

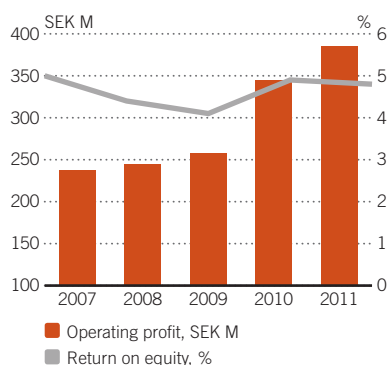


2011

Länsförsäkringar AB
Annual Report

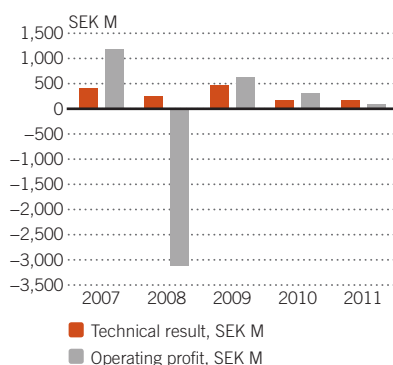


OPERATING PROFIT AND RETURN ON EQUITY, BANK



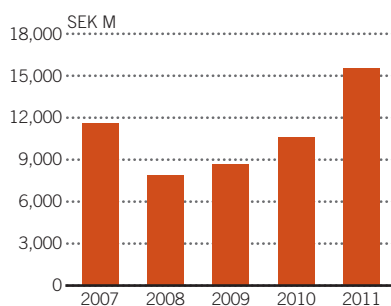
Operating profit rose 12% to SEK 385 M and return on equity amounted to 4.8%. The average return on equity in the past five years is 4.7%.

PROFIT/LOSS FROM NON-LIFE INSURANCE OPERATIONS



The non-life insurance operations reported stable growth but the technical result in 2011 was affected by major natural-disaster claims in the assumed reinsurance business.

SOLVENCY CAPITAL



In 2011, the Parent Company received a contribution of SEK 3 billion from a new share issue, which strengthened solvency capital. Solvency capital also strengthened as a result of the positive trend in operating profit.

FIVE-YEAR SUMMARY

Länsförsäkringar AB, Group ¹⁾	2011	2010	2009	2008	2007
Operating profit/loss, SEK M	284	536	693	-3,395	1,270
Solvency capital, SEK M	15,564	10,613	8,710	7,907	11,652
Total assets, SEK M	253,988	173,850	157,005	130,554	116,241
Return on equity, %	2	6	7	-29	10

¹⁾ Excluding the life-assurance operations, which are conducted with a prohibition against issuing dividends.

Länsförsäkringar Sak, Group	2011	2010	2009	2008	2007
Premiums earned after ceded reinsurance, SEK M	4,003	3,769	3,524	3,020	2,634
Technical result for the insurance operations, SEK M	159	193	460	256	402
Operating profit/loss, SEK M	88	313	635	-3,108	1,191

Länsförsäkringar Bank, Group	2011	2010	2009	2008	2007
Deposits from the public, SEK M	49,610	41,590	37,365	35,090	29,735
Loans to the public, SEK M	134,011	117,910	99,582	78,564	67,040
Operating profit, SEK M	385	345	258	245	238

Länsförsäkringar Liv, Group	2011	2010	2009	2008	2007
Premium income, SEK M ¹⁾	13,048	12,893	11,879	10,719	10,794
Net profit/loss for the year, SEK M	-13,063	3,716	18,106	-30,126	11,361
Collective consolidation, %	109	107	107	105	114
Solvency ratio, %	111	141	137	114	152

¹⁾ In accordance with Insurance Sweden's definition.

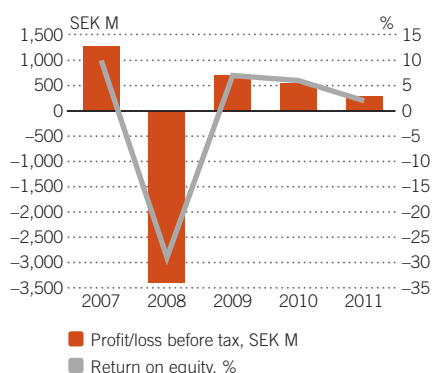
CREDIT RATING

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.

OPERATING PROFIT/LOSS AND RETURN ON EQUITY, LÄNSFÖRSÄKRINGAR AB GROUP



Operating profit amounted to SEK 284 M and the return on equity to 2%. The banking operations' earnings have strengthened in recent years, while the non-life insurance operations were affected by increased claims costs and lower investment income. Since the negative impact of the financial crisis in 2008, the risks in the investment assets have declined.

2011 in brief

+6%

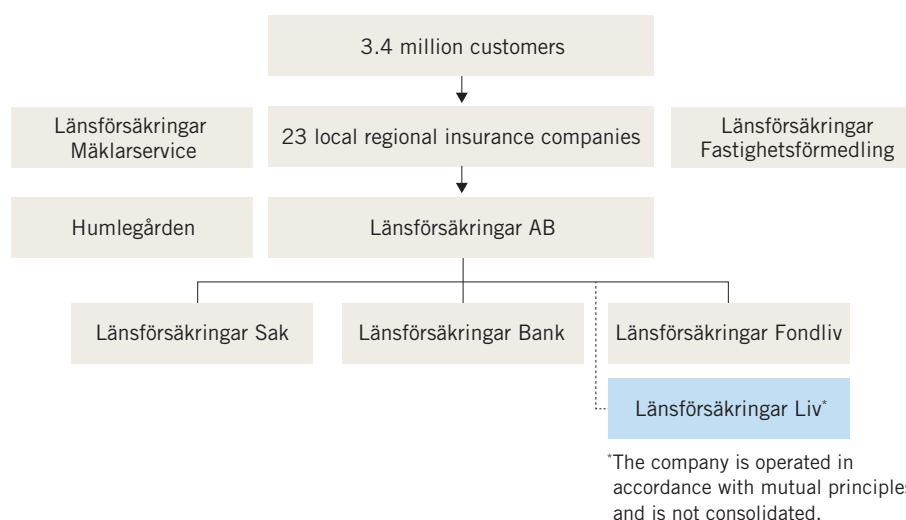
Stable growth in non-life insurance operations. Premiums earned after ceded reinsurance rose to SEK 4,003 M (3,769). The increase was primarily in animal, medical and accident insurance products and assumed reinsurance.

LÄNSFÖRSÄKRINGAR AB

— HUB OF THE LÄNSFÖRSÄKRINGAR ALLIANCE

Länsförsäkringar AB is the financial hub of the Länsförsäkringar Alliance. Länsförsäkringar AB's tasks are to conduct joint banking and insurance operations, conduct 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 a clear role in the value chain of the Länsförsäkringar Alliance, Länsförsäkringar AB contributes to increasing competitiveness and reducing costs, thereby creating possibilities for the regional insurance companies to be successful in their respective markets. Customer contact always occurs at the local regional insurance companies. 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.



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SEK 284 M

Net profit for the year in the Länsförsäkringar AB Group amounted to SEK 284 M (536) before tax and SEK 212 M (418) after tax. The return on equity rose to 2% (6).

BANK OF THE YEAR

Operating profit in the banking operations rose to SEK 385 M (345). Net interest income rose to SEK 1,728 M (1,363). Growth remained high with business volumes rising to SEK 251 billion (232). Länsförsäkringar was named Bank of the Year and also has Sweden's most satisfied customers according to the Swedish Quality Index.



+ SEK 4,951 M

Solvency capital in the Länsförsäkringar AB Group totalled SEK 15,564 M (10,613).

THE SHARE

The net worth of the Länsförsäkringar AB share was SEK 1,403 (1,356).

ACQUISITION OF LÄNSFÖRSÄKRINGAR FONDIV

In October Länsförsäkringar AB acquired the company Länsförsäkringar Fondliv for SEK 5.2 billion. The acquisition was accelerated due to financial turmoil but is in line with Länsförsäkringar's long-term strategy of being a strong contender in the occupational pension market.

On September 6, **LÄNSFÖRSÄKRINGAR DISCONTINUED UNDERWRITING NEW INSURANCE POLICIES** under traditional management as part of protecting savings for customers with traditional management. The total return for life-assurance customers with traditional management amounted to 6.5% (4.1).



Länsförsäkringar AB and its subsidiaries form the financial hub of the Länsförsäkringar Alliance and, on behalf of the regional insurance companies, conduct joint business operations, strategic development activities and serve as a competency centre for these companies. This role means that ultimately our task is to create development potential for the regional insurance companies thereby providing them the right conditions for focusing on local customer meetings. At the same time, the scope of this task means that Länsförsäkringar AB is one of the largest financial groups in Sweden.

STATEMENT BY THE PRESIDENT

Stability in times of uncertainty

We conduct our business activities in non-life insurance, unit-linked life assurance, traditional life assurance and banking units. Most of the Länsförsäkringar Alliance's non-life insurance business is underwritten directly in the regional insurance companies, and SEK 4 billion of the total premiums earned of almost SEK 19 billion was underwritten in the Länsförsäkringar AB Group. It is also where the concession for underwriting animal, medical and specialist insurance, for example, is held. Furthermore, the non-life insurance unit manages the Länsförsäkringar Alliance's internal and external reinsurance and takes out assumed international reinsurance. Länsförsäkringar Liv is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB, while Länsförsäkringar Fondliv became a wholly owned subsidiary of Länsförsäkringar AB in the autumn. A total of SEK 161 billion is managed on behalf of life-assurance and pension customers: SEK 109 billion for traditional-management customers and SEK 52 billion for unit-linked insurance customers. The bank is continuing to grow and we are currently Sweden's fifth largest retail bank with a business volume of SEK 251 billion and almost 890,000 customers. The Länsförsäkringar AB Group stands on a stable foundation.

Greenhouse for new business

The Länsförsäkringar Alliance has enjoyed an even and cyclic rate of development for many years, always based on changes in society and demand from our customers. New business has been initiated, grown, become profitable and a natural and important part of the regional insurance compa-

nies' local offering. Länsförsäkringar AB's role has been to serve as a "greenhouse" in this process. The development phase for new business has been 10 to 20 years and in the past 15 years we have added both banking services and medical insurance to our existing operations. I am convinced that we will see similar advances in the forthcoming years.

Although we live in pace with social development and new demands, there are some changes that will never be made at Länsförsäkringar. We will never compromise on our small-scale approach. We will never move away from local decision-making, local customer meetings, local claims adjustment or presence and commitment to the local community. Because if we did, we would no longer be Länsförsäkringar. That is why we do not need to return to our roots – simply because we have never left them. Länsförsäkringar today has, and has always had, full focus on growing in the local market in which we can, and do, operate.

Clear customer advantages

Growth takes place by persuading more of our existing customers to see the advantages of combining a broad range of commitments with their regional insurance company. We have a uniquely strong base of 3 million non-life insurance customers, and satisfied non-life insurance customers at that. The growth potential of the existing customer base is immense since we simultaneously and coherently offer banking, insurance and real-estate brokerage services. There is a clear customer advantage inherent in each of these three areas.

In one way, we are like the other banks;

we offer all of the services needed to save and borrow money and make payments. In another way, we are different; We are a bank that carries the same values that Länsförsäkringar has always had. One that is close by, and does not offer customers financial products that they do not need. Instead it is one that helps customers and their families build up secure finances for the future.

Real-estate brokerage is a comprehensive concept. We assist those selling their properties in finding buyers who have already arranged everything with the bank and sorted out insurance, etc., to make the sale quick and painless. And those looking for a new home do not need to contact different companies to complete the purchase and arrange loans and insurance.

For the customers that have insurance with the 23 regional insurance companies, we can always be found in close proximity with local decision-making. Decisions are made by someone who lives where our customers live. Each branch has a claims adjuster who also knows local workmen and workshops. Local claims adjustment is a clear example of Länsförsäkringar's best competitive advantage: closeness and local decision-making.

Customer-owned representing a long-term approach

It is now the right time to highlight the concept of "customer-owned," which we will devote much energy to in the coming years. In contrast to many people associating the meaning of "customer-owned" with "collectivism," we want to broaden the term to include a form of insight and influence that many customers are seeking. Choosing the

customer-owned Länsförsäkringar as an insurance company or bank means choosing to have joint control and assuming responsibility for one's own finances.

