translated to SEK at the exchange rate prevailing on the balance-sheet date. Income and expenses are translated to the Group's reporting currency at an average exchange rate comprising an approximation of the exchange rate applicable on the date of the transaction. Translation differences arising in the translation of branches' and subsidiaries' currencies are recognised against other comprehensive income as a translation reserve.

In the event of a divestment of a foreign operation, the attributable accumulated translation differences are realised less currency hedges in the consolidated income statement.

Impairment

The carrying amounts of the Group's assets are assessed on every balance sheet-date to determine whether there are any indications of impairment. IAS 36 Impairment of Assets is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39 Financial Instruments: Recognition and Measurement, property recognised at fair value in accordance with IAS 40 Investment Property and deferred tax assets in accordance with IAS 12 Income Taxes. The carrying amounts of the exempted assets above are tested according to the respective standard.

Impairment tests for property and equipment and intangible assets and participations in subsidiaries and associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36 Impairment of Assets. The recoverable amounts of goodwill and intangible assets that are not finished for use are calculated annually. If it is not possible to determine the substantially independent cash flow of a specific asset, the assets shall be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flows known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses are charged against profit and loss. The impairment of assets attributable to a cash-generating unit is initially distributed to goodwill. Proportional impairment losses on the other assets included in the unit are subsequently recognised.

The recoverable amount is the higher of fair value less selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

Impairment tests for financial assets

On each reporting occasion, the company evaluates whether objective evidence exists that a financial asset is in need of impairment. Objective evidence comprises observable circumstances that have occurred and have a negative effect on the possibility to recover the cost, and for equity instruments a significant or extended reduction in the fair value of an investment in an available-for-sale financial asset.

The recoverable amount for assets belonging to the categories of investments held to maturity, loan receivables and accounts receivable, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

Reversal of impairment losses

An impairment loss is reversed if there is an indication that the impairment requirement no longer exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. However, impairment losses on goodwill are never reversed. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation and amortisation where applicable, if no impairment had been applied.

Impairment losses on investments held to maturity or loan receivables and accounts receivable recognised at amortised cost are reversed if a later increase of the recoverable amount can objectively be attributed to an event that occurred after the impairment was applied.

Impairment of equity instruments classified as available-for-sale financial assets that were previously recognised in profit and loss cannot subsequently be reversed in profit and loss. The impaired value is the value from which subsequent revaluations are made, which are recognised against other comprehensive income.

Impairment of interest-bearing instruments, classified as available-for-sale financial assets, are reversed in profit and loss if the fair value increases and the increases can objectively be attributed to an event that occurred after the impairment was applied.

Income

Income is recognised when:

- the income can be calculated in a reliable manner,
- it is probable that the financial benefits related to the transaction will accrue to the company,
- the degree of completion on the balance-sheet date can be calculated in a reliable manner, and
- the expenses that have arisen and the expenses that remain to complete the service assignment can be calculated in a reliable manner.

Income is measured at the fair value of the amount that has been received or will be received. Income is recognised in accordance with the percentage of completion method, meaning that income is recognised on the basis of the degree of completion of the assignment or the service on the balance-sheet date.

Income from sales of properties

Income from sales of property is normally recognised on the date of taking possession unless the risks and benefits were transferred to the purchaser on an earlier occasion. Control of the asset may have been transferred prior to the date of taking possession and, if this is the case, the income from the sale of the property is recognised at this earlier date. The agreement reached between the parties regarding the risks and the benefits and the commitment in the ongoing management are taken into consideration in determining the date of income recognition. Consideration is also given to circumstances that may impact the outcome of the transaction that are outside the control of the seller or the purchaser.

Rental income

Rental income from investment property and owner-occupied property is recognised in profit and loss based on the conditions of the lease contract. The total cost for benefits provided is recognised as a reduction in rental income distributed over the lease period.

Other income

Income from assignments is recognised when the financial outcome of performed assignments can be reliably calculated and the financial benefits accrue to the company (primarily on a current account basis). Income is recognised in profit and loss according to the percentage of completion method. Income is paid in the form of cash and cash equivalents.

Amounts received on behalf of another entity are not included in the company's income. The criteria for income recognition are applied individually to each transaction.

Premiums

Premium income

Premium income in the non-life insurance operations is recognised as the total gross premium for direct insurance and assumed reinsurance deposited or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year. Gross premium is the contractual premium for the entire insurance period after deductions for standard customer dis-

counts. Renewal premiums that are not confirmed by the policyholder and premiums for recently signed insurance contracts are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premiums for insurance periods commencing after the end of the fiscal year are also recognised as premium income, if according to contract they fall due for payment during the fiscal year. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

The insurance component in the unit-linked life-assurance operations is classified in the financial agreements as insurance contracts. Premiums for the insurance component are recognised as premium income in line with premiums being paid.

Premiums earned

Premiums earned are recognised as the portion of premium income attributable to the accounting period. The portion of premium income from insurance contracts pertaining to periods after the balance-sheet date is recognised as "Provision for unearned premiums" in the statement of financial position. Provision for unearned premiums is usually calculated by strictly allocating premium income based on the term of the underlying insurance contract. Reinsurers' portion of premium income is also allocated and the portion attributable to the period after the balance-sheet date is recognised as a receivable Reinsurers' portion of technical provisions, unearned premiums.

Interest income and interest expense

Interest income and interest expense presented in the income statement comprise interest in the Bank Group on financial assets and liabilities that is valued at amortised cost, including interest on impaired loans and interest from financial assets classified as available for sale. Interest income from financial assets measured at fair value in profit and loss according to the fair value option in the Bank Group is also recognised here.

For interest-rate derivatives that hedge financial assets, paid and accrued interest is recognised as interest income, and for interest-rate derivatives that hedge financial liabilities, these are recognised as part of interest expense. Unrealised changes in the value of derivatives are recognised in the item "Investment income, net."

Interest income on receivables and interest expense on liabilities are calculated and recognised through application of the effective interest method or, if it is considered appropriate, through application of a method that results in interest income or interest expense that is a reasonable estimate of the result that would be achieved using a calculation based on the effective interest method. Interest income and interest expense include, where appropriate, allocated amounts of fees received, which are included in the calculation of effective interest, transaction costs and any discounts and other differences between the original value of the receivable/liability and the amount settled at maturity. Interest expense includes allocated amounts of issue expenses and similar direct transaction costs for loans raised.

Investment income, net

Both the impact on earnings that has arisen from investment activities, the insurance operations and the Bank Group's net gains/loss from financial items are recognised in the item "Investment income, net." The investment activities includes interest income on bank funds, interest-bearing securities and receivables, dividend income, exchange-rate gains/losses, interest expense on loans, realised and unrealised gains/losses on financial investment assets and derivative instruments, rental income and expenses on investment property, profit shares in associated companies, depreciation/amortisation and impairment of shares and participations as well as external expenses for asset management.

The provision for claims outstanding for accident and health insurance for children and claims annuities are discounted. The effects of the interest revaluation are recognised in "Investment income, net."

The non-life insurance operations receive interest on technical provisions from the financial operations. The portion of transferred investment income that corresponds to the indexation of claims annuities has been transferred to claims payments and is included in the item change in provision for claims outstanding. An increased capital cost corresponding to the effect of the indexed claims annuities arises in investment income, net.

For the Bank Group, realised and unrealised changes in value of derivative instruments which are financial hedging instruments, but for which hedge accounting is not applied, and unrealised changes in the fair value of derivatives to which fair value hedge accounting is applied, and unrealised changes in fair value of hedged items with regard to hedged risk in the hedging of fair value are included. The ineffective portion of hedging instruments and exchange-rate changes are also recognised in the item Investment income, net.

Realised profit and loss is calculated as the difference between the purchase consideration received and the value in the statement of financial position at the time of the sale. Any impairment losses on available-for-sale financial assets are recognised in this item. Unrealised profit and loss comprises changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised changes in value is reversed as unrealised profit and loss.

Commission income and commission expense

Commission income is derived from various types of services provided to customers. The manner in which the commission income is recognised depends on the purpose for which the fee was charged. The fees are recognised in income in line with the provision of the services or in conjunction with the performance of a significant activity. Fees charged continuously, such as advising fees and financial guarantees, are recognised as income in the period in which the service was provided. Fees charged for significant activities, for example securities commission and card commission, are recognised in income when the activity has been completed.

Fees for financial agreements and commission income in the unit-linked life-assurance operations are recognised as commission income.

Commission expense is dependent on the transaction and is recognised in the period in which the services are received. Commission expense includes compensation to the regional insurance companies for their work with the Group's customer-related issues in each of the regional insurance companies' geographic areas of operation. Commission expense deriving from financial assets or financial liabilities not measured at fair value in profit and loss comprises commission to the regional insurance companies.

Claims payments

The expenses during the period for incurred claims, both those reported to the company and those not reported, are recognised as claims payments. Total claims payments include claims paid during the period and changes in provisions for claims outstanding and reinsurers' portion of provisions for claims outstanding.

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received.

The Group recognises the anticipated cost of bonus payments and other variable remuneration when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration after termination of employment

Pension plans

The Group has both defined-contribution and defined-benefit pension plans, some of which have assets in separate foundations. These plans are usually financed through payments from the respective Group company. The Group is generally covered by the FTP plan, which does not depend on any payments from employees.

Defined-benefit pension plans

The Group's net commitments for defined-benefit plans are calculated separately for each plan by making an estimate of the future remuneration that the employees will have earned over their employment in both current and previous periods. This remuneration is discounted at a present value. The discount rate is the interest rate on the balance-sheet date of high-quality corporate bonds with a term corresponding to that of the Group's pension commitments. When there is no longer an active market for such corporate bonds, the market interest rate on government bonds with a corresponding term will be used instead. The calculation is performed by a qualified actuary by applying the Projected Unit Credit Method. Furthermore, the fair value of any plan assets is calculated as per the reporting date.

Actuarial gains and losses may arise in conjunction with the determination of the present value and fair value of the plan assets. These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions are changed.

The corridor rule is applied to actuarial gains and losses arising in conjunction with the calculation of the Group's commitments for various plans. The corridor rule entails that the portion of the accumulated actuarial gains and losses that exceeds 10% of the higher of the commitments' present value and the fair value of the plan assets is recognised in earnings over the expected average remaining period of service for the employees encompassed by the plan. In all other cases, no actuarial gains and losses are taken into account.

The carrying amount of pensions and similar commitments recognised in the statement of financial position corresponds to the present value of the commitments at year-end, less the fair value of plan assets, unrecognised actuarial gains or losses and unrecognised expenses for service during earlier periods. When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of the unrecognised actuarial losses and unrecognised expenses for service during earlier periods and the present value of future repayments from the plan or reduced future deposits to the plan.

When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during earlier periods is recognised in profit and loss straight-line over the average period until the remuneration is earned in its entirety. An expense is recognised directly in profit and loss if the remuneration has been fully earned.

When there is a difference between how the pension cost is determined in the legal entity and in the Group, a provision or receivable pertaining to a special employer's contribution based on this difference is recognised. The present value of the provision and the receivable is not calculated.

All expenses for defined-benefit pension plans are recognised as staff costs in operating profit.

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions.

The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK), is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Remuneration for termination of employment

An expense for remuneration in conjunction with the termination of employment is recognised only if the company is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and the number of employees who may accept the offer can be reliably estimated.

Loan losses

The item Loan losses in the income statement comprises confirmed and probable loan losses. Confirmed loan losses pertain to the entire receivable when there is no realistic possibility of recovery. Probable loan losses pertain to impairment for the year for the loan losses based on a calculated recoverable amount when there is an indication that

impairment is required. Recoveries comprise reversed amounts of loan losses that were previously recognised as confirmed. Probable loan losses are reversed when no impairment requirement is deemed to exist any longer. Only the Bank Group's share of confirmed loan losses is recognised. The regional insurance companies' share of confirmed loan losses is settled through compensation to the regional insurance companies and is recognised on the line "Loan losses".

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in net profit for the year, except when the underlying transaction is recognised in other comprehensive income or against equity with the related tax effect recognised in other comprehensive income or equity.

Current tax is tax that shall be paid or received in the current year, with the application of the tax rates that are decided or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill or in differences arising at first recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. Nor are temporary differences attributable to participations in subsidiaries and associated companies not expected to be reversed in the foreseeable future taken into consideration. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Additional income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

Yield tax

The unit-linked life-assurance operations are mainly taxed in accordance with the Swedish Act on Yield Tax on Pension Funds. Yield tax is not a tax on the insurance company's earnings and is paid, instead, by Länsförsäkringar Fondliv Försäkrings AB on behalf of the policyholders. The tax base is the market value of the assets at the start of the income year. Both the yield tax attributable to the period and the charge for yield tax are recognised profit and loss in "Change in provisions for life assurance for which the policyholder bears the risk."

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition of operations and the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities.

Goodwill is measured at cost less any accumulated impairment. Goodwill is distributed to cash-generating units and is tested for impairment at least once annually. Goodwill that has arisen in conjunction with the acquisition of associated companies is included in the carrying amount of participations in associated companies.

Other intangible assets

Other intangible assets comprise proprietary and acquired intangible assets with determinable useful lives. These assets are recognised at cost less accumulated amortisation and impairment. Amortisation is commenced when the asset becomes available for use.

The Group's proprietary intangible assets are recognised only if all of the following conditions are fulfilled:

- the expenses for the asset can be reliably calculated
- it is technically and commercially usable and sufficient resources exist to complete development and thereafter use or sell the intangible asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses. Other development expenses are recognised as an expense when they arise.

The periods of amortisation are determined based on a useful life of five to 15 years. Amortisation takes place in the income statement according to the straight-line method. Impairment requirements are tested annually as described in the section on "Impairment" above.

Additional expenses for capitalised intangible assets are recognised as an asset in the statement of financial position only when these expenses increase the future financial benefits of the specific asset to which they pertain.

Property and equipment

Equipment

Equipment is recognised at cost less accumulated depreciation and any accumulated impairment. Depreciation takes place according to the straight-line method over the asset's expected useful life, commencing when the asset becomes available for use. Depreciation and any scrapping and divestments are recognised in profit and loss. The useful life for computer equipment is three years and five years for office equipment and cars. The depreciation method and the residual values and useful lives of the assets are re-tested every year-end.

Impairment requirements are tested annually according to the principles described in the section on "Impairment" above.

Owner-occupied property

Owner-occupied property is recognised in accordance with the revaluation method.

Land and buildings owned by the Länsförsäkringar AB Group and that are used for administrative purposes are recognised at their revalued amounts, which corresponds to fair value less accumulated depreciation and adjustments due to revaluations on the date of revaluation. Fair value is based on the prevailing prices in an active market for similar properties in the same location and of the same standard, supplemented by a cash-flow statement. The valuation is performed twice a year by an external independent appraiser. Increases in value are recognised against other comprehensive income and accumulated after tax in the revaluation reserve in equity. If the increase comprises a reversal of a previously recognised decrease in value of the same asset, the increase is recognised as a reduced cost in profit and loss. If revaluation results in a reduction in the carrying amount, the reduction is recognised in profit and loss. However, the

reduction is recognised in other comprehensive income to the extent that any existing balance in the revaluation reserve is attributable to the asset.

Owner-occupied property comprises a number of components with various useful lives. The main division is land and buildings. The land component is not depreciated since its useful life is deemed to be unlimited. However, the buildings comprise several components with varying useful lives.

The useful lives of these components are deemed to vary between ten and 100 years. The following main groups of components have been identified and form the basis of the depreciation of buildings.

Frame	100 years
Roof, façade, windows	50 years
Frame supplementation	40 years
Fixtures and fittings	40 years
Exterior surface	20 years
Permanent equipment, service facilities etc. in building	10 years

The depreciation methods used and the residual values and useful lives of the assets are re-tested every year-end.

Additional expenses are added to the cost only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are recognised as an expense in the period in which they arise.

The key factor in the assessment of whether an additional expense is to be added to the cost is whether the expense pertains to the replacement of identified components, or parts thereof, in which case such expenses are capitalised. The expense is also added to the cost in the case of the creation of new components.

Any carrying amounts of replaced components, or parts of components, that have not been depreciated are discarded and expensed in conjunction with the replacement. Repairs are continuously expensed.

Investment property

Investment property is property that is held for the purpose of receiving rental income or an increase in value or a combination of these two purposes. Investment property is initially recognised at cost, which includes expenses directly attributable to the acquisition. Investment property is recognised at fair value in the statement of financial position.

The valuation of the property portfolio was performed by an external appraiser. The valuation primarily uses a location-price analysis based on sales of similar properties during the year. The location-price analysis was supplemented with a cash-flow statement and a residual value calculated at present value at the end of the calculation period.

Valuations are usually performed once a year. Internal valuations are performed continuously during the year which may give rise to revaluations in the event of major deviations from the most recent external valuation. Since valuation is based on fair value, depreciation is not applied to property.

Additional expenses are added to the carrying amount only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are recognised as an expense in the period in which they arise. The key factor in the assessment of whether an addition expense is to be added to the carrying amount is whether the expense pertains to the replacement of identified components, or parts thereof, in which case such expenses are capitalised. The expense is also added to the carrying amount in the case of the creation of new components. Repairs are expensed as such expenses arise.

Both unrealised and realised changes in value are recognised in profit and loss.

Financial assets and liabilities

Recognition and derecognition in the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to this in accordance with the instrument's contractual conditions. A financial asset is derecognised from the statement of financial position when the rights in the contract are realised, expire or the company loses control of them. A financial liability is derecognised from the statement of financial position when the obligation in the contract is met or eliminated in another manner.

A financial asset and a financial liability are offset and recognised as a net amount in the statement of financial position only when a legal right exists to offset the amounts and the intention is present to settle the item in a net amount or simultaneously realise the asset and settle the liability.

Business transactions in the monetary, bond and equities markets are recognised in the statement of financial position on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date. Loan receivables are recognised in the statement of financial position when the loan amount is paid to the borrower. Loan commitments are not recognised in the statement of financial position. Instead, they are valid for three months and are recognised as a commitment in the note entitled "Pledged assets, contingent liabilities and contingent assets."

In genuine repurchase transactions, the asset remains in the statement of financial position of the selling party and payments received are recognised as liabilities. Sold securities are recognised as pledged assets. Leased securities remain in the statement of financial position as securities and are recognised as pledged assets.

Measurement

IAS 39 requires that all financial instruments be measured at fair value when recognised in the balance sheet. For instruments that are not continuously measured at fair value, a transaction cost is added to this value.

The continuous measurement may be at fair value, cost or amortised costs depending on the category to which the instrument belongs, see below under Classification. For instruments that are not continuously measured at fair value, there is the option of selecting fair value as the valuation principle, known as the fair value option.

Methods for determining fair value

Financial instruments listed on an active market

For financial instruments listed on an active market, fair value is determined based on the listed buying-rate of the asset on the balance-sheet date with no additions for transaction costs (for example, brokerage commission) on the acquisition date. A financial instrument is considered to be listed on an active market if listed prices are readily available on an exchange, from a trader, broker, industry

organisation, company providing up-to-date price information or and regulatory authority and these prices represent actual and regularly occurring market transactions based on commercial terms. Any future transaction costs arising in conjunction with divestments are not taken into account. The fair value of financial liabilities is determined based on the selling rate.

Instruments listed on an active market are found in the items "Shares and participations," "Bonds and other interest-bearing securities," "Treasury bills and other eligible bills" and "Derivatives" in the statement of financial position. The largest portion of the Group's securities holding is assigned a fair value at prices listed on an active market.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the company determines the fair value by using a valuation technique. The valuation techniques applied are based on market data as far as possible, whereas company-specific information is used a little as possible. The company regularly calibrates its valuation techniques and tests their validity by comparing the outcomes of the valuation techniques with prices from observable, relevant market transactions in the same or similar instruments. Valuation techniques are used for derivative instruments (OTC derivatives). The valuation techniques used for OTC derivatives comprise analyses of discounted cash flows.

The valuation techniques applied are calibrated such that on initial recognition the fair value amounts to the transaction price and changes in fair value are subsequently recognised continuously based on changes that occur in the underlying market-risk parameters.

Unlisted shares are recognised at fair value according to the valuation principles applied by industry organisations in Europe and the US. The item "Shares and participations" also includes the asset class "Alternative investments," which comprise units in funds that buy, develop and sell unlisted companies (private equity) and hedge funds. Valuation data is obtained from the various funds and valuation complies with the guidelines of the European Private Equity and Venture Capital Association.

The unlisted financial assets measured at fair value are recognised at level 3 of the valuation hierarchy in the note on fair value valuation techniques. Holdings of unlisted equities are recognised at a fair value that is equal to cost for cases in which it is not possible to determine a fair value reliably. The reason that it may not be possible to measure the fair value of these holdings reliably is that corporate management believes that uncertainty surrounding future cash flows and the risk adjustment required to the discount rate is too great. The company does not intent to divest its unlisted equities in the near future. The carrying amount of unlisted equities whose fair values could not be reliably measured totals SEK 10.2 M (10.2).

Classification

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument, but also on the options contained in IAS 39. The classification determines how the financial instrument is measured after the initial recognition as described below.

Financial assets measured at fair value in profit and loss

This category comprises two sub-groups: financial assets held for trading and financial assets that the company has initially decided to place in this category according to the fair value option. Assets are evaluated and managed based on fair value, which also forms the basis of internal monitoring and reporting to senior executives. For this reason, the Group has chosen to classify these instruments as instruments measured at fair value in profit and loss. Investments in this category are recognised at fair value. Gains and losses are recognised in profit and loss under the item Investment income, net.

Loan receivables and accounts receivable

Loans receivable and accounts receivable are financial assets that are not derivatives, that have fixed or fixable payments and that are not listed on an active market. These are represented by the items "Loans to credit institutions," "Loans to the public" and "Other receivables" in the statement of financial position. Assets in this category are measured at amortised cost. For further information, see the separate section on lending.

Held-to-maturity investments

Held-to-maturity investments are financial assets and comprise interest-bearing securities with fixed or determinable payments and determined terms that are traded on an active market and that the company expressly intends and has the capacity to hold to maturity. Assets in this category are measured at amortised cost.

Available-for-sale financial assets

The category of available-for-sale financial assets includes financial assets that the company initially decided to classify in this category or financial assets that have not been classified in any other category. This category includes such items as Länsförsäkringar Bank's liquidity surplus and holdings in Länsförsäkringar Liv Försäkrings AB. The shares in Länsförsäkringar Liv Försäkrings AB are measured at cost since they cannot be reliably measured at fair value.

Assets in this category are continuously measured at fair value, with unrealised changes in value recognised in other comprehensive income and accumulated in the fair value reserve in equity. Assets are recognised in profit and loss once the changes in value have been realised and when any impairment losses arise. Exchange-rate differences for monetary items are recognised in profit and loss. An assessment of whether any impairment has occurred takes place prior to the end of each reporting period. Objective circumstances, such as the credit rating of the issuer and market trends, are taken into account to evaluate future cash flows.

Furthermore, interest on interest-bearing instruments is recognised in accordance with the effective interest method in profit and loss similar to dividends on shares. Any transaction costs for these instruments will be included in the cost on initial recognition and thereafter included in the continuous valuations.

Derivatives

All derivatives are recognised at fair value and measured individually. The principle for recognising a gain or loss depends on whether the derivative is specified as a hedging instrument and, if this is the case, the nature of the item that is hedged.

Financial liabilities measured at fair value in profit and loss

This category includes financial liabilities held for trading and other financial liabilities that the company has initially decided to place in this category according to the fair value option.

This category includes the Group's derivatives at negative fair value with exceptions for derivatives that have been identified and effective hedging instruments. Unit-linked insurance commitments belong to this category since it provides a favourable match to the associated assets measured at fair value. Changes in fair value are recognised in profit and loss.

Other financial liabilities

This category includes loans and other financial liabilities, for example, accounts payable. The liabilities are measured at cost which, when hedge accounting is applied, is adjusted for changes in fair value regarding the hedged risk (for further information, see the section on hedge accounting below.)

Hedge accounting

The Group's derivative instruments, which comprise interest and currency swaps, and purchased interest caps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. All derivatives are measured at fair value in the statement of financial position.

Länsförsäkringar AB has hedged the interest-rate risk in its debt securities in issue. The hedge-accounting strategy defined and applied by the company is cash-flow hedging. Cash-flow hedging means that the hedging instrument is remeasured in other comprehensive income instead of in profit and loss, while the hedged item is measured in accordance with the basic principles of IAS 39. Accordingly, unrealised changes in value of the hedging instruments are recognised in the hedging reserve in other comprehensive income. To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured reliably. Hedge accounting can only be applied if the hedge relationship can be expected to be highly effective.

In the event that the conditions for hedge accounting are no longer met, the derivative instrument is recognised at fair value with the change in value in profit and loss. Evaluation of hedge relationships occurs at least on the official reporting occasions, but can be carried out monthly if required. Each identified hedge relationship is expected to be effective over its entire lifetime. Effectiveness is tested using two different methods: one forward-looking (prospective) assessment and one retrospective evaluation. Ineffectiveness is recognised in profit and loss.

To avoid earnings effects due to financial hedging, Länsförsäkringar Bank has chosen to apply hedge accounting. The hedge-accounting strategy defined and applied by the bank is hedging of fair value. Portfolio hedging is applied to the funding and loan portfolios. Fair value hedge accounting means that the hedged item is measured at fair value with respect to the hedged risk and that the change in fair value is recognised in profit and loss for both the hedging instrument and the hedged item.

The change in the value of the derivative is recognised in profit and loss together with the change in the value of the hedged item under "Investment income, net."

Unrealised changes in the value of hedging instruments are also recognised as "Investment income, net," whereas interest coupons, both unrealised and realised, are recognised among interest income if the hedged item is an asset or portfolio of assets or among interest expense if the hedged item is a liability or portfolio of liabilities. The application of portfolio hedging is based on the version of IAS 39 adopted by the EU, known as the "carve out" version.

To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured reliably. Hedge accounting can only be applied if the hedge relationship can be expected to be highly effective and subsequently to have had an effectiveness in the range of 80-125%. In the event that the conditions for hedge accounting are no longer met, the derivative instrument is recognised at fair value with the change in value in profit and loss. For a small number of financial hedges for which the earnings consequence of not applying hedge accounting is deemed more limited, hedge accounting is not applied due to the extra administrative work involved in hedge accounting.

Other financial hedges comprise hedging of currency risk associated with funding and hedging of interest-rate risk in bonds that carry fixed interest rates. The Group also includes hedges with interest-rate ceilings for interest-rate risk associated with funding at floating interest rates. The loans are recognised at amortised cost and the interest-rate ceiling is recognised at fair value in profit and loss.

The portfolio method that is applied implies that the lending and interest swaps used in the hedging instrument are distributed to various time pockets based on the contractual timing of interest renegotiation or maturity.

Evaluation of hedge relationships occurs at least quarterly on the official reporting occasions, but can also be carried out monthly if required. Each identified hedge relationship is expected to be effective over the entire lifetime of the hedge relationship. Effectiveness is tested using two different methods: one forward-looking (prospective) assessment and one retrospective evaluation. Ineffectiveness is recognised in profit and loss.

Financial management risk

An account of market, counterparty, concentration and liquidity risk is provided in note 2.

Loans

These assets are measured at amortised cost. Amortised cost is determined based on the effective rate calculated on the acquisition date. Accounts receivable and loan receivables are recognised in the amount at which they are expected to be received, meaning after deductions for impairment of impaired loans.

Impaired loans

A loan or account receivable is considered impaired if a payment is more than 60 days overdue or if there is reason to expect that the counterparty cannot meet its undertaking. The portion covered by collateral is not deemed to be an impaired loan.

Impairment of loan losses

An assessment is made on each balance-sheet date as to whether objective circumstances exist suggesting that a financial asset or

group of financial assets requires impairment. Loans identified on an individual basis as impaired, and accordingly on which impairment losses are to be recognised, are measured at the present value of expected future cash flows including the fair value of the collateral, less any selling expenses discounted by the original effective rate. Any impairment requirements on loans that are not deemed to require individual impairment loss recognition are identified and valued collectively.