It is also important to emphasise the security aspect of this form of ownership – customer-owned companies have stable, long-term owners and are strong in time of financial uncertainty. Winning the award of “Bank of the Year” is a specific example that illustrates this point. And “customer-owned” as a concept is being strengthened through the changes at Skandia. It will be exciting to engage in the competition that these developments will entail.

A welcome bank debate

The system we have in Sweden with only a few large banks must continue to be debated, particularly in terms of the rules of play and the conditions provided by these rules to achieving healthy competition in the market. Political signals are being made that it is easier to maintain control if there are only a handful of companies to be managed. At the same time, voices are being raised about the importance of taking a strong line to protect the best interests of consumers and voters. The effect is the misconception of opposition between the banks and customers, whereas in reality the banks enable their customers to attain a standard of living that would not otherwise have been possible. With their lending potential, the banks are the customers' best friend, which also means that “Sweden will grind to a stop without banks.”

This is an issue that we, with our customer-owned bank, will pursue. Our bank exists for customers and has no other principal. Accordingly, we will increasingly make our voice heard in this debate and enhance our profile as a bank.

Commitment to a safer society

Changes usually lead to development. However, there are areas in Sweden where there are signs of developments taking the wrong direction. Isolation is on the rise and an increasing number of people, particularly young people, are moving away from the basic values of society. More and more people do not finish upper-secondary school, unemployment among young people is rising and criminality is seen lower and lower down the age groups. When criminals

become role models and a life of crime becomes an ambition for young people, then society is on the wrong track. It is natural for Länsförsäkringar, as a local, customer-owned company, to become involved in these issues. We have worked on creating a safer society for many years and our commitment to social issues stands to reason. We will, to a greater extent, support and participate in activities that make society safer.

Society also becomes safer when savings increase. Many people in Sweden do not have a buffer of savings and the majority have no more than one month's salary available, which is far too little. In the year ahead, we will do our share by issuing facts and participating in debate to highlight that state incentives are needed to increase savings stimuli for the population at large and not only the minority that already has a healthy buffer.

Länsförsäkringar finds itself at an exciting development stage. We are broadening our business activities, but we are doing it primarily within Sweden and we are continuing to pursue it with our local concept for success: through 23 regional insurance companies we meet our banking, insurance and real-estate brokerage customers. We are also expanding our commitment to helping build a safer and securer society. Because for us, it all goes together. Banking, insurance and real-estate brokerage based on a customer perspective. Commitment to local society goes together with our values and our business operations – contributing to greater security.

Challenges

To summarise our challenges, we will continue to enhance the bank profile of the brand, and we can do this from the excellent position as “2011 Bank of the Year.” Confidence in Länsförsäkringar as a bank was significantly bolstered over the past year. Having the most satisfied customers and the award of “Bank of the Year” are clear confirmation of this. Focusing on the bank will require a massive amount of internal work in the form of increasing competencies and internal understanding of how banking and insurance go together.

During the year, we succeeded in restructuring the life-assurance operations and the sale of the unit-linked life assurance company to Länsförsäkringar AB, and thus laid



the foundation for the long-term future focus of offering unit-linked insurance solutions to corporate customers and private individuals. The strong performance of the real-estate brokerage is continuing – in only a few years Länsförsäkringar Fastighetsförmedling has become the third largest real-estate broker in Sweden with a market share of more than 8%, and its success is continuing.

Another issue for the future involves the overall level of operating expenses in the Länsförsäkringar Alliance, which is higher than many of our competitors. We will enhance efficiency and reduce costs to boost our attractiveness and retain our leading position in the market. Extensive efforts are being made in the area of IT on discontinuing use of outdated systems, standardisation and concentration. The focus for non-life insurance is to retain a leading market position and concentrate on profitability. In order to retain our position in non-life insurance, it is not enough for us merely to be the best at non-life insurance – we also need to succeed in banking. The majority of our non-life insurance customers do not have Länsförsäkringar as their bank. And the banks are becoming increasingly successful at offering non-life insurance. In other words, to succeed in non-life insurance we must succeed in banking. And to succeed in banking, we must succeed in non-life insurance. They go together.

Stockholm, March 2012

STEN DUNÉR
President, Länsförsäkringar AB

A strong hub – a condition for 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, all to create possibilities for the regional insurance companies to be successful in their respective markets.

Länsförsäkringar AB is the financial hub of the Länsförsäkringar Alliance and is wholly owned by the 23 regional insurance companies (since the merger of Länsförsäkringar Göttinge and Länsförsäkringar Kristianstad in July 2011), together with 14 local insurance companies. The regional insurance companies impose the same market-based return requirements on these shares as they do for listed shares and other investment assets. The net worth of the share rose 3.5% to SEK 1,403 in 2011. 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.

Mission

The operations of the jointly owned company Länsförsäkringar AB have three main tasks: conducting business activities in non-life insurance, life assurance and banking services; providing business service to the regional insurance companies and conducting Länsförsäkringar's joint strategic development activities. For more than 75 years, the jointly owned company Länsförsäkringar AB has created the conditions for the regional insurance companies to be more

efficient in their roles in their local markets. Business activities are conducted with a focus on generating returns on the investments of the company's owners, the 23 regional insurance companies. The business service operations are responsible for providing the service requested by the regional insurance companies using shared resources, and are responsible for the Länsförsäkringar Alliance's overall development requirements. For example, customer and concept development is now coordinated under a single function, regardless of the area of operation. Länsförsäkringar AB's work is to service a single overarching objective – providing the regional insurance companies with the correct tools for locally creating and further developing their customer relationships.

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 to concentrate on the most important issue: meetings with customers and the development of customer relationships. The operations of Länsförsäkringar AB are extremely important to all of the 23 regional insurance companies for generating economies of scale. Instead of developing resources at the local level, the regional insurance companies can share expenses in such areas as product develop-

ment, IT operations and management, brand communication and methods for strengthening customer relationships. The cooperation between banking, insurance and real-estate brokerage also generates greater knowledge about customers and facilitates understanding of customers' total needs. This division of duties among the 23 regional insurance companies and Länsförsäkringar AB creates a clear focus for each company. Länsförsäkringar AB's duty is to create the conditions for the regional insurance companies to be more effective in their roles. Economic efficiency is a basic prerequisite for this to be possible. That is why certain non-life insurance operations are considered 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 life-assurance company. This is the foundation of the Länsförsäkringar concept. For customers Länsförsäkringar can always be found in close proximity with local decision-making. The basis is local presence and decision-making – experience has proven that local decision-making authority combined with joint strength create substantial added value for customers. Long-term respect for customers' money is also fundamental to Länsförsäkringar. There are no external shareholders. The regional insurance companies are owned by their customers and manage their money. This approach characterises the entire business.

Together we create security

The Länsförsäkringar Alliance with almost 6,000 employees helps 3.4 million customers with all aspects of their financial security. Länsförsäkringar exists to create a sense of security for customers no matter what needs they have – everything from buying a home, non-life insurance, pension,

banking services and mortgages to different types of savings. The Länsförsäkringar Alliance's success is built on local presence and extensive experience. In addition, the exchange of knowledge and experience is a part of the daily operations through the jointly owned Länsförsäkringar AB, the hub of the Länsförsäkringar Alliance.

Länsförsäkringar AB will always be a sustainable and efficient organisation that generates maximum value for the regional insurance companies and customers, who are also the owners. Länsförsäkringar AB works every day on continuous improvements and constantly reviews its support and business processes. In a bid to even better meet the regional insurance companies' business-service demands for the most important aspect of customer relationships, Länsförsäkringar AB reorganised its support functions during the year. Now that all business service and development are grouped under the same operational management, even better opportunities are created for optimising resources and deliveries of services to the regional insurance companies and customers. In addition, a smaller management group will be able to act more decisively and efficiently. We will be more able to meet modern-day requirements for rapid decisions as required by the increasingly volatile financial markets. In addition, the Compliance, Internal Audit and Risk Control functions have been strengthened to meet future regulatory changes.

Profit-distributing, life assurance in Länsförsäkringar AB

In 2011, Länsförsäkringar AB carried out a planned, strategic investment in a profit-distributing, life assurance with the acquisi-

tion of Länsförsäkringar Fondliv from Länsförsäkringar Liv. This acquisition strengthens Länsförsäkringar's venture to become the first choice of pension partner among small businesses and thus become number one in the occupational pension market.

The date of the acquisition was brought forward by the trends in the financial markets during the year, when sharp falls in interest rates and stock markets put a strain on Länsförsäkringar Liv's financial key figures. The sale of Länsförsäkringar Fondliv, in this context, a measure taken by Länsförsäkringar Liv to strengthen its key figures.

Governance of risk assumption and capital use

The business activities are conducted to generate a profit so that the company can pay competitive returns on equity at a market level, including a risk premium over risk-free interest. All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back 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 such that a minimum credit rating of A can be justified. An SEK 3 billion new share issue was implemented in conjunction with the acquisition of Länsförsäkringar Fondliv aimed at strengthening the capital base for this acquisition and, accordingly, no dividend will be paid for the 2011 fiscal year.

The Group prioritises developing its work on governance of risk taking and capital use. The banking operations already

have target for risk-based capital strength in the form of a target for the Tier 1 ratio. In recent years the non-life insurance operations and entire Group have started applying targets for risk-based capital strength more clearly in the internal governance.

These targets are determined by taking into account internal assessments of the risk level of different operations, current and future legal requirements and the view of rating agencies. Additional steps are being planned for more systematically governing risk taking in the various business activities based on how it affects the Group's capital use. The purpose is to increase the ability to achieve sufficient returns on equity by closely controlling risk takings and to improve the governance and planning of the Group's capital use.

The Länsförsäkringar AB Group is owned by the 23 regional insurance companies. Almost two thirds of the Group's capital, excluding the capital in Länsförsäkringar Liv which belongs to its policyholders, is invested in the regional insurance companies. Accordingly, the Group's capital strength is assessed not only on its own situation but also includes the capital strength of the regional insurance companies. Rating agencies and several other stakeholders apply a similar approach. On average, the regional insurance companies are extremely well consolidated and thus are highly able to contribute capital to the Group, as demonstrated in conjunction with the acquisition of Länsförsäkringar Fondliv. Naturally, the regional insurance companies impose clear demand on Länsförsäkringar AB's efficient use of the Group's capital and the basis is for the Group to meet its capital need using its own funds.



SHAREHOLDERS

Company	Number of shares			Share of equity, %
	A	B	C	
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	–	3.1
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

KEY FIGURES¹⁾

	2011	2010
Profit before tax, SEK M	284	536
Solvency capital, SEK M	15,564	10,613
Total assets, SEK M	253,988	173,850
Return on equity, %	2	6

¹⁾ Excluding the life-assurance operations, which are conducted with a prohibition against issuing dividends.

SHARE TREND, LÄNSFÖRSÄKRINGAR AB

SEK	2011	2010	2009	2008	2007
Equity per share	1,403	1,356	1,279	1,186	1,648

The regional insurance companies are shareholders in the jointly owned company Länsförsäkringar AB. It is one of the cornerstones of the Alliance. The regional insurance companies impose the same return requirements as they do for listed shares and other investment assets.

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.



Sustainability at Länsförsäkringar

“Working long term with sustainability issues is not 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 issues have always been a natural part of Länsförsäkringar's operations rather than a chosen strategy. 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 – financial security is equally concerned with financial security for non-life insurance and respect for household financing for bank customers, and a high quality of life and comfortable retirement for life-assurance and pension insurance customers. A great commitment has thus emerged, with the additional goal of reducing risks and creating security in the environments where these people live and are active. Länsförsäkringar has a history where commitment does not always require something in return. Where local efforts are not only designed to benefit local customers, but also the community at large.

Customer-owned corporate form creates a long-term approach

The regional insurance companies have the customer as their only principal. Central 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 assignment 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. The operations are based on a genuine customer orientation, combined with healthy business practice. But Länsförsäkringar also has a history where commitment and respect do not always require something in return. All companies have a strong commitment to the communities in which they operate – a commitment that is not only designed to benefit their own customers, but also society at large. This is conducted on the basis that customers' money will grow - not the regional insurance companies' money. That will make us a naturally stable and secure player. One example of this is that Länsförsäkringar Bank and its subsidiaries have never needed government assistance or a government borrowing programme. None of Länsförsäkringar AB's companies received any government assistance during 2011.

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 can change over time. Ethical standards are based on common sense and good judgement. If an action or decision openly allows reporting for employees, customers, government authorities and the general economic environment, the action or decision, in all likelihood, complies with the ethics and moral values in society.

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 sustainability report is Pär Hjartström, Corporate Communications, par.hjartstrom@lansforsakringar.se.



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 objective is always the same: to enable conditions for financial security for individuals and companies. The regional insurance companies work closely with both their own customers and Länsförsäkringar AB to create these conditions.

Claims prevention efforts show respect for customers' money

The Länsförsäkringar Alliance devotes substantial effort to claims prevention. This is a completely natural consequence of that which Länsförsäkringar represents. The local regional insurance companies are owned by their non-life insurance customers

which, in practice, means that the company's capital belongs to its customers. The only financial interests that guide the operations are respect for customer's long-term security. By reducing claims costs, premiums can be kept to a minimum. That shows respect for customers' money. Claims prevention efforts have been ongoing for many years in the areas of fire and water, in the regional

insurance companies and jointly through Länsförsäkringar AB. Joint efforts are aimed at lobbying authorities and professional associations when formulating building regulations in order 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 in the operations must comply with clearly defined laws, regulations and procedures. All employees 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 efforts 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. However, in parallel to this, an important part of our work has also

involved minimising risks and creating security where people live and work. Efforts that benefit not only Länsförsäkringar's customers, but also society as a whole. Examples include road safety and health promotion efforts, and active environmental and climate initiatives at both 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 preven-

tion 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 the long-term respect for pension savers' money and the local adaptation of the banking offering. Long-term efforts are also taking place to contribute 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 the people who live there. While the form and content vary, the common denominator for all of these activities is that they benefit society as a whole, not only Länsförsäkringar's customers. A few examples are presented here:

NEIGHBOURHOOD COOPERATION IN HALLAND – FEWER OFFENCES

Crime incidents have fallen substantially since neighbourhood cooperation was introduced in the Sörse district in Varberg and the Andersberg district in Halmstad. This initiative is a research project in collaboration with Länsförsäkringar Halland, Halmstads Bostads AB, Varbergs Bostads AB, the police authority and Halmstad University.

WOMAN IN RED

In cooperation with the 1.6 and 2.6 million women's health clubs in Sweden, a number of regional insurance companies took part in the Women in Red event, which aimed to raise awareness of women's health and quality of life, including financial quality of life.



EMERGENCY CARE FOR CHILDREN

Several regional insurance companies have conducted emergency care training in an effort to raise knowledge about how to handle accidents or illness situations while waiting for an ambulance. These courses are primarily designed for parents, and address common accidents that affect children of various ages.



Long-term efforts create an attractive employer

Länsförsäkringar AB's employees participate in a structured business control process, which includes an established business planning model. A performance management model connects the business planning process to the employee's performance. The model makes a clear connection to both the long and short-term aims of the business plan.



Individual targets for employees are identified in discussions between employees and their managers. Based on Länsförsäkringar AB's shared values, the agreements are documented in the employee's target contract.

To increase the internal mobility that develops both individuals and the organisation, all employees discuss the next stage of their careers.

An employee survey, which measures employee perceptions of performance conditions, is carried out annually. The results of the survey are used as a benchmark and to further improve performance conditions. Employees' 2011 performance experience resulted in a value of 4.1 from a maximum value of five. The response frequency for the survey was 81%.

Remuneration model governed by company values

The model should encourage excellent performance and contribute to making Länsförsäkringar AB an attractive employer that can compete for the requisite competencies in the market.

The structure and level of remuneration is to be consistent with the company's values, meaning it should be reasonable, moderate and well balanced. It should contribute to a positive organisational culture and also be open and transparent.

As of 2012, the remuneration model will only comprise fixed compensation, or a fixed cash monthly salary, with the exception of a number of managers and specialists in the Länsförsäkringar AB Group's asset management, who in addition to fixed compensation also receive variable remuneration.

Manager supply

Long-term management supply is ensured by identifying individuals with the drive and capacity to attain senior managerial positions within three years. This approach also enhances equality between women and men in the management structure.

To further ensure future leadership, a leadership development programme for young talent was implemented in collaboration with the regional insurance companies. Seven trainees participated in Länsförsäkringar AB's trainee programmes during the year. The trainee programme has been conducted since 2001 and plays a crucial role in attracting new talent and strengthening the brand as an employer among students.

Leadership development

A range of different initiatives have been carried out in the past few years to develop leadership. Four meetings were arranged for all managers during 2011. These meetings had the clear aim of developing leadership based on an overall approach and creating understanding for business, the market and market strategy. Two key themes were values and gender equality. A survey of perceived gender equality was conducted during the year. The survey is part of a long-term initiative to work with activities that encourage women to want to seek and accept leadership roles in the company.

A female manager was nominated for the Ruter Dam one-year Management Development Programme for Women Managers. Participation in the Ruter Dam programme has been a focus area for many years in a bid to have more women take on senior managerial roles. In addition, there is an internal network for women. The aim is to create a solid recruitment base for future female managers.

Eurapco (European Alliance Partners Company) organises training courses for presidents, senior-level managers and specialists for which Länsförsäkringar AB nominates a candidate each year.

An attractive employer

To be an attractive employer, Länsförsäkringar must be able to offer training and development opportunities. The average amount of training per employee in 2011 was about 4.5 hours. All employees have a target contract to follow and their performance and career development are evaluated every year. Some 90% of employees were evaluated in 2011.

Länsförsäkringar was one of the top 30 companies in all categories in the 2011 Företagsbarometern survey. The Företagsbarometern survey is carried out by Universum and measures how students perceive various employers. As well as a top-30 ranking, business administration students also named Länsförsäkringar the most attractive employer in the insurance industry for the ninth consecutive year.

In the banking and property category in the same survey, Länsförsäkringar claimed

fifth place as an attractive employer. This is proof of a strong employer brand. Länsförsäkringar is a group of companies with honest respect for both its customers and employees, and recognises each individual employee's significance for successful customer relations. Länsförsäkringar has a presence in digital media, where students are active both in their free time and when they are seeking employment. Communication with this target group takes place via a career site on Facebook and Careerbook.

Sickness absence

A long-term and, in particular, proactive health and healthcare effort has led to low

sickness absence. In addition to wide range of preventive healthcare activities and opportunities to exercise during working hours, a key measure was the introduction of medical insurance in 2006. This gives employees rapid access to specialist healthcare, and the sickness reporting service provides access to medical advice and follow-ups.

Another factor that contributes to the decline is efficient and routine-based sickness absence management. Through a rehab leader, managers receive professional advice and assistance in assessing whether and, if so, which support activities are required.



EMPLOYEE STATISTICS LÄNSFÖRSÄKRINGAR AB

Employees	2011	2010
Permanent employees, total	1,538	1,509
of whom men	691	683
of whom women	847	826
Permanent employees recruited during the year	134	136
Permanent employees who have left and now work at another company in the Länsförsäkringar Alliance	8	10
Permanent employees who left during the year	86	139

100% of employees have collective agreements, except for company 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 follows the Swedish Employment (Co-determination in the Workplace) Act.

Age range, all employees	2011	2010
0–30 years of age	120	105
31–40 years of age	413	426
41–50 years of age	528	515
51–60 years of age	375	370
61–	102	93
Average age, women	45	45
Average age, men	46	45

Age range, managers	2011		2010	
	Female managers	Male managers	Female managers	Male managers
0–30 years of age	1	1	0	4
31–40 years of age	16	27	25	30
41–50 years of age	36	46	33	47
51–60 years of age	19	33	17	32
61–	4	3	2	3
Total	76	110	77	116
Total	186		193	

Average age, managers	2011	2010
Women	46	45
Men	46	46

Gender distribution among management and Board	2011		2010	
	Women	Men	Women	Men
Presidents	3	7	2	7
Management teams ¹⁾	19	39	20	39
Board members ²⁾	21	64	14	51

¹⁾ Includes union representatives

²⁾ Regular members including union representatives

Sickness absence, %	2011	2010
Total sickness absence as a percentage of ordinary working hours	2.6	2.5
Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more	34.9	34.8

Sickness absence by gender, %	2011	2010
Men	1.4	1.5
Women	3.6	3.4

Sickness absence by age category, %	2011	2010
Up to age 29 years of age	4.2	3.4
30–49 years of age	2.1	2.1
50 years of age or older	3.2	3.1

Total sickness absence, %	2011	2010	2009	2008	2007
	2.6	2.5	2.5	3.4	3.8

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 mail outs to customers by 80% over two years – while simultaneously improving information quality.

Länsförsäkringar AB contributes to strengthening regional insurance companies' efforts to reduce the number of claims and minimise the effects of incurred damage. 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.

Environmental impact of travel

Business travel generates emissions of carbon dioxide, a greenhouse gas that contributes to the existing greenhouse effect. We travel by car, bus, train and plane. To reduce this environmental impact, our employees are increasingly switching to train travel in accordance with company-wide travel guidelines. Company cars are 100% green, according to the company's definition of green cars. To further stimulate the transition to cars that run on fossil-free fuel, the company has also installed charging stations for electric cars in car parks. Employees can also use company bikes and bus passes during working hours to reduce car and taxi travel. Another way to reduce the impact of travel on the environment is not travelling at all. For this reason, Länsförsäkringar AB has invested in video technology for many years. This technology preserves the environment and saves time.

Less mail outs generate lower emissions of CO₂ and environmentally hazardous printing chemicals

As an insurance and banking company, Länsförsäkringar AB is a major consumer of paper. More than 72 million sheets of paper are sent to customers each year. Länsförsäkringar AB has set a target of reducing the volume of mail outs by 80%, to be achieved over a number of years, by changing its method of communication with customers. Far-reaching efforts were conducted to analyse all mail outs and how they can be changed, which resulted in activities that will be implemented in forthcoming years. Digital solutions are being developed to reduce paper consumption and the development of the Internet channel provides major opportunities for reducing mail outs while also improving the quality of information so as to achieve more unified and clearer customer documents. The decrease in paper consumption corresponds to the same amount of carbon emitted by 1,650 flights from Stockholm to Gothenburg. The use of printing chemicals will also be reduced by 15 tons.

The changes that have entailed less paper consumption to date include eliminating account statements and a new design for insurance renewal letters. The old design of insurance renewal letters entailed consumption of 66 trees per year, while the new design entails only 22 trees per year. Further changes have been initiated.

Contribute actively to lower energy consumption

We are reducing our direct impact on the environment in the form of emissions of carbon dioxide and other substances by continuing to enhance the efficiency of heating and cooling systems, and by using low-energy lamps and electricity generated by hydroelectric power. Energy efficiency is achieved with a smart lighting system that adjusts office lighting to the time of day and amount of external light. Länsförsäkringar AB's office uses electricity generated by hydroelectric power, which emits the lowest possible amount of carbon dioxide. Although we use renewable electricity, working constantly to reduce the consumption of kWh in order to contribute to a total change in energy consumption is still important. The office is heated with district heating. The properties are certified according to the LEED Green Building Rating System, since they consume 25% less energy than the current standard for new construction in the Swedish National Board of Housing, Building and Planning's construction regulations.

One of the properties has also received an Environmentally Classified Building certificate and obtained an overall Silver rating. The environmental classification system provides an overall view of how the building functions and is an aid for saving energy, human health and the environment. Criteria such as energy, the indoor climate and chemical substances in the building are checked during the classification process. According to records, energy consumption in the same property (at 67 kWh/m²) has less than half the energy consumption per kilometre of similar properties. Heating in the form of district heating (85% is recy-

cled and renewable energy) is minimised since the building is mainly heated with surplus heating using heat pump technology. District heating is only used on specific occasions such as in extremely cold weather conditions.

Environmentally Classified Building is a unique Swedish classification system for creating better health and energy, and a better environment. Länsförsäkringar contributed to the conception of the system, where Swedish experts and researchers collaborated with companies in the construction and property sector to establish the system.