Impairment is conducted as an allocation to the reserve for loan losses. When a financial asset is impaired due to loan losses, a provision account is used. If the impairment requirement declines in subsequent periods, the maximum impairment carried out is reversed.

Individual reserves are reversed when a loan receivable is derecognised from the statement of financial position. Impairment for losses on guarantees is recognised as a provision.

In profit and loss, the impairment of loan receivables is recognised as loan losses, carried out as a write-off of loan losses confirmed during the year or as an allocation to the reserve for loan losses.

Reserve methods

Individual reserves:

- For retail exposure and agricultural mortgages in the banking and mortgage operations, impairment losses are recognised individually, regardless of the size of the loan, if such impairment has been identified.
- Information and data collated under the framework of the Group's Internal Ratings-based Approach model are used as support in making estimates of expected future cash flows. Such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows.
- For other exposures in the banking and mortgage operations, individual assessments are performed on loans that individually total significant amounts.
- For leasing and hire purchase, individual assessments are performed on all loans that are more than 60 days past due, regardless of the size of the loan.

Collective reserves

- For retail exposures in the banking and mortgage operations, reserves are made collectively when a measureable decline has occurred in the expected future cash flows from group of loans that were individually identified as requiring impairment losses. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are also used in determining this additional collective reserve. Similar to individual impairment losses, such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows.
- Collective impairment losses are recognised on other exposures in the banking and mortgage operations that are not individually significant. The collective valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.
- The reserve requirement for loan receivables in the leasing and hire purchase operations that are more than 20 days but less than 60 days past due is calculated under the guidance of previous experience of the amount of losses for the group in question.

Takeover of collateral

The banking and mortgage operations have not taken over any collateral. The collateral is directly sold in the event of insolvency. For the leasing and hire purchase operations, collateral that can be sold is taken over. Collateral is valued based on an external valuation and is recognised under reductions in impairment of loan losses.

Confirmed losses

Confirmed loan losses are those losses whose amount is regarded as finally established through acceptance of a composition proposal, through other claim remissions or through bankruptcy. In the cases of loans to private individuals, for which all collateral has been realised and the assessment has been made that no additional funds will be received, the Credit Committee makes a decision on whether to confirm the loan loss. The receivable is derecognised from the statement of financial position and is recognised as a confirmed loss in profit and loss.

Leasing

Lease agreements are classified in the consolidated financial statements either as financial or operational leasing. Financial leasing exists if the financial risks and benefits associated with ownership have essentially been transferred to the lessee. If this is not the case, then this is a matter of operational leasing.

The Bank Group's assets that are leased under financial lease agreements are not recognised as property and equipment since the risks associated with ownership are transferred to the lessee. Instead, the lease agreements are recognised as loans to the lessee regarding future leasing fees. Initially, an amount corresponding to the present value of all minimum lease payments to be paid by the lessee is recognised and any guaranteed residual value accrues to the lessor. Payments received from these agreements are recognised in part as repayment of lease receivables and in part as interest income.

The Group is a lessor and to a slight extent also lessee in the form of external lease contracts classified as operational leading and where expenses are recognised as rents.

In addition, the Group is, to a limited extent, a lessee of company cars and office equipment. These expenses are recognised in their entirety as rental charges. These rental changes are recognised straight line over the leasing period.

Prepaid acquisition costs

Selling expenses that have a distinct link to signed insurance contracts are recognised as assets, prepaid acquisition costs, and are depreciated over their useful lives. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. The selling expenses capitalised in the non-life insurance operations are commission expense. Commission and administration expenses are capitalised in the unit-linked life-assurance operations.

In the non-life insurance operations, the capitalised cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

In the unit-linked life-assurance operations, the capitalised cost is allocated in accordance with the same pattern as the recognition of income, meaning in line with the service being provided. The depreciation period is 20 years.

Insurance contracts

Insurance contracts are contracts in which the insurance company undertakes a significant insurance risk for the policyholder by agreeing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts. Insurance products that do not involve a sufficiently significant level of insurance risk are to be classified as non-insurance contracts. The Group's non-life insurance companies have classified all insurance contracts with insurance risk. Some insurance contracts of minor value were identified for which the risk is not transferred to another party. Since these are of marginal value, all contracts have been classified according to the concept of materiality as insurance contracts.

The unit-linked insurance operations have insurance contracts with significant insurance risk and contracts with limited insurance risk. The insurance component of the financial agreements and pure risk insurance are classified as insurance contracts. Premiums for the insurance component are recognised as premium income in line with premiums being paid. Expenses are recognised when they arise, except for variable costs that are capitalised.

The insurance companies in the Group perform a loss survey of connections in their insurance provisions to ensure that the carrying amounts of the provisions are sufficiently high for the expected future cash flow.

Financial agreements

Insurance contracts that contain limited insurance risk are classified as financial agreements. In the reporting, these contracts are divided into a financial component and an insurance component. This method is known as unbundling. To provide more relevant information, the financial component and the insurance component are recognised separately for all types of contacts, both those classified as insurance contracts and those as financial agreements.

Premiums for the financial component are recognised as deposits in the insurance operations in the statement of financial position. Correspondingly, payments of claims payments for insurance contracts with limited risk are recognised as withdrawals from the insurance operations in the statement of financial position. The fees paid by customers are recognised as income and Länsförsäkringar Fondliv Försäkrings AB's expenses for insurance risk are recognised as expenses. The various types of fees charged to customers for the management of financial agreements are recognised in income in line with Länsförsäkringar Fondliv Försäkrings AB providing the management services to the policyholders. The provision of services is evenly distributed over the term of the contracts.

Reinsurance

Contracts signed between the Group's insurance companies and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. Assumed reinsurance is classified in the same manner.

For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the reinsurers' portion of technical provisions and deposits with companies that have ceded reinsurance. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Liabilities in reinsurance primarily comprise settlements against regional insurance companies and premiums to be paid for reinsurance contracts.

The reinsurers' portion of technical provisions corresponds to the reinsurers' responsibility for technical provisions in accordance with signed contracts. The insurance companies assess the impairment requirements of assets for reinsurance contracts twice a year. If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment loss is expensed in profit and loss.

Technical provisions

Technical provisions comprise "Provision for unearned premiums and unexpired risk" and "Provision for claims outstanding."

Changes in technical provisions for the period are recognised in profit and loss. Changes attributable to the translation of the provision items to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under the item "Investment income, net."

Provision for unearned premiums and unexpired risks

Provision for unearned premiums is designed to cover the expected claims and operating expenses during the remaining time to maturity of insurance contracts already in force. The calculation includes an estimate of the expected costs for claims that may occur during the remaining term of the insurance policies and the management costs during the period.

Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. For certain products with small volumes, unearned premiums are not calculated as a share of the premium income.

The cost estimate is based on experience, but consideration is also given to both the observed and forecast trend in relevant costs.

Unexpired risks refers to the risk that the payment requirements of the insurance contracts and the costs will not be covered by unearned premiums and expected premiums after the end of the fiscal year.

If the premium level of insurance contracts already entered into is deemed to be insufficient, a provision is made for unexpired risks. The change for the period in Provision for unearned premiums and unexpired risks is recognised in profit and loss.

The life-assurance provision is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity, overheads and loading for contingencies.

Provision for claims outstanding

The provision for claims outstanding comprises three different balance-sheet items. These are provision for disability annuities, established claims and non-established claims. These provisions should cover anticipated costs for claims for which final settlement has not

been completed, including claims that have occurred but have not yet been reported to the company. The provision includes anticipated future cost increases plus all expenses for claims adjustment and is based on statistical methods for most claims. An individual assessment is made in the case of major claims and claims involving complex liability conditions.

The provision for disability annuities corresponds to the capital value of the company's commitments in accordance with the insurance contract. For disability annuities at fixed amounts, the nominal interest-rate assumption was determined based on the yield curve used for life assurance provisions, meaning that the value was discounted to present value using the current interest in accordance with Swedish Financial Supervisory Authority's regulation FFFS 2011:22. The effect of interest-rate revaluations is recognised as a financial expense or income.

Similarly, a real yield curve was applied to index-linked disability annuities. This applies to all disability annuities regardless of whether they are classed as occupational pensions.

The provision for established claims is a provision for reported and approved claims that have not yet been paid. It includes the fixed-income operations. For motor third-party liability insurance, provisions are calculated for claims adjustment costs according to the unit cost principle. Provisions for claims adjustment costs for other types of insurance are made proportionally against the provision for claims incurred.

The provision for non-established claims pertains to claims that have been incurred but have not yet been reported (IBNR) and that have been made using statistical methods based on previous experience for the respective products.

Life-assurance reserve

The life-assurance reverse correspond to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction of the anticipated capital value of future contractual premium payments. The life-assurance reserve is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity cancellations and expenses. In the calculation of technical provisions, a gross interest assumption was applied in accordance with the Financial Supervisory Authority's regulation FFFS 2011:22 for the choice of interest rate in calculating technical provisions. Two current yield curves are produced for the calculation on the balance-sheet date, one that is cautious for occupational pension insurance and one that is adequate for other insurance types of insurance policies. The discount rate curves are determined by using zero coupon yield curves for nominal government bonds and covered bonds.

The entire yield curve is applied, meaning that each future transaction is valued taking into account the interest rate corresponding to the duration of the transaction in relation to the calculation date.

Unit-linked insurance commitments for which the policyholder bears the risk

Financial liabilities whereby the liability has a direct link to the value of a financial assets for which the company does not have any risk in the change in value of the fair value of the asset. Provisions for life assurance for which the policyholder bears the investment risk correspond to the redemption value of the fund units held on the policyholders' behalf.

Other provisions

A provision is recognised in the statement of financial position when the Group has an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of when a payment is made is significant, provisions are calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is probable that an outflow of resources will be required.

Loan commitments

A loan commitment can be

- a one-sided commitment from the company to issue a loan with terms and conditions determined in advance in which the borrower can choose whether he/she wants to accept the loan or not, or
- a loan agreement in which both the company and the borrower are subject to terms and conditions for a loan that begins at a certain point in the future.

Loan commitments are not recognised in the statement of financial position. Issued irrevocable loan guarantees are valid for three months and are recognised as a commitment under the note entitled Pledged assets, contingent liabilities and contingent assets.

Financial guarantees

Guarantee agreements issued by the Group, which primarily comprise leasing guarantees and credit guarantees, entail that a commitment to compensate the holder when the holder incurs a loss due to a specific debtor not making due payments to the holder in accordance with applicable contractual conditions.

Financial guarantee agreements are initially recognised at fair value, which normally means the amount that the company received as compensation for the guarantee issued. When the agreement is subsequently valued, the liability for the financial guarantee is recognised at the higher of the amounts to be recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount that was originally recognised less deductions for accumulated allocations, recognised in accordance with IAS 18 Revenue.

Cash flows

The statement of cash flows was prepared in accordance with the indirect method. Reported cash flow includes only transactions that result inward and outgoing payments.

NOTE 2 RISKS AND RISK MANAGEMENT

Conducting business activities involves risk-taking. Knowledge about risks is a core area of expertise in the banking and insurance industries. An increasingly volatile financial market, and more detailed regulations, impose more and more rigorous demands on financial companies and their risk management, in particular. The ultimate owners of Länsförsäkringar Sak are also the company's customers. Accordingly, Länsförsäkringar's activities to govern, manage and control risks are of immediate importance to customers and provide unequivocal customer value.

Focus and aims of risk management

The Länsförsäkringar AB Group conducts development, service and business activities on behalf of its owners, the regional insurance companies. Specific business activities involve risk-taking through the extensive range of banking and insurance products offered by the Group. The management of risk-taking shall contribute to ensuring that financial products can be provided at a favourable return with a controlled risk level.

Confidence in the Group's ability to fulfil its commitments is of central importance. This applies generally and specifically to ensuring the Bank Group's and the Parent Company's lending and Länsförsäkringar Sak's position as an insurer for both direct transactions and as a receiver of reinsurance. The Group endeavours to maintain a balance between capital strength and risk-taking such that a minimum credit rating of A can be justified. This serves as a general indicator of the Group's risk tolerance. The Group's dividend policy states as a condition for dividends to be paid that a credit rating of A can be justified for the Group's credit-rated units.

The risks in the operations are to be managed contentiously but not necessarily minimised. Risk management is to be an integrated part of the business governance. For this reason, risk-taking is controlled in such a manner that the conditions for returns and the level of risk are well-balanced.

The Group's operations include non-life insurance, life assurance and pension insurance and banking activities. The life-assurance operations are found in a wholly owned subsidiary, Länsförsäkringar Liv, which is operated in accordance with mutual principles. The company is not consolidated in the consolidated financial statements and thus the company's risks are not included in the description provided in this note. Länsförsäkringar Liv improved its key figures in 2012, which is of major significance for the entire Group, since the brand is shared. For more information, see Länsförsäkringar Liv's Annual Report.

Table 1 below presents the risk exposure for the Länsförsäkringar AB Group.

Risk exposure

The following factors characterise the Group's risk-taking:

- The operations primarily focus on private individuals and small and medium-sized businesses, directly or mediated by the regional insurance companies, and have few major commitments entailing risk with large companies.
- The operations are conducted in Sweden. An exception is made for animal insurance where the Group strives to utilise its experience and strong position in the Swedish market to successively develop profitable operations in certain other countries in northern Europe.
- All 23 regional insurance companies distributes the company's products, which thereby creates a geographic distribution throughout Sweden.
- The risks taken in non-life insurance are reinsured to a relatively high extent; retention lewels are relatively low.
- Extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance. The operations involve a significantly high gross level of counterparty exposure but are not deemed to entail any major net risks.

Table 1. **RISK EXPOSURE FOR THE LÄNSFÖRSÄKRINGAR AB GROUP**

SEK billion	Dec 31, 2012	Change from Dec 31, 2011
Investments		
Shares and equity-related assets	1	0
Interest-bearing assets including loans to credit institutions and cash/bank balances	55	12
Property-related assets	2	0
Other investment assets	4	0
Total Investments	**62**	**12**
Loans to the public		
Retail mortgages	107	10
Agricultural loans	19	3
Unsecured loans	6	1
Leasing	6	0
Hire purchase	5	1
Multi-family housing	5	2
Other	2	–1
Total Loans to the public	**150**	**16**
Unit-linked insurance assets for which the policyholder bears the risk	**62**	**10**
Reinsurers[1)]	**7**	**0**
Intangible assets	**5**	–1
Other assets	**5**	**0**
Total assets	**291**	**37**

[1)] Reinsurers' portion of technical provisions and receivables from reinsurers.

SEK billion	Dec 31, 2012	Change from Dec 31, 2011
Equity	**14**	**1**
Technical provisions, gross		
Motor third-party liability	9	0
Property and casualty	1	0
Accident and health	2	0
Animal and crop insurance	1	0
Other direct insurance	1	0
Assumed reinsurance	6	0
Total Technical provisions, gross	**20**	**0**
Deposits and funding from the public	**62**	**13**
Debt securities in issue	**115**	**15**
Due to credit institutions	**1**	**–3**
Technical provisions in unit-linked insurance	**62**	**11**
Other liabilities	**17**	**0**
Total equity and liabilities	**291**	**37**

- The risks in the investment assets managed by the Group for own account are held at a relatively low level.
- Loans in the Group's banking operations primarily pertain to households and to a smaller extent to agricultural customers and small businesses.
- Unit-linked insurance operations entail the risk of an unfavourable trend in reclamations, repurchases and transfers, with an adverse impact on profitability.

Risk management organisation

The Board of Directors of Länsförsäkringar AB assumes overall responsibility for the management and follow-up of risk in the Group. Correspondingly, the Boards of the subsidiary Groups are responsible for the risks in their respective business operations. Guiding documents regarding risk-taking are adopted in the legal entities at different levels of the entire Länsförsäkringar AB Group. An aggregated risk profile for the Group is reported to the Parent Company's Board of Directors every quarter.

The Länsförsäkringar AB Group has a joint Finance Committee at Board level. The Finance Committee is a forum for financial analyses of the business environment and macroeconomic analyses. The Committee prepares and coordinates issues concerning asset management to be presented to the Board of each subsidiary for decision. The Committee also ensures compliance with investment orientations decided by the Boards and established targets.

At Group management level, the Capital Committee addresses general issues regarding risk-taking, risk management, raising capital, use of capital and allocation of capital in the Länsförsäkringar AB Group. Ongoing management and follow-ups of different risks are performed in the business operations. Insurance risks are managed by each insurance company. Risks in the insurance companies' investment assets that are managed for own account are managed by the Group-wide asset management unit on behalf of the insurance companies, and credit risk in lending is managed in the Bank Group.

The management and monitoring of different risks takes place in the operating activities within the frameworks established by the Boards of each company and which are broken down into more detailed regulations regarding authorisation to take risks and obligations to monitor them. The bodies in each subsidiary are presented below. For a more detailed description of the governance model, see the annual report of the relevant subsidiary.

- Each individual Board in the Group's non-life insurance operations, Länsförsäkringar Sak and its subsidiaries, decides on the framework for risk-taking by taking such action as adoption investment guidelines and determining the different classes of assets that are to make up the investment portfolios. Furthermore, these Boards decided on the extent of reinsurance coverage. Länsförsäkringar Sak has a committee at management level that discusses the level and composition of risk-taking.
- Each individual Board in the Group's banking operations, Länsförsäkringar Bank and its subsidiaries, decides on such issues as credit and financial policy with guidelines for managing liquidity risks. A Risk and Capital Committee is established at Board level to support the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on the Bank Group's risk-taking and capital requirements. There is an Asset Liability Committee at Board level, whose primary task is to monitor the Länsförsäkringar Bank Group's capital and finance issues.
- In the Group's unit-linked insurance operations in Länsförsäkringar Fondliv, the Board establishes governance documents that regulate risk management and risk control, as well as insurance guidelines, instructions for reserve levels, reinsurance policy and investment guidelines.

The following functions ensure the quality of the risk-management system.

Risk Control functions are responsible for independent risk control, separate from the business operations. Each Risk Control function is responsible for keeping the company's President and Board continuously informed of the company's overall risk situation by reporting risks at least four times a year.

The Group's *Compliance function* works on preventing the risk of non-compliance with regulations and monitoring that the operations are being conducted in accordance with applicable regulations.

Internal Audit, which reports directly to the Boards of the Parent Company and subsidiaries, is an independent audit function that evaluates the internal control of the operations.

Risk modelling and reporting

The Länsförsäkringar AB Group utilises a variety of analysis tools and simulation models in its risk management activities. An aggregated risk profile for the Group is calculated and reported to the Board every quarter.

Risks for the non-life insurance companies and the unit-linked insurance company are calculated in accordance with the risk models that are based on current regulations and the future Solvency II rules, both of which are calibrated to indicate the risk of insolvency occurring within 12 months with a maximum of 0.5% probability. Länsförsäkringar Sak and Länsförsäkringar Fondliv intend to acquire approval for partial internal models for calculating capital requirements under Solvency II, refer below to the section on Solvency II. A model is used for calculating the bank's risks that is based on the Basel II capital requirement rules. The Group's risk profile is dominated by the major risks of each company, meaning the bank's credit risk, the unit-linked life assurance company's market and cancellation risk and the non-life insurance companies' market and insurance risk.

Monitoring and governance of risk-taking and solvency

The impact of risk on the Group's capital is continuously monitored and capital management is closely related to the control of risk-taking. A plan for the financing of the Group's operations is prepared in conjunction with the annual business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of equity and liabilities in the Group, is to ensure that the Group has a sufficient buffer of capital and sufficient liquidity at any time. The connection between the level of risk and the capital requirement is becoming increasingly clear in the statutory solvency rules for both the insurance and banking segments.

In 2012, the Group's insurance companies had a capital base exceeding the statutory solvency margin by a solid margin. Those insurance companies obliged to submit reports under the Swedish

Financial Supervisory Authority's traffic-light model reported significant capital surpluses in relation to the requirements imposed by the test.

On December 31, 2012, the Länsförsäkringar Bank Group had a capital adequacy ratio according to the transition rules of 9.1% (9.3), compared with the statutory requirement of a minimum of 8%. Excluding the supplements that are applied to the transition years according to the Basel II regulations, the capital adequacy ratio was 15.6% (14.0).

Following a decision by the Financial Supervisory Authority, the Länsförsäkringar AB Group, including Länsförsäkringar Liv , is classified as a financial conglomerate in accordance with the Swedish Financial Conglomerates (Special Supervision) Act. A special capital requirement applies to such conglomerates. On December 31, 2012, the conglomerate's capital base exceeded the required capital requirements by SEK 1,929 M.

Solvency II – future risk-based regulatory requirements

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, in 2009. These new rules place more rigorous demands on companies' risk management. Also, the rules stipulate that the requirements for minimum buffer capital placed on insurance companies will be significantly more closely linked to the size of the company's risks. The regulatory changes are extensive, affect a number of areas and, in many respects, are manifested as substantially more detailed rules than the currently applicable provisions. The timeframe for Solvency II has been successively postponed by the EU body. Pending the completion of the negotiations on the final Solvency II rules, the European Insurance and Occupational Pensions Authority (EIOPA) has decided to issue guidelines on interim measures for Solvency II. EIOPA will draft the details at the start of 2013 and the measures will then be applied from January 1, 2014. It is proposed that the following areas be encompassed by the measures: 1) System of governance, including risk management system, 2) a forward-looking assessment of the undertaking's own risks (ORSA), 3) pre-application of internal models and 4) reporting to supervisors.

In the autumn of 2012, EIOPA commenced work on analysing the quantitative consequences of the proposal on certain measures for long-term guarantees (LTG). Länsförsäkringar Liv is participating in this quantitative impact study.

A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Financial Supervisory Authority prior to application. Länsförsäkringar Sak, Länsförsäkringar Fondliv and Länsförsäkringar Liv applied to the Financial Supervisory Authority for a preparatory review of the partial internal model for calculating the Solvency Capital Requirement. An application for the approval of an internal model for the insurance group was also submitted. The Group's insurance companies will thus be able to work with measures of capital requirement that are better aligned with the company's risks than those in the standard formula.

In 2012, work intensified to adapt the regulatory framework of the partial internal model and its connection to operational planning, governance and control, and in the spring of 2012 the Financial Supervisory Authority began its preliminary review which will continue according to plan in 2013. In 2012, an Own Risk and Solvency Assessment (ORSA) was performed. The purpose of the ORSA is to ensure that the company's capital is, and remains, adequate for bearing the risks related to implementation of the company's strategic business plan for the coming 3–5 years.

Länsförsäkringar AB and its subsidiaries have participated in the Solvency II preparations for several years, which has led to high volume of work and costs for the companies. The preparatory work for Solvency II is initially focusing on ensuring compliance with the regulations. A parallel endeavour is that the preparatory work will create the highest possible business and customer value. This can be achieved by utilising the opportunity to improve the forms for governance, management and control of risks and allocation of capital. The purpose is to both ensure the efficiency of the work processes and to generate improved calculation tools for balancing risk limitation with opportunities for yielding returns.

Classification of risks

The following section describes the Länsförsäkringar AB Group's (excluding the traditional life-assurance operations) total risks and how they are controlled and managed. Information is provided on the size of the exposure for specific risks. The table shows the classification of risk determined for application at Group level and in the insurance companies. The Bank Group uses classifications that deviate from this in certain minor points.

Non-life insurance risk

The purpose of non-life insurance operations is to transfer risk from the policyholder to the insurer. The insurer collects premiums from a large number of policyholders and undertakes to compensate them if an insured loss occurs. Correct pricing of insurance contracts is crucial for earnings in insurance operations. However, there is an inherent uncertainty in insurance operations such that unfavourable results may occur. To handle this uncertainty, reinsurance is used to reduce the fluctuation in the earnings of insurance operations. The insurance operations in the Group comprise the insurance classes of accident and health, property and casualty, motor hull, motor third-party liability, marine, air and cargo, animal insurance, assumed reinsurance and group life assurance. Where appropriate, the Boards of the Group's companies limit insurance risks through decisions on the highest permissible retention for different types of insurance risks and on the categories of reinsurer that may be used for ceded reinsurance. The risks in non-life insurance operations comprise premium risks, reserve risks and catastrophe risk.

Table 2 shows how changed premiums earned, increased claims costs and higher claims inflation impact the Länsförsäkringar AB Group's earnings and table 3 shows the Group's reinsurance cover and retention per claims incident.

Table 2. **SENSITIVITY ANALYSIS, INSURANCE RISK**

Impact on profit before tax, SEK M	2012	2011[1)]
10% lower premium level	–404	–400
10% increased claims frequency or higher average claim	–266	–312
1% higher annual claims inflation	–683	–597

[1)] Only non-life insurance.

Table 3. **REINSURANCE PER CLAIM INCIDENT**

	2012		2011	
SEK M	**Retention**	**Cover**	**Retention**	**Cover**
Motor third-party liability insurance	2	300	2	300
Liability insurance	20	300	20	300
Cargo insurance	5	1,000	5	1,000
Accident insurance	20	600	20	600

Premium risk

Premium risk is the risk of losses occurring as a result of the coming year's claims being greater than expected.

In the insurance classes of motor third-party liability, accident and animal insurance, a large number of independent risks are added, resulting in a favourable balancing of risk, provided that the premium tariffs reflect the actual risk differences among the various groups in the insurance collective. Tariffs and insurance conditions are monitored regularly and adjusted when required. In other lines of business, risk selection rules and risk inspection are the key instruments for controlling premium risk, alongside premium calculation. The Group also follows detailed internal underwriting guidelines (risk selection rules) to ensure correct assessment and quantification of the risk that is being underwritten. An important element in this regard is the inspection of new and existing risks. In conjunction with inspection, claims-prevention measures are also implemented in the form of advisory services and the installation of preventive products, thereby further improving the company's risk. In an effort to limit the risk in insurance operations, the Group has insured itself against the risk of very large claims through ceded reinsurance. The Group's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product.

In the case of individual risks with a risk amount exceeding the reinsurance cover, reinsurance is purchased on an individual risk basis. Most reinsurance agreements extend for one calendar year. Cover for motor third-party liability insurance is adjusted to match the limits defined in the Swedish Traffic Damage Act. For claims insured abroad, there is supplementary insurance that provides unlimited cover.

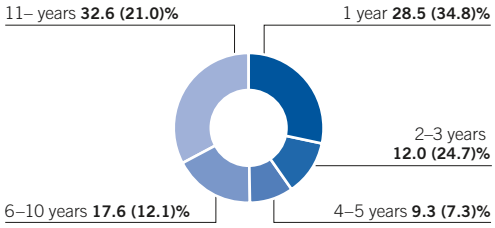
Reserve risk

Reserve risk is the risk of losses occurring as a result of a negative outcome in the development of provisions for claims outstanding.

The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 20.7 (20.4) billion. An estimate of the cost of claims outstanding – about SEK 18.8 billion (18.9) – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in motor third-party liability insurance, which accounts for a large portion of the Group's undertaking. In this case, there is considerable uncertainty concerning the future cost trend, due to the fact that legislation and official decisions can affect the distribution of costs for motor third-party liability claims between the insurance companies and society, and that the prospects for rehabilitation are difficult to assess in many cases.

The trend in reserves is tracked continuously by means of various key figures and using comparisons with other insurance companies. The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. A significant element in the follow-up work is also the regular reviews of individual claims outstanding that are performed. The average duration of the Group's insurance portfolio is 8.4 years. The large percentage of motor third-party liability insurance business and changes in claims inflation have a significant impact on reserve requirements. The following diagram shows how the expected payments of claims outstanding, calculated at present value, are distributed according to maturity.