Food scraps become renewable fuel – biogas

Länsförsäkringar AB sorts all of the waste generated by its offices. The volumes have been measured for more than 10 years, and they can vary from year to year depending on the number of people employed at the offices and the demands of the organisation. The aim of measuring is to find new and smart processes, materials and methods that reduce our environmental impact. Sorting the waste produced by our internal lunch restaurants was introduced in 2010. All organic waste from kitchens and waste from people's plates is sorted and collected

to produce biogas. Food waste is processed biologically to produce biogas and bio manure. Biogas can be used as vehicle fuel and bio manure returns nutrients back to the land where new food is produced. Using biogas reduces total emissions of carbon dioxide, hydrocarbons, nitrogen oxides and dust. Measurements show a visibly improved urban environment following the introduction of biogas-powered vehicles. In 2011, 782,000 litres of food waste were collected for conversion to biogas, which would be sufficient for driving a biogas-powered vehicle 1,250 kilometres.

Insurance products for a non-toxic environment

Sweden has long been at the forefront of efforts to improve the environment. This has led to laws that regulate the responsibility that producers must take for their products in some product areas. A party that manufactures, imports or sells such products must ensure that they are handled correctly at the end of their lifecycle without harming the environment. This applies for private cars, electrical and electronic devices, car tyres and packaging.

Länsförsäkringar offers an insurance solution that guarantees financing for the

correct handling of insured products at the end of their lifecycle without harming the environment.

Länsförsäkringar AB has developed and for many years provided recycling insurance for agricultural operations that reduce the amount of environmentally hazardous waste and scrap generated by agriculture. Many farmers have various forms of hazardous waste such as oils, chemicals, medicines and old unusable machinery. These products are classified as hazardous goods and must be handled in accordance with special regulations. In 2011, 74 tons of pesticides, 889 tons of waste oil, 69 tons of oil filter, 14 tons of fluorescent tubes, 64 tons of paint waste and 4,263 tons of scrap were collected from agriculture and rural properties. Scrap is recycled as new products and the risk of accidents to both humans and animals is reduced when hazardous waste disappears.

Insurance products for renewable energy generation

We are currently in the initial phase of a long period of global energy conversion. We are moving away from fossil fuels – and perhaps nuclear power as well – toward a more sustainable energy system based on

INVESTMENTS FOR A CLEANER WORLD

Länsförsäkringar's asset management has been focused on environmental investments for many years. Since 2008, there has been an investment in World Bank Green Bonds and since 2009, an investment in Environmental bonds issued by the European Investment Bank. The aim of the bonds is to finance new technology for reducing carbon dioxide emissions in both emerging countries and Europe. Länsförsäkringar has been investing a small proportion of its unlisted holdings in wind and solar power for many years.

Länsförsäkringar also offers its customers a number of funds with an environmental profile.

External investment managers play a central role in Länsförsäkringar's capital and fund management. It is thus relevant that Länsförsäkringar communicates its expectations clearly concerning the management's consideration for ESG factors and compliance with Länsförsäkringar's ownership policy, and monitors their ability to deliver. If the assessment shows that an investment manager has not achieved Länsförsäkringar's requirement, the manager will be replaced.



renewable energy generation. This conversion has already begun and the most obvious effect in Sweden right now is the rapid build-out of the wind energy sector. Rapid and broad technological advancements in the renewable energy area also encompass solar and wave power.

In 2011, 350 new wind turbines became operational and the installed wind power capacity is assessed to have increased about 30%. Swedish electricity generation from wind power has doubled during the past 20 months and is now approximately equivalent to the generation of a nuclear power reactor.

To assist in the advancement of renewable energy generation, Länsförsäkringar has developed an insurance policy for wind farms. In 2011, Länsförsäkringar continued to underwrite insurance for wind farms under a recently developed wind-power concept. This concept includes the unique recycling insurance that ensures environmentally sound demolition and recycling of wind farms when relevant.

Environmentally hazardous emissions

In the outdoor environment, every form of damage that can be avoided is important. Damage caused by fire or water entails that all destroyed items must be replaced, transport increases and energy will be required to dry up the water. Every case of damage impacts the environment in the form of energy consumption, decontamination, 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. The Länsförsäkringar Alliance provides claims statistics for the "Water Survey," a national survey on the causes of water damage. The goal of the survey is to continuously monitor and rapidly identify causes of water damage.

Länsförsäkringar works continuously to improve claims prevention, in an effort to minimise claim incidents and reduce the impact of claims incurred. 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 the ground and nearby watercourses from the firewater that was used to extinguish the blaze. Similarly, the consequences of a fire are that large amounts of waste must be collected, sorted and handled to minimise the spread of pollutants and recycle any material that can be recycled.

Länsförsäkringar conducts an annual follow-up of the PVC industry with the purpose of promoting environmentally friendly improvements and a higher degree of recycling of, for example, the plastic mats that are used in wet rooms. A wide variety of activities are conducted to prevent fires, such as hydrostatic tests, chimney inspections and electrical inspections of agricultural premises.

Higher risk of damage as the climate changes

Climate change can increase the risk of flooding, landslides and soil erosion. These risks already exist, but both the frequency and the effects are expected to increase over the next few decades. While the risks increase, society also becomes more sensitive due to increased shoreline development. In addition to disaster-related risks, society is advancing. Accordingly, Länsförsäkringar works to prevent the risk of damage occurring.

Länsförsäkringar AB conducts joint damage prevention efforts. 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. One example of a local activity is collaboration with the Fire and Rescue Service to reduce the risk of flooding.

Supporting research

The Foundation for Regional Insurance Companies' Research Fund provides financial assistance for scientific research into everyday security. The research must contribute to greater financial and physical security in society. Commitment to the local community – a natural part of Länsförsäkringar's operations. The focus lies on applied research. The results it produces are in the public domain. A key assignment for the Regional Insurance Companies' Research Fund is to support the dissemination of the research results so that society can benefit through publication and seminars.

The research offers opportunities to raise knowledge that can benefit the development of new products and processes. It can illuminate long-term development areas. The research is also closely aligned with the regional insurance companies' joint damage prevention efforts.

Financing for scientific research has a strong element of social responsibility and is part of the regional insurance companies' social commitment. As a result, it also extends into areas of no great interest for insurance, but that may nevertheless be significant for everyday security.

"Secure homes" was a prioritised initiative in 2010 and 2011. Another initiative in the autumn of 2011 focused on "Unprotected pedestrians."

ENVIRONMENTAL DATA

Carbon dioxide emissions from business-related travel		2010	2011
Road and air		809 tons of CO ₂	601 tons of CO ₂
Energy consumption in Länsförsäkringar AB's office properties		2010	2011
Electricity	7,428 Mwh	7,166 Mwh	100%
	33,426 kg CO ₂ equiv.	32,247 kg CO ₂ equiv.	(Hydropower)
Heating	3,358 Mwh	2,536 Mwh	85%
	255,208 kg CO ₂ equiv.	192,736 kg CO ₂ equiv.	(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
40,900 kg	2,628 kg	106,623 kg	5,126 kg	2,388 kg	15,150 kg	782,000 liter

Many of these projects are significant for environmental work, for example “Vulnerability to flooding” and “Water draining for a safe built environment.”

Since the early 1990s, the Research Fund has donated about SEK 80 M to finance almost 145 research projects in the following areas:

- road safety
- crime prevention
- health and welfare
- climate change, the environment, fires, forest and agriculture
- recycling of products.

Spreading knowledge

Länsförsäkringar AB works both nationally and internationally to disseminate knowledge from its own operations, and from collaboration with other players, to reduce the environmental impact. This refers to the impact that an insurance claim may have on the environment, such as the firewater used to extinguish a blaze and how materials made from recycled products can make a real difference to the environment. Together with relevant industry organisations and the Swedish National Board of Housing, Building and Planning, Länsförsäkringar discusses how industry and government regulations can be formulated to promote safer, healthier and more environmentally sound homes. Cooperation also takes place with other Nordic authorities and research institutes to provide rapid access to the most up-to-date research results.

Long-term and sustainable environmental efforts

Länsförsäkringar has been certified as ISO 14001 compliant for many years. This is a guarantee that systematic and long-term environmental practices are in place. Regular audits of environmental practices ensure that these efforts are continuously developed. The environmental targets are integrated with operational targets and comply with the same principles as all other operational objectives. The company analyses its operations to identify areas with an adverse environmental effect. These areas are monitored on an annual basis to observe the trend toward less environmental impact.

Another area of focus is that all purchases and tendering processes carried out by Länsförsäkringar AB demand that the relevant product or service complies with environmental standards. By demanding environmental compliance, the market is driven to meet these requirements and Länsförsäkringar contributes to a better environment and health. Länsförsäkringar's work is governed by a joint process, based on a purchasing policy that stipulates environmental compliance for each product and service category, which are also reviewed on an annual basis in order to tighten requirements as advancements are forthcoming. Compliance with environmental standards is also required when contracting claims services. Contractors such as car repair garages and construction companies are assessed on the basis of both environ-

mental and quality criteria, for example, whether the company has an environmental policy and objectives.

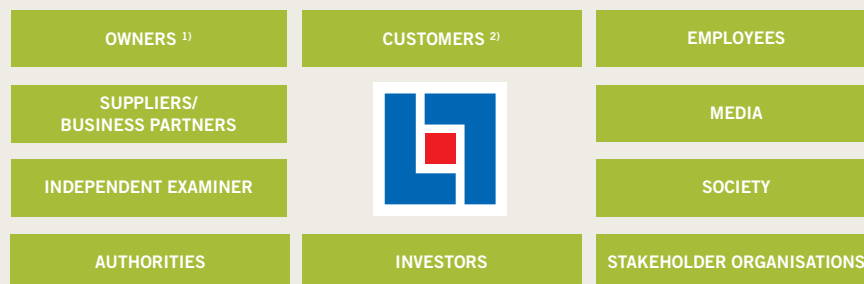
If a company wants to borrow money, we engage in a dialogue with the company concerning its environmental impact. When Länsförsäkringar chooses funds and fund managers, our selection is often based on various environmental considerations.

When developing products and services, Länsförsäkringar AB applies a proprietary concept “Sustainable Business Case,” which is based on the GRI (Global Reporting Initiative, see page 7) performance indicators for social, environmental and economic performance. The assessment of development projects is based on the following environmental areas: materials, energy, water, biodiversity, products and services, environmental legislation, transport. Another example of Länsförsäkringar's environmental practices and measures for reducing its environmental impact are the further development of an environment and quality-rating tool for assessing, for example, the environmental and quality practices of building contractors, and bodywork and painting garages.

No incidents or breaches of applicable laws occurred in 2011 that resulted in significant fines or non-monetary sanctions levied on Länsförsäkringar AB.

LÄNSFÖRSÄKRINGAR AB's STAKEHOLDERS

Several groups are particularly interested in how Länsförsäkringar AB conducts its operations. The illustration shows the companies' 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 of the regional insurance companies and Länsförsäkringar AB's subsidiaries.

Länsförsäkringar AB's sustainability report 2011

The 2011 Sustainability Report is Länsförsäkringar AB's first and pertains to the 2011 fiscal year. Länsförsäkringar AB intends to publish a report on its sustainability work every year and has presented some sustainability information in previous annual reports, but not to the same extent as in 2011. This sustainability report is included in Länsförsäkringar AB's 2011 Annual Report. Länsförsäkringar AB has chosen to apply G3.0 version of the GRI Guidelines for voluntary reporting of sustainability information, and report according to Application Level C. The information in the Sustainability Report has not been audited by a third party, but Länsförsäkringar AB deems that the information in the 2011 Annual Report and Sustainability Report complies with Application Level C of the GRI Guidelines.

It is Länsförsäkringar AB's intention that the 2011 Sustainability Report and Annual Report provide a fair indication of Länsförsäkringar AB's social, environmental and economic performance. The disclosures contained in the Sustainability Report have been chosen on the basis of the issues that are most significant for the operations, the factors that Länsförsäkringar measures and can report and the information that the identified shareholders are expected to request.

Unless otherwise stated, the disclosures apply to the entire Länsförsäkringar AB Group.