Estimated distribution of maturity of expected payments of claims outstanding, gross, calculated at present value, Dec. 31, 2012



CLASSIFICATION OF RISK IN THE LÄNSFÖRSÄKRINGAR AB GROUP INCLUDING LÄNSFÖRSÄKRINGAR LIV

Non-life insurance risk
- Premium risk
- Reserve risk
- Catastrophe risk

Life-assurance risk
- Mortality risk
- Longevity risk
- Disability and morbidity risk
- Expenses risk
- Cancellation risk
- Disaster risk

Market risk
- Interest-rate risk
- ALM risk
- Equities risk
- Property risk
- Spread risk
- Currency risk
- Concentration risk in investment assets

Counterparty risk
- Counterparty risk in ceded reinsurance
- Counterparty risk in financial derivatives
- Other counterparty risk

Credit risk in lending

Operational risk
- Internal fraud
- External crime
- Labour practices and work environment
- Business conditions
- Compliance risk
- Damage to physical assets
- Interruptions and disturbances to operations and systems
- Transaction management and process control
- Errors in the financial reporting

Business risk
- Strategic risk
- Earnings risk
- Reputation risk

Concentration risk excluding investment assets

Liquidity risk including financing risk

Catastrophe risk

Catastrophe risk (referred to below as CAT risk) refers to the risk of losses occurring as a result of natural disasters, epidemics or disasters caused by human activities leading to very large claims payments. The Group has low exposure to CAT risk for own account. The Group administrates common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural disasters where Länsförsäkringar Sak assumes a certain level of risk for own account. The other operational area where Länsförsäkringar Sak, for own account, is exposed to certain CAT risk is in the internationally assumed reinsurance.

Life-assurance risk

The Group's life-assurance risk derives from the claims annuities operations which are subject to longevity risk, and the operations of Länsförsäkringar Grupplivförsäkrings AB are subject to the mortality risk and morbidity. Longevity risk, mortality risk and morbidity risk are the risks of losses occurring as a result of the insured living longer, the mortality of the insured being higher and the morbidity of the insured being higher than assumed.

Life-assurance risks also arise in the unit-linked insurance operations in Länsförsäkringar Fondliv. In unit-linked insurance operations, risk pertaining to the uncertainty of mortality and morbidity are assessed as less significant, while expenses risk and cancellation risk may hold more significance. Expense risk is the risk of losses occurring as a result of the estimated costs for conducting the company's operations not covering the company's actual costs. A regular follow up of the real costs in relation to the assumed costs is performed. Cancellation risk the risk of losses occurring as a result of a change in the premium payments, repurchases or transfers deviating from that which has been assumed. Increased cancellations lead to lower income, and accordingly fewer opportunities for covering the company's actual expenses.

Länsförsäkringar Fondliv has offered a product with a guarantee since 2012. Provisions for the company's guaranteed commitments are calculated following current regulations which are intended to ensure that the company is always able to meet its undertakings. The provision on December 31, 2012 amounted to SEK 369 M and total managed assets amounted to SEK 559 M.

Market risk

Market risk is the risk of losses occurring as a result of changes in the market value of financial assets and liabilities. Market risk has six subcategories: equities risk, ALM risk, property risk, interest-rate risk, spread risk and currency risk.

Market risk occurs in the Länsförsäkringar AB Group due to investment decisions concerning management of the non-life insurance companies' investment assets. Market risks also occur in the Bank Group's operations to a certain extent in the form of differences in fixed-interest periods between assets and liabilities, although such market risks comprise a small portion of the Länsförsäkringar AB Group's total market risks. Limited market risk also occurs in the management of the Parent Company's investment assets. Market risk in Länsförsäkringar Fondliv's investment assets is currently limited. There is an indirect sensitivity to market risks in the Group's operations due to income in the unit-linked insurance operations, as in Länsförsäkringar Fondförvaltning AB's operations, are affected by market conditions such as the level of the stock index. However, in the following, only the market risk that occurs through direct exposures in the Group's assets and liabilities is quantified.

In the management of the non-life insurance companies' assets, assessments are made of the potential for a favourable return and

Table 4. **ESTIMATED CLAIMS COSTS BEFORE REINSURANCE FOR THE LÄNSFÖRSÄKRINGAR SAK GROUP, PER CLAIM YEAR**

SEK M	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
At end of claim year	2,129	1,371	1,516	1,713	1,805	2,123	2,412	2,464	2,410	
One year later	2,084	1373	1,608	1,662	1,788	2,133	2,553	2,493		
Two years later	2,011	1,403	1,581	1,568	1,787	2,097	2,511			
Three years later	2,063	1,363	1,536	1,557	1,775	2,094				
Four years later	1,930	1,338	1,522	1,549	1,782					
Five years later	1,891	1,333	1,521	1,551						
Six years later	1,883	1,322	1,509							
Seven years later	1,870	1,315								
Eight years later	1,869									
Estimated claims costs	1,869	1,315	1,509	1,551	1,782	2,094	2,511	2,493	2,410	
Accumulated claims payments	1,603	1,221	1,374	1,404	1,593	1,888	2,119	2,062	1,686	
Provision for claims payments	266	94	136	146	189	205	391	431	724	2,582
Provision for claims payments, older year classes										3,754
Provision for claims payments for assumed reinsurance										7,135
Total provision for claims payments, gross										**13,471**
Claims annuities reserve, gross										4,780
Claims adjustment reserve, gross										287
Provision for claims outstanding, gross										**18,538**
Provision for claims payments, reinsurers' portion										–6,709
Claims annuities reserve, reinsurers' portion										0
Claims adjustment reserve, reinsurers' portion										–5
Provision for claims outstanding, reinsurers' portion										**–6,708**
Provision for claims outstanding, for own account										**11,825**

the risk level involved in the creation of investment strategies and for investment decisions of a more operational nature. The main asset classes in portfolio management are equities, interest-bearing securities, alternative investments and property.

A portfolio composition is defined to serve as the starting point for distributing investments among asset classes and regions. Analyses of the expected future returns and the risk level for the asset classes are performed continuously.

In this way, the Boards take a position on the level of risk applying to investment operations and the degree of freedom allowed to the operational management organisation in its efforts to raise the return by deviating from the portfolio defined by the Board.

Derivative instruments are used in the management of investment assets in order to achieve the desired risk profile.

Table 5. **SENSITIVITY ANALYSIS, MARKET RISKS**

Impact on profit before tax, SEK M	2012	2011
1% higher interest rate, nominal interest rates	–37	–54
1% higher real interest rate (including impact on claims annuities)	–55	–82
10% lower share prices[1)]	–85	–218
10% lower property prices [2)]	–	–1
10% weaker SEK	–15	–30

[1)] Includes 10% lower prices on hedge funds.
[2)] Changed property prices affect the fair value of the office property utilised by the Group that is recognised directly against equity. A 10% decline in the value of the property results in a decrease in equity, after tax, amounting to approximately SEK 180 M (180).

Interest-rate risk

Interest-rate risk is the risk of losses occurring as a result of changes in the level or volatility of market interest rates.

With the exception of claims annuities, the value of insurance undertakings according to applicable accounting policies for non-life insurance is not determined based on the market interest rate. Accordingly, the interest-rate risk reported in the sensitivity analysis pertains to assets, liabilities and claims annuities.

The desired interest-rate risk in the investment assets of the non-life insurance companies is described and a desired target decided for the duration with a permitted deviation interval. Derivative instruments, such as interest-bearing swap contracts, are used to manage interest-rate risk.

The Bank Group has established a limit for the highest permissible interest-rate risk, which is relatively low compared with the normal total interest-rate risk in the entire Group. Whenever possible, fixed lending should be matched by means of corresponding funding or through interest-rate derivatives. In principle, this means that no time differences should exist. In practice, this is impossible, so the Board has established interest-rate risk limits. However, these limits are so conservative that the basic principle for matching still applies. The Financial Policy defines interest-rate risk as a parallel shift in the yield curve of 100 points. On December 31, 2012, an increase in market interest rates of 1 percentage point would have increased the net value of interest-bearing assets and liabilities, including derivatives, by SEK 70 M (33).

ALM risk

ALM (asset liability management) risk pertains to the risk of losses occurring as a result of changes in one or more market-risk-related variables (such as interest rates, share prices, exchange rates, inflation) resulting in a change in the value of the assets that is not offset by a corresponding change in the value of the liabilities. Länsförsäkringar AB Group's insurance companies govern their own risk-taking by taking into account the sensitivity of the insurance undertakings to changes in interest rates. Conscious decisions are made regarding the extent to which undertakings are matched to assets with corresponding properties.

Equities risk

Equities risk is the risk of losses occurring as a result of changes in the level or volatility of share prices or prices of alternative assets.

Investment shares are found in the non-life insurance companies' and the Parent Company's investment assets. In certain, selected regions, investments are subsequently made with a number of asset managers to reduce the manager risk in individual regions. For the regions/markets that are not invested in by several asset managers, investments are made in the desired market index.

Länsförsäkringar Fondliv has equities exposure within the framework of guarantee management and mutual fund units in its trading portfolio related to the united linked business.

As can be seen in the consolidated statement of financial position, equities exposure is low.

Property risk

Property risk is the risk of losses occurring as a result of changes in the level or volatility of property prices.

Property investments are essentially found exclusively in the non-life insurance company. The Group's property risk mainly derives from the ownership of the office property in Stockholm that the Group utilises for its operations and whose fair value amounts to approximately SEK 2.4 billion (2.4).

Credit-spread risk

Credit-spread risk is the risk of losses occurring as a result of changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates.

Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions and the desired level of risk-taking in the investment portfolio. The table below shows that the predominant proportion of interest-bearing investments have an AAA rating.

Table 6. **BONDS AND OTHER INTEREST-BEARING SECURITIES CLASSIFIED BY RATING**

Dec 31, 2012 SEK M	AAA Swedish Government	AAA other	AA	A	BBB or lower
Insurance[1)]	6,354	4,303	125	454	991
Bank	5,222	31,112	–	–	–
Total	**11,576**	**35,414**	**125**	**454**	**991**

[1)] Excluding investments in hedge funds in "Insurance" totalling SEK 489 M and excluding intra-Group investments in bonds.

Dec 31, 2011 SEK M	AAA Swedish Government	AAA other	AA	A	BBB or lower
Insurance[2)]	5,674	1,972	237	866	1,377
Bank	8,342	20,628	–	–	–
Total	**14,016**	**22,600**	**237**	**866**	**1,377**

[2)] Excluding investments in hedge funds in "Insurance" and "Other" totalling SEK 1,228 M and excluding intra-Group investments in bonds.

The category "AAA Swedish Government" also includes securities guaranteed by the Swedish Government.

Currency risk

Currency risk is the risk of losses occurring as a result of changes in the level or volatility of exchange rates. The Group's significant foreign currency exposure is found in the non-life insurance companies and is limited through the use of currency derivatives.

Decisions on the size of currency exposure are made in light of prevailing market conditions.

Table 7. **GROUP'S NET EXPOSURE IN FOREIGN CURRENCY**

Currency, equivalent in SEK M	Dec 31, 2012	Dec 31, 2011
EUR	0	–185
USD	22	–16
GBP	–34	36
JPY	–49	–47
KRW	–7	–4
AUD	–3	–8
PLN	–7	–6
NOK	–27	–46
Other currencies	–45	–19
Total	**–150**	**–295**

The total net currency exposure on December 31, 2012 amounted to approximately 1% (1) of the total investment assets in the non-life insurance companies and the Parent Company jointly. The Group's currency exposure also included the Bank Group's assets and liabilities in foreign currency. In line with the risk policy, all funding is converted to SEK by using cross-currency interest-rate swaps, which reduces currency risk in funding and in assets to zero.

Counterparty risk

Counterparty risk pertains to the risk of losses occurring as a result of counterparties being unable to fulfil their undertaking and that any collateral provided not covering the receivable, except regarding the Bank Group's lending operations. The Group's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives.

Predetermined regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. For business with long settlement periods, reinsurers are to have a minimum A rating from the Standard & Poor's rating agency and a minimum BBB rating for other types of business. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers.

Table 8. **DISTRIBUTION OF EXPOSURE OF EXTERNALLY PURCHASED REINSURANCE COVER 2012**

Rating, %	2012	2011
AAA	0	0,9
AA	48.6	36
A	49.8	63
BBB	1.6	0.5
Total	**100**	**100**

Counterparty risks in financial derivatives are managed through regulations for approved exposure to counterparties. The size of the permitted exposure depends on the rating of the counterparty. The exposure is limited on the basis of ISDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure.

Table 9. **COUNTERPARTY RISKS IN FINANCIAL DERIVATIVES PER RATING CATEGORY**

Calculated based on the market value of the derivative

2012-12-31 Mkr	AAA	AA	A	BBB or lower	Total
Insurance	–	9	4	–2	11
Bank	–	–	707	–	707
Total	**–**	**9**	**711**	**–2**	**718**

2011-12-31 Mkr	AAA	AA	A	BBB or lower	Total
Insurance	–	5	21	–	26
Bank	–	269	615	–	884
Total	–	**274**	**636**	–	**910**

No collateral has been pledged by any counterparty to any significant extent for the Group's receivables under financial derivatives or reinsurance contracts.

Counterparty risks also arise through the insurance companies' and Parent Company's deposits in accounts in external banking institutions, totalling slightly more than SEK 1.5 billion (1.5).

Credit risk in the lending operations

Credit risk is defined as the risk of losses occurring as a result of a counterparty not being able to fulfil its commitments to the Bank Group and the risk that the counterparty's pledged collateral will not cover the company's receivables. Credit risk in the loan operations pertains only to the Bank Group.

The loan operations of the Bank Group are conducted only with borrowers in Sweden and mainly comprise mortgages, loans to agricultural customers, hire purchase and leasing operations. The vast majority of the Bank Group's loan portfolio comprises loans for private housing in the form of single-family homes and tenant-owned apartments. First-lien mortgages with loan-to-value ratios amounting to less than 75% of the market value at the time the mortgage is granted account for the largest percentage of retail mortgages. Lending takes place through the 23 regional insurance companies, which provides a local presence close to the customer. Low loan-to-value ratios, combined with a favourable geographic distribution and local presence, are the core pillars in ensuring that the loan portfolio maintains a high level of credit quality.

Loans to the agricultural and forestry segment continued to rise in 2012. The loan segment is a complement to mortgages since a large share pertains to loans to family-owned farming and forestry businesses.

The banking operations carry out balanced and consistent loan origination, with a strong system support. The banking operations' loan origination is to achieve favourable and homogeneous credit quality. The maximum lending levels for various types of loans and limits for the regional insurance company's loan origination are stipulated in the guidelines of the bank's Board of Directors. Decision-making authorities are dependent on the size of the loans. The banking operations impose strict requirements in terms of customer selection and customers' repayment capacity.

The Bank Group calculates all retail exposures in accordance with the advanced Internal Ratings-based Approach (IRB), which corresponds to predominant proportion of the Bank Group's loan portfolio. This means that a considerable portion of its credit exposure is calculated using a method that aims to identify and classify risk for each individual counterparty. The bank received permission in December 2009 to use the foundation Internal Ratings-Based Approach for the portion of the loan portfolio pertaining to agricultural operations. The Standardised Approach is used for other exposures. The distribution of the Bank Group's loans is shown in the table below.

Table 10. **BANK GROUP LOANS BY SECTOR**

	Dec 31, 2012			Dec 31, 2011		
Loan receivables, SEK M	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Retail sector	136,531	–224	136,307	122,390	–199	122,191
Corporate sector	12,755	–101	12,653	9,659	–85	9,574
Public sector	982		982	2,246		2,246
Total	**150,267**	**–325**	**149,942**	**134,295**	–284	**134,011**
Loans approved but not disbursed			6,437			5,115
Overdraft facilities approved but not utilised			2,098			2,097
Unutilised card loans and financial guarantees			961			968
Total credit risk exposure in the Bank Group's lending			**159,438**			**142,191**

Table 11. **BANK GROUP LOANS BY SEGMENT**

Loan receivables, SEK M	**Dec 31, 2012**	**Dec 31, 2011**
Retail mortgages	106,667	96,318
Agricultural loans	19,257	16,665
Unsecured loans	6,313	5,676
Leasing	6,256	5,764
Hire purchase	5,277	4,589
Multi-family housing	4,382	2,173
Other	2,115	3,110
Total	**150,267**	**134,295**

The average commitment amounted to SEK 1.0 million (0.9). Only 8% (8) of customers had a commitment of more than SEK 3 million.

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223).

Table 12. **BANK GROUP'S IMPAIRED LOANS**

SEK M	**Dec 31, 2012**	**Dec 31, 2011**
Retail sector	165	145
Corporate sector	133	88
Total	**298**	**233**

Table 13. **BANK GROUP'S NON-PERFORMING LOAN RECEIVABLES NOT INCLUDED IN IMPAIRED LOANS**

SEK M	**2012**	**2011**
Receivables overdue by 10–19 days	1	0
Receivables overdue by 20–39 days	473	293
Receivables overdue by 40–59 days	30	6
Total	**504**	**299**

A loan receivable is considered impaired if a payment is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking. A loan receivable, whose capital is covered by collateral, is not considered an impaired loan. A defaulted loan receivable is a receivable on which the borrower has defaulted by more than ten days. This analysis pertains exclusively to loans to the public. Impairment of the Bank Group's receivables during the year is presented in table 14.

There are no loans within the banking operations whose terms were renegotiated during the year and that would otherwise have been recognised as impaired. Agreements concerning payment plans are made to a limited extent within the leasing and hire purchase operations if it is deemed beneficial for the customer and lessor.

Table 14. **IMPAIRMENT OF BANK GROUP'S RECEIVABLES**

	Individually assessed receivables		Collectively assessed receivables		Total	
SEK M	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Retail sector	135	121	89	78	224	199
Corporate sector	69	61	32	24	101	85
Total	**204**	**182**	**121**	**102**	**325**	**284**

Operational risk

Operational risk is defined as the risk of losses occurring as a result of inappropriate or unsuccessful processes, human error, incorrect systems or external events. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

Operational risk analyses are performed annually in the operations. A joint method and reporting format are predominantly used in these analyses, although the work performed in the Länsförsäkringar Bank Group applies a more detailed method in some parts. Operational risks are identified, the potential consequences evaluated and probability of the risk occurring assessed. Action plans are prepared for material risks, which are regularly followed up. Each Risk Control function facilitates risk workshops, compiles and reports on results and follows up action plans. To meet the increasing requirements in incident handling, common system support is used with the aim of standardising operating-risk measurement methods throughout the Group. Also, a continuity plan is established annually for the Group and the Group's units adopt continuity plans for their specific operations.

To further strengthen the internal control, the Group's insurance companies report every quarter on the outcome of key controls, which are documented controls perform to manage the largest risks of business-critical processes.

Business risk

Business risk is the risk of losses occurring as a result of business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases.

Business risks are managed at Board and management level through analyses prior to making strategic decisions on the direction of the operations, and in the annual business planning process and also when trends in the Group's markets require management actions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Concentration risk

Concentration risk is the risk of losses occurring as a result of assets and undertakings vis-à-vis policyholders not being highly diversified.

Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per reinsurer, per counterparty in financial derivatives and per counterparty in the Bank Group's liquidity management, by discretionary reinsurance of the insured, very large individual risks and by the diversification of the Group's investment assets. The Group's management and Board frequently study reports on the Group's major areas of exposure and risk concentrations.

From 2004, most of Länsförsäkringar's motor third-party liability insurance has been underwritten by the local regional insurance companies. Claims incurred for insurance underwritten up to and including 2003 is run-off within Länsförsäkringar Sak. The reserve risk in the Group's non-life insurance operations remains relatively heavily concentrated to motor third-party liability insurance transactions. Of the total technical provisions before ceded reinsurance of SEK 20.2 billion (20.4), 42% (44) refers to the motor third-party liability insurance class of insurance.

The Bank Group's loan portfolio largely comprises mortgages to private individuals and in other respects primarily comprises other loans to private individuals and agricultural customers and leasing operations, and is not considered to contain any significant concentration risk.

The Group's investment assets in the non-life insurance companies, the unit-linked life assurance company and the Parent Company are very highly diversified. As of December 31, 2012, the office property utilised by the Group in Stockholm comprised a major investment asset. The value of this property represented approximately 17% (14) of the value of the non-life insurance companies' and the Parent Company's total investment assets. The largest exposures in other respects pertain to the four largest Swedish Bank Groups and primarily derive from investments in covered bonds such as current investments of the Bank Group's liquidity and investments in the insurance companies' investment portfolios.

Liquidity risk including financing risk

Liquidity risk, including financing risk, is the risk that the company's undertakings cannot be fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss.

Management of the Group's liquidity risk is based on management taking place in each subsidiary group and in the Parent Company, rather than at Group level. The nature of the operations differs between the banking operations and insurance operations and there are legal restrictions on for the scope of internal loans. In practice, liquidity risk for the Länsförsäkringar AB Group is primarily an issue for the Länsförsäkringar Bank Group and the Parent Company. The non-life insurance companies' liquidity risk is limited since most investment assets are available at short notice and a significant portion of the commitments have long durations.

The Bank Group conducts active liquidity risk management to ensure that the financing of the lending operations is not jeopardised. The aim is to attain a favourable spread of financing sources. Liquidity is continuously planned and internal regulations on the lowest permissible liquidity are in place. The CSA agreements that have derivative counterparties entail that collateral in the form of cash funds is transferred to the counterparties for those derivatives that have a negative value. For derivatives with positive values, collateral is received in the same manner, which reduces liquidity risk.

The Länsförsäkringar Bank Group's liquidity portfolio amounted to SEK 37.5 billion (30.5) on December 31, 2012, and was distributed as follows: 18% (36) exposure to the government, 77% (64) exposure to covered bonds, 4% (–) exposure to other Swedish bonds with a credit rating of AAA/Aaa and 1% (–) exposure to German government securities.

The Länsförsäkringar Sak Group's liquidity was highly favourable at year-end. Liquid assets in the form of cash and bank balances and securities with high liquidity totalled approximately SEK 11.4 billion (13.0), while short-term liabilities and payments of insurance contracts, gross before reinsurance, where claims are expected to be paid within one year amounted to SEK 5.3 billion (6.8).

Länsförsäkringar Fondliv's liquidity is relatively stable, since fund units are divested in line with payments being made to policyholders. The company's liquidity was primarily affected by fund changes and costs for the sale.

The Parent Company's liquidity is mainly affected by dividends and Group contributions from subsidiaries, any requirements for contributions to be made to subsidiaries, dividends to owners and interest payments on loans. The Parent Company's liquidity was sufficient at year-end, with short-term, interest-bearing investments and cash and cash equivalents totalling SEK 1,392 M (1,452).

Länsförsäkringar AB (publ) established a Swedish MTN programme with a loan framework of SEK 2.5 billion in 2012. The MTN programme gives the company the option of issuing bonds in EUR and SEK with accruing and fixed interest in the capital market. On December 31, 2012, SEK 2.2 billion had been subscribed for by various players. The issue took place in SEK and SEK 500 M was issued at a fixed interest rate and SEK 1,700 M at a variable rate. However, the interest-rate risk is limited since the interest rate in the variable bonds has been replaced with a fixed rate using interest swaps.

The fixed-interest periods for the Länsförsäkringar AB Group's assets and liabilities are presented in table 16 at the end of this note.

Table 15. **MATURITY STRUCTURE OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES**

The table presents undiscounted nominal values.

Dec. 31, 2012 SEK M	On demand	Not more than 3 months	More than 3 months but less than 1 year	1–5 years	More than 5 years	Without maturity	Total nominal value	Carrying amount
Insurance								
Bonds and other interest-bearing securities	3,678	127	1,077	2,933	308	1,330	9,452	11,338
Other assets	260	45	173	879	1,219	4,298	6,873	5,564
Total assets, Insurance	**3,938**	**172**	**1,250**	**3,812**	**1,527**	**5,627**	**16,326**	**16,902**
Other liabilities	7	38	3	–	915	–	962	42
Total liabilities, Insurance	**7**	**38**	**3**	**–**	**915**	**–**	**962**	**42**
Net assets and liabilities, Insurance	**3,931**	**134**	**1,248**	**3,812**	**612**	**5,627**	**15,363**	**16,860**
Derivatives, nominal value, net, Insurance	–	–911	–	–	–	–	–911	–
Net exposure, Insurance	**3,931**	**–777**	**1,248**	**3,812**	**612**	**5,627**	**14,453**	**–**
Bank								
Loans	113	4,252	5,051	10,693	134,082	–	154,191	152,795
Bonds and other interest-bearing securities	–	–	6,250	24,700	–	–	30,950	32,685
Other assets	109	472	–	4,350	–	6,284	11,215	11,680
Total assets, Bank	**223**	**4,723**	**11,301**	**39,743**	**134,082**	**6,284**	**196,356**	**197,159**
Customer deposits	–	55,407	8,156	922	–	–	64,484	62,396
Debt securities in issue	–	5,766	15,223	86,482	5,399	–	112,869	114,263
Other liabilities	881	80	222	52	1,520	10,885	13,640	13,328
Total liabilities, Bank	**881**	**61,252**	**23,601**	**87,456**	**6,919**	**10,885**	**190,993**	**189,987**
Net assets and liabilities, Bank	**–659**	**–56,528**	**–12,300**	**–47,713**	**127,163**	**–4,601**	**5,363**	**7,172**
Derivatives, nominal value, net, Bank	–	142	–508	1,038	25	–	697	–
Net exposure, Bank	**–659**	**–56,386**	**–12,808**	**–46,675**	**127,189**	**–4,601**	**6,059**	**–**
Unit-linked life assurance								
Bonds and other interest-bearing securities	–	–	–	–	–	454	454	454
Other assets	14	0	–	–	–	139	153	153
Total assets, Unit-linked Life Assurance	**14**	**0**	**–**	**–**	**–**	**593**	**607**	**607**
Other liabilities	250	2	–	–	–	555	807	807
Total liabilities, Unit-linked Life Assurance	**250**	**2**	**–**	**–**	**–**	**555**	**807**	**807**
Net assets and liabilities, Unit-linked Life Assurance	**–236**	**–2**	**–**	**–**	**–**	**38**	**–200**	**–200**
Other								
Bonds and other interest-bearing securities	–	–	–	–	–	163	163	163
Other assets	41	13	–	–	290	15,309	15,653	15,653
Total assets, Other	**41**	**13**	**–**	**–**	**290**	**15,471**	**15,815**	**15,815**
Debt securities in issue	–	–	–	2,200	–	–	2,200	2,195
Other liabilities	–	17	–	695	–	–	712	712
Total liabilities, Other	**–**	**17**	**–**	**2,895**	**–**	**–**	**2,912**	**2,907**
Net exposure, Other	**41**	**–4**	**–**	**–2,895**	**290**	**15,471**	**12,904**	**12,908**
Total								
Intra-Group eliminations	2,740	–2,242	100	858	1,267	–1,312	1,410	1,410
Net assets and liabilities, Total	**5,817**	**–58,643**	**–10,952**	**–45,938**	**–129,332**	**15,223**	**34,839**	**38,151**
Derivatives, nominal value, net, Total	–	–769	–508	1,038	25	–	–214	
Net exposure, Total	**5,817**	**–59,412**	**–11,460**	**–44,900**	**–129,357**	**15,223**	**34,626**	

Information regarding issued loan commitments is presented in note 48 Pledged assets and contingent liabilities. No loan commitments have a term of more than three months.
For further information, see Länsförsäkringar Bank's 2012 Annual Report.

Table 16. **FIXED-INTEREST PERIODS FOR ASSETS AND LIABILITIES – INTEREST-RATE EXPOSURE**

The table presents the interest maturity structure at carrying amount.

Dec 31, 2012 SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total carrying amount [1]
Insurance									
Bonds and other interest-bearing securities	15	1071	818	187	1,858	772	5,287	1,329	11,338
Other assets	238	1,200	297	7	641	18	4	11,723	14,129
Total assets, Insurance	**253**	**2,272**	**1,115**	**194**	**2,499**	**790**	**5,291**	**13,053**	**25,467**
Other liabilities	35	–	–	–	–	–	–	22,578	22,614
Total liabilities, Insurance	**35**	–	–	–	–	–	–	**22,578**	**22,614**
Net assets and liabilities, Insurance	**218**	**2,272**	**1,115**	**194**	**2,499**	**790**	**5,291**	**–9,525**	**2,853**
Interest-rate derivatives, nominal value, net, Insurance	–	–	–	–	–182	–354	–511	–	
Net exposure, Insurance	**218**	**2,272**	**1,115**	**194**	**2,316**	**436**	**4,780**	**–9,525**	
Bank									
Loans to the public	72,897	25,464	5,333	11,136	29,435	4,884	821	–28	149,942
Bonds and other interest-bearing securities	–	–	3,142	3,226	21,164	5,153	–	–	32,685
Other assets	2,622	642	–	–	3,817	933	–	6,518	14,533
Total assets, Bank	**75,519**	**26,106**	**8,475**	**14,362**	**54,416**	**10,971**	**821**	**6,490**	**197,159**
Deposits from the public	39,545	13,774	2,153	6,003	543	379	–	–	62,396
Debt securities in issue	1,997	3,921	4,100	11,630	54,058	33,497	4,984	76	114,263
Other liabilities	1,063	735	–	–	–	–	755	10,775	13,328
Total liabilities, Bank	**42,604**	**18,430**	**6,253**	**17,634**	**54,601**	**33,875**	**5,739**	**10,851**	**189,987**
Net assets and liabilities, Bank	**32,915**	**7,676**	**2,221**	**–3,272**	**–185**	**–22,905**	**–4,918**	**–4,361**	**7,172**
Interest-rate derivatives, nominal value, net, Bank	–1,195	–3,955	–6,897	–2,530	–32,799	23,965	3,283	–	
Net exposure, Bank	**31,719**	**3,721**	**–4,676**	**–5,802**	**–32,984**	**1,060**	**–1,635**	**–4,361**	
Unit-linked life assurance									
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	454	**454**
Other assets	14	–	–	–	–	–	–	2,653	2,667
Total assets, Unit-linked Life Assurance	**14**	**–**	**–**	**–**	**–**	**–**	**–**	**3,107**	**3,121**
Other liabilities	252	–	–	–	–	–	–	838	**1,090**
Total liabilities, Unit-linked Life Assurance	252	**–**	**–**	**–**	**–**	**–**	**–**	**838**	**1,090**
Net exposure, Unit-linked Life Assurance	**–237**	**–**	**–**	**–**	**–**	**–**	**–**	**2,269**	**2,031**
Other									
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	163	163
Other assets	41	–	290	–	–	–	–	17,528	17,859
Total assets, Other	**41**	**–**	**290**	**–**	**–**	**–**	**–**	**17,691**	**18,022**
Debt securities in issue	1,697	–	–	–	–	498	–	–	2,195
Other liabilities	–	–	–	–	–	695	–	1,664	2,359
Total liabilities, Other	**1,697**	**–**	**–**	**–**	**–**	**1,193**	**–**	**1,664**	**4,554**
Net assets and liabilities, Other	**–1,656**	**–**	**290**	**–**	**–**	**–1,193**	**–**	**16,027**	**13,468**
Interest-rate derivatives, nominal value, net, Other	513	1,312	–	–	–512	–1,312	–	–	
Net assets and liabilities, Other	**–1,143**	**1,312**	**290**	**–**	**–512**	**–2,505**	**–**	**16,027**	
Total									
Loans to the public	72,897	25,464	5,333	11,136	29,435	4,884	821	–28	149,942
Bonds and other interest-bearing securities	15	1,071	3,990	3,413	23,022	5,926	5,287	1,946	44,669
Other assets	3,271	1,200	587	7	1,735	468	4	26,726	34,000
Total assets, Total	**75,828**	**27,906**	**9,910**	**14,556**	**54,192**	**11,278**	**6,112**	**28,829**	**228,611**
Deposits from the public	39,049	13,774	2,153	6,003	543	379	–	–	61,901
Debt securities in issue	3,694	3,921	3,137	11,630	54,058	33,995	4,984	57	115,476
Other liabilities	1,351	145	–	–	–	695	755	34,180	37,125
Total liabilities, Total	**44,094**	**17,840**	**5,290**	**17,634**	**54,601**	**35,068**	**5,739**	**34,237**	**214,502**
Net assets and liabilities, Total	**31,735**	**10,066**	**4,620**	**–3,078**	**–409**	**–23,790**	**373**	**–5,408**	**14,109**
Interest-rate derivatives, nominal value, net, Total	–682	–2,644	–6,897	–2,530	–33,493	22,299	2,772	–	
Net exposure, Total	**31,053**	**7,422**	**–2,277**	**–5,608**	**–33,902**	**–1,491**	**3,145**	**–5,408**	

[1] Assets and liabilities in each of the business areas of Insurance, Bank and Other are not as large due to Group adjustments between these business areas.

NOTE 3 EARNINGS PER OPERATING SEGMENT

2012	Non-life insurance	Unit-linked insurance	Bank	Asset management	Other operations	Eliminations	Total
Premiums before ceded reinsurance	5,991	20					6,012
Reinsurers' portion of premiums earned	–1,968	–1					–1,969
Premiums earned after ceded reinsurance	**4,024**	**19**					**4,043**
Interest income			10,429				10,429
Interest expense			–8,358			80	–8,278
Net interest income			**2,071**			**80**	**2,151**
Change in unit-linked insurance assets – policyholder bears the risk		3,659					3,659
Dividend in unit-linked insurance assets – policyholder bears the risk		1,085					1,085
Investment income, net	169	5	5	198	–188	–80	108
Commission income	119	956	984			–217	1,841
Other operating income	137	41	190	287	2,336	–955	2,036
Total operating income	**4,448**	**5,764**	**3,251**	**484**	**2,148**	**–1,172**	**14,924**
Claims payments before ceded reinsurance	–3,970	–16					–3,986
Reinsurers' portion of claims payments	1,290						1,290
Claims payments after ceded reinsurance	–2,680	–16					–2,697
Change in life assurance provision	–2						–2
Change in unit-linked insurance liabilities – policyholder bears the risk		–4,846					–4,846
Commission expense	–366	–522	–1,369			229	–2,029
Staff costs	–330	–46	–397	–60	–768	14	–1,586
Other administration expenses	–825	–332	–838	–83	–1,653	929	–2,802
Loan losses			–91				–91
Total expenses	**–4,203**	**–5,762**	**–2,695**	**–143**	**–2,421**	**1,172**	**–14,053**
Operating profit/loss	**245**	**2**	**556**	**341**	–273	–	**871**
Less revaluation of owner-occupied property				–49			–49
Operating profit/loss in profit and loss	**245**	**2**	**556**	**292**	**–273**	**–**	**821**
Tax							–136
Net profit for the year							**685**
Income distribution							
External income	4,452	5,547	3,279	132	922	592	14,924
Internal income	–4	217	–28	352	1,226	–1,764	–
Total operating income	**4,448**	**5,764**	**3,251**	**484**	**2,148**	**–1,172**	**14,924**

2011	Non-life insurance	Unit-linked insurance	Bank	Asset management	Other operations	Eliminations	Total
Premiums before ceded reinsurance	6,162	2	–	–	–	–	6,165
Reinsurers' portion of premiums earned	–2,158	0	–	–	–	–	–2,158
Premiums earned after ceded reinsurance	**4,004**	**2**	**–**	**–**	**–**	**–**	**4,006**
Interest income	–	–	9,530	–	–		9,530
Interest expense	–	–	–7,802	–	–	54	–7,748
Net interest income	**–**	**–**	**1,728**	**–**	**–**	**54**	**1,782**
Change in unit-linked insurance assets – policyholder bears the risk	–	–423	–	–	–	–	–423
Dividend in unit-linked insurance assets – policyholder bears the risk	–	23	–	–	–	–	23
Investment income, net	197	5	10	–175	10	–54	–7
Commission income	150	119	948	–	–	–34	1,183
Other operating income	136	5	198	256	2,467	–545	2,516
Total operating income	**4,487**	**–269**	**2,884**	**81**	**2,477**	**–579**	**9,079**
Claims payments before ceded reinsurance	–3,994	1	–	–	–	–	–3,993
Reinsurers' portion of claims payments	1,132	0	–	–	–	–	1,132
Claims payments after ceded reinsurance	**–2,863**	**1**	**–**	**–**	**–**	**–**	**–2,862**
Change in life assurance provision	–1	–	–	–	–	–	–1
Change in unit-linked insurance liabilities – policyholder bears the risk	–	400	–	–	–	–	400
Commission expense	–388	–57	–1,364	–	–	35	–1,773
Staff costs	–312	–2	–351	–47	–768	6	–1,473
Other administration expenses	–796	–35	–735	–123	–1,834	537	–2,985
Loan losses	–	–	–48	–	–	–	–48
Total expenses	**–4,359**	**307**	**–2,498**	**–169**	**–2,602**	**579**	**–8,742**
Operating profit/loss	**127**	**38**	**385**	**–88**	**–125**	**–**	**337**
Less revaluation of owner-occupied property	–	–	–	–51	–	–	–51
Operating profit in profit and loss	**127**	**38**	**385**	**–139**	**–125**	**–**	**287**
Tax	–	–	–	–	–	–	–78
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**208**
Income distribution							
External income	4,485	–303	2,893	–735	1,634	1,106	9,079
Internal income	2	34	–10	816	843	–1,684	–
Total operating income	**4,487**	**–269**	**2,884**	**81**	**2,477**	**–579**	**9,079**

NOTE 3 EARNINGS PER OPERATING SEGMENT, cont.

The distribution into operating segments matches how the Group is organised and is monitored by Group Management.

Income is primarily attributable to Sweden, with a small portion from Norway, Denmark and the UK.

The Non-life Insurance operating 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 are also included. The Insurance operating segment comprises non-life insurance with income from external customers totalling SEK 4,214 M (4,226) and group life assurance with income from external customers totalling SEK 238 M (258).

The Unit-linked Life Assurance operating segment pertains to life assurance with links to mutual funds. Unit-linked Life Assurance was acquired in 2011 and reported two months of 2011.

The Banking operating segment pertains to deposits and lending operations. For the Banking operating segment, the product offering to external customers is in line with the legal structure within the Länsförsäkringar Bank Group. Income from external customers pertains to bank products totalling SEK 240 M (448), for mortgage products totalling SEK 1,343 M (839), for leasing and instalment totalling SEK 1,021 M (938) and for fund products totalling SEK 674 M (668).

The Asset Management operating segment pertains to the Group's investment income, excluding the banking portion and the income portion that is transferred to the insurance segment in accordance with the policies applied in the Group's insurance companies and the Unit-linked Life Assurance operating segment's investment income. Intra-Group expenses for asset management are also included. The internal follow-up also includes a change in value in owner-occupied property that is otherwise recognised in other comprehensive income.

The Other operating segment pertains to service, IT, development in Group companies and regional insurance companies, as well as administration of securities funds and costs for joint functions. The internal monitoring includes the Group-wide adjustment for defined-benefit pensions calculated according to IAS 19.

NOTE 4 ACQUISITIONS OF OPERATIONS

Acquisitions of operations 2012

During 2012, the Länsförsäkringar AB Group did not acquire any operations.

Adoption of preliminary acquisition analysis 2011

Länsförsäkringar Fondliv Försäkrings AB

On October 26, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv Försäkrings AB from Länsförsäkringar Liv Försäkrings AB. The acquisition analysis prepared in 2011 is preliminary since further analysis is required to determine the market value of the assets and the distribution between the asset class of deferred tax and other intangible assets. The preliminary acquisition analysis was adjusted in the fourth quarter of 2012. This adjustment had a negative effect of SEK 3 M on earnings for 2011.

Acquired net assets

	Länsförsäkringar Fondliv Försäkrings AB		
	Preliminär förvärvsanalys	Ny värdering	Fastställd förvärvsanalys
Intangible assets	2,917	306	3,223
Cash and cash equivalents	6	–	6
Investment assets for which the policyholder bears the investment risk	51,780	–	51,780
Unit-linked insurance commitments for which the policyholder bears the investment risk	–51,779	–	–51,779
Deferred tax	–666	767	101
Other receivables and liabilities, net	1,252	–	1,252
Net identifiable assets and liabilities	**3,511**	**1,073**	**4,584**
Consolidated goodwill	1,695	–1,324	371
Consideration transferred			
Cash and cash equivalents	4,400	–	4,400
Additional purchase price	805	–	805
Receivables	–	–250	–250
Total consideration transferred	**5,205**	**–250**	**4,955**

Goodwill

The goodwill value comprises contracts for new customers that are expected to be taken out following the acquisition of the operation and synergies. The value declined by SEK 1,324 M as a result of the changed acquisition analysis.

Intangible assets

The intangible assets comprise the acquired unit-linked insurance portfolio. The amortisation period has been adjusted from 20 years to 25 years following a new assessment of the duration in Länsförsäkringar Fondliv Försäkrings AB. Amortisation is recognised in profit and loss as "Other administration expenses." The changed amortisation period led to a lower cost of SEK 3 M in 2011. Deferred tax liabilities had been calculated at SEK 767 M in the preliminary acquisition analysis. The deferred tax has been removed from the adopted acquisition analysis. The value of the expected tax-exemption has been added to the intangible asset. The value totals SEK 306 M. The adjusted tax resulted in a higher cost of SEK 6 M in 2011.

Receivables

For every brokered SEK 1 billion in insurance capital to Länsförsäkringar Fondliv Försäkrings AB, Länsförsäkringar Liv Försäkrings AB is entitled to remuneration of SEK 50 M. If no insurance capital is brokered, Länsförsäkringar AB is entitled to receive SEK 250 M. In 2012, SEK 2 billion was paid in insurance capital to Länsförsäkringar Liv Försäkrings AB. Accordingly, Länsförsäkringar AB has increased the carrying amount of Länsförsäkringar Fondliv Försäkrings AB by SEK 100 M. This is recognised as an intangible asset in the Länsförsäkringar AB Group.

Change in additional purchase price 2012

In 2012, an instalment of the additional purchase price was paid to Länsförsäkringar Liv Försäkrings AB. The instalment totalled SEK 136 M. The value of the additional purchase price was SEK 715 M on December 31, 2012.

Acquisitions of operations 2011

Länsförsäkringar Fondliv Försäkrings AB

On October 26, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv Försäkrings AB from Länsförsäkringar Liv Försäkrings AB. The company conducts its operations in accordance with the Swedish Act on Unit-Linked Life Insurance (1989:1079). The prepared acquisition analysis was preliminary since further analysis is required to determine the market value of the assets and the distribution between the asset class of deferred tax and other intangible assets.

Effects of the acquisition

In the period since the company became part of the Group in 2011, the company contributed SEK 64 M to the Group's income and SEK 41 M to the Group's profit after tax. If the company had been acquired on January 1, 2011, it would have contributed SEK 417 M to the Group's income and SEK 189 M to the Group's profit after tax.

Goodwill

The goodwill value comprises contracts for new customers that are expected to be taken out following the acquisition of the operation and synergies.

Intangible assets

The intangible assets comprise the acquired unit-linked insurance portfolio. The amortisation period is 20 years. Amortisation is recognised in profit and loss as "Other administration expenses."

Acquired receivables

The fair value of financial assets amounted to SEK 124 M. Prepaid acquisition costs amounted to SEK 897 M. Other receivables amounted to SEK 41 M. All receivables are considered settled.

Additional purchase price

The acquisition agreement states that an additional purchase price of SEK 950 M is to be paid in seven annual part payments to Länsförsäkringar Liv Försäkrings AB. The fair value of the additional purchase price was calculated on the basis of a 5% discount rate and amounted to SEK 805 M.

Acquisition-related expenses

Acquisition-related expenses amount to SEK 20 M and comprise fees to consultants.

NOTE 5 PREMIUMS EARNED AFTER CEDED REINSURANCE

	2012	2011
Non-life insurance		
Premium income, direct insurance, Sweden	2,901	2,822
Premium income, direct insurance, other EEA	485	600
Premium income, assumed reinsurance	2,318	2,346
Change in provision for unearned premiums	37	89
Change in premium for unexpired risks	13	49
Total premiums earned before ceded reinsurance	**5,754**	**5,905**
Premiums for ceded reinsurance	–1,932	–2,003
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	–27	–146
Total reinsurers' portion of premiums earned	**–1,959**	**–2,150**
Total premiums earned after ceded reinsurance	**3,795**	**3,755**
Life assurance		
Premium income, group insurance, direct life assurance in Sweden	258	260
Total premium income before ceded reinsurance	**258**	**260**
Premiums for ceded reinsurance	–10	–9
Total premiums after ceded reinsurance	**248**	**251**
Total premiums after ceded reinsurance	**4,043**	**4,006**

NOTE 6 INTEREST INCOME

	2012	2011
Loans to credit institutions	40	30
Loans to the public	6,021	5,223
Interest-bearing securities	917	826
Derivatives		
– Hedge accounting	3,451	3,319
– Non-hedge accounting	–	132
Other interest income	0	0
Total interest income	**10,429**	**9,530**
of which interest income on impaired loans	3	4
of which interest income from financial items not measured at fair value	6,061	5,252
Average interest rate on loans to the public during the year, %	4,3	4,1

NOTE 7 INTEREST EXPENSE

	2012	2011
Due to credit institutions	–6	–37
Deposits and borrowing from the public	–1,122	–837
Interest-bearing securities	–3,419	–3,100
Subordinated liabilities	–89	–68
Derivatives		
– Hedge accounting	–3,521	–3,485
– Non-hedge accounting	–26	–138
Other interest expense	–95	–83
Total interest expense	**–8,278**	**–7,748**
of which interest expense from financial items not measured at fair value	–4,749	–4,134
Average interest rate on deposits from the public during the year, %	2,0	1,9

NOTE 8 INVESTMENT INCOME, NET

	2012	2011
Interest income	354	571
Dividends	20	9
Profit, investment property		
Rental income	0	1
Expenses	–0	–1
Total profit, investment property	**0**	**0**
Realised profit, net		
Investment property	–2	–
Interest compensation	–14	26
Shares and participations	30	65
Interest-bearing securities	701	41
Derivatives	–130	–33
Other financial assets	–328	–28
Other financial liabilities	–	–10
Total realised profit, net	**256**	**63**
Unrealised profit, net		
Investment property	4	0
Shares and participations	–27	–66
Interest-bearing securities	–289	1,198
Derivatives	–538	472
Other financial assets	646	542
Other financial liabilities	–	–1,789
Total unrealised profit, net	**–204**	**358**
Exchange-rate gains/losses, net	11	–112
Interest expense	–182	–807
Participations in associated companies	0	1
Impairment Länsförsäkringar Liv Försäkringsaktiebolag (publ)	–100	–107
Asset management expenses	–98	–13
Investment income, net	**59**	**–37**

NOTE 8 INVESTMENT INCOME, NET, cont.

	2012	2011
Profit/loss by valuation category		
Derivative assets intended for risk management, non-hedge accounting	32	–32
Other financial assets measured at fair value in profit and loss	215	807
Derivatives in hedge accounting	–107	–27
Derivatives not in hedge accounting	0	–6
Other financial liabilities measured at fair value in profit and loss	–69	–28
Available-for-sale financial assets [1]	296	–56
Loan receivables and accounts receivable	79	52
Financial liabilities at amortised cost	–337	–32
Change in fair value of derivatives that are hedging instruments in a hedge of fair value	–539	472
Change in fair value of hedged items with regard to the hedged risk in hedges of fair value	516	–499
Non-financial items not included in investment income, net		
Translation, non-life annuity reserve	–31	–583
Value-preserving interest rates claims annuities reserve	–35	–108
Asset management expenses	–98	–13
Other non-financial items	136	15
Total investment income, net	**59**	**–37**

[1] Total net gains on available-for-sale financial assets amounted to SEK 238 M (112), of which a loss of SEK 58 M (gain: 167) M was recognised against other comprehensive income.

Interest rates and dividends are included in earnings per measurement category.

NOTE 9 COMMISSION INCOME

	2012	2011
Payment mediation commission	63	64
Lending commission	85	78
Deposit commission	9	7
Financial guarantees	1	0
Securities commission	697	688
Card operations	125	107
Commission and profit shares in ceded reinsurance	119	150
Fees pertaining to financial agreements unit-linked insurance	402	61
Other commission	340	28
Total commission income	**1,841**	**1,183**
of which commission income from financial items not measured at fair value	223	195

NOTE 10 OTHER OPERATING INCOME

	2012	2011
Service income, regional insurance companies	1,258	1,275
Other service income	490	596
Other income	288	645
Total other operating income	**2,036**	**2,516**

NOTE 11 CLAIMS PAYMENTS

	2012			2011		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
Non-life insurance						
Claims paid	–3,989	901	–3,087	–4,128	935	–3,193
Claims annuities paid	49	–	49	97	–	97
Change in provision for claims incurred and reported	2,137	39	2,177	293	17	310
Change in provision for claims incurred and not reported	–2,038	343	–1,695	–100	172	72
Total	**–3,841**	**1,284**	**–2,557**	**–3,837**	**1,125**	**–2,713**
Life assurance						
Claims paid	–181	6	–175	–154	9	–145
Change in provision for claims outstanding	36	–1	35	–2	–2	–4
Total	**–145**	**5**	**–140**	**–156**	**7**	**–149**
Total non-life insurance and life assurance	**–3,986**	**1,289**	**–2,697**	**–3,993**	**1,132**	**–2,862**

NOTE 12 COMMISSION EXPENSE

	2012	2011
Payment mediation commission	–94	–96
Securities commission	–143	–376
Card operations	–88	–82
Compensation to the regional insurance companies	–1,326	–834
Commission, direct insurance	–173	–134
Commission, assumed reinsurance	–153	–182
Acquisition costs unit-linked insurance	–	–56
Other commission	–52	–13
Total commission expense	**–2,029**	**–1,773**
of which commission expense from financial items not measured at fair value	–799	–794

NOTE 13 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Average number of employees	2012	2011
Sweden		
Men	638	623
Women	712	687
Total Sweden	**1,350**	**1,310**
Denmark		
Men	1	–
Women	4	3
Total Denmark	**5**	**3**
Norway		
Men	1	1
Women	11	2
Total Norway	**12**	**3**
UK		
Men	19	17
Women	46	43
Total UK	**65**	**60**
Total number of employees		
Men	659	641
Women	773	735
Total	**1,432**	**1,376**

Salaries, other remuneration and social security expenses

Other employees	2012	2011
Salaries and remuneration	862	813
of which variable remuneration	10	14
Social security expenses	584	466
of which pension costs	258	182
Total	**1,445**	**1,279**

Board of Directors and senior executives, 31 (31)	2012	2011
Salaries and remuneration	47	50
of which variable remuneration	–	–
Social security expenses	39	38
of which pension costs	20	18
Total	**86**	**88**

Total salaries, other remuneration and social security expenses	2012	2011
Salaries and remuneration	908	863
of which variable remuneration	10	14
Social security expenses	623	504
of which pension costs	278	200
Total	**1,531**	**1,366**

Länsförsäkringar Bank has about 850 individuals who are also employed at Länsförsäkringar Bank and the regional insurance companies. They receive their entire remuneration from their respective regional insurance company.

Variable remuneration

Variable remuneration can be paid to a small number of specialists in Länsförsäkringar AB Group's Asset Management, at a maximum of four to six months' salary. All deviations in addition to the level of two months' salary must be dealt with in Länsförsäkringar AB's Remuneration Committee and resolved by Länsförsäkringar AB's Board of Directors. A prerequisite for paying variable remuneration to employees is that the Länsförsäkringar AB Group reports positive results before tax. One third of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and two thirds on the degree to which the individual goals in the goal contract were achieved. Some 40% of the outcome will be paid during the following year and 60% will be paid three years later. Under the conditions stated in the Remuneration Policy, the Board may decide to reduce the portion of the variable remuneration that will be paid later. There are also certain functions where commission arises. These are based on sales income and are regulated in collective agreements. The variable remuneration above pertains to the recognised expense for the year. The amount includes estimated variable remuneration for 2012, as well as deviation pertaining to estimated costs for 2011.

Of the above amount pertaining to variable remuneration, SEK 3 M (3) is attributable to the insurance operations and the remaining SEK 7 M (11) is attributable to the other operations.

Remuneration of the Board of Directors

Directors fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

NOTE 13 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.

Remuneration of senior executives
Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration.

Severance pay
A mutual period of notice of six months applies for the President and other senior executives. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. Alternatively, a mutual period of notice of three months is applied for senior executives, and if termination of employment is issued by the company, severance pay corresponding to 24 months' salary will be paid in addition to the period of notice.

Pensions
The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for an Executive Vice President is 60 years. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium shall amount to 18% of pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for an Executive Vice President is 65 years. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary.

The retirement age for other senior executives is 60, 62 or 65. If the retirement age is 65, the pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. If the retirement age is 60 or 62, the pensions between 60, 62 and 65, respectively, are defined-contribution pensions and are expected to be paid at approximately 70% of the pensionable salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The company has taken out endowment insurance over four to five years for several senior executives in addition to their pension agreements. For 2012, the premium is between SEK 0.1 M and SEK 0.8 M.

Preparation and decision-making process applied in relation to the issue of remuneration to corporate management.
A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to corporate management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for any of the company's control functions.

Composition and mandate of Remuneration Committee
The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan.

Policies for remuneration of senior executives
Senior executives in the Länsförsäkringar AB Group shall have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration
Fixed remuneration is paid according to the general policy above.

Pensions
The pension solution shall be solely premium-based with a premium provision of 35% of the monthly salary. A transition to this policy shall occur successively and as soon as possible.

Other benefits
In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health insurance and other benefits offered to all employees.

Loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	Dec 31, 2012	Dec 31, 2011
Board members	50	54
President and Executive Vice Presidents	18	18
Other senior executives	36	31
Total loans to the Board of Directors, Presidents/ Executive Vice Presidents and other senior executives	**104**	**103**

Loans granted comprise personnel loans and other loans. Personnel loans are maximised at SEK 500,000 and carry loan terms comparable to what applies to other employees in the Group. The interest rate for employees is the repo rate less 0.5 percentage points, but can never be lower than 0.5%. The interest benefit is calculated in accordance with the Swedish Tax Agency's rules and is included in the amount for other benefits as above. The terms and conditions of other loans are market-based.

Number of women among senior executives, %	Dec 31, 2012	Dec 31, 2011
Board members	32	23
Other senior executives	44	37

NOTE 14 FEES AND REMUNERATION TO AUDITORS

	2012	2011
KPMG AB		
– Audit assignments	–8	–10
– audit operations in addition to the audit assignment	–2	–1
– tax consulting	–0	–1
– other assignments	–5	–7
Deloitte		
– audit operations in addition to the audit assignment	–	–1
– other assignments	–0	–0
Total fees and cost reimbursements to auditors	**–15**	**–20**

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the above-mentioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

NOTE 15 OTHER ADMINISTRATION EXPENSES

	2012	2011
Other administration expenses		
Costs for premises	–102	–156
Depreciation	–498	–415
IT costs	–1,241	–1,252
Consultant costs	–356	–517
Marketing	–109	–132
Telephone and postage	–100	–115
Other administration expenses	–397	–419
Total other administration expenses	**–2,802**	**–3,006**

NOTE 16 LOAN LOSSES, NET

	2012	2011
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–136	–92
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	103	92
Impairment of loan losses during the year	–147	–201
Payment received for prior confirmed loan losses	85	42
Reversed impairment of loan losses no longer required	22	62
Net expense for the year for individually assessed receivables	**–73**	**–97**
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
Provision/reversal of impairment for loan losses	–19	49
Net expense for the year for collectively assessed receivables	**–19**	**49**
Net expense for the year for fulfilment of guarantees	1	0
Net expense of loan losses for the year	**–91**	**–48**

All information pertains to receivables from the public.