This table includes the standard disclosures that are mandatory for Application Level C, all key performance indicators for GRI version 3.0, 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 organisation and its strategy.	2-3, 7	■
1.2 Key impacts, risks and opportunities related to sustainability.	2-3, 9, 12-15	■
2. ORGANISATIONAL PROFILE		
2.1 Name of organisation.	30	■
2.2 Primary brands, products and services.	4-5, 7-8, 30-33	■
2.3 Operational structure.	1, 30, 109	■
2.4 Location of organisation's headquarters.	113	■
2.5 Countries of operation.	30-33, 113	■
2.6 Nature of ownership and legal form.	1, 4-6, 28-30	■
2.7 Markets served.	30-33, 113	■
2.8 Scale of the organisation.	Inside cover, 1, 11 35-36	■
2.9 Significant changes during the reporting period.	1, 33	■
2.10 Awards received during the fiscal year.	1, 11	■
3. REPORT PARAMETERS		
Report Profile		
3.1 Reporting period.	16	■
3.2 Date of most recent report.	16	■
3.3 Reporting cycle.	16	■
3.4 Contact point on the report.	7	■
Report scope and boundary		
3.5 Process for defining report content.	16	■
3.6 Boundary of the report.	16, 41-44	■
3.7 Limitations on scope or boundary of report.	16, 41-44	■
3.8 Basis for reporting on other entities.	16, 41-44	■
3.10 Explanation of any restatements from previous reporting.		■
3.11 Significant changes from previous year's report in the scope, boundary or measurement methods.		■
Assurance		
3.12 Table identifying GRI standard disclosures in the report.	16-17	■
3.13 Policy and current practices with regard to seeking external assurance for the report.	16	■

Standard disclosures/performance indicators	Page reference	Reported/ Partially reported
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
Governance		
4.1 Governance structure.	28-29, 33, 102-105	■
4.2 Indicate whether the Chair of the Board is also an executive officer.	103, 106, 108	■
4.3 The number of members of the Board that are independent and/or non-executive members.	28-29, 102-103, 107	■
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the Board.	34, 107	■
4.8 Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance.	7, 15	■
4.12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	15, 35	■
4.13 Memberships in associations and/or national/international advocacy organisations.		■
Stakeholder engagement		
4.14 List of stakeholders engaged by organisation.	15	■
4.15 Basis for identification and selection of stakeholders with whom to engage.	15	■
INDICATORS		
ECONOMIC PERFORMANCE INDICATORS		
EC 1. Direct economic value generated and distributed.	39	■
EC 2. Financial impact, risks and opportunities associated with climate change..	12-15	■
EC 3. Coverage of the organisation's defined benefit plan obligations.	47-48, 90-92	■
EC 4. Significant financial assistance received from government.	7	■
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 significant locations of operation.		■
EC 8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono .		■
EC 9. Understanding and describing significant indirect economic impacts, including the extent of impacts.	8-9	■

Indicators	Page reference	Reported/ Partially reported
ENVIRONMENT PERFORMANCE INDICATORS		
EN 1. Materials used by weight or volume.	12	■
EN 2. Percentage of materials used that are recycled input materials.		■
Energy		
EN 3. Direct energy consumption by primary energy source.		■
EN 4. Direct energy consumption by primary energy source.	12, 14	■
EN 5. Energy saved due to conservation and efficiency improvements.	12, 35	■
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.	12–15	■
EN 7. Initiatives to reduce indirect energy consumption and reductions achieved.	12–13	■
EN 8. Total water withdrawal by source.		■
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.		■
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.		■
Emissions, effluents and waste		
EN 16. Total direct and indirect greenhouse gas emissions by weight.		■
EN 17. Other relevant indirect greenhouse gas emissions by weight.	12, 14	■
EN 18. Initiatives to reduce indirect energy consumption and reductions achieved.	12–15, 35	■
EN 19. Emissions of ozone-depleting substances by weight.		■
EN 20. NOx, SOx, and other significant air emissions by type and weight.		■
EN 21. Total water discharge by quality and destination.		■
EN 22. Total weight of waste by type and disposal method.	13–14	■
EN 23. Total number and volume of significant spills.		■
Products and services		
EN 26. Group policies adapted for use by entities based on local parameters: no worldwide reporting.	12–15	■
EN 27. Percentage of products sold and their packaging materials that are reclaimed by category.		■
Compliance		
EN 28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	15	■
SOCIAL PERFORMANCE INDICATORS		
Labour practices and decent work		
LA 1. Total workforce by employment type, employment contract, and region.	11	■
LA 2. Total number and rate of employee turnover by age group, gender, and region.	11	■
Labour/Management Relations		
LA 4. Percentage of employees covered by collective bargaining agreements.	11	■
LA 5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	11	■
Occupational health and safety		
LA 7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	11	■
LA 8. Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		■
Training and education		
LA 10. Average hours of training per year per employee by employee category.	11	■
LA 11. Programs for skills management and lifelong learning.	10	■
LA 12. Percentage of employees receiving regular performance and career development reviews.	11, 34	■
Diversity and equal opportunity		
LA 13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	11, 106–109	■
LA 14. Ratio of basic salary of men to women by employee category.		■

Indicators	Page reference	Reported/ Partially 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.		■
HR 2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		■
Non-discrimination		
HR 4. Total number of incidents of discrimination and actions taken.		■
Freedom of association and collective bargaining		
HR 5. Operations where freedom of association and collective bargaining may be at significant risk.		■
HR 6. Operations having significant risk for incidents of child labour.		■
HR 7. Operations having significant risk for incidents of forced or compulsory labour.		■
Society		
SO 1. Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		■
SO 2. Percentage and total number of business units analysed for risks related to corruption.		■
Corruption		
SO 3. Percentage of employees trained in organisation's anti-corruption policies and procedures.	8	■
SO 4. Actions taken in response to incidents of corruption.		■
Public policy		
SO 5. Public policy positions and participation in public policy development and lobbying.		■
Compliance		
SO 8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	15	■
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.		■
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.		■
PR 4. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.		■
Product development		
PR 5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	22	■
Marketing communications		
PR 6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		■
Compliance		
PR 9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	15	■
FSSS		
FS 8. Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	13–14	■
FS 13. Access points in low-populated or economically disadvantaged areas.	6, 113	■

Legend:

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

Stable growth in a changeable world

- Operating profit totalled SEK 88 M (323).
- The technical result declined to SEK 159 M (193) due to major natural-disaster claims which led to higher claims costs.
- Premiums earned increased to SEK 4,003 M (3,769).
- The combined ratio was 102% (101).

Focus of operations

The majority of non-life insurance in the Länsförsäkringar Alliance is underwritten in the local regional insurance companies with local concessions. However, Länsförsäkringar Sak also conducts certain development-related operations, primarily pertaining to non-life insurance business. In 2011, business was underwritten in the areas of medical, healthcare, accident, property, cargo and liability insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (third-party liability insurance and motor-vehicle insurance) and animal insurance under the Agria brand. The company also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance. The provision for claims

incurred for third-party liability insurance underwritten up to and including 2003 is run off within 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 third-party liability insurance.

Earnings and profitability

The technical result amounted to SEK 159 M (193) and the combined ratio amounted to 102 (101). Net profit for the year was adversely impacted by claims costs in the internationally assumed reinsurance business, which was affected by many natural-disaster claims during the year. Business volumes rose 6% during the year. The increase primarily derives from Agria Djurförsäkring and the Reinsurance busi-

ness area. Operating profit totalled SEK 88 M (323), a decline attributable to lower investment income. Operating profit for the preceding year included SEK 10 M in investment income from Wasa Försäkring Run-Off AB. The company was liquidated in 2011.

Commercial insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to its corporate customers with specialised liability, cargo and property insurance solutions. The commercial-insurance market was impacted by the economic slowdown with premium levels that in many cases were governed by companies' sales and thus remained at relatively low levels. The cargo insurance market was constant and new competitors in the Swedish market sig-



nalled intensified competition. Combined with lower volumes, request for quotes are declining, with particularly the brokered portfolio not entering the procurement market and remaining with existing insurers. Competition is stiff in liability insurance since a number of niche companies offer risks at much lower levels. The portfolio trend was positive and the loss of premiums was partly recouped. The role of insurance brokers has been strengthened as both distributors and developers of the customer offering.

Länsförsäkringar's 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.

Agria Djurförsäkring

Premiums earned for own account amounted to SEK 1,916 M (1,795) and the technical result improved to SEK 77 M (loss: 10). Earnings in 2010 were charged with major claims costs in the UK branch and operating profit also improved to SEK 79 M (10). The market is continuing to grow and through Agria Djurförsäkring Länsförsäkringar held its leading position in the market with a share of 56.7%.

Agria is the Länsförsäkringar Alliance's specialist company for animal and crop insurance and Länsförsäkringar's subsidiary brand. This specialisation involves a streamlined focus on and involvement with animals and their owners. Agria's operations are gaining in strength in markets out-

side Sweden, currently the UK, Norway and Denmark. The same brand, following the same guidelines, governs all encounters with Agria, wherever they may be in the global environment. The brand is frequently profiled in social media and Agria's website also won "2011 Best Website" at the Web Service Awards.

The level of animal insurance in Sweden is rising and an increasing number of animal owners are choosing Agria. The dogs, cats and other small animals business area continued to grow again in 2011. The average costs for veterinary care remained at roughly the same level, but similar to the preceding year, there is an elevated trend in visits to the vet, particularly among cats. Overall, claims costs for small animals rose compared with the preceding year. Horse husbandry, which is the market most sensitive to economic fluctuations, continued to experience problems, for example, as seen in the significantly lower number of foal births. Sales of horses have also declined and horses are being insured at lower values. Claims costs for horses fell mainly due to fewer life-assurance claims and the horse business area posted a positive result. The agriculture business area reported excellent results since the level of health was favourable and there were few incidents of hail-storm damage. Premium adjustments and portfolios capture from Sveland also had positive effects on annual premiums and the portfolio.


International business is growing and the premiums earned for own account rose 12% to SEK 574 M (514). Agria International, which is a subsidiary of Agria Djurförsäkring,

has the task of establishing and conducting the unique Agria concept in foreign markets close to Sweden. In addition to Sweden, Agria has operations established in the UK, Norway and Denmark. Business activities in Finland, conducted through Tapiola, were discontinued during the year. Sales in Denmark commenced in January 2011 following extensive launch work in 2010. The measures taken in the UK branch following the negative results in 2010 have generated effects and provided the conditions for higher and stable future profitability. Agria Dyreförsäkring in Norway, which is now in its sixth year of operations, has already become the leading animal-insurance company in Norway. The Norwegian operations have posted positive earnings since 2008, as was also the case in 2011.

Medical insurance

Premiums earned for own account in the health insurance area totalled SEK 969 M (902) and profit totalled SEK 108 M (70). The improvement in profit was primarily attributable to run-off gains in the group life assurance portfolio. The medical-insurance market is continuing to grow, albeit with growth slowing, and was at about 6% according to the most recent study. A clear trend is that privately paid insurance policies are steadily reducing and company paid policies steadily increasing. Many small businesses view waiting lists and long-term sick leave as strong motivators for taking out medical insurance for their employees.

Growth is mainly taking place among the target groups, small and medium-sized businesses, and the Voluntary Medical Plan and



NON-LIFE INSURANCE					
Key figures	2011	2010	2009	2008	2007
Premiums earned after ceded reinsurance, SEK M	4,003	3,769	3,524	3,024	2,634
Profit/loss before appropriations and tax, SEK M	88	323	505	-3,003	1,169
Technical result for insurance operations, SEK M	159	193	426	327	293
Expense ratio	23	23	26	36	30
Claims ratio	79	78	75	75	76
Combined ratio	102	101	100	111	107



Medical Commercial Insurance package solutions. The changes implemented in medical insurance including improved care guarantees, the abolition of compulsory referrals and the introduction of deductibles have increased customer availability and reduced claims costs. The changes make it possible in the long term to offer customers reasonably priced insurance that over time is stable in price and simple to use. Customer satisfaction is stable at a high level for the level of service received in medical care and claims processing.