NOTE 17 TAX

	2012	2011
Current tax		
Tax expenses for the period	–40	51
Adjustment of tax expense pertaining to prior years	3	–0
Total current tax	**–37**	**51**
Deferred tax		
Deferred tax pertaining to temporary differences	59	15
Deferred tax expense as a result of utilisation of previously capitalised tax value in loss carryforwards	–158	–145
Total deferred tax	–99	–129
Total recognised tax expense	**–136**	**–78**

NOTE 17 TAX, cont.

	2012	2011
Reconciliation of effective tax rate		
Profit before tax	821	287
Tax in accordance with applicable tax rate for Parent Company	–216	–75
Effect of other tax rates for foreign companies	0	–0
Tax on non-deductible costs	–75	–45
Tax on non-taxable income	37	18
Utilisation of non-capitalised loss carryforwards	–	0
Reversal of deferred tax liabilities	15	25
Tax attributable to earlier years	3	–0
Changed tax rates	96	–
Other	4	–0
Recognised effective tax on profit for the year	**–136**	**–78**
Applicable tax rate	26.3%	26.3%
Effective tax rate	16.6%	27.3%
Tax attributable to other comprehensive income		
Revaluation of owner-occupied property	24	–13
Available-for-sale financial assets	15	–44
Total tax attributable to other comprehensive income	**39**	**–57**

NOTE 18 EARNINGS PER SHARE

	2012	2011
Net profit/loss attributable to Parent Company's shareholders, SEK M	685	208
Number of shares with a quotient value of SEK 100	9,407,249	9,407,249
Earnings per share before and after dilution, SEK	**73**	**27**

Earnings per share has been calculated as net profit for the year attributable to the Parent Company's shareholders divided by the average number of shares. No previous or future dilution exists since no potential ordinary shares arose in reported periods nor were in existence on the balance-sheet date.

NOTE 19 GOODWILL

	2012	2011
Cost		
Opening cost, January 1	711	338
Operation acquisition	–	371
Exchange-rate differences	–1	2
Closing cost, December 31	**710**	**711**

Goodwill of SEK 371 acquired in 2011 pertains to Länsförsäkringar AB's acquisition of Länsförsäkringar Fondliv. The goodwill item comprises contracts for new customers who are expected to come after the acquisition, and synergies. Of the remaining goodwill value, SEK 35 M pertains to Länsförsäkringar Gruppliv Försäkrings AB and SEK 144 M to Länsförsäkringar Sak through the acquisition of an insurance portfolio in 2008. The goodwill item primarily comprises expected synergies. The remaining goodwill of SEK 159 M (160) is attributable to Försäkringsaktiebolaget Agria's acquisition of the UK sales company, Agria Pet Insurance Ltd, in 2007. The goodwill item comprises customer relations not identified, products and know-how in the organisation.

No impairment losses have been recognised. The value of goodwill is tested annually on December 31.

Assumption on testing of value	2012	2011
Long-term growth, %	2.0	2.0
Discount rate, %	7.5	8.0–8.5
Exchange rate SEK/GBP	10.6	10.7

Testing is based on the value in use. A cash-flow estimate was made for the period 2013 and ahead and based on a forecast period of 3-5 years. After that, cash flows are extrapolated with a 2% growth rate. The growth assumption is based on experience and discount rates corresponding to the yield requirement on equity. The value of Länsförsäkringar Fondliv is based on Embedded Value. The calculation is based on a normal return on assets managed with deductions for overheads and tax. The cost for tying up capital is calculated at 1% of the fund value. A present value computation was carried out with an inflation assumption of 2% and a discount rate of 8%.

NOTE 20 OTHER INTANGIBLE ASSETS

Capitalised expenditure for development and acquired intangible assets

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Cost				
Opening cost, January 1, 2011	1,022	201	671	1,894
Exchange-rate differences for the year	0	0	–	0
Acquisitions during the year	161	42	3,223	3,426
Closing cost, December 31, 2011	**1,183**	**243**	**3,894**	**5,320**
Opening cost, January 1, 2012	1,183	243	3,894	5,320
Exchange-rate differences for the year	0	0	–1	–1
Divestments/scrapping for the year	–63	–7	–1	–71
Acquisitions during the year	139	4	101	244
Closing cost, December 31, 2012	**1,259**	**240**	**3,993**	**5,492**
Depreciation				
Opening accumulated depreciation, January 1, 2011	–511	–58	–322	–890
Divestments/scrapping for the year	–	–	–	–
Exchange-rate differences for the year	0	–	11	11
Depreciation for the year	–89	–9	–142	–240
Closing accumulated depreciation, December 31, 2011	**–599**	**–67**	**–453**	**–1,119**
Opening accumulated depreciation, January 1, 2012	–599	–67	–453	–1,119
Divestments/scrapping for the year	58	–	1	59
Exchange-rate differences for the year	0	0	0	0
Depreciation for the year	–107	–17	–225	–350
Closing accumulated depreciation, December 31, 2012	–648	–84	–677	–1,409

NOTE 20 OTHER INTANGIBLE ASSETS, cont.

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Impairment				
Opening accumulated impairment, January 1, 2011	–95	–29	–	–123
Impairment for the year	–14	–	–	–14
Closing accumulated impairment, December 31, 2011	**–108**	**–29**	**–**	**–137**
Opening accumulated impairment, January 1, 2012	–108	–29	–	–137
Impairment reversed during the year	5	–	–	5
Closing accumulated impairment, December 31, 2012	–103	–29	–	–132
Carrying amount, December 31				
2011	**475**	**148**	**3,134**	**3,757**
2012	**507**	**128**	**3,317**	**3,952**

The remaining amortisation period is three years except for customer-based assets, which is eight years. The amortisation period for an acquired accounting and monitoring system with a carrying amount of SEK 133 M (99) is 15 years due to a longer anticipated useful life. Acquisitions made in 2011 pertaining to acquired customer-based assets totalling SEK 3,223 M are attributable to Länsförsäkringar AB's acquisition of Länsförsäkringar Fondliv Försäkrings AB. The amortisation period is 25 years. All amortisation and impairment losses are recognised in profit and loss as Other administration expenses. Impairments in 2011 are attributable to developed IT systems in the non-life insurance operating segment.

NOTE 21 PROPERTY AND EQUIPMENT

	2012	2011
Cost		
Opening cost, January 1	379	353
Divestments/scrapping	–67	–41
Acquisitions during the year	22	67
Exchange-rate differences	–0	0
Closing cost, December 31	**334**	**379**
Depreciation		
Opening accumulated depreciation, January 1	–274	–242
Accumulated depreciation for divestments/scrapping	61	32
Depreciation for the year	–41	–64
Exchange-rate differences	0	–0
Closing accumulated depreciation, December, 31	**–254**	**–274**
Carrying amount, December 31	**80**	**105**

No impairment losses have been recognised.

NOTE 22 OWNER-OCCUPIED PROPERTY

	After revaluation Dec 31, 2012	Before revaluation Dec 31, 2012	After revaluation Dec 31, 2011	Before revaluation Dec 31, 2011
Cost, reclassified	2,879	2,821	2,797	2,740
Accumulated amortis,ation	–430	–422	–353	–346
Carrying amount	2,448	2,399	2,444	2,394
Fair value		**2,448**		**2,444**

Reclassification to amortised cost	2012	2011
Opening balance, January 1	2,444	2,415
Capitalised improvements	31	51
Depreciation for the year according to plan before revaluation	–76	–72
Revaluation of owner-occupied property	49	51
Closing balance, December 31	**2,448**	**2,444**
Historical cost reduced by depreciation according to plan	1,943	1,988
Revaluation effect against revaluation reserve	38	37

Assumption on valuation at fair value	2012	2011
Current rental income/market rent, SEK M	150/158	150/158
Computed interest in discounting, %	7.9	7.9
Direct yield requirement, %	5.8	5.8

The Group applies the revaluation technique to the Group's owner-occupied property. The properties were assessed externally by valuation company CB Richard Ellis. Fair value was calculated by applying the location-price method and a return-based cash-flow method at the end of the preceding year. The Group has no borrowing costs for owner-occupied property.

NOTE 23 SHARES IN LÄNSFÖRSÄKRINGAR LIVFÖRSÄKRINGSAKTIEBOLAG (PUBL)

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Equity	Earnings	Carrying amount, Dec 31, 2012	Carrying amount, Dec 31, 2011
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	13,833	4,872	308	408

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkrings AB (publ) but is not consolidated. Subsidiaries are companies subject to a controlling influence from Länsförsäkringar AB. A controlling influence means the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial benefits. The life-assurance operations, which are conducted according to mutual principles through Länsförsäkringar Liv Försäkrings AB and whose earnings accrue in their entirety to the policyholders, are not recognised in accordance with the purchase method since it is not possible to exercise control in order to receive financial benefits from such a life-assurance company.

Shares in Länsförsäkringar Liv Försäkrings AB are classified as holdings available for sale. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing. The holding is thus measured at cost. The value is tested annually to determine whether impairment is required. Due to the lower synergy effects following the stop on underwriting new insurance policies in Länsförsäkringar Liv, the shares were impaired by SEK 99.5 M in 2012. The impairment was recognised under Investment income, net in profit and loss.

Equity and earnings pertain to the Länsförsäkringar Liv Group.

NOTE 24 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	Dec 31, 2012	Dec 31, 2011
Carrying amount at beginning of the year	24	23
Profit shares in the associated company	4	2
Other changes in the associated company's equity	–4	–1
Total shares and participations in associated companies	**24**	**24**

Accumulated impairment losses amount to SEK 4 M (4).

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Carrying amount, Dec 31, 2012	Carrying amount, Dec 31, 2011
Getswish AB	556913-7382	Stockholm	5 000	10,0	0	–
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0	–
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	13	13
European Alliance Partners Company AG	CH-0203026423-1	Zurich, Switzerland	10,570	14.3	8	8
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	1	1
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	44.6	3	3
Total					**24**	**24**

Summary of financial information pertaining to associated companies

	2012	2011
Income	52	50
Earnings	4	2
Assets	36	42
Liabilities	12	18
Equity	24	24

The amounts presented above refer only to the Group's participating interests in associated companies. The shares and participations are unlisted. All associated companies apply the calendar year as the fiscal year. The share of profit in all associated companies is included in the Asset management operating segment.

Länsförsäkringar Sak Försäkrings AB (publ) is considered to have a significant influence in the European Alliance Partners Company AG despite owning a participating interest of less than 20%. The reason is because Länsförsäkringar Sak Försäkrings AB (publ) is represented on the company's Board and thereby has the right (but not a duty) to participate in all decisions made in the company, including strategic issues and issues regarding guidelines, budget, business plans and similar matters. Furthermore, a large amount of information is exchanged with the company.

NOTE 25 INVESTMENT PROPERTY

	Cost	Fair value	Floor space vacancy rate	Direct yield	Value effect
Investment property per December 31, 2012	–	–	–	–	–
Investment property per December 31, 2011	11	7	0.0%	2.0%	–21

Investment properties were recognised at fair value. Value effect referred to the change in fair value if the direct yield requirement were to be raised by two percentage points.

NOTE 25 INVESTMENT PROPERTY, cont.

	Cost		Fair value	
Change in value for the period	**2012**	**2011**	**2012**	**2011**
Opening balance, January 1	11	11	7	7
Investment in existing properties	–	–	–	–
Divestments	–11	–	–7	–
Profit/loss from adjustments of fair value	–	–	–	0
Closing balance, December 31	**–**	**11**	**–**	**7**

The property was divested in 2012. The property was an office property located in the Municipality of Stockholm. No part of the property is used for the company's own operations.

The property were assessed externally by valuation company CB Ricard Ellis on December 31, 2011. Fair value was calculated by applying the location-price method and a return-based cash-flow method. The cash-flow method is based on a calculation of the present value of future cash flows in the form of operating net and the present value of the estimated residual value.

Assumption on valuation at fair value

	2011
Current rent/market rent, SEK 000s	572/781
Operating net, SEK 000s	356
Computed interest in discounting, %	10
Direct yield requirement, %	8

Impact on profit for the period	2012	2011
Rental income	0	1
Direct expenses for the property that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	–0	–0

The income-statement items above are included in the item Investment income, net.

NOTE 26 LOANS TO THE PUBLIC

	Dec 31, 2012	Dec 31, 2011
Loan receivables, gross	150,267	134,295
Impairment	–325	–284
Loan receivables, net	**149,942**	**134,011**
Impaired loans	298	233

Reconciliation of impairment of loan losses	**2012**	**2011**
Opening balance, January 1	–284	–286
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	103	92
Reversed impairment of loan losses no longer required	3	111
Impairment of loan losses during the year	–147	–201
Closing balance, December 31	**–325**	**–284**

Loan receivables are geographically attributable in their entirety to Sweden.

NOTE 27 UNIT-LINKED INSURANCE ASSETS – POLICYHOLDER BEARS THE RISK

	Dec 31, 2012	Dec 31, 2011
Equity funds	53,160	44,861
Fixed-income funds	9,224	7,304
Total unit-linked insurance assets	**62,384**	**52,165**
Amortised cost	73,725	55,526

NOTE 28 FINANCIAL LEASING

Financial lease agreements specified by maturity structure where the Group is the lessor.

Dec 31, 2012	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,259	3,529	394	6,182
Unearned financial income [1]	364	399	18	781
Gross investment	**2,622**	**3,928**	**412**	**6,963**

Dec 31, 2011	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,020	3,105	580	5,706
Unearned financial income [1]	392	425	42	858
Gross investment	**2,412**	**3,530**	**622**	**6,564**

[1] Attributable to present value calculation.

	2012	2011
Provision for impaired loans pertaining to minimum lease fees	73	56
Variable portion of leasing fees included in net profit for the year	–2	19

Financial leasing is included in loans to the public.

There are also a few leasing agreements for office equipment and cars where the Group is the lessee and for which the amounts are not deemed to be significant.

NOTE 29 SHARES AND PARTICIPATIONS

Carrying amount	Dec 31, 2012	Dec 31, 2011
Listed shares and participations	238	309
Unlisted shares and participations	710	733
Total shares and participations	**948**	**1,042**

	Dec 31, 2012	Dec 31, 2011
Fair value	948	1,042
Cost	621	647

NOTE 30 BONDS AND OTHER INTEREST-BEARING SECURITIES

Carrying amount	Dec 31, 2012	Dec 31, 2011
Treasury bills	6,297	5,847
Mortgage institutions	33,800	22,176
Other issuers	4,572	4,008
Total bonds and other interest-bearing securities	**44,669**	**32,031**

	Dec 31, 2012	Dec 31, 2011
Fair value	44,669	32,031
Amortised cost	43,507	30,763
Nominal value	40,325	28,628

All securities are listed.

NOTE 31 TREASURY BILLS AND OTHER ELIGIBLE BILLS

	Dec 31, 2012	Dec 31, 2011
Carrying amount		
Swedish government	4,750	8,341
German government	472	–
Fair value	5,222	8,341
Amortised cost	5,181	7,943
Nominal value	4,405	7,458

NOTE 32 DERIVATIVES

	Nominal amounts		Fair values	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Derivative instruments with positive values or valued at zero				
Derivatives in hedge accounting				
Interest	73,625	63,925	1,624	1,378
Currency	8,651	10,577	421	454
Collateral received, CSA	–	–	–193	–266
Other				
Interest	3,691	330	19	0
Currency	1,722	9,394	29	74
Total derivatives with positive values	**87,689**	**84,226**	**1,900**	**1,640**
Derivatives with negative values				
Derivatives in hedge accounting				
Interest	88,930	75,199	1,403	1,571
Currency	26,066	11,852	1,619	887
Other				
Interest	4,960	1,332	73	0
Currency	872	9,546	15	226
Total derivatives with negative values	**120,828**	**97,930**	**3,111**	**2,684**

NOTE 33 FAIR VALUE ADJUSTMENT OF INTEREST-RATE-RISK HEDGED ITEMS IN PORTFOLIO HEDGE

	2012	2011
Assets		
Carrying amount, January 1	710	141
Changes during the year pertaining to lending	168	569
Carrying amount, December 31	**878**	**710**
Liabilities		
Carrying amount, January 1	1,837	–392
Changes during the year pertaining to lending	25	4
Changes during the year pertaining to borrowing	315	2,225
Carrying amount, December 31	**2,177**	**1,837**

NOTE 34 OTHER RECEIVABLES

	Dec 31, 2012	Dec 31, 2011
Receivables pertaining to direct insurance	1,126	1,055
Receivables, reinsurance	156	257
Deposits with companies that have ceded reinsurance	63	42
Accounts receivable	347	397
Other receivables	705	565
Total other receivables	**2,397**	**2,316**

NOTE 35 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2012	Dec 31, 2011
Accrued interest and rental income	2,575	2,218
Prepaid acquisition costs	1,067	1,006
Other accrued income	65	126
Other prepaid expenses	241	124
Total prepaid expenses and accrued income	**3,948**	**3,474**

NOTE 36 CASH AND CASH EQUIVALENTS

	Dec 31, 2012	Dec 31, 2011
Cash and balances with central banks	109	67
Balances with other banks	4,320	3,126
Total cash and cash equivalents	**4,429**	**3,193**

NOTE 37 EQUITY

	Restricted equity		Non-restricted equity	
	Share capital	Restricted reserves	including comprehensive income for the year	Total equity
Opening equity, January 1, 2011	725	4,795	4,311	9,831
Net profit/loss for the year			208	208
Change in translation reserve		3	–5	–2
Change in revaluation reserve			51	51
Change in fair value reserve			167	167
Tax on items recognised in other comprehensive income			–57	–57
Total other comprehensive income		**3**	**156**	**159**
Comprehensive income for the year		**3**	**364**	**367**
Transfer between restricted and non-restricted equity		–3	3	–
New share issue	216		2,784	3,000
Closing equity, December 31, 2011	**941**	**4,795**	**7,462**	**13,198**
Opening equity, January 1, 2012	941	4,795	7,462	13,198
Net profit/loss for the year			685	685
Change in translation reserve		–2	0	–2
Change in revaluation reserve			49	49
Change in fair value reserve			–58	–58
Tax on items recognised in other comprehensive income			39	39
Total other comprehensive income		**–2**	**30**	**28**
Comprehensive income for the year		**–2**	**715**	**713**
Transfer between restricted and non-restricted equity		2	–2	–
Closing equity, December 31, 2012	**941**	**4,795**	**8,176**	**13,913**

Number of shares	2012	2011
Issued January 1	9,407,249	7,250,564
Cash issue, Series B shares	–	2,155,452
Cash issue, Series C shares	–	1,233
Issued December 31	9,407,249	9,407,249

The quotient value per share is SEK 100. All shares are ordinary shares.

Of the shares issued on December 31, 2012, 1,532,678 were Series A shares (carrying ten votes each), 7,869,198 were Series B shares and 5,373 were Series C shares (carrying one vote each).

Specification of the capital item Reserves in the statement of financial position
Changes in these reserves are included in comprehensive income for the year

	2012	2011
Translation reserve		
Opening translation reserve, January 1	–68	–66
Translation differences for the year	–2	–2
Closing translation reserve, December 31	–69	–68
Revaluation reserve		
Opening revaluation reserve, January 1	286	249
Revaluation of owner-occupied property	49	51
Tax attributable to revaluation for the year	–13	–13
Tax due to changed tax rate	37	–
Closing revaluation reserve, December 31	**359**	**286**
Fair value reserve		
Opening fair value reserve, January 1	168	45
Change for the year in fair value of available-for-sale financial assets	–58	167
Tax attributable to change for the year	15	–44
Closing fair value reserve, December 31	**125**	**168**

Translation reserve
The translation reserve includes all exchange-rate differences arising on the translation of the financial statements from foreign operations that have prepaid their financial statements in a different currency to the currency in which the consolidated financial statements are presented. The Parent Company and Group present their financial statements in Swedish kronor (SEK).

Revaluation reserve
The revaluation reserve includes changes in value attributable to owner-occupied property.

Fair value reserve
The fair value reserve comprises the accumulated net change in fair value of available-for-sale financial assets until the asset is derecognised from the statement of financial position.

Other capital contributed
Refers to equity that has been provided by the owners. The item includes surpluses paid in conjunction with issues.

Restricted reserves
Restricted reserves may not be reduced through profit distribution. The statement of changes in equity for the Group includes some restricted reserves in other contributed equity and the remainder in retained earnings.

Retained earnings, including net profit for the year
Retained earnings including net profit for the year includes profits in the Parent Company, subsidiaries and associated companies.

Dividends
It is proposed that no dividends be paid in 2012.
All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back to the shareholders in the form of dividends. Of the net profit for the year after tax in the Group, 30% shall be paid on the condition that the balance between capital strength and risk-taking can be maintained. A prerequisite for dividends to be paid is that a credit rating of A can be justified for the Group's credit-rated companies.

NOTE 38 SUBORDINATED LIABILITIES

	Dec 31, 2012	Dec 31, 2011
Subordinated debts with three-month floating interest rates	145	145
Subordinated debts with a fixed interest rate	755	755
Total subordinated liabilities	**900**	**900**

All subordinated debts at December 31, 2012 are listed and due on December 31, 2021. On December 31, 2012, interest on the variable loans was 3.8%. The interest rate on tied-up loans is 5.6%.

NOTE 39 TECHNICAL PROVISIONS

	2012			2011		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance, January 1	1,415	40	1,374	1,512	172	1,340
Provisions during the period	–37	–26	–11	–100	–131	31
Exchange-rate changes	–10	–0	–10	3	–0	3
Closing balance, December 31	**1,367**	**14**	**1,353**	**1,415**	**40**	**1,374**
of which non-life insurance	1,367	14	1,353	1,415	40	1,374
Unexpired risk						
Opening balance, January 1	24	1	23	61	16	45
Provisions during the period	–13	–1	–12	–37	–15	–22
Exchange-rate changes	0	–	0	–	–	–
Closing balance, December 31	**11**	–	**11**	**24**	**1**	**23**
of which non-life insurance	11	–	11	24	1	23
Life-assurance provision						
Opening balance, January 1	5	–	5	4	–	4
Provisions during the period	2	–	2	1	–	1
Deposits	559	–	559	–	–	–
Payments	–1	–	–1	–	–	–
Costs withdrawn	–15	–	–15	–	–	–
Investment income contributed to life-assurance provisions	1	–	1	–	–	–
Change in provision due to change interest-rate assumption	27	–	27	–	–	–
Other changes	–203	–	–203	–	–	–
Closing balance, December 31	**375**	**–**	**375**	**5**	**–**	**5**
of which life assurance	375	–	375	5	–	5
Claims outstanding						
Claims incurred and reported	8,239	2,308	5,931	8,694	2,293	6,401
Claims incurred and not reported	5,695	4,026	1,670	5,523	3,859	1,664
Claims annuities	4,678	4	4,674	3,794	–	3,794
Claims adjustment costs	313	6	307	348	7	342
Total opening balance, January 1	**18,925**	**6,344**	**12,582**	**18,360**	**6,159**	**12,201**
Provisions for the period	–133	382	–514	–189	182	–371
Interest-rate translation of provision for claim annuities	31	–	31	583	–	583
Enumeration of provision for claim annuities	35	–	35	108	–	108
Insurance portfolio taken over/ceded	–	–	–	59	6	53
Exchange-rate changes	–30	–8	–22	4	–3	7
Closing balance, December 31	**18,828**	**6,717**	**12,111**	**18,925**	**6,344**	**12,582**
of which non-life insurance	18,538	6,713	11,824	18,601	6,339	12,262
of which life assurance	290	4	287	324	4	320
Specification of closing balance claims outstanding						
Claims incurred and reported	6,161	2,348	3,812	8,239	2,308	5,931
Claims incurred and not reported	7,560	4,361	3,199	5,695	4,026	1,670
Claims annuities	4,820	3	4,817	4,678	4	4,674
Claims adjustment costs	287	5	283	313	6	307
Total closing balance, December 31	**18,828**	**6,717**	**12,111**	**18,925**	**6,344**	**12,582**
Carrying amount at year-end	**20,582**	**6,731**	**13,851**	**20,369**	**6,385**	**13,984**
of which non-life insurance	19,916	6,727	13,188	20,040	6,381	13,660
of which life assurance	666	4	662	329	4	325
Run-off profit/loss, non-life insurance	**169**	**–14**	**155**	**222**	**–35**	**186**

NOTE 40 PROVISIONS FOR LIFE ASSURANCE FOR WHICH THE POLICYHOLDER BEARS THE INVESTMENTS RISK

Unit-linked insurance commitments	Dec 31, 2012	Dec 31, 2011
Opening balance	52,168	–
Acquisition of Group companies	–	51,779
Payments	8,135	1,137
Cancellations and repurchases	–962	–127
Paid remuneration	–1,061	–160
Costs withdrawn	–441	–63
Change in value	4,746	–400
Yield tax	–206	–
Other changes	11	2
Closed balance, unit-linked insurance commitments	**62,390**	**52,168**
Conditional bonus	190	–
Total	**62,580**	**52,168**

NOTE 41 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and tax liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Intangible assets	–9	–	30	42	22	42
Property	–	–1	247	280	247	280
Financial assets	–2	–	71	77	69	77
Receivables	–8	–	20	2	12	2
Other assets	0	–1	–	0	0	–1
Liabilities	–29	–31	1	–	–28	–31
Loss carryforwards	0	–158	–	–	0	–158
Untaxed reserves	–	–	455	491	455	491
Deferred tax asset (–) /deferred tax liability (+)	**–48**	**–190**	**825**	**892**	**776**	**701**
Offset	26	42	–26	–42	–	–
Net deferred tax asset (–) /deferred tax liability (+)	**–22**	**–148**	**799**	**850**	**776**	**701**

The Group has no temporary differences with tax effects in Group or associated companies.
Deferred tax assets have been recognised for tax loss carryforwards. It is anticipated that the loss will be utilised within a year.

Change in deferred tax in temporary differences and loss carryforwards

2012	Amount at January 1	Currency translation	Recognised in profit and loss	Recognised in other comprehensive income	Amount at December 31
Intangible assets	42	0	–20	–	22
Property	280	–	–8	–24	247
Financial assets	77	–	–8	–	69
Receivables	2	–	10	–	12
Other assets	–1	0	0	–	0
Liabilities	–31	–	3	–	–28
Loss carryforwards	–158	–	158	–	0
Untaxed reserves	491	–	–36	–	455
Deferred tax assets (–) /deferred tax liabilities (+)	**701**	**0**	**99**	–24	**776**

2011	Amount at January 1	Operation acquisition	Currency translation	Recognised in profit and loss	Recognised in other comprehensive income	Recognised in equity	Amount at December 31
Intangible assets	61	–	0	–28	–	8	42
Property	275	–	–	–9	13	–	280
Financial assets	83	–	–	10	–	–16	77
Receivables	–	–	–	2	–	–	2
Other assets	–1	–	–	0	–	–	–1
Liabilities	–39	–	–	8	–	–	–31
Loss carryforwards	–202	–101	–	145	–	–	–158
Untaxed reserves	491	–	–	–	–	–	491
Deferred tax assets (–) /deferred tax liabilities (+)	**668**	–101	**0**	**129**	**13**	–8	**701**

NOTE 42 OTHER PROVISIONS

	Dec 31, 2012	Dec 31, 2011
Provision for pensions being paid	49	49
Provisions for early retirement in accordance with pension agreement	59	62
Provision for contractual obligations	22	89
Other provisions	45	30
Total other provisions	**175**	**230**

Provision for contractual obligations	**2012**	**2011**
Carrying amount, January 1	89	145
Provisions made during the period	83	13
Amounts utilised during the year	–150	–69
Unutilised amount reversed during the year	–1	–
Carrying amount, December 31	**22**	**89**

Defined-benefit pension plans

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for the insurance sector, whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	Dec 31, 2012	Dec 31, 2011
Present value of wholly or partly funded commitments	20	27
Fair value of plan assets	–16	–16
Present value of unfunded commitments	50	40
The limitation amount due to the design of the plan	10	10
Present value of net commitments	**65**	**61**
Unrecognised accumulated actuarial gains (+) and losses (–)	–2	10
Net amount recognised pertaining to defined-benefit plans in the statement of financial position	**63**	**71**
Provision, special employer's contribution	27	19
Other pension provisions	12	15
Total	**102**	**105**
The net amount is recognised in the following items in the statement of financial position		
Other provisions	108	111
Other receivables	–6	–6
Total	**102**	**105**

	2012	2011
Change in net liability recognised in the statement of financial position		
Opening liability, January 1	71	82
Pension costs for the year according to specification below	17	7
Settlement	–25	–19
Closing net, December 31 according to the statement of financial position	**63**	**71**
Changes in total present value for defined-benefit plans		
Commitments for defined-benefit plans, January 1	67	71
Costs for service during current period	1	1
Interest expense	1	2
Paid remuneration	–9	–11
Actuarial gains (–) and losses (+)	10	5
Total commitments for defined-benefit plans, December 31	**70**	**67**

	2012	2011
Change in fair value of plan assets		
Fair value of plan assets, January 1	16	17
Expected return on plan assets	–0	–0
Difference between expected and actual return (actuarial gains/losses)	–0	–0
Fair value of plan assets, December 31	**16**	**16**
Composition of plan assets		
Participations in fixed-income funds	17	17
Cash and bank balances	2	2
Other assets	0	0
Liabilities	–4	–3
Total	**16**	**16**
Costs recognised in profit and loss		
Costs for service during current period	1	1
Interest expense	1	2
Expected return on plan assets	–0	–0
Effects of reductions and settlements	16	4
Total net expenses in profit and loss	**17**	**7**
Costs are recognised in the following lines in profit and loss:		
Staff costs	17	7
Significant calculation assumptions on December 31		
Discount rate	2.3%	1.1%
Expected return on plan assets	–	2.0%
Expected rate of salary increase	2.5%	3.0%
Percentage expected to retire voluntarily at age 62	30%	20%

	2012	2011	2010	2009	2008
Historic information					
Present value of defined-benefit commitments	70	67	71	70	92
Fair value of plan assets	–16	–16	–17	–17	–23
Surplus/Deficit in the plan	55	51	54	53	69
Experience-based adjustment pertaining to plan assets	0	1	0	–	–
Experience-based adjustment pertaining to defined-benefit commitments	1	1	5	11	13

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	2012	2011
Expenses for defined-contribution plans	199	168

NOTE 43 DEBT SECURITIES IN ISSUE

	Dec 31, 2012	Dec 31, 2011
Commercial papers	5,004	4,622
Bond loans[1)]	110,396	95,691
Cashier's cheques issued	76	77
Total debt securities in issue	**115,476**	**100,391**
Remaining term of not more than 1 year	19,797	19,401
Remaining term of more than 1 year	95,679	80,990

[1)] Covered bonds in the Group amount to SEK 90,962 (85,369).

NOTE 44 DEPOSITS FROM THE PUBLIC

	Dec 31, 2012	Dec 31, 2011
Deposits from insurance companies	3,710	2,061
Deposits from households	53,221	43,247
Deposits from other Swedish public	4,970	4,015
Total deposits from the public	**61,901**	**49,323**

NOTE 45 DUE TO CREDIT INSTITUTIONS

	Dec 31, 2012	Dec 31, 2011
Swedish banks	11	3,738
Other Swedish credit institutions	1,052	254
Total liabilities due to credit institutions	**1,063**	**3,992**

Genuine repurchase transactions amounted to SEK 576 M (1,938).

NOTE 46 OTHER LIABILITIES

	Dec 31, 2012	Dec 31, 2011
Liabilities pertaining to direct insurance	664	634
Liabilities, reinsurance	312	258
Deposits from reinsurers	30	29
Accounts payable	245	234
Due to Länsförsäkringar Liv Försäkrings AB	1,216	1,062
Other liabilities	954	607
Total other liabilities	**3,421**	**2,824**

NOTE 47 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2012	Dec 31, 2011
Accrued interest expense	3,322	3,129
Other accrued expenses	843	580
Prepaid rent	260	438
Other deferred income	472	310
Total accrued expenses and deferred income	**4,897**	**4,457**

NOTE 48 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec 31, 2012	Dec 31, 2011
Pledged assets		
Total registered investment assets on behalf of policyholders	79,189	67,730
Pledged securities in the Riksbank	1,900	1,900
Pledged securities in Euroclear	850	850
Pledged shares in subsidiaries	1,843	1,982
Loan receivables, covered bonds	95,530	84,428
Collateral paid due to repurchase agreement	576	1,938
Other collateral for securities	15	15
Bonds	–	188
Chattel mortgages, associated companies	0	0
Total pledged assets	**179,903**	**159,031**
Contingent liabilities		
Guarantees	55	35
Part-owner of Utile Dulci 2 HB	5	16
Early retirement at age 62 in accordance with pension agreement, 80%	157	249
Letters of Credit	–	2
Total contingent liabilities	**217**	**302**
Other commitments		
Loans approved but not disbursed	6,437	5,115
Unutilised portion of overdraft facilities	2,098	2,097
Unutilised portion of credit card facilities	961	933
Total other commitments	**9,496**	**8,146**

Registered assets follow the regulations stipulated in the Swedish Insurance Business Act. In the event of insolvency, the policyholders have a priority right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Insurance Business Act.

Loans to the public were provided as collateral for issuance of covered bonds and mortgage bonds. In the event of the company's insolvency, bond holders have preferential rights to the assets that are registered as cover pool.

Other pledged securities will be transferred to the pledgee in the event of bankruptcy.

An assumption regarding the number of employees likely to utilise the agreement option of early retirement was made in determining the contingent liabilities for early retirement according to pension agreements. This assumption was based on historical information. The pension agreement expires in 2017.

NOTE 49 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS AND LIABILITIES

	Dec 31, 2012			Dec 31, 2011		
Amount expected to be recovered	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Assets						
Goodwill	–	710	710	–	711	711
Other intangible assets	309	3,643	3,952	224	3,842	4,066
Deferred tax assets	14	8	22	148	–	148
Property and equipment	67	13	80	64	42	105
Owner-occupied property	76	2,372	2,448	72	2,373	2,444
Shares in Länsförsäkringar Liv Försäkrings AB	–	308	308	–	408	408
Shares and participations in associated companies	–	24	24	–	24	24
Reinsurers' portion of technical reserves	549	6,182	6,731	6,381	5	6,385
Investment property	–	–	–	–	7	7
Loans to the public	12,885	137,056	149,942	8,303	125,708	134,011
Unit-linked insurance assets – policyholder bears the risk	3,388	58,996	62,384	2,562	49,603	52,165
Shares and participations	474	474	948	521	521	1,042
Bonds and other interest-bearing securities	8,267	36,403	44,669	2,424	29,606	32,031
Treasury bills and other eligible bills	472	4,751	5,222	5,521	2,821	8,341
Derivatives	199	1,701	1,900	149	1,492	1,640
Change in value of hedge portfolios	–	878	878	–	710	710
Other receivables	2,326	71	2,397	2,151	165	2,316
Prepaid expenses and accrued income	3,168	780	3,948	2,701	774	3,474
Cash and cash equivalents	4,429	–	4,429	3,193	–	3,193
Total assets	**36,623**	**254,372**	**290,994**	**34,412**	**218,811**	**253,223**

	Dec 31, 2012			Dec 31, 2011		
Amount expected to be settled	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Liabilities						
Subordinated liabilities	–	900	900	–	900	900
Technical reserves	3,028	17,554	20,582	7,087	13,282	20,369
Unit-linked insurance liabilities – policyholder bears the risk	3,334	59,246	62,580	2,508	49,661	52,168
Deferred tax liabilities	5	794	799	–	850	850
Other provisions	1	174	175	16	214	230
Debt securities in issue	32,019	83,457	115,476	26,336	74,055	100,391
Deposits from the public	7,777	54,124	61,901	8,058	41,265	49,323
Due to credit institutions	1,063	–	1,063	2,192	1,800	3,992
Derivatives	225	2,885	3,111	335	2,349	2,684
Change in value of hedge portfolios	–	2,177	2,177	–	1,837	1,837
Other liabilities	3,421	–	3,421	2,824	–	2,824
Accrued expenses and deferred income	4,880	17	4,897	4,457	–	4,457
Total liabilities	**55,753**	**221,329**	**277,082**	**53,813**	**186,212**	**240,025**

NOTE 50 ASSETS AND LIABILITIES BY CATEGORY

		Financial assets measured at fair value in profit and loss						
Dec 31, 2012	Loan receivables and accounts receivable	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Non-financial assets	Total	Fair value
Assets								
Goodwill						710	710	
Other intangible assets						3,952	3,952	
Deferred tax assets						22	22	
Property and equipment						80	80	
Owner-occupied property						2,448	2,448	
Shares in Länsförsäkringar Liv Försäkrings AB					308		308	308
Shares and participations in associated companies						24	24	
Reinsurers' portion of technical reserves						6,731	6,731	
Investment property							–	
Loans to the public	149,942						149,942	144,570
Unit-linked insurance assets – policyholder bears the risk		62,384					62,384	62,384
Shares and participations		937			11	0	948	948
Bonds and other interest-bearing securities		11,984			32,685		44,669	44,669
Treasury bills and other eligible bills					5,222		5,222	5,222
Derivatives			48	1,853			1,900	1,900
Change in value of hedge portfolios						878	878	878
Other receivables	967					1,430	2,397	2,397
Prepaid expenses and accrued income	285	89				3,574	3,948	3,948
Cash and cash equivalents	4,429						4,429	4,429
Total assets	**155,623**	**75,394**	**48**	**1,853**	**38,226**	**19,850**	**290,994**	

	Financial liabilities measured at fair value						
	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities							
Subordinated liabilities				900		900	900
Technical reserves					20,582	20,582	
Unit-linked insurance liabilities – policyholder bears the risk	62,580					62,580	62,580
Deferred tax liabilities					799	799	
Other provisions					175	175	
Debt securities in issue				115,476		115,476	121,806
Deposits from the public				61,901		61,901	62,871
Due to credit institutions				1,063		1,063	1,063
Derivatives		88	3,022			3,111	3,111
Change in value of hedge portfolios					2,177	2,177	2,177
Other liabilities				1,536	1,886	3,421	3,421
Accrued expenses and deferred income				405	4,492	4,897	4,897
Total liabilities	**62,580**	**88**	**3,022**	**181,282**	**30,110**	**277,081**	

NOTE 50 **ASSETS AND LIABILITIES BY CATEGORY, cont.**

		Financial assets measured at fair value in profit and loss						
Dec 31, 2011	**Loan receivables and accounts receivable**	**Financial assets measured according to fair value option**	**Held for trading**	**Derivatives used in hedge accounting**	**Available-for-sale financial assets**	**Non-financial assets**	**Total**	**Fair value**
Assets								
Goodwill						711	711	
Other intangible assets						4,066	4,066	
Deferred tax assets						148	148	
Property and equipment						105	105	
Owner-occupied property						2,444	2,444	
Shares in Länsförsäkringar Liv Försäkrings AB					408		408	408
Shares and participations in associated companies						24	24	
Reinsurers' portion of technical reserves						6,385	6,385	
Investment property						7	7	
Loans to the public	134,011						134,011	125,352
Unit-linked insurance assets – policyholder bears the risk		52,165					52,165	52,165
Shares and participations		1,032			10		1,042	1,042
Bonds and other interest-bearing securities		11,402			20,628		32,031	32,031
Treasury bills and other eligible bills					8,341		8,341	8,341
Derivatives			74	1,567			1,640	1,640
Change in value of hedge portfolios	710						710	710
Other receivables	963				1	1,352	2,316	2,316
Prepaid expenses and accrued income	103	33		1,395	694	1,250	3,474	3,474
Cash and cash equivalents	3,183					11	3,193	3,193
Total assets	**138,970**	**64,632**	**74**	**2,962**	**30,083**	**16,504**	**253,223**	

	Financial liabilities measured at fair value						
	Financial assets measured according to fair value option	**Held for trading**	**Derivatives used in hedge accounting**	**Other financial liabilities**	**Non-financial liabilities**	**Total**	**Fair value**
Liabilities							
Subordinated liabilities				900		900	900
Technical reserves					20,369	20,369	
Unit-linked insurance liabilities – policyholder bears the risk	52,168					52,168	52,168
Deferred tax liabilities					850	850	
Other provisions					230	230	
Debt securities in issue				100,391		100,391	100,419
Deposits from the public				49,323		49,323	49,349
Due to credit institutions				3,992		3,992	3,992
Derivatives		226	2,458			2,684	2,684
Change in value of hedge portfolios				1,837		1,837	1,837
Other liabilities				1,350	1,475	2,824	2,824
Accrued expenses and deferred income			1,038	2,380	1,039	4,457	4,457
Total liabilities	**52,168**	**226**	**3,496**	**160,172**	**23,963**	**240,025**	

Valuation of Länsförsäkringar Liv Försäkrings AB is reported in note 23. Valuation methods for shares, bonds, treasury bills and derivatives measured at fair value are described in note 51.

Fair value on fixed loans and deposits were calculated, discounting expected future cash flows, with the customer interest rates including discounts that applied on December 31. The discount rate was set to the current interest rate for loans and deposits. For loans with variable interest rates, fair value corresponds to the carrying amount. Debt securities in issue were recognised at amortised cost, the fair value is based on the listed price if such exists; otherwise a calculation is done in the same manner as for deposits and loans. Other financial assets and liabilities were recognised at cost. The cost for these was considered a favourable approximation of the fair value due to the short term remaining.

NOTE 51 FAIR VALUE VALUATION TECHNIQUES

Valuation techniques applied per class of financial assets and liabilities measured at fair value

Dec 31, 2012	Instruments with published price quotations (level 1)	Valuation techniques based on observable market prices (level 2)	Valuation techniques based on unobservable market prices (level 3)	Total
Assets				
Unit-linked insurance assets	62,384	–	–	62,384
Shares and participations	239	402	307	948
Bonds and other interest-bearing securities	44,669	–	–	44,669
Treasury bills and other eligible bills	5,222	–	–	5,222
Derivatives	1	1,899	–	1,900
Liabilities				
Unit-linked insurance liabilities – policyholder bears the risk	–	62,580	–	62,580
Derivatives	0	3,111	–	3,111

Dec 31, 2011	Instruments with published price quotations (level 1)	Valuation techniques based on observable market prices (level 2)	Valuation techniques based on unobservable market prices (level 3)	Total
Assets				
Unit-linked insurance assets	52,165	–	–	52,165
Shares and participations	309	385	348	1,042
Bonds and other interest-bearing securities	32,031	–	–	32,031
Treasury bills and other eligible bills	8,342	–	–	8,342
Derivatives	0	1,640	–	1,640
Liabilities				
Unit-linked insurance liabilities – policyholder bears the risk	–	52,168	–	52,168
Derivatives	0	2,684	–	2,684

Change level 3	Shares and participations
Opening balance, January 1, 2011	426
Transferred from level 2 to level 3	–
Divestments	–0
Recognised in profit/loss for the year	–78
Closing balance, December 31, 2011	**348**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2011.	–78
Opening balance, January 1, 2012	348
Transferred from level 2 to level 3	–
Acquisitions	1
Divestments	–0
Recognised in profit/loss for the year	–41
Closing balance, December 31, 2012	**307**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2012.	–41

There were no significant transfers between level 1 to level 2 during 2012.

On level 3, larger individual unlisted investments are measured by an independent external party. Small holdings 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. For holding in Private Equity funds, measurement is received quarterly from each fund; the measurement follows guidelines from European Private Equity & Venture Capital Association. The measurement is certified annually by each fund's external auditors.

The largest single asset at level 3 on December 31, 2012, had a value of SEK 261 M (303).

Profits and losses are recognised in profit and loss under Investment income, net. For further information on determination of fair value, see note 1 of the Accounting policies.

NOTE 52 DISCLOSURES ON RELATED PARTIES

The 23 regional insurance companies have chosen to organise joint operations in the Länsförsäkringar AB Group. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within Länsförsäkringar.

Legal entities closely related to the Länsförsäkringar AB Group are considered to be the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, Länsförsäkringar PE Holding AB (publ), the 23 regional insurance companies with subsidiaries and the 14 local insurance companies. In 2011, Länsförsäkringar Fondliv Försäkrings AB was acquired from Länsförsäkringar Liv Försäkrings AB. Until the date of acquisition in 2011, related-party transactions against Länsförsäkringar Fondliv Försäkrings AB were recognised as related-party transactions against Länsförsäkringar Liv Group. Transactions after the date of acquisition are intra-Group. Related key persons are Board members, senior executives and their close family members.

Policies for transactions

Transactions between closely related parties occur mainly as transactions of a nonrecurring nature and transactions on a continuous basis.

Transactions of a nonrecurring nature comprise the acquisitions and divestment of assets and similar transactions. They occur in limited scope. In nonrecurring transactions, the transactions are based on written agreements that comply with market standards and terms.

Transactions of a continuous nature include goods and services provided for the companies within the Länsförsäkringar AB Group and to the Länsförsäkringar Alliance for carrying out development projects and service. Transactions of this nature shall follow established routines as below.

Pricing

Pricing for business operations is on market terms. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Process and decisions

Corporate management within Länsförsäkringar AB, jointly with a service committee with representatives from the insurance companies, deals with the service levels and costs for the sale of goods and services to related companies. Based on these discussions, the Board of Länsförsäkringar AB makes decision on the service levels and price lists to related companies.

Related-party transactions in the Group 2012

Regional insurance companies and local insurance companies

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies, together with 14 local insurance companies. A large portion of the Group's customer contact takes place through the regional insurance companies and the local insurance companies. Remuneration for the mediation of the Länsförsäkringar AB Group's insurance products is regulated in commission agreements between these parties. Commission is also paid to regional insurance companies for their work with Länsförsäkringar Bank's, Länsförsäkringar Hypotek's and Länsförsäkringar Fondförvaltning's customer-related issues in the geographical area of operations of each regional insurance company. The assignment and remuneration are regulated in partnership agreements signed by the parties. This solution creates a unique local presence and market awareness.

Länsförsäkringar AB Group manages and reconciles the Länsförsäkringar Alliance's internal and external reinsurance. The Group also carries out development projects and service for the regional insurance companies in a number of areas, such as individual claims adjustment, legal affairs and actuarial services, product and concept development and the development of IT support and other IT services.

Länsförsäkringar Mäklarservice AB

Länsförsäkringar Mäklarservice AB is jointly owned by the regional insurance companies and Länsförsäkringar Sak. The company works on behalf of the 19 regional insurance companies and Länsförsäkringar Sak Försäkrings AB within non-life insurance, and on behalf of all 23 regional insurance companies within life assurance through a number of regional broker desks.

Länsförsäkringar Liv Försäkrings AB

Länsförsäkringar Liv Försäkrings AB is wholly owned by the Länsförsäkringar AB Group. The operations are conducted in accordance with mutual policies and, accordingly, are not consolidated in Länsförsäkringar AB.

Länsförsäkringar Liv Försäkrings AB purchases development and service from Länsförsäkringar AB. The primary task of the service operations shall be to provide service mainly within the areas of business analysis, accounting, office services, HR and communication.

Related-party transactions 2012

	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	3	–	–	–	–
Länsförsäkringar Liv Group	489	76	401	1,514	1,733
Owners					
Regional insurance companies	1,282	1,448	6,399	9,012	–
Other related parties					
Länsförsäkringar Mäklarservice AB	22	10	0	21	–
Länsförsäkringar Fastighetsförmedling AB	0	–	–	–	–
Övriga	3	2	–	2	–
	25	**12**	**0**	**23**	–

NOTE 52 DISCLOSURES ON RELATED PARTIES, cont.

Interest income and interest expense 2012

	Interest income	Interest expense
Regional insurance companies	1	22
Länsförsäkringar Liv Group	–	162
Other related parties	–	0

Related-party transactions 2011

	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	1	–	–	–	–
Länsförsäkringar Liv Group	608	–320	63	1,154	2,082
Owners					
Regional insurance companies	1,330	–1,002	6,101	7,927	–
Other related parties					
Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB	24	–16	0	23	–

Interest income and interest expense 2011

	Interest income	Interest expense
Regional insurance companies	0	–35
Länsförsäkringar Liv Group	–	–10
Other related parties	1	–1

Receivables from and liabilities to regional insurance companies include technical provisions.

Agreements
Significant agreements for the Länsförsäkringar AB Group primarily comprise agreements with the Länsförsäkringar Liv Group regarding IT and development and service, with the 23 the regional insurance companies regarding commission agreements, claims adjustment agreements, and development and management agreements.

Other significant agreements for Länsförsäkringar AB Group comprise agreements with Länsförsäkringar Broker service regarding sales, and with Humlegården Fastigheter AB regarding management of Utile Dulci 2 HB.

Transactions between the Länsförsäkringar AB Group and its Board and management
For information regarding remuneration to closely related key persons such as Board members and senior executives see note 13 Employees, staff costs and remuneration to senior executives. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

For the Länsförsäkringar Liv Group transactions with related parties, see the Länsförsäkringar Liv Försäkringsaktiebolag's 2012 Annual Report.

NOTE 53 GROUP COMPANIES

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in % Dec 31, 2012	Dec 31, 2011
Agria International Försäkrings AB	Sweden	100	100
Agria Pet Insurance Ltd	UK	100	100
Försäkringsaktiebolaget Agria (publ)	Sweden	100	100
Länsförsäkringar Bank AB (publ)	Sweden	100	100
Länsförsäkringar Fondförvaltning AB (publ)	Sweden	100	100
Länsförsäkringar Fondliv Försäkrings AB (publ)	Sweden	100	100
Länsförsäkringar Grupplivförsäkrings AB	Sweden	100	100
Länsförsäkringar Hypotek AB	Sweden	100	100
Länsförsäkringar Sak Fastighets AB	Sweden	100	100
Länsförsäkringar Sak Försäkrings AB (publ)	Sweden	100	100
Utile Dulci 2 HB	Sweden	100	100
Wasa Kredit AB	Sweden	100	100

Participating interest refers to the share of capital, which corresponds to the number of votes for the total number of shares.

NOTE 54 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS

	2012	2011
Interest paid and dividends received		
Dividends received	20	9
Interest received	401	588
Interest paid	–73	–81
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	498	415
Unrealised gains/losses on investment assets	–3,522	–418
Capital gains and losses in assets	0	–2
Impairment Länsförsäkringar Liv Försäkringsaktiebolag	100	107
Technical reserves after ceded reinsurance	10,279	394
Pension provisions	42	15
Other provisions	–97	–77
Other items not affecting liquidity	–8	–6
Total	**7,292**	**428**

	2012	2011
Acquisition of subsidiaries		
Acquired assets and liabilities		
Financial assets	–	124
Unit-linked insurance assets – policyholder bears the risk	**–**	**51,780**
Operating receivables	**–**	**1,730**
Cash and cash equivalents	**–**	**7**
Total assets	**–**	**53,640**
Unit-linked insurance liabilities – policyholder bears the risk	–	51,779
Operating liabilities	–	601
Total liabilities	–	52,380
Purchase consideration paid	–	4,400
Less acquired cash and cash equivalents	–	–7
Impact on cash and cash equivalents	**–**	**4,394**
Cash and cash equivalents		
Cash and bank balances	4,429	3,193

Unutilised credit facilities amount to SEK – M (50).

NOTE 55 EVENTS AFTER BALANCE-SHEET DATE

At the Extraordinary General Meeting of Länsförsäkringar AB held on January 23, 2013, the owners resolved to implement a new share issue of SEK 500 M, meaning that the owners, that is to say the regional insurance companies and local insurance companies, will contribute capital. The reason for the new share issue is to strengthen Länsförsäkringar AB's financial basis for continued investments in banking and insurance. The issue will also strengthen Länsförsäkringar Bank's capital base for the purpose of meeting the new capital adequacy requirements that are being imposed on leading Swedish banks.

NOTE 56 INFORMATION REGARDING THE PARENT COMPANY

Länsförsäkringar AB is a limited liability company registered in Sweden with its registered offices in Stockholm.

Corporate Registration Number 556549-7020.

The address of the office is Tegeluddsvägen 11-13, Stockholm, Sweden. The postal address is 106 50 Stockholm.

The consolidated financial statements 2012 comprise the Parent Company and its subsidiaries. The Länsförsäkringar AB Group also included participations owned in associated companies.

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies and 14 local insurance companies.

FINANCIAL STATEMENTS PARENT COMPANY

Income statement for the Parent Company 87
Balance sheet for the Parent Company 87
Statement of changes in equity for the Parent Company 89
Parent Company Cash-flow statement 89

Note 1 Accounting policies 90
Note 2 Risks and risk management 91
Note 3 Net sales 91
Note 4 External expenses 91
Note 5 Operational leasing 91
Note 6 Employees, staff costs and remuneration to senior executives 91
Note 7 Fees and remuneration to auditors 93
Note 8 Profit from participations in Group companies 93
Note 9 Interest income and similar profit/loss items 93
Note 10 Interest expense and similar profit/loss items 93
Note 11 Tax on net profit for the year 94
Note 12 Intangible assets 94
Note 13 Property and equipment 94
Note 14 Shares and participations in Group companies ... 95
Note 15 Loans to Group companies 95
Note 16 Other securities held as fixed assets 95
Note 17 Deferred tax assets and liabilities 96
Note 18 Prepaid expenses and accrued income 96
Note 19 Current investments 96
Note 20 Equity 97
Note 21 Provisions for pensions and similar commitments 97
Note 22 Other provisions 97
Note 23 Due to credit institutions 97
Note 24 Subordinated debt from insurance companies 97
Note 25 Accrued expenses and deferred income 98
Note 26 Pledged assets and contingent liabilities 98
Note 27 Anticipated recovery and settlement periods for assets provisions and liabilities 98
Note 28 Disclosures on related parties 98
Note 29 Supplementary information to the cash-flow statement 99
Note 30 Financial transactions not recognised in the balance sheet 99
Note 31 Effects in amendment of accounting policies 99
Note 32 Events after balance-sheet date 99

Income statement for the Parent Company

SEK M	Note	2012	2011
Net sales	**3**	**2,462**	**2,525**
Operating expenses			
External expenses	4, 5, 7	–1,619	–1,803
Staff costs	6	–850	–818
Depreciation/amortisation and impairment of property and equipment and intangible assets	12,13	–66	–58
Operating loss		**–73**	**–154**
Profit/loss from financial items			
Profit from participations in Group companies	8	438	703
Interest income and similar profit/loss items	9	39	55
Interest expense and similar profit/loss items	10	–206	–131
Profit after financial items		**198**	**473**
Tax on net profit/loss for the year	11	6	3
Net profit for the year		**204**	**476**

Net profit for the year corresponds to the comprehensive income for the year.

Balance sheet for the Parent Company

SEK M	Note	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Fixed assets			
Intangible assets	12	130	146
Property and equipment	13	259	287
Financial fixed assets			
Shares and participations in Group companies	14	14,956	14,114
Loans to Group companies	15	290	290
Other securities held as fixed assets	16	314	423
Summa finansiella anläggningstillgångar		**15,561**	**14,827**
Total fixed assets		**15,949**	**15,259**
Current assets			
Current receivables			
Receivables from Group companies	29	232	699
Receivables from other related parties	29	314	345
Other receivables		42	42
Prepaid expenses and accrued income	18	55	69
Summa kortfristiga fordringar		**643**	**1,155**
Current investments	19	201	412
Cash and bank balances		1,229	1,077
Total current assets		**2,073**	**2,644**
Total assets	28	**18,022**	**17,903**

Balance sheet for the Parent Company, cont.