The personal-risk insurance market is continuing to develop and Länsförsäkringar is increasing both its premium volumes and number of policies in this area. In medical insurance, the introduction of the new group insurance policies represents the first step in modernising the group life assurance and group medical insurance markets. The aim is to create insurance policies that are better tailored to current society. Accordingly, the new group insurance policies have higher amounts of insurance and the terms are adapted to the new conditions of modern society. The new group insurance policies have been converted and as a result four different life assurance policies and six different medical insurance policies have been consolidated into one life assurance policy and one medical insurance policy. In 2012, special agreements and continuation insurance policies will be adjusted

Reinsurance

The Länsförsäkringar Alliance's reinsurance solutions are managed centrally by Länsförsäkringar Sak. Internationally assumed reinsurance has also been underwritten for the past few years. The higher rate of disaster claims globally illustrates how essential reinsurance cover is. Premiums earned for own account amounted to SEK 473 M (388) and profit for the reinsurance operations to SEK 1 M (43), with the decrease in profit attributable to the high costs of natural-disaster claims in the intentionally assumed reinsurance business.

For the global reinsurance market, 2011 appears to be one of the most expensive years ever for natural disasters and as a result prices have risen for the reinsurance programmes that had claims. Premiums for smaller programmes and those with no claims fell slightly in certain cases. Despite the market claims, most reinsurance companies remained strong with unchanged capital. However, earnings for many companies were negative and the worst since 2005. Länsförsäkringar's internationally assumed business posted a negative result due to the number of large market claims during the year. The largest claims were the earthquake in Christchurch, New Zealand, the earthquake and tsunami in Japan, torrential rain in Copenhagen, flooding in Thailand and Hurricane Dagmar that struck Norway, Sweden and Finland. The expo-

sure level of the Länsförsäkringar Alliance's non-life insurance operations changed extremely little in 2011 and the external reinsurance programme was largely unchanged. The internal reinsurance solution is also continuing and is a major asset for Länsförsäkringar and its customers since the system ensure stable reinsurance at a low cost.

Insuring companies abroad

With rising globalisation, Swedish companies are increasingly establishing business operations abroad, which heightens the need for international insurance programmes for Länsförsäkringar's customers. Knowledge of the advantages of international insurance programmes has risen and Länsförsäkringar, with its membership of the International Network of Insurance (INI) and its licence to conduct insurance operations (Freedom of Service, FOS) within the EU, has a competitive advantage in this segment, which is starting to garner attention in the market. Through the INI, Länsförsäkringar can offer, as one of the few companies in the Swedish market, customised and local insurance solutions in more than 100 countries at competitive prices.

Länsförsäkringar's investments in renewable energy are starting to gain momentum and the business partnership with Eurapco has developed, meaning that Länsförsäkringar shares its risks with its European partners

with high profitability. New insurance products are being developed in the leasing market and the launch of travel insurance linked to bank cards was successful. A study of the Länsförsäkringar Alliance's Freedom of Service (FOS) operations was carried out and new produced adjusted for the European market are now being developed to enhance the Alliance's ability to insure customers' interests in Europe.

Asset management

The management of the Länsförsäkringar Sak companies' investment assets mainly includes management assignments of SEK 15 billion for Länsförsäkringar Sak and SEK 0.9 billion for Agria Djurförsäkring. The maturity periods and valuation principles of liabilities differ significantly between the non-life insurance companies and, for example, a life-assurance company. This means that the various management assignments have different investment strategies with regard to such considerations as liability hedging. During the year, the non-life insurance operations' investment assets were distributed between primarily interest-bearing assets comprising government bonds, supplemented with a relatively high percentage of credit and corporate bonds, which had a positive impact on returns. Investment income, gross amounted to SEK 234 M (438), of which investment income transferred to insurance operations amounted to SEK 305 M (308).

The level of risk in the portfolio remained low with a limited percentage of equities and a decrease in more risky loans. With a significant portion of the total market risk in the interest-bearing class of assets, it has become increasingly important to supplement the governance and monitoring of asset management with a more risk-based approach whereby the Interest-rate risk is continuously analysed from several dimensions. The total return amounted to 5.8%. This return includes the results of matching the liability for claims annuities which are a portion of the liability that is currently assigned a market value in accordance with applicable accounting rules. Other positive contributions are also found from properties and investments in loans.



Bank of the Year with the most satisfied customers

- Länförsäkringar is the 2011 Bank of the Year and had Sweden's most satisfied retail mortgage and retail bank customers, according to the 2011 Swedish Quality Index.
- Operating profit rose to SEK 385 M (345), due to an increase of SEK 1,728 M (1,363) in net interest income.
- Deposits rose to SEK 50 billion (42) during the year and the market share increased to 3.8% (3.5).
- Loan losses remain low and amounted to SEK 48 M (42) net, corresponding to loan losses of 0.04% (0.03).
- The number of customers increased to 889,000 (826,000) and business volumes rose to SEK 251 billion (232).



Länförsäkringar is a successful and aggressive full-service bank with Sweden's most satisfied retail customers. The local presence combined with the customers being the only principal were the key reasons for Länförsäkringar's high customer satisfaction rating and why Länförsäkringar was named "2011 Bank of the Year" by Swedish financial magazine Privata Affärer.

According to the 2011 Swedish Quality Index, Länförsäkringar has Sweden's most satisfied retail bank customers for the seventh time in eight years. Länförsäkringar is the bank that best met customer expectations and is perceived to be reasonably priced.

Länförsäkringar is the bank that best met customer expectations and is perceived to be reasonably priced. Image and loyalty also received the highest rating. Länförsäkringar has Sweden's most satisfied retail mortgage customers for the seventh consecutive year according to the 2011 Swedish Quality Index. The number of Länförsäkringar Bank customers rose 8% to 889,000 (826,000). The number of customers with Länförsäkringar as their primary bank increased 14% to 255,000 (223,000) and of these customers 93% (92) already have an insurance policy with Länförsäkringar. The number of products per customer rose to 4.7 (4.6).

The strategy, which has not been changed since 2000 a few years after the bank was founded in 1996, is to offer the regional insurance companies' customers banking and insurance services. Länförsäkringar Bank is a subsidiary of Länförsäkringar AB with the task of creating the conditions for the 23 regional insurance companies' branches for conducting successful banking operations – all customer meetings take place at the regional insurance companies' branches. Customer contact also takes place at Länförsäkringar Fastighetsförmedling's branches. The strategy for the banking operations is based on the existing infrastructure of the Länförsäkringar Alliance: a large customer base, a strong brand and the value basis and core values of the customer-owned regional insurance companies. The strategy also includes efficiently financing the operations.

Earnings and profitability

Profit before loan losses rose 12% to SEK 434 M (387) and operating profit increased 12% to SEK 385 M (345), due to higher net interest income. Return on equity amounted to 4.8% (5.0). Operating income rose a total of 11% to SEK 1,520 M (1,368) and operating expenses increased to SEK 1,086 M (982), attributable to a continued high pace of development in the business operations, with increased IT and staff costs.

Customer deposits

Länsförsäkringar has a total offering in savings and is growing in the deposits market. Deposits from the public increased 19% to SEK 50 billion (42), with the increase primarily attributable to the rising number of customers who have chosen Länsförsäkringar as their primary bank. In 2011, the market share for household deposits in the Swedish market rose to 3.8% (3.5) and the share of market growth was slightly more than 7%, according to data from Statistics Sweden.

Loans

Loans to the public rose 14% to SEK 134 billion (118). Retail mortgages in Länsförsäkringar Hypotek increased to SEK 89 billion (80). All loans occurred in Sweden and in SEK. The market share for household and retail mortgages in Sweden increased to 4.6% (4.4) and the share of market growth for the year was nearly 10%, according to data from Statistics Sweden. Länsförsäkringar is the fourth largest player in agricultural loans in Sweden and strengthened its market share to 8.5% (7.8) during the year, according to Lantbruksbarometern. First-lien mortgage for agricultural properties rose to SEK 13.7 billion (10.8) and agricultural lending increased to a total of SEK 16.7 billion (13.8).

The loan portfolio had a robust geographic distribution and continued to maintain a high level of quality. A total of 81% (81) of the portfolio comprised household credits. Most of the total portfolio, 72% (74), pertained to retail mortgages, of which 80% (81) comprised collateral in single-family homes and 20% (19) tenant-owned

apartments. Agricultural lending accounted for 12% (12) of the loan portfolio and the average agricultural commitment was low. First-lien mortgages, mainly to family-owned agricultural operations, accounted for 82% (78) of agricultural loans.

Borrowing

Debt securities in issue rose 13% to SEK 101 billion (89), of which covered bonds increased to SEK 86 billion (80). A nominal amount of SEK 13.5 billion (13.4) of total borrowing was issued in the international market. The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Financing is also conducted through Länsförsäkringar Bank's programmes.

Parent Company

Deposits and some lending are conducted by the Parent Company. Most of the lending and borrowing operations are conducted through the subsidiary Länsförsäkringar Hypotek. Loans to the public rose 21% to SEK 33 billion (28). Deposits from the public rose 19% to SEK 50 billion (42). Debt securities in issue rose 66% to SEK 16 billion (10). Operating loss amounted to SEK 16 M (profit: 2). Net interest income was strengthened by higher business volumes and improved margins in deposits and rose 44% to SEK 726 M (505).

Subsidiaries

Länsförsäkringar Hypotek

Retail mortgages in the bank's mortgage institution increased 11% to SEK 89 billion

(80). Retail mortgages up to 75% of the market value of the collateral on the granting date are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit rose to SEK 189 M (152), attributable to a higher net interest income. Recoveries exceeded loan losses, amounting to SEK 4 M (3) net, corresponding to loan losses of 0.00% (0.00). The number of retail mortgage customers rose to 161,000 (149,000).

Wasa Kredit

Lending volumes increased 12% to SEK 12.0 billion (10.7). All leasing, hire purchase and unsecured loan products increased in 2011 and the largest volume increase was in leasing. Operating profit rose 26% to SEK 166 M (132). Net interest income increased 9% to SEK 493 M (452). Expenses increased 2% to SEK 377 M (369) and loan losses declined to SEK 53 M (47), net.

Länsförsäkringar Fondförvaltning

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 3.9% (3.9) on December 31, 2011, according to statistics from the Swedish Investment Fund Association. The volume of managed funds fell 8% to SEK 67 billion (72), primarily attributable to the value growth trend. The company manages 33 (32) mutual funds with various investment orientations. The funds are available as direct fund savings, IPS and unit-linked insurance and through the PPM system. Operating profit amounted to SEK 98 M (98).



BANK					
Key figures	2011	2010	2009	2008	2007
Deposits from the public, SEK M	49,610	41,590	37,365	35,090	29,735
Loans to the public, SEK M	134,011	117,910	99,582	78,564	67,040
Operating profit, SEK M	385	345	258	245	238
Return on equity, %	4.8	5.0	4.2	4.4	5.0
Cost/income ratio before loan losses	0.71	0.72	0.76	0.75	0.74

Foundation laid for focus on occupational pensions

Key figures for traditional life assurance have been strained at periods. A number of robust measures were taken to improve key figures. Underwriting new insurance policies under traditional management was discontinued in September and the subsidiary Länsförsäkringar Fondliv was sold to Länsförsäkringar AB in October. Länsförsäkringar Fondliv became a wholly owned, profit-distributing subsidiary of Länsförsäkringar AB on October 31, 2011 and is therefore consolidated in the Länsförsäkringar AB Group.

Background

The financial markets experienced extensive turmoil in 2011 and interest rate falls in Sweden were extreme. Long-term market interest rates had declined to historically low levels at the end of 2011. The trend in interest rates affected the traditional life assurance industry as companies' technical liabilities were discounted by the market interest rate. Liabilities increase when the rate falls.

Trends in the financial market led to Länsförsäkringar Liv undertaking a series of steps to limit the negative consequences caused by these trends. Länsförsäkringar Liv followed a predetermined action plan for such situations, which involved successive sales of the liquid portions of the company's equity portfolio and increases to the duration of assets by purchasing long-term obligations and through derivative contracts. Another step in reducing the effects of the financial crisis was the discontinuation of underwriting new insurance policies under traditional management on September 6, 2011. The subsidiary Länsförsäkringar Fondliv was also sold to Länsförsäkringar AB on October 31, 2011.