SEK M	Note	Dec. 31, 2012	Dec. 31, 2011
EQUITY, PROVISIONS AND LIABILITIES			
Equity	20		
Restricted equity			
Share capital		941	941
Statutory reserve		4,801	4,801
Total restricted equity		**5,742**	**5,742**
Non-restricted equity			
Share premium reserve		3,973	3,973
Retained earnings		3,550	3,074
Net profit for the year		204	476
Total non-restricted equity		**7,726**	**7,522**
Total equity		**13,468**	**13,264**
Provisions			
Provisions for pensions and similar commitments	21	53	45
Other provisions	22	28	19
Total provisions		**82**	**64**
Long-term liabilities			
Debt securities in issue	24	2,195	–
Derivatives	25	0	–
Deferred tax liabilities	17	5	11
Due to credit institutions	23	–	1,800
Liabilities to other related parties	29	566	663
Total long-term liabilities		**2,765**	**2,474**
Current liabilities			
Accounts payable		130	177
Liabilities to Group companies	29	1,067	1,486
Liabilities to other related parties	29	242	199
Other liabilities		18	14
Accrued expenses and deferred income	26	249	225
Total current liabilities		**1,707**	**2,101**
Total equity, provisions and liabilities	28	**18,022**	**17,903**
Pledged assets and contingent liabilities	27		
Pledged assets		1,733	1,982
Contingent liabilities		129	121
		1,862	**2,103**

Statement of changes in equity for the Parent Company

	Restricted equity		Non-restricted equity			
SEK M	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net profit/loss for the year	Total equity
Opening equity, January 1, 2011	725	4,801	1,188	2,412	662	9,788
Net profit for the year					**476**	**476**
Appropriation of profit				662	–662	–
New share issue	216		2,784			3,000
Closing equity, December 31, 2011	**941**	**4,801**	**3,973**	**3,074**	**476**	**13,264**
Opening equity, January 1, 2012	941	4,801	3,973	3,074	476	13,264
Net profit for the year					**204**	**204**
Appropriation of profit				476	–476	–
Closing equity, December 31, 2012	**941**	**4,801**	**3,973**	**3,550**	**204**	**13,468**

Net profit for the year corresponds to the comprehensive income for the year.

Statement of changes in equity for the Parent Company

SEK M	Note	2012	2011
Operating activities			
Profit after financial items		198	473
Adjustment for non-cash items	30	98	–414
		296	**60**
Income tax paid		–0	–0
Cash flow from operating activities before changes in working capital		**296**	**59**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		–	0
Increase (–)/Decrease (+) in operating receivables		714	566
Increase (+)/Decrease (–) in operating liabilities		–491	–343
Cash flow from operating activities		**519**	**282**
Investing activities			
Shareholders' contribution paid		–742	–798
Acquisition of intangible assets		–3	–37
Divestment of intangible assets		7	–
Acquisition of property and equipment		–35	–92
Divestment of property and equipment		6	6
Acquisition of subsidiaries		–	–4,420
Divestment of subsidiaries		–	257
Group contribution paid that is recognised as investment in subsidiaries		–	–471
Investments in financial assets		–0	–82
Repayment of loans		–	960
Cash flow from investing activities		**–766**	**–4,678**
Financing activities			
New share issue		–	3,000
Amortisation of loans		–1,800	–114
Loans raised		–	1,800
Debt securities in issue		2,195	–
Group contributions received		–	384
Cash flow from financing activities		**395**	**5,070**
Net cash flow for the year		148	675
Cash and cash equivalents, January 1		1,083	408
Cash and cash equivalents, December 31		**1,232**	**1,083**
Parent Company's cash and cash equivalents in Länsförsäkringar Bank		–2	–6
Cash and bank balance in the Parent Company's balance sheet		**1,229**	**1,077**

Notes to the financial statements for the Parent Company

Amounts are stated in SEK M unless specified otherwise.

NOTE 1 ACCOUNTING POLICIES

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) as well as recommendation RFR 2 Accounting for Legal Entities and the statements regarding listed companies by the Swedish Financial Reporting Board.

The regulations in RFR 2 stipulate that the Parent Company, in the annual accounts for the legal entity, shall 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 supplements to IFRS.

Changed accounting policies

In addition to or differing from the amended accounting policies stated in note 1 for the Group, the below amendments impacted the Parent Company during 2012.

Differences between the Group's and the Parent Company's accounting policies

The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

The Parent Company applies the same accounting policies as the Group except in the following cases.

Classification and presentation format

For the Parent Company, the terms Balance sheet and Cash-flow Statements are used for reports that are referred to as Statement of Financial Position and Statement of Cash Flows in the Group. The income statement and the balance sheet for the Parent Company are presented following the format of the Swedish Annual Accounts Act, while the statement of comprehensive income, statement of changes in equity and statement of cash flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of cash flows. The differences to the Group's reports that apply in the Parent Company's income statement and balance sheets comprise primarily reporting of financial income and expenses, fixed assets, equity, as well as the presence of provisions as a separate heading in the balance sheet.

Subsidiaries

Shares and participations in subsidiaries are recognised at cost.

Income

Sale of goods and execution of service assignments

Service assignments are reported in the Parent Company in accordance with Chapter 2, Section 4 of the Swedish Annual Accounts Act when the service has been completed. Until that time, work in progress pertaining to service assignments is recognised at the lower of cost and the net selling price on the balance-sheet date.

Operating segments reporting

Segment reporting in the Parent Company does not correspond to that of the Group in terms of distribution and extent, but instead provides information on the distribution of net sales.

Shareholders' contributions

Shareholders' contributions are recognised directly against the shareholders' equity of the recipient and are capitalised in shares and participations in Group companies of the donor.

Group contributions

Group contributions received by the company from a subsidiary are recognised according to the same policies as financial income. Group contributions paid to a subsidiary are recognised as an investment in shares and participations in Group companies.

Leased assets

In the Parent Company, all lease agreements are recognised in accordance with the rules for operational leasing.

Borrowing costs

Borrowing costs in the Parent Company are charged to earnings for the period to which they are attributable.

Remuneration of employees

Defined-benefit pension plans

The Parent Company applies different principles for the calculation of defined-benefit plans to those stipulated in IAS 19 Employee benefits. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

NOTE 2 RISKS AND RISK MANAGEMENT

In addition to shares and receivables in Group companies, the Parent Company also has current investments. However, these investment assets are limited in size relative to the investment assets of the Group's insurance companies. At year-end 2012, the Parent Company's holdings of investment shares and mutual fund units amounted to SEK 38 M (37). In addition, there were current interest-bearing investments and cash in the Parent Company amounting to SEK 1,392 M (1,452).

In addition to the aforementioned assets, the Parent Company's risks derive from the operations of the subsidiaries.

Refer also to the Board of Directors' Report and the Group's note 2 Risks and Risk Management.

NOTE 3 NET SALES

Sales in the Parent Company comprise service income of SEK 2,273 M (2,364) and rental income of SEK 189 M (160) for premises and equipment. The company's sales are recognised in the Other operations operating segment. A total of 33% (27) of sales comes from companies in the Länsförsäkringar AB Group, 20% (24) from the Länsförsäkringar Liv Group, 46% (46) from regional insurance companies and 1% (3) from external customers.

NOTE 4 EXTERNAL EXPENSES

	2012	2011
Cost of premises, note 5	–169	–167
Marketing	–39	–152
Consultants	–647	–784
Fees to auditors, note 7	–5	–4
IT costs	–509	–491
Printed matter, telephony and postage	–107	–121
Asset management expenses	42	–2
Other expenses	–183	–81
Total	**–1,619**	**–1,803**

Cost of premises refers primarily to rent for premises used by the Group for its operations.

Länsförsäkringar AB in turn leases premises to Group companies and external customers. The preceding year included marketing costs of SEK 100 M paid to the regional insurance companies for marketing activities focusing on broadening the brand.

NOTE 5 OPERATIONAL LEASING

Lease agreements in which the company is the lessee

Irrevocable lease payments pertaining to rent for premises amount to:

	2012	2011
Within one year	–169	–167
Between one year and five years	–507	–667
Total	**–676**	**–834**

A rental charge of SEK –169 M (–167) was recognised in profit for 2012.

Lease contracts are valid for ten years up to and including December 2016. Every time that lease contracts are renewed, a basic rent level is established that is subsequently index-linked to the consumer price index.

Lease agreements in which the company is the lessor

Irrevocable lease payments pertaining to rent for premises amount to:

	2012	2011
Within one year	93	87
Between one year and five years	247	260
Total	**340**	**347**

In 2012, rental income amounting to SEK 85 M (76) was recognised.

The company leases premises to both internal and external tenants. Internal lease contracts are valid for ten years up to and including December 2016.

For external tenants with rent of SEK 32 M (23), lease contracts are valid for three years up to and including 2015 with the possibility of extension

NOTE 6 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

	2012	2011
Average number of employees, salaried employees, Sweden		
Men	359	371
Women	332	341
Total number of employees	**691**	**712**
Salaries, other remuneration and social security expenses		
Other employees		
Salaries and remuneration	428	428
of which variable remuneration	–	5
Social security expenses	325	267
of which pension costs	150	108
Total	**753**	**695**
Board of Directors and senior executives, 15 (22)		
Salaries and remuneration	17	22
of which, fixed salary to the President and Executive Vice President	8	7
of which, variable remuneration to the President and Executive Vice President	–	–
of which fixed salary to other senior executives	6	12
of which variable salary to other senior executives	–	–
Social security expenses	13	14
of which pension costs	6	6
Total	**30**	**36**
Total salaries, other remuneration and social security expenses		
Salaries and remuneration	445	450
of which variable remuneration	–	5
Social security expenses	338	281
of which pension costs	157	114
Total	**783**	**731**

Variable remuneration

Variable remuneration can be paid to a small number of specialists in Asset Management, at a maximum of two to six months' salary. All deviations in addition to the level of two months' salary must be dealt with in Länsförsäkringar AB's Remuneration Committee and resolved by Länsförsäkringar AB's Board of Directors. A basic prerequisite for paying variable remuneration of employees is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. One third of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and two thirds on the degree to which the individual goals in the goal contract were achieved.

Some 40% of the outcome will be paid during the following year and 60% will be paid three years later. Under the conditions stated in the Remuneration Policy, the Board may decide to reduce the portion of the variable remuneration that will be paid later. It is not currently relevant to offer variable remuneration to any employees.

Remuneration of the Board of Directors

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Senior executives are the individuals who, together with the President, comprise corporate management.

NOTE 6 **EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.**

Remuneration and other benefits for senior executives						Pension costs as a percentage of pensionable salary, %
2012	**Basic salary**	**Variable remuneration**	**Other remuneration**	**Pension costs**	**Total**	**Defined-contribution**
Sten Dunér, President	4.7		0.0	2.0	6.7	35
Ann Sommer, Executive Vice President	2.7		0.0	1.2	3.9	41
Sören Westin, Executive Vice President	3.1		0.0	1.2	4.3	35
Jan Fock, Chairman of the Board	0.5				0.5	
Sune Nilsson, Deputy Chairman of the Board	0.2				0.2	
Gösta af Petersens, Board member	0.4				0.4	
Ann-Christin Norrström, Board member	0.2				0.2	
Hans Benndorf, Board member	0.2				0.2	
Mats Fabricius, Board member	0.2				0.2	
Fredrik Daveby, Board member	0.2				0.2	
Lars Hallkvist, Board member	0.2				0.2	
Christer Olander, Board member	0.3				0.3	
Lars-Eric Åström, Board member	0.4				0.4	
Anne-Marie Pålsson, former Board member	0.2				0.2	
Other senior executives						
Parent Company (3 people)	6.3			3.3	9.5	48
Subsidiaries and Länsförsäkringar Liv (3 people)	10.2		0.0	5.0	15.2	60
Total 2012	**30.1**		**0.0**	**12.6**	**42.7**	
Total remuneration from Parent Company	17.1		0.0	6.4	23.5	
Total remuneration from subsidiaries and Länsförsäkringar Liv	13.0		0.0	6.2	19.2	

Remuneration and other benefits for senior executives						Pension costs as a percentage of pensionable salary, %
2011	**Basic salary**	**Variable remuneration**	**Other remuneration**	**Pension costs**	**Total**	**Defined-contribution**
Sten Dunér, President	4.5		0.1	1.6	6.2	35
Ann Sommer, Executive Vice President	2.6		0.0	1.0	3.6	35
Sören Westin, Executive Vice President	2.8			1.0	3.9	35
Lars-Eric Åström, Chairman of the Board	0.6				0.6	
Gösta af Petersens, Deputy Chairman of the Board	0.4				0.4	
Ann-Christin Norrström, Board member	0.2				0.2	
Anne-Marie Pålsson, Board member	0.3				0.3	
Hans Benndorf, Board member	0.2				0.2	
Sune Nilsson, Board member	0.2				0.2	
Mats Fabricius, Board member	0.2				0.2	
Fredrik Daveby, Board member	0.2				0.2	
Christer Olander, Board member	0.3				0.3	
Other senior executives						
Parent Company (4 people)	7.4		4.5	3.4	15.3	44
Subsidiaries and Länsförsäkringar Liv (3 people)	6.0		0.0	3.0	8.9	44
Total 2011	**26.0**		**4.6**	**9.9**	**40.5**	
Total remuneration from Parent Company	17.3		4.6	6.1	28.0	44
Total remuneration from subsidiaries and Länsförsäkringar Liv	8.6		0.0	3.9	12.5	36

Pension costs pertain to the impact on net profit for the year.

NOTE 6 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for an Executive Vice President is 60 years. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium shall amount to 18% of pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for an Executive Vice President is 65 years. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary.

The retirement age for other senior executives is 60, 62 or 65. If the retirement age is 65, the pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The pension between the age of 60 and 62 and 65, respectively, is a defined-contribution plan. Pension amounting to about 70% of the pensionable salary will be paid. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The company has taken out endowment insurance over four years starting in 2012 for one senior executive in addition to the executive's pension agreement. For 2012, the premium amounts to SEK 0.8 M.

Severance pay

A mutual period of notice of six months applies for the President, an Executive Vice President and other senior executives. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. A mutual period of notice of three months applies to the Executive Vice President. If termination of employment is issued by the company, the President shall also be entitled to severance pay corresponding to 24 months' salaries.

Preparation and decision-making process applied in relation to the issue of remuneration to corporate management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to corporate management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of terms of employment for corporate management and employees with overall responsibility for any of the company's control functions.

Composition of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and two Board members.

Policies for remuneration of senior executives

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

The pension solution shall be solely premium-based with a premium provision of 35% of the monthly salary. A transition to this policy shall occur successively and as soon as possible.

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health insurance and other benefits offered to all employees.

Loans to senior executives	Dec 31, 2012	Dec 31, 2011
Board members	15	15
President and Executive Vice Presidents	6	10
Other senior executives	4	6
Total	**26**	**31**

Loans granted comprise personnel loans and other loans. Personnel loans are maximised at SEK 500,000 and carry loan terms comparable to what applies to other employees in the Group. The interest rate for employees is the repo rate less 0.5 percentage points, but can never be lower than 0.5%. The interest benefit is calculated in accordance with the Swedish Tax Agency's rules and is included in other benefits as above. The terms and conditions of other loans are market-based.

Number of women among senior executives, %	Dec 31, 2012	Dec 31, 2011
Board members	17	25
Other senior executives	45	33

NOTE 7 FEES AND REMUNERATION TO AUDITORS

	2012	2011
KPMG AB		
– audit assignments	–4	–3
– audit operations in addition to the audit assignment	–2	–0
– tax consulting	–0	–0
– other assignments	–0	–0
Total	**–5**	**–4**

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the above-mentioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

NOTE 8 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2012	2011
Dividends from subsidiaries	347	138
Group contributions received	91	564
Capital gains/losses from partnerships	0	0
Capital gains, subsidiaries	–	1
Total	**438**	**703**

NOTE 9 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2012	2011
Interest income, Group companies	14	29
Interest income, other	13	12
Capital gains, shares and participations	4	1
Capital gains, interest-bearing securities Group companies	6	1
Capital gains, currencies	–	1
Unrealised gains, interest-bearing securities	–	13
Unrealised gains, shares and participations	4	–
Dividends on shares and participations	0	–1
Total	**39**	**55**

NOTE 10 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2012	2011
Interest expense, Group companies	–	–2
Interest expense, subordinated debt	–	–4
Interest expense, other	–96	–19
Capital losses, currencies	–2	–0
Unrealised losses, interest-bearing securities	–5	–
Unrealised losses shares and participations	–3	–
Impairment of shares and participations [1]	–100	–107
Total	**–206**	**–131**

[1] Impairment of shares and participations pertaining to Länsförsäkringar Liv Försäkrings AB, which is charged in its entirety against profit and loss.

NOTE 11 TAX ON NET PROFIT FOR THE YEAR

	2012	2011
Current tax		
Tax income for the period	0	0
Adjustment of tax expense pertaining to prior years	–0	–0
Deferred tax expense (–)/tax income (+)		
Deferred tax pertaining to temporary differences	6	3
Total recognised tax income	**6**	**2**
Reconciliation of effective tax rate		
Profit before tax	198	473
Tax at applicable tax rate	–52	–124
Tax on non-deductible costs	–32	–34
Tax on non-taxable income	92	37
Tax attributable to earlier years	–0	–0
Changes tax rates	–1	–
Group contribution paid	–	124
Recognised effective tax	**6**	**3**
Applicable tax rate	26.3%	26.3%
Effective tax rate	–3.1%	–0.6%

NOTE 12 INTANGIBLE ASSETS

Capitalised IT costs	Internally developed	Acquired	Total
Cost			
Opening cost, January 1, 2011	2	173	175
Acquisitions during the year	–	38	38
Closing cost, December 31, 2011	**2**	**211**	**213**
Opening cost, January 1, 2012	2	211	213
Avyttringar	–	–7	–7
Acquisitions during the year	–	3	3
Closing cost, December 31, 2012	**2**	**207**	**208**
Amortisation			
Opening accumulated amortisation, January 1, 2011	–2	–33	–35
Amortisation for the year	–	–3	–3
Closing accumulated amortisation, December 31, 2011	**–2**	**–36**	**–38**
Opening accumulated amortisation, January 1, 2012	–2	–36	–38
Amortisation for the year	–	–11	–11
Closing accumulated amortisation, December 31, 2012	**2**	**–47**	**–49**
Impairment			
Opening accumulated impairment, January 1, 2011	–	–29	–29
Impairment for the year	–	–	–
Closing accumulated impairment, December 31, 2011	**–**	**–29**	**–29**
Opening accumulated impairment, January 1, 2012	–	–29	–29
Impairment for the year	–	–	–
Closing accumulated impairment, December 31, 2012	–	**–29**	**–29**
Carrying amount, December 31			
2011	**–**	**146**	**146**
2012	–	**130**	**130**

The amortisation period for an acquired accounting and monitoring system with a carrying amount of SEK 125 M (133) is 15 years based on its anticipated useful life.

NOTE 13 PROPERTY AND EQUIPMENT

	Improvement to third-party properties	Equipment	Total
Cost			
Opening cost, January 1, 2011	177	224	401
Divestments	–	–31	–31
Scrapping	–	–2	–2
Acquisitions during the year	49	42	91
Closing cost, December 31, 2011	**226**	**233**	**459**
Opening cost, January 1, 2012	226	233	459
Divestments	–	–17	–17
Scrapping	–	–	–
Acquisitions during the year	27	7	35
Closing cost, December 31, 2012	**253**	**224**	**477**
Depreciation			
Opening accumulated depreciation, January 1, 2011	–12	–130	–142
Accumulated depreciation for divestments	–	23	23
Scrapping	–	2	2
Depreciation for the year	–19	–36	–55
Closing accumulated depreciation, December 31, 2011	**–31**	**–141**	**–172**
Opening accumulated depreciation, January 1, 2012	–31	–141	–172
Accumulated depreciation for divestments	–	10	10
Scrapping	–	–	–
Depreciation for the year	–24	–32	–56
Closing accumulated depreciation, December 31, 2012	**–55**	**–163**	**–218**
Carrying amount, December 31			
2011	**195**	**92**	**287**
2012	**198**	**61**	**259**

No impairment losses have been recognised. Equipment includes SEK 5 M (5) representing works of art that are not depreciated.

Länsförsäkringar AB leases equipment to Group companies. The carrying amount of leased equipment totals SEK 23 M (21) and rental income was SEK 2 M (4). The rental income corresponds to the depreciation of the leased equipment.

NOTE 14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	2012	2011
Cost		
Opening cost, January 1 according to the Annual Report	17,673	11,710
Shareholders' contributions	742	798
Group contribution paid	–	471
Purchases	100	4,955
Divestments	–	–262
Closing cost, December 31	**18,515**	**17,673**
Impairment		
Opening accumulated impairment, January 1	–3,559	–3,563
Divestments	–	4
Closing accumulated impairment, December 31	**–3,559**	**–3,559**
Carrying amount, December 31	**14,956**	**14,114**

The capital contribution pertains to Länsförsäkringar Fondliv Försäkrings AB, see the Group's note 4 Acquisition of operations.

Specification of the company's holding of shares and participations in Group companies

Company name	Corporate Registration Number	Number of shares and participations	Participating interest 2011, %	Participating interest 2010, %	Carrying amount 2012	Carrying amount 2011
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	100	6,755	6,013
Länsförsäkringar Fondliv Försäkrings AB (publ)	516401-8219	10,000	100	100	5,055	4,955
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	2,000,000	100	100	3,146	3,146
Utile Dulci 2 HB	916601-0067		0.1	0.1	0	0
Shares and participations in Group companies					**14,956**	**14,114**

All subsidiaries have their registered offices in Stockholm. Länsförsäkringar Sak Försäkrings AB owns 99.9% of Utile Dulci 2 HB. Participating interest refers to the share of capital, which corresponds to the number of votes for the total number of shares.

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ). This company is operated in accordance with mutual principles and may not pay dividends according to its current Articles of Association. As a result, the majority of the risks and rewards associated with ownership do not accrue to the owner Länsförsäkringar AB but to the life-assurance policyholders. Accordingly, this shareholding cannot be classified as a holding in a subsidiary under the definition provided in IAS 27 Consolidated and Separate Financial Statements.

NOTE 15 LOANS TO GROUP COMPANIES

	Dec 31, 2012	Dec 31, 2011
Subordinated debt to Länsförsäkringar Bank AB	290	290
Carrying amount	**290**	**290**

The loan to Länsförsäkringar Bank pertains to a loan of SEK 290 M with an undetermined maturity period. Interest is fixed at the 3-month STIBORFIX rate plus 1.99 percentage points until December 15, 2013, and thereafter at 2.99 percentage points.

NOTE 16 OTHER SECURITIES HELD AS FIXED ASSETS

	2012	2011
Opening balance, January 1	423	526
Divestment of tenant-owned apartments	–9	–
Acquisition of tenant-owned apartments	–	3
Revaluation of tenant-owned apartments	0	1
Impairment Länsförsäkringar Liv Försäkrings AB (publ)	–100	–107
Carrying amount, December 31	**314**	**423**

Company name	Number of shares and participations	Carrying amount 2012	Carrying amount 2011
Länsförsäkringar Liv Försäkrings AB (publ)	8,000	308	408
Brf Mässen	2	6	6
Brf Igeldammen	3	–	4
Kungsholmsstrand 165	1	–	5
Total		**314**	**423**

Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) are classified as holdings available for sale. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing, and instead a valuation at cost was also performed after the acquisition, whereby impairment is continuously tested. An impairment of SEK 100 M was implemented in 2012 and recognised in profit and loss. All tenant-owned apartments are located in Stockholm.

NOTE 17 DEFERRED TAX ASSETS AND LIABILITIES

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Property and equipment	–	–	22	29	22	29
Current investments	–3	–2	–	–	–3	–2
Pension provisions	–13	–14	–	–	–13	–14
Liabilities	–1	–2	–	–	–1	–2
Deferred tax assets (–)/deferred tax liabilities (+)	**–17**	**–18**	**22**	**29**	**5**	**11**
Offset	17	18	–17	–18	–	–
Net deferred tax asset (–) /deferred tax liability (+)	0	**0**	**5**	**11**	**5**	**11**

Change in deferred tax in temporary differences and loss carryforwards 2012

	Amount at January 1	Recognised in profit and loss	Amount at December 31
Property and equipment	29	–8	22
Current investments	–2	0	–3
Pension provisions	–14	2	–13
Liabilities	–2	0	–1
Deferred tax assets (–)/deferred tax liabilities (+)	**11**	**–6**	**5**

Change in deferred tax in temporary differences and loss carryforwards 2011

	Amount at January 1	Recognised in profit and loss	Amount at December 31
Property and equipment	33	–4	29
Current investments	–5	3	–2
Pension provisions	–14	–1	–14
Liabilities	–	–2	–2
Deferred tax assets (–)/deferred tax liabilities (+)	**14**	**–3**	**11**

Länsförsäkringar AB has no deferred tax recognised directly against equity.

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2012	Dec 31, 2011
Accrued interest income	–	12
Prepaid expenses	55	56
Total	**55**	**69**

NOTE 19 CURRENT INVESTMENTS

	Dec 31, 2012		Dec 31, 2011	
	Cost	Fair value	Cost	Fair value
Unlisted shares and participations, Swedish	3	3	3	2
Listed shares and participations, foreign	20	–	20	–
Mutual fund units, Swedish	0	0	0	1
Mutual fund units, foreign	34	35	34	34
Interest-bearing securities, Swedish	158	163	365	375
Total	**215**	**201**	**422**	**412**

	Dec 31, 2012		Dec 31, 2011	
Specification of current investments	Cost	Fair value	Cost	Fair value
Unlisted participations, Swedish				
Länsförsäkringar Fastighetsförmedling AB	3	3	3	2
Listed participations, foreign				
Kaupthing Búnadarbanki hf	20	–	20	–
Mutual fund units, Swedish				
Länsförsäkringar Fund-in-fund Low risk	0	0	0	1
Mutual fund units, foreign				
GaveKal Platform Company Fund	34	35	34	34

	Dec 31, 2012		Dec 31, 2011	
	Cost	Fair value	Cost	Fair value
Interest-bearing securities, Swedish				
Listed bonds issued by other Swedish issuers	158	163	365	375
Total current investments	**215**	**201**	**422**	**412**

NOTE 20 EQUITY

A specification of changes in shareholders' equity is provided after the Parent Company's balance sheet.

Shares at a quotient value of SEK 100	Number of votes per share	Dec 31, 2012 Number	Dec 31, 2011 Number
Series A	10	1,532,678	1,532,678
Series B	1	7,869,198	7,869,198
Series C	1	5,373	5,373
Number of shares outstanding		**9,407,249**	**9,407,249**

Restricted reserves
Restricted reserves may not be reduced through profit distribution.

Statutory reserve
The aim of the statutory reserve is to save a portion of the net profit that is not utilised to cover losses brought forward. The statutory reserve comprises restricted equity. No new transfers to the statutory reserve are required, although transfers can be made voluntarily. The statutory reserve also includes the amount of SEK 4,801 M that was included in the share premium reserve prior to January 1, 2006.

Non-restricted equity
Share premium reserve
When shares are issued at a premium, meaning that a higher amount than the quotient value is paid for the share, an amount corresponding to the surplus of the quotient value of the share is recognised in the share premium reserve.

Retained earnings
Retained earnings comprises profit brought forward from the preceding year after deductions for any dividends paid during the year.

NOTE 21 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	Dec 31, 2012	Dec 31, 2011
Pension provisions	18	19
Provisions for early retirement in accordance with pension agreement	35	26
Total provisions for pensions	**53**	**45**

Pension provisions of SEK 18 M (19) are encompassed by the Pension Obligations Vesting Act.

Defined-benefit pension plans
The Parent Company has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on the individual salaries and ages.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. 'These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

NOTE 21 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, cont.