The systematic activities to govern, manage and control the business operations' risks were of immediate importance to the company and its customers. All measures generated the expected and positive effects on earnings and key figures.

Market

Unit-linked insurance in Länsförsäkringar's key occupational pension market con-

tinued to attract customers. The wide range of funds and option of individually customised fund portfolios created excellent conditions for increasing the value of pension capital. The range of funds and freedom of choice means that many customers ask for advisory services during the various stages of the savings process. Such demands were particularly prevalent in the turbulent year of 2011 when many customers were concerned about stock-market downturns. Unfortunately, the narrow focus on price in the large, collectively agreed occupational pension procurements in recent years hindered opportunities to provide advisory services to broad customer segments. The assertion that lowest price is not the same as best return was supported by Länsförsäkringar's analysis of the funds in the ITP plan. The survey also revealed that the ITP plan funds generally yielded lower returns than the industry average for similar funds.

Länsförsäkringar's total market share for unit-linked insurance, measured in sales value, amounted to 11.0% (9.1) in 2011. The share of the strategically important sub-market of non-collectively agreed occupational pensions was 18.7% (23.6).

The success in the unit-linked insurance market was largely attributable to Länsförsäkringar's systematic focus on distribution via independent insurance brokers. Länsförsäkringar being named Best Broker Desk for the fifth consecutive year by the Swedish Insurance Brokers' Association is confirmation that this focus has generated lasting effects and that Länsförsäkringar offer high quality unit-linked insurance

products. Länsförsäkringar continued to have the most satisfied customers in the occupational-pension sector for corporate customers, according to the Swedish Quality Index. Länsförsäkringar came first in the survey and was the only company with a customer satisfaction index of more than 70.

Business volumes

No new insurance policies under traditional management were underwritten from September 6. The main exceptions are for collective agreement pensions, for which Länsförsäkringar Liv has entered into agreements with pension selection centres. Essentially only new collective agreement policies under traditional management are underwritten. Total sales amounted to SEK 17,567 M (20,237), which is 15% lower than in the preceding year. The market share, measured in new sales of the total life-assurance sales market, amounted to 10.5% (7.5) on December 31, 2011, according to preliminary statistics from Insurance Sweden.

Total premium income for traditional insurance and unit-linked insurance amounted to SEK 13,048 M (12,893), down 1% compared with the year-earlier period. Occupational-pension plans accounted for most of the positive performance compared with 2010, up 6%. The occupational pension product area represented 67% of total premiums paid, while collective agreement pensions represented 13% and Reflex Kapital 8% of total premiums paid. 50% of premium income derived from unit-linked insurance and 50% from traditional insurance.

Unit-linked insurance

- Länförsäkringar AB's acquisition of Länförsäkringar Fondliv in the autumn laid the foundation for the clear future focus of offering unit-linked insurance solutions to companies and private individuals.
- The unit-linked life assurance company manages SEK 52 billion on behalf of life-assurance and pension insurance customers. Managed assets declined 3% during the year, due to negative returns for the year as a result of turmoil in the financial market.
- Sales amounted to SEK 9 billion, making Länförsäkringar Sweden's third largest unit-linked insurance company.
- Profit for the unit-linked life assurance company totalled SEK 297 M (132). The solvency rate strengthened to 2.67% (2.04).

Unit-linked insurance continues to attract customers. The total market share for unit-linked insurance, measured in sales value, amounted to 11.0% (9.1) in 2011. The share of the strategically important sub-market of non-collectively agreed occupational pensions was 18.7% (23.6). The success in the unit-linked insurance market was largely attributable to Länförsäkringar's systematic focus on distribution via independent insurance brokers. Länförsäkringar was named Best Broker Desk by the Swedish Insurance Brokers' Association for the fifth consecutive year.

Earnings and profitability

Profit for Länförsäkringar Fondliv amounted to SEK 297 M (132). The earnings improvement was largely due to managed assets being high many times during the year than at comparable period in the preceding year. Higher managed assets also led to increased portfolio compensation and portfolio commission. Managed assets declined during the second half of the year driven by falling share prices and totalled SEK 52 billion (54) on December 31. In

June, the Supreme Administrative Court announced that it changed the advance ruling from the Swedish Board of Advance Tax Rulings, and stated that the company was not to recognise income in the form of portfolio provisions for taxation in accordance with the Swedish Income Tax Act.

Unit-linked insurance

Länförsäkringar's fund offering comprises 30 funds under Länförsäkringar's own brand and about 40 external funds, totalling approximately 70 funds. Funds under the own brand are found in Länförsäkringar's own mutual fund company and are administered by carefully selected external managers. The external funds provide additional breadth and variety in the offering and were chosen because they posted favourable results compared with other similar funds in the market. Systematic reviews are continuously performed over time to ensure that the funds and managers continue to perform well. Those that fail to meet requirements, for whatever reason, are replaced. At the end of 2011, Länförsäkringar Fondliv decided to accept three new funds with active man-

agement in Länförsäkringar's pension savings fund market and, as a supplement to the fund market, to produce a new fund form with a guarantee element to be launched in the first quarter of 2012.

Risks and risk management

Länförsäkringar Fondliv conducts unit-linked insurance activities which involve customers selecting the investment orientations and risk levels themselves. Customer savings are invested in one or more funds chosen by the customers themselves, meaning that the customers assume the risks associated with their choice of investment. The company is responsible for other risks in the operations and the management of these risks helps in providing financial products with high returns and at a controlled level of risk.

Länförsäkringar Fondliv's most important objective is to ensure that the company offers funds that deliver as high returns as possible. The risks in the operations are to be managed contentiously. Risk management is to be an integrated part of the business governance.



LÄNSFÖRSÄKRINGAR FOND LIV

Key figures	2011	2010
Premium income ¹⁾ , SEK M	6,518	6,345
Fees from financial agreements, SEK M	397	380
Investment income, net, SEK M	-6,148	3,784
Profit after tax, SEK M	297	132
Total assets, SEK M	54,090	55,995

¹⁾ According to Insurance Sweden's definition.

Traditional life assurance

- The solvency ratio amounted to 111% (141) and collective consolidation to 109% (107) on December 31, 2011.
- The bonus rate was gradually lowered from 7% at the start of the year to 0% at year-end.
- The sale of the unit-linked life assurance company improved the debt coverage ratio and group solvency ratio by slightly more than 2 percentage points.
- The total return of Länsförsäkringar Liv amounted to 6.5% (4.1). The return improved due to the increase in the share of interest-bearing investments with long durations during the year.

Earnings and profitability

The loss for the Länsförsäkringar Liv Group in 2011 amounted to SEK 13,063 M (profit: 3,716). The negative outcome for 2011 was due to sharp falls in long-term interest rates. Interest-rate changes impacted earnings with the technical liabilities in traditional management being discounted by the market interest rate. Long-term market interest rates fell significantly in mainly the third quarter, thus increasing liabilities and weakening earnings. However, investment income and risk and administration gains contributed positively to earnings. The total return amounted to 6.5% (4.1). Returns were positively impacted by a high percentage of fixed-income investments with long maturities. Such investments were positively affected by declining market interest rates. Meanwhile, the percentage of equities in the portfolio was low and, consequently, the downturns in global stock markets in 2011 did

not have such an extensive impact on returns. Equities exposure via private equity had made a positive contribution to the total return, despite other market trends. For further information on the Länsförsäkringar Liv Group's earnings and financial position, see page 101.

Traditional management

Investments are normally made in interest-bearing securities, equities, properties and alternative investments. On December 31, 2011, asset allocation in Länsförsäkringar's traditionally managed portfolio was as follows: 9% invested in equities, 81% in interest-bearing securities, 6% in property and 4% in alternative investments. The return for the different asset classes in 2011 was as follows: equities negative 7.6% (pos: 8.9), interest-bearing securities 11.2% (4.2), properties 5.7% (4.5) and alternative investments 0.5% (8.1). At year-end 2011, investment assets in traditional manage-

ment mainly comprised long-term interest-bearing assets. Insurance capital on traditional management is to grow, as a minimum, in line with guaranteed interest in the long term. In addition, customers will receive bonuses if the total return is favourable over time. There is a long-term connection between favourable total returns and the ability to offer customers a high bonus rate. The average bonus rate since Länsförsäkringar's traditional life-assurance operations were started in 1985 is 8.6%. In 2011, the average bonus rate was 4% and on November 1 the rate was lowered to 0%.

Risks and risk management

It is essential to ensure that the company can meet its guaranteed commitments to customers with a satisfactory margin. Accordingly, the most critical risks are those that may contribute to the company's insolvency and the company not being able

LÄNSFÖRSÄKRINGAR LIV

Key figures	2011	2010
Premium income, net, SEK M	6,161	6,300
Investment income, net, SEK M	7,531	4,440
Profit/loss after tax, SEK M	-16,012	4,044
Investment assets, SEK M	108,649	104,756
Investment assets, New World, SEK M	12,564	13,065
Total assets, SEK M	128,760	123,446
Collective consolidation, %	109	107
Solvency ratio, %	111	141
Return, New World, %	-3.8	8.9
Total return, traditional life assurance, %	6.5	4.1



to meet the commitments to its policyholders. Risk management is an integrated part of the governance of the operations, and aims at maintaining a satisfactory balance between the conditions for generating returns and the level of risk.

Key figures for traditional life assurance

The solvency ratio was 111% (141). The solvency rate amounted to 2.4 (9.3). Solvency in 2011 was negatively impacted by the sharp increase in liabilities to policyholders as a result of falling long-term market interest rates. The solvency ratio shows the value of the company's assets in relation to the guaranteed commitments to customers. The measure is theoretical since it reflects a situation if the entire capital assured were to be paid on a single day. The key measures undertaken to safeguard key figures include Länsförsäkringar Liv's decision to discontinue underwriting new policies, cost savings, the sale of Länsförsäkringar Fondliv to Länsförsäkringar AB and higher interest matching of interest-rate sensitive liabilities. All of these steps generated the expected, positive effects on earnings and key figures. Despite these efforts, key figures remain relatively weak. Going forward, Länsförsäkringar Liv plans to maintain a cautious investment strategy and work on different measures to reduce the interest-rate sensitivity of liabilities. Collective consolidation amounted to 109% (107) on December 31, 2011. Collective consolidation is a measurement of a life-assurance company's ability to distribute a bonus. Collective consolidation 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 107% (122) and for occupational pensions to 107% (122).

Asset management

Management model focusing on risk

Länsförsäkringar Liv is the largest management assignments for Länsförsäkringar AB's Asset Management unit with SEK 122 billion in investment assets. The return for Länsförsäkringar Liv in 2011 amounted to 6.5%.

This result was attributable to favourable fixed-income returns in terms of both strat-

egies to hedge interest and investments in loans. The holdings in unlisted shares and property also made a positive contribution to returns. Holdings in listed shares made a negative contribution to returns during the first six months of the year, and this risk was subsequently reduced by not having listed shares.

The aim of management is to generate high returns on policyholders' money based on an acceptable risk level. Accordingly, Länsförsäkringar's traditional life assurance works continuously on developing its model to ensure that efficient management. This applies to the choice of investment assets and the methodology and approach applied. The portfolio structure for market exposure focuses on dynamically selecting the asset allocation desired in the portfolios according to risk-assumption capacity.

The principle of a long-term approach to the life-assurance company's management

is supplemented with a high level of market-risk control applicable to the entire balance sheet. Safeguarding current key figures must be continuously balanced against ensuring the long-term perspective of management. This has, in the short term, impacted the ability to invest in assets that are not tradable in the short term, known as alternative investments. During the year, the investment operations had to adjust the risk level to the conditions of the balance sheet.

The derivative strategies are a way of protecting certain key figures. Derivative solutions are also actively utilised to hedge the portfolios against different types of risks, such as the risk of unfavourable interest-rate changes. Such hedging is a common element in the management of traditional life assurance and is undertaken to render the balance sheet less susceptible to rising liabilities due to falling interest rates.



Owner control

The internal owner control in the Länsförsäkringar Alliance is part of the 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 part of the responsibility for the development of the operations in which they have jointly invested. The development of joint business and the growth plans in recent years have led to the owner control of the regional insurance companies vis-à-vis Länsförsäkringar AB increasingly becoming a focus issue. The internal 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 also 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 is, as owner, 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 the purpose of the ownership of Länsförsäkringar AB, the regional insurance companies have together created joint forms for 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 owner control of many larger financial groups, since all of the regional insurance companies have the same clear purpose for their ownership, conduct active operations and, collectively, hold sufficient financial capacity to ensure long-term ownership.