	Dec 31, 2012			Dec 31, 2011		
	Pensions being paid	Provision in accordance with pension agreement	Total	Pensions being paid	Provision in accordance with pension agreement	Total
Pension commitments	18	36	53	19	26	45
The change in capital value of own commitments for which there are no separated assets						
Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	19	26	45	26	29	55
Cost excluding interest expense charged to earnings	5	9	14	–0	–3	–4
Interest expense	1	1	1	1	1	1
Pensions paid	–6	0	–6	–7	0	–7
Capital value at December 31	**18**	**36**	**53**	**19**	**26**	**45**
Cost of the company's own pensions						
Cost excluding interest expense	5	9	14	–0	–3	–4
Interest expense	1	0	1	1	1	1
Net expenses in profit and loss	5	**9**	15	**0**	**–3**	**–2**
Costs recognised as personnel expenses in profit and loss						
Assumptions pertaining to defined-benefit commitments						
Discount rate	0.4%	0.4%		2.7%	2.7%	
Expected rate of salary increase	–	0%		–	3.0%	
Percentage expected to retire voluntarily at age 62		30%			20%	

Defined-contribution pension plans
The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	2012	2011
Expenses for defined-contribution plans	112	98

NOTE 22 OTHER PROVISIONS

	Dec 31, 2012	Dec 31, 2011
Provision for interest subsidies for personal loans to former employees who have retired	17	13
Other provisions	11	6
Total	**28**	**19**

NOTE 23 DUE TO CREDIT INSTITUTIONS

	Dec 31, 2012	Dec 31, 2011
Swedish banks	–	1,800

The bank loan that the company had on December 31, 2011 was repaid in 2012.

NOTE 24 DEBT SECURITIES IN ISSUE

	Dec 31, 2012	Dec 31, 2011
Bond loans	2,195	–

NOTE 25 DERIVATIVES

	Nominal value		Fair value	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Derivatives with negative values				
Derivatives in hedge accounting				
Interest	1,700	–	0	–
Total derivatives with negative values	**1,700**	–	**0**	**–**

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2012	Dec 31, 2011
Holiday pay liability	46	42
Social security expenses	14	14
Special employer's contribution	31	25
Accrued bonuses	2	11
Provisions for staff costs	22	28
Other accrued expenses	134	104
Total	**249**	**225**

NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec 31, 2012	Dec 31, 2011
Pledged assets		
Pledged shares in subsidiaries	1,733	1,982
Contingent liabilities		
Early retirement at age of 62 in accordance with pension agreement	124	105
Part-owner of Utile Dulci 2 HB	5	16
Total	**129**	**121**

NOTE 28 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES

	Dec 31, 2012				Dec 31, 2011			
Amount expected to be recovered	within 12 months	12 months –5 years	after 5 years	Total	within 12 months	12 months –5 years	after 5 years	Total
Fixed assets								
Intangible assets [1]	5	125		130	11	135		146
Property and equipment [1]	46	212		259	60	227		287
Participations in Group companies		14,956		14,956		14,114		14,114
Loans to Group companies		290		290		290		290
Other securities held as fixed assets		314		314		423		423
Total fixed assets	**52**	**15,897**	–	**15,949**	**71**	**15,189**	**–**	**15,259**
Current assets								
Current receivables in Group companies	232			232	699			699
Receivables from other related parties	314			314	345			345
Other receivables	42			42	42			42
Prepaid expenses and accrued income	55			55	69			69
Current investments	201			201	412			412
Cash and bank balances	1,229			1,229	1,077			1,077
Total current assets	**2,073**	–	–	**2,073**	**2,644**	**–**	**–**	**2,644**
Total assets	**2,125**	**15,897**	–	**18,022**	**2,714**	**15,189**	**–**	**17,903**

	Dec 31, 2012				Dec 31, 2011			
Amount expected to be settled	within 12 months	12 months –5 years	after 5 years	Total	within 12 months	12 months –5 years	after 5 years	Total
Provisions								
Provisions for pensions and similar commitments	6	47		53	7	38		45
Other provisions		28		28		19		19
Total provisions	**6**	**76**	–	**82**	**7**	**57**	**–**	**64**
Long-term liabilities								
Deferred tax liabilities		5		5		11		11
Bond loans		**2,195**		**2,195**		**–**		**–**
Due to credit institutions				**–**		**1,800**		**1,800**
Liabilities to other related parties		**469**	**96**	**565**		**465**	**198**	**663**
Total long-term liabilities	–	**2,669**	**96**	**2,765**	**–**	**2,276**	**198**	**2,474**
Current liabilities								
Accounts payable	130			130	177			177
Liabilities to Group companies	1,067			1,067	1,486			1,486
Liabilities to other related parties	242			242	199			199
Other liabilities	18			18	14			14
Accrued expenses and deferred income	249			249	225			225
Total current liabilities	**1,707**	–	–	**1,707**	**2,101**	–	–	**2,101**
Total liabilities and provisions	**1,713**	**2,744**	**96**	**4,554**	**2,108**	**2,333**	**198**	**4,639**

[1] The amount that is expected to be recovered within 12 months corresponds to depreciation/amortisation for the year.

NOTE 29 DISCLOSURES ON RELATED PARTIES

Pricing for business operations is on market terms. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the target process. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Related-party transactions 2012		Group companies	Liv Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	794	476		1,120	18	2,408
	Rent, premises	55	12		15	4	85
	Rent, equipment	1	1				2
	Financial liabilities	452					452
Expenses	Services purchased	–21	0		–41	0	–63
	Rent, premises	–165			0		–165
	Financial costs		–38				–38
Receivables	Interest-bearing loans	290					290
	Cash and cash equivalents with Länsförsäkringar Bank	2					2
	Other receivables	229	199		115	0	543
Liabilities	Interest-bearing liabilities						–
	Other liabilities	–1,067	–712		–96		–1,875

Related-party transactions 2011		Group companies	Liv Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	652	583		1,133	19	2,387
	Rent, premises	40	11		19	4	74
	Rent, equipment	3	1				4
	Financial liabilities	752	–7	0			745
Expenses	Services purchased	0	–1		–31	–0	–32
	Rent, premises	–159			–3		–162
	Financial costs	–2	0		–8		–10
Receivables	Interest-bearing loans	290					290
	Cash and cash equivalents with Länsförsäkringar Bank	6					6
	Other receivables	693	285		58	2	1,038
Liabilities	Interest-bearing liabilities		–792				–792
	Other liabilities	–1,486	56		–0		–1,430

Länsförsäkringar AB is owned by the 23 regional insurance companies and 14 local insurance companies. In terms of operations, Länsförsäkringar AB with subsidiaries are organised into four business units: Non-Life Insurance, Unit-linked Life Assurance, Traditional Life Assurance and Bank, as well as support functions Accounting and Finance, Asset Management and Business Support, which conduct development, IT and service operations. The President's staff includes the shared units of Legal Affairs, Compliance and Risk Control.

Länsförsäkringar AB purchases and owns equipment that is subsequently leased to Group companies and Länsförsäkringar Liv.

Länsförsäkringar AB leases its office premises from property owner Utile Dulci 2 HB, which is a subsidiary of Länsförsäkringar Sak.

Länsförsäkringar AB has issued a subordinated loan to Länsförsäkringar Bank amounting to SEK 290 M (290).

Länsförsäkringar Bank manages subsidised loans to employees on behalf of the Parent Company Länsförsäkringar AB, issued after the bank performs standard credit rating checks.

For information regarding remuneration to related key persons, such as Board members and senior executives, see note 6 Employees, staff costs and remuneration to senior executives.

Related subsidiaries are specified in note 14 Shares and participations in Group companies.

NOTE 30 SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

	2012	2011
Interest paid and dividends received		
Dividends received from subsidiaries	347	138
Interest received	26	41
Interest paid	–96	–24
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	167	164
Capital gains/losses attributable to divestment of assets	–	–2
Unrealised gains	5	–13
Unrealised exchange gains	–	–1
Unrealised exchange losses	–	0
Provisions	18	0
Group contributions received that are regulated in the following fiscal year	–91	–564
Total	**98**	**–414**

Cash and cash equivalents comprise bank balances.

NOTE 31 FINANCIAL TRANSACTIONS NOT RECOGNISED IN THE BALANCE SHEET

Länsförsäkringar AB has external suppliers of IT operations at a cost of SEK 300 M (261). The costs also include machinery equipment for computer operations. Some regional insurance companies and Länsförsäkringar Liv are also included in the arrangement. Their remuneration to Länsförsäkringar AB is included in service revenue.

NOTE 32 EVENTS AFTER BALANCE-SHEET DATE

At the Extraordinary General Meeting of Länsförsäkringar AB held on January 23, 2013, the owners resolved to implement a new share issue of SEK 500 M, meaning that the owners, that is to say the regional insurance companies and local insurance companies, will contribute capital. The reason for the new share issue is to strengthen Länsförsäkringar AB's financial basis for continued investments in banking and insurance. The issue will also strengthen Länsförsäkringar Bank's capital base for the purpose of meeting the new capital adequacy requirements that are being imposed on leading Swedish banks.

Statement from the Board

The Board of Directors and President affirm that this Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on July 19, 2002 on the application of international accounting standards. The Annual Report and consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Stockholm, March 6, 2013

Jan Fock *Chairman*	Sune Nilsson *Deputy Chairman*	Hans Benndorf *Board member*
Fredrik Daveby *Board member*	Mats Fabricius *Board member*	Mats Hallkvist *Board member*
Ann-Christin Norrström *Board member*	Christer Olander *Board member*	Gösta af Petersens *Board member*
Lars-Eric Åström *Board member*	Tomas Jönsson *Employee Representative*	Susanne Lindberg *Employee Representative*

Sten Dunér
President

My audit report was submitted on March 6, 2013

Stefan Holmström
Authorised Public Accountant

The Annual Report and the consolidated financial statements above were approved for publishing by the Board of Directors on March 6, 2013. The Group's income statement, statement of comprehensive income and statement of financial position, as well as the Parent Company's income statement and balance sheet are subject to approval by the Annual General Meeting to be held on May 17, 2013.

Auditor's report

To the annual meeting of the shareholders of Länsförsäkringar Aktiebolag (publ)
Corporate Registration Number 556549-7020

Report on the annual accounts and consolidated financial statements
I have audited the annual accounts and the consolidated financial statements of Länsförsäkringar AB for 2012, except for the corporate governance report on pages 31–37. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 20–100.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements
The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated financial statements in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
My responsibility is to express an opinion on these annual accounts and consolidated financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions
In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies. My opinions do not encompass the corporate governance report on pages 31–37. The statutory administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

I therefore recommend that the Annual Meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements
In addition to my audit of the annual accounts and consolidated financial statements, I have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Länsförsäkringar AB for the 2012. I have also conducted a statutory examination of the corporate governance report.

Responsibilities of the Board of Directors and the President
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and for ensuring that the corporate governance report on pages 31–17 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility
My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss, I examined whether the proposal is in accordance with the Companies Act.

As a basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and consolidated financial statements, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. I also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, Annual Accounts Act for Insurance Companies or the Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Furthermore, I have read the corporate governance report and based on that reading and my knowledge of the company and the Group, I believe that I have a sufficient basis for my opinions. This means that my statutory review of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions
I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated financial statements.

Stockholm, March 6, 2013

Stefan Holmström
Authorised Public Accountant

Board of Directors and auditors

BOARD OF DIRECTORS

Jan Fock
Born 1949. Elected 2012. Chairman of the Board since 2012. Master of Science in Agriculture, Master of Science in Business and Economics. Other Board appointments: Board member in PULS AB, Flyinge AB, Helsingborgs Evenemang och Idrottspark AB. Background: President of Länsförsäkringar Halland and Länsförsäkringar Skåne, Board member of Halmstad University, Campus Helsingborg Lund University, Länsförsäkringar Mäklarservice, Länsförsäkringar Asset Management, Chairman of Aragon/Kaupthing Bank, Stadshypotek Halland and Stadshypotek Skåne, Deputy Chairman of Länsförsäkringar Sak and Agria.

Sune Nilsson
Born 1953. Elected 2008. Consultant. Business school economist. Other Board appointment: Chairman of Länsförsäkringar Göteborg och Bohuslän, Almi Väst AB, STS Travel School AB, Holisticon AG, Vicura AB, ledamot Sigma AB, Incit AB and Infocube AB. Background: CEO of Sigma AB, CEO of Mandator AB and President of PostNet AB.

Hans Benndorf
Born 1954. Elected 2008. President of Länsförsäkringar Stockholm until February 11, 2013. Doctor of Philosophy in Business and Economics and Master of Science in Business and Economics at Stockholm School of Economics. Other Board appointments: Chairman of Insurance Industry's Pension Fund and Länsförsäkringar Mäklarservice, Board member of Länsförsäkringar Fondliv. Background: President of Länsförsäkringar Liv and Länsförsäkringar Fondliv, President of Postbanken, Vice President of Skandia Liv, Head of Foundation Marketing Technology Center.

Fredrik Daveby
Born 1962. Elected 2010. President of Länsförsäkring Kronoberg Master of Science in Agriculture. Other Board appointments: Board member of Länsförsäkring Kronoberg and Eolus Vind AB, Vice Chairman Swedish Fire Protection Committee of Agriculture, Chairman of Hjalmar Petri Holding AB. Background: Head of Members Södra Skogsägarna, Head of Development LRF, Agricultural advisor to Swedish Government Offices.

Mats Fabricius
Born 1952. Elected 2010. Master of Science in Agriculture. Other Board appointments: Chairman of Länsförsäkringar Norrbotten, Norrbottensgården Slakteri AB and Norrbottensgården Utveckling AB, Board member of Outinens Potatis AB and Nord Chark AB. Background: Head of Business Area at HS Rådgivning Nord AB.

Lars Hallkvist
Born 1963. Elected 2012. Lawyer, partner at Gullack Advokatbyrå. Other Board appointments: Chairman of Länsförsäkringar Älvsborg, Board member of Swegmark Invest AB and Pulsen AB.

Ann-Christin Norrström
Born 1952. Elected 2007. President of Länsförsäkringar Uppsala Master of Science in Business and Economics. Other Board appointments: Board member of Länsförsäkringar Uppsala, Länsförsäkringar Fastighetsförmedling, Chairman of Uppsala Regional Office of the Chamber of Commerce, Board member of STUNS (Foundation for cooperation between the universities in Uppsala, the business sector and the community), Stockholm Chamber of Commerce, SLU Holding AB, the Insurance Industry Employers' Organisation (FAO), Uppsala County Administrative Board and Chairman of BoCity AB. Background: Head of Risk Operations at Länsförsäkringar Gävleborg, Board member of Länsförsäkringar Liv, Aktietorget Uppland AB, Foundation for Regional Insurance Companies' Research Fund and Gefle Dagblad.

Christer Olander
Born 1944. Elected 2010. Master of Science in Business Economics. Other Board appointments: Chairman of Länsförsäkringar Kalmar län, Malin Olander MOOV AB, Board member of LFK Finans AB. Background: Authorised Public Accountant and partner at TRG Revision AB, Chairman of TRG Revision AB, IREV HB Institute for Education of Auditors. Training of auditors.

Gösta af Petersens
Born 1947. Elected 2004. Farm manager. Chartered surveyor's degree. Other Board appointments: Chairman of Länsförsäkringar Gotland, Gotlandsägg AB and Eskelunds hembageri AB. Background: President of Guteprodukter AB and Gotlands Trädgårdsprodukter.

Lars-Eric Åström
Born 1946. Elected 2008. Forest agricultural customer. Technical college engineer. Other Board appointments: Chairman of Länsförsäkringar Östgöta, Board member of Bergvik Skog. Background: Chairman of Södra Skogsägarna and Swedish Federation of Forest Owners, Vice Chairman of Södra Cell, Board member of LRF Skogsägarna, National Board of Directors of Federation of Swedish Agricultural customers (LRF), LRF Skogsförvaltning AB, Ägarfrämjandet.

Olle Törnell

Secretary of the Board
Born 1958. Employed 1992. Head of Legal Affairs. Bachelor of Arts in Legal Science. Background: Head of Legal Affairs Wasa Försäkring, bank attorney Nordbanken.

EMPLOYEE REPRESENTATIVES

Tomas Jönsson
Born 1951. Elected 2001. Employee representative Swedish Confederation of Professional Associations. Claims adjuster Non-life business unit. Bachelor of Arts in Legal Science, Master of Science in Engineering Other Board appointments: Länsförsäkringar Sak, Bank and Insurance Section of Jusek. Background: Bank attorney Föreningsbanken.

Deputy:
Christer Ekehov

Susanne Lindberg
Born 1967. Elected 2012. Employee representative Union of Insurance Employees (FTF), upper-secondary education in economics, Diploma in non-life insurance and life assurance from Swedish Institute of Insurance Training (IFU), individual claims adjustment training from Länsförsäkringar. Other Board appointments: Board member of Länsförsäkringar AB, Länsförsäkringar Sak, Länsförsäkringar Fondliv and FTF, Chairman of the Länsförsäkringar Alliance's Staff Association.

Deputy:
Åsa Jansson

AUDITORS

Auditor elected by
Annual General Meeting
Stefan Holmström,
Authorised Public Accountant,
KPMG AB.

Deputy auditor elected by Annual General Meeting
Johan Bæckström,
Authorised Public Accountant,
KPMG AB.

Group management

Sten Dunér
Born 1951. Employed 1982. President. Master of Science in Business Economics. Background: CFO and other senior positions at Länsförsäkringar AB. Board appointments: Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, the Swedish Insurance Federation and the Swedish Insurance Employers' Association (FAO), Board member of Länsförsäkringar Liv and Fastighets AB Balder.

Ann Sommer
Born 1959. Employed 1988. President of Länsförsäkringar Sak Executive Vice President, Länsförsäkringar AB Master of Science in Business Economics. Background: President of WASA International. Board appointments: Chairman of Försäkrings AB Agria and Länsförsäkringar Gruppliv. Board member of Länsförsäkringar Mäklarservice, Swedish Forest Agency, Swedish Theft-Prevention Association, SOS International and Amice (Association of Mutual Insurers and Insurance Cooperatives in Europe).

Rikard Josefson
Born 1965. Employed 2011. President of Länsförsäkringar Bank Bachelor of Arts. Background: President of SEB Finans, Regional Director East SEB, Deputy Head of Retail Sweden SEB, Senior Vice President and Head of Retail Banking Business Area Latvijs Unibanka in Latvia, Head of Global Transaction Services SEB Merchant Banking. Board appointments: Chairman of Wasa Kredit, Länsförsäkringar Hypotek, Board member of Länsförsäkringar Fondförvaltning, Länsförsäkringar Fastighetsförmedling and Livslust Foundation.

Gunilla Forsmark Karlsson
Born 1958. Employed 2006. President of Länsförsäkringar Fondliv. Economic Umeå University. Background: Executive Vice President of Länsförsäkringar Bank, President of Skandiabanken, President of Länsförsäkringar Mäklarservice, Executive Vice President of SEB Bolån. Board appointments: Board member of Länsförsäkringar Mäklarservice AB, Länsförsäkringar Gruppliv and Council for Negotiation and Co-operation's (PTK) Education Foundation.

Jörgen Svensson
Born 1959. Employed 2008. President of Länsförsäkringar Liv. Studies in economics, law and marketing at Lund University. Background: President of Länsförsäkringar Blekinge, various managerial positions at Skandia and If. Board appointments: Board member of Länsförsäkringar Mäklarservice AB.

Cecilia Ardström
Born 1965. Employed 2012. Financial Director. Economics at University of Gothenburg School of Business, Economics and Law. Background: Head of Treasury Tele2 AB, Head of Asset Management Folksam Group, KPMG Management Consulting. Board appointments: Swedish Export Credit Corporation SEK. Profit-sharing Association Länsbörsen, Länsförsäkringar Fondförvaltning, Humlegården Fastigheter AB and Humlegården Holding I–III AB.

EMPLOYEE REPRESENTATIVES

Malin Rylander-Leijon
Born 1970. Employed 2001. CFO. Head of Finance. Master of Science in Business and Economics. Administration Programme, specialising in Economics, Uppsala University. Background: Head of Finance & Control Länsförsäkringar Liv and auditor at SET Revisionsbyrå.

Sören Westin
Born 1953. Employed 2000. Executive Vice President, Länsförsäkringar AB. Head of Business Support. Licentiate of Science in Business and Economics at Umeå University. Background: President of Länsförsäkringar Jämtland, President AB Länstidningen, member of Samhall AB's corporate management. Board appointments: Länsförsäkringar Fastighetsförmedling, Foundation for Regional Insurance Companies' Research Fund and Swedish Motor Insurers.

Tomas Jönsson
Born 1951. Employed 1986. Employee representative Swedish Confederation of Professional Associations. Claims adjuster Non-life business unit. Bachelor of Arts in Legal Science, Master of Science in Engineering. Background: Bank attorney Föreningsbanken. Board appointments: Board member of Länsförsäkringar Sak, Bank and Insurance Section of Jusek.

Susanne Lindberg
Born 1967. Employed 1987. Employee representative Union of Insurance Employees (FTF), upper-secondary education in economics, Diploma in non-life insurance and life assurance from Swedish Institute of Insurance Training (IFU), individual claims adjustment training from Länsförsäkringar. Board appointments: Board member of Länsförsäkringar AB, Länsförsäkringar Sak, Länsförsäkringar Fondliv and FTF and Chairman of the Länsförsäkringar Alliance's Staff Association.

CO-OPTED MEMBERS

Olle Törnell
Born 1958. Employed 1992. Head of Legal Affairs. Bachelor of Arts in Legal Science. Background: Head of Legal Affairs Wasa Försäkring and bank attorney Nordbanken.

Fanny Wallér
Born 1962. Employed 2012. Head of Corporate Communications Bachelor of Arts in Political Science, Economics and Languages, Uppsala University. Background: Chief Marketing Officer at Intrum Justitia, Marketing and Sales Director at SEB Retail Banking and Marketing Director at SEB e-banking, Product Manager at Eurocard.

Definitions

After ceded reinsurance
The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company. Sometimes the term "for own account" is used.

Capital adequacy ratio, bank
Closing capital base as a percentage of the closing risk-weighted amount.

Capital base, bank
The capital base comprises the sum of Tier 1 and Tier 2 capital and the difference between expected losses and reserves established for probable loan losses.

Claims payments
The cost during the fiscal year for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result, meaning the profit and loss arising in the provision for claims outstanding made in the immediately preceding year-end accounts. Run-off profit/loss arises since some of the claims in the provision are either settled during the fiscal year at amounts differing from those allocated or are revalued pending final settlement.

Claims ratio
The ratio between claims payments, including claims adjustment costs and premiums earned after ceded reinsurance, expressed as a percentage.

Collective consolidation, life assurance
The ratio between the market value of the total net assets and the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for insurance policies that carry bonus rights.

Combined ratio, non-life insurance
The sum of operating expenses, claims payments and claims adjustment costs as a percentage of premiums earned after ceded reinsurance.

Core Tier 1 capital
Tier 1 capital less capital contributions and reserves that may be included in the capital base as Tier 1 capital in accordance with Chapter 3, Section 4 of the Capital Adequacy and Large Exposures Act.

Cost/income ratio, bank
Total expenses in relation to total income. The cost/income ratio is calculated before and after loan losses.

Cost ratio, non-life insurance
The sum of operating expenses in the insurance operations and claims adjustment costs as a percentage of premiums earned after ceded reinsurance.

Direct insurance
Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Earnings per share
Profit/loss for the year attributable to the Parent Company shareholders in relation to the average number of shares during the year.

Expense ratio, non-life insurance
Operating expenses in the insurance operations as a percentage of premiums earned after ceded reinsurance.

Investment income transferred from financial operations
Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the computed interest – is transferred from investment income to the insurance operations.

Investment margin, bank
Net interest income in relation to average total assets.

Loan losses, net, bank
Confirmed loan losses and reserves for loan losses less recoveries of receivables and net expense for the year for loan losses for guarantees and other contingent liabilities.

Loan losses in relation to loans
Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

Management cost ratio, life assurance
Total operating expenses and claims adjustment costs as a percentage of average managed assets.

Net interest income, bank
Interest income from loans to the public and credit institutions and income from interest-bearing securities minus expenses for deposits and funding from the public, credit institutions and expenses for interest-bearing securities.

Operating expenses in the insurance operations
Includes costs of sales, management and administration in the insurance operations.

Premiums earned
The proportion of premium income attributable to the fiscal year.

Premium income
Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance business.

Reinsurance
If an insurance company cannot, or does not wish to, assume the entire liability to policyholders, it reinsures part of its policies with other companies. In this connection, the reinsurance is said to be "ceded" by the first company and "assumed" by the second company.

Return on equity
Profit before tax plus change in surplus value of owner-occupied property less standard tax at a rate of 26.3% as a percentage of average equity adjusted for dividends and new share issues.

Solvency capital
The sum of equity, untaxed reserves (including deferred tax liabilities), subordinated debt and surpluses on assets.

Solvency margin, non-life insurance
Solvency capital as a percentage of premium income after ceded reinsurance.

Technical provisions
Provision for unearned premiums and unexpired risks, life-assurance reserve and provision for claims outstanding and comparable commitments in accordance with signed insurance contracts. For life assurance, this shall correspond to the company's guaranteed insurance commitments.

Technical result, non-life insurance operations
Premiums earned less claims payments, claims adjustment costs and operating expenses in the insurance operations plus profit/loss from ceded reinsurance and investment income transferred from financial operations.

Tier 1 capital, bank
Comprises equity, excluding fair value reserve and Tier 1 capital contributions, which following approval from the Swedish Financial Supervisory Authority may be included in Tier 1 capital. Deductions are made for intangible assets and deferred tax assets and the difference between expected losses and reserves established for probable loan losses.

Tier 2 capital, bank
Primarily comprises fixed-term subordinated debt.

Total return ratio
The sum of direct yield, realised gains and losses, and unrealised changes in the value of assets in relation to the average fair value of managed assets.

Länsförsäkringar Liv Försäkrings AB Group's income statement and balance sheet

INCOME STATEMENT

SEK M	2012	2011
Premium income, gross	4,670	6,554
Premium income, net	4,319	6,178
Investment income, net	7,659	4,866
Claims payments	–7,491	–5,432
Other underwriting income	–	322
Change in technical provisions	1,372	–16,698
Operating expenses	–412	–1,462
Technical result, life assurance operations	**5,447**	**–12,226**
Non-technical items	–460	–731
Profit/loss before tax	**4,987**	**–12,957**
Tax	–115	–106
Net profit/loss for the year	**4,872**	**–13,063**

BALANCE SHEET

SEK M	Dec 31, 2012	Dec 31, 2011
Assets		
Intangible assets	–	12
Property and equipment	1	–
Investment assets	121,963	113,919
Investment assets for which the policyholder bears the investment risk	4,564	4,003
Reinsurers' portion of technical provisions	609	597
Receivables	2,370	1,502
Other assets	3,997	7,279
Prepaid expenses and accrued income	1,578	1,691
Total assets	**135,083**	**129,003**
Equity, provisions and liabilities		
Share capital	8	8
Funds plus net profit for the period	13,824	10,843
Technical provisions	104,942	106,913
Provisions for life assurance for which the policyholder bears the investment risk	4,564	4,003
Provisions for other risks and expenses	176	178
Deposits from reinsurers	609	597
Liabilities	10,542	5,745
Accrued expenses and deferred income	418	716
Total equity, provisions and liabilities	**135,083**	**129,003**

Financial calendar 2013

First quarter:

Interim report, Länsförsäkringar AB	April 24
Interim report, Länsförsäkringar Bank	April 24
Interim report, Länsförsäkringar Hypotek	April 24
Interim review, Länsförsäkringar Alliance	April 24

Second quarter:

Interim report, Länsförsäkringar AB	July 19
Interim report, Länsförsäkringar Bank	July 19
Interim report, Länsförsäkringar Hypotek	July 19
Interim review, Länsförsäkringar Alliance	August 23

Third quarter:

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

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