Owner-control logic

Today, the logic of the internal owner control concerns the relationship between the Boards of the regional insurance companies, Länsförsäkringar AB's General Meeting, the regional insurance companies' owner consortium and Länsförsäkringar AB's Board of Directors.

Länsförsäkringar AB's General Meeting and the regional insurance companies' owner consortium jointly comprise the forum for the regional insurance companies' owner control of Länsförsäkringar AB. The duties of the General Meeting are formally regulated in laws and the Articles of Association. The duties of the consortium are regulated in the regional insurance companies' consortium agreement. Strictly speaking, there are boundaries between owner control and administration of the company between the General Meeting and Board. The federal structure of the Länsförsäkringar Alliance and the task that Länsförsäkringar AB has in the Länsförsäkringar Alliance provide particular conditions and possibilities for owner control through the consortium and the representation of the regional insurance companies on the Board of Directors of Länsförsäkringar AB. As a result, the regional insurance companies' owner control not only takes place through the General Meeting, but also the consortium and through the regional insurance companies' representation on the Board of Länsförsäkringar AB.

Länsförsäkringar AB's Board is elected by the General Meeting, which comprises representatives for all shareholders. The Board is elected based on a process con-

trolled by the owners through a Nomination Committee appointed by the General Meeting. The composition and mandate period, etc. of the Nomination Committee are regulated in 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 of owners' control of the operations in Länsförsäkringar AB. As part of its role, the



Nomination Committee is to represent the owners and the intentions of the owners with Länsförsäkringar AB, and to ensure that the best competencies are utilised in the composition of Länsförsäkringar AB's Board.

The owners' task to the Nomination Committee is described in a separate, documented instruction that is 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, it is vital that the Nomina-

tion Committee and Board Chairman work closely together, in order to maintain the quality of the process and to avoid polarisation. One example of this 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 in the framework given by the owners' intentions with the operations. In other words, Länsförsäkringar AB's Board pursues the strategies and targets that the owners agree on at

any time and performs the owners' assignments. At the same time, Länsförsäkringar AB's Board is highly responsible for safeguarding the capital invested by the regional insurance companies in Länsförsäkringar AB.

The regional insurance companies' assignment to Länsförsäkringar AB's Board is decided in the consortium and is documented in, for example, the Länsförsäkringar Alliance's steering documents. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.



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 2011 fiscal year. The registered office of the company is in Stockholm.

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 and of Länsförsäkringar Bank AB (referred to below as Länsförsäkringar Bank) with subsidiaries. Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) (referred to below as Länsförsäkringar Fondliv) was acquired from Länsförsäkringar Liv Försäkringsaktiebolag (publ) (referred to below as Länsförsäkringar Liv) in October 2011. In 2011, the subsidiary Wasa Försäkring Run-Off AB liquidated.

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

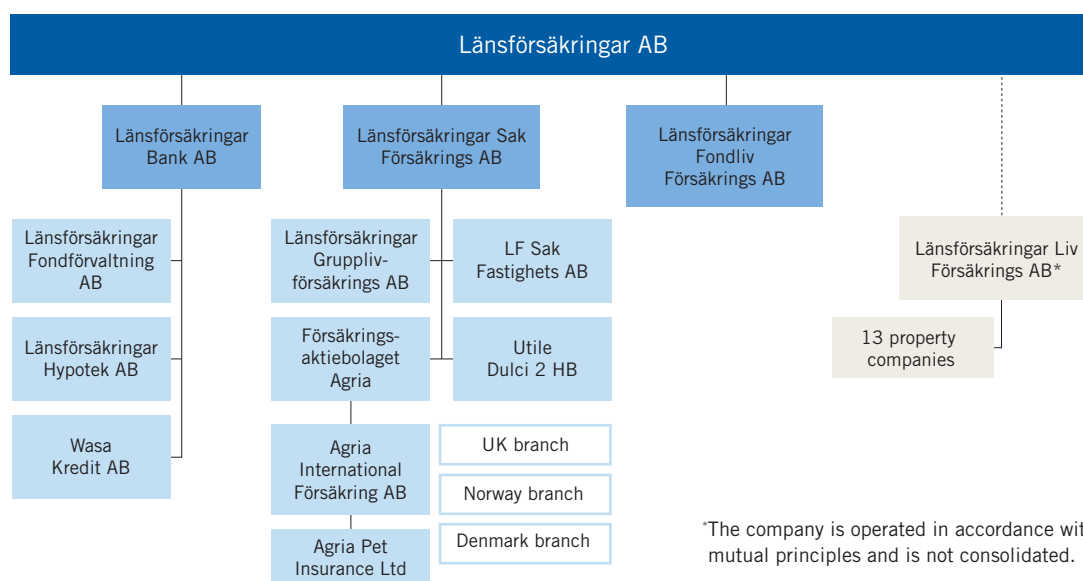
Länsförsäkringar AB has three main tasks: to conduct business activities in non-life insurance, life assurance and banking services, providing business service to the regional insurance companies in areas in which economies of scale and efficiency arise and conducting Länsförsäkringar's joint strategic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

Länsförsäkringar AB conducts business activities, develops products and concepts, channels and tools and provides service so that:

- the regional insurance companies can offer their customers a broad range of products and services.
- private individuals, companies and farmers in Sweden are able to live with a sense of security.

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 a high level of risk awareness. The business activities are conducted to generate a profit so that the company can pay competitive returns on equity at a market level, including a risk premium over risk-free interest, through value growth and dividends to owners. In addition to the business units, business services are provided and Länsförsäkringar's joint development work is conducted in the support functions of the Business Service unit. The Accounting, Risk and Group controller functions are part of the Finance and Risk unit.

Länsförsäkringar AB Group structure, December 31, 2011



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

The President's staff includes the shared units of Legal Affairs, Compliance and Risk Control.

Lines of business

Non-life insurance

The Länsförsäkringar AB Group has concessions for underwriting business in medical, accident, property, cargo, liability, animal and crop insurance, and group life assurance. Länsförsäkringar Sak also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance. Agria Djurförsäkring with subsidiaries is specialised in animal and crop insurance with operations in Sweden, Norway, the UK and Denmark. Agria holds a leading position in Sweden, with a market share of 57% (58).

Premiums earned after ceded reinsurance in the Group rose 6% compared with the preceding year and amounted to SEK 4,003 M (3,769). Higher sales volume primarily in animal, medical and accident insurance products and assumed reinsurance were the reason for the increase in premiums. Meanwhile, premiums in motor-vehicle insurance fell. The medical and accident insurance market is expanding, increasing 5% during the year. The market share for Länsförsäkringar Sak in medical and accident insurance is stable with about 20% of the market. The personal-risk insurance market is continuing to develop and Länsförsäkringar is increasing both its premium volumes and number of policies in this area.

Claims payments after ceded reinsurance including changes in provision for claims outstanding amounted to SEK 2,863 M (2,495).

The technical result for the insurance operations amounted to SEK 159 M (193). All insurance classes except for motor-vehicle insurance and assumed reinsurance displayed a positive trend, although several insurance classes posted weaker results for 2011 compare with 2010. Several major claims had an adverse impact on the assumed reinsurance business such as the earthquake in New Zealand, the earthquake and tsunami in Japan, flooding in Thailand and Hurricane Dagmar that struck Norway, Sweden and Finland.

The total return on investment assets in non-life insurance operations was 5.8% (4.3). About 70% of total investment assets are bonds and other interest-bearing securities.

The Swedish non-life insurance market is characterised by partnerships between banks, companies and other organisation, as well as group solutions and investments in online and mobile solutions. The main purpose of all of these activities is to strengthen distribution volumes and better reach customers in the situations in which needs for insurance solutions arise.

An area of focus is claims adjustment and claims service. In times of fierce competition and price pressure, insurance companies are striving to offer their customers other forms of value than just lowest price. Efficiency enhancements to reduce operating expenses are becoming increasingly important for market players to retain competitiveness in a climate of intensifying competition.

Bank

The banking operations offer banking services to private individuals, farmers and small businesses. Sales, advisory services and customer service are carried out through the 23 regional insurance companies and via the Internet and telephone. Länsförsäkringar is the fifth largest retail bank in Sweden and business volumes, which comprise deposits, fund volumes and loans, rose 8% to SEK 251 billion (232) on December 31, 2011. The increase excluding fund volumes was 15%. Operating profit rose 12% to SEK 385 M (345) and the return on equity amounted to 4.8% (5.0). Stronger deposit margins as a result of higher market interest rates, larger lending volumes and increased return on equity boosted net interest income by 27% to SEK 1,728 M (1,363). The cost/income ratio before loan losses amounted to 0.71 (0.72).

Swedish financial magazine *Privata Affärer* named Länsförsäkringar "2011 Bank of the Year" in December. This award was based on the assessment that Länsförsäkringar is a successful and aggressive full-service bank that has Sweden's most satisfied retail customers. Local presence in combination with the customer as the only principal is a significant factor for Länsförsäkringar's customer satisfaction. According to the 2011 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the seventh time in eight years and Sweden's most satisfied retail mortgage customers for the seventh consecutive year.

Sales successes continued with the number of customers in the Bank Group rising 8% to 889,000 (826,000) and the number of retail mortgage customers in Länsförsäkringar Hypotek increasing 8% to 161,000 (149,000).

Total lending in the Länsförsäkringar Bank Group rose 14%, or SEK 16 billion, to SEK 134 billion (118). Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 9 billion, to SEK 89 billion (80). In 2011, the market share for household deposits and retail mortgages increased to 4.6% (4.4), according to data from Statistics Sweden. First-lien mortgages for agricultural and forestry properties rose 27% to SEK 14 billion (11) and agricultural loans increased a total of 21% to SEK 17 billion (14). Financing company Wasa Kredit offers the lending products leasing, hire purchase and unsecured loan products and lending volumes increased 12% to SEK 12 billion (11).

The loan portfolio totalling SEK 134 billion (118), which is found solely in Sweden in SEK, have a favourable geographic spread and continued to maintain a high level of quality. A total of 81% (81) of the portfolio comprised household credits. Most of the total portfolio, 72% (74), pertained to retail mortgages, of which 80% (81) comprised collateral in single-family homes and 20% (19) tenant-owned apartments. Agricultural loans accounted for 12% (12) of the loan portfolio, with 82% (78) of agricultural loans comprising first-lien mortgages mainly to family-owned agricultural properties.

Loan losses remain low and amounted to SEK 48 M (42) net, corresponding to loan losses of 0.04% (0.03). The reserve

amounted to SEK 284 M (286), corresponding to 0.21% (0.24) compared with lending. Impaired loans increased to SEK 233 M (209) and the percentage of impaired loans remained unchanged at 0.17%.

Deposits increased 19%, or SEK 8 billion, to SEK 50 billion (42), corresponding to a market share of 3.8% (3.5) on December 31, 2011, according to Statistics Sweden. Länsförsäkringar Fondförvaltning is Sweden's fifth largest fund company with an unchanged market share on December 31, 2011 of 3.9% according to statistics from the Swedish Investment Fund Association. The volume of managed funds fell 8%, or SEK 5 billion, to SEK 67 billion (72), mainly due to the negative trend in asset values in the equities market during the year. The company manages 33 (32) mutual funds with various investment orientations. The funds are offered for direct savings, IPS, unit-linked insurance and the PPM system. All fund managers are continuously evaluated to ensure that they meet return targets.

The primary financing in the capital market takes place through Länsförsäkringar Hypotek using covered bonds. Borrowing was highly successful during the year and the Group's debt securities in issue rose 13%, or SEK 12 billion, to SEK 101 billion (89) during the year, of which covered bonds rose to SEK 86 billion (80). Liquidity is favourable, and the liquidity portfolio, which totalled a nominal amount of SEK 30 billion (22), comprised investments in SEK with high credit quality. The liquidity of the investments is high and all securities included in the liquidity reserve are eligible for transactions with the Riksbank.

The Länsförsäkringar Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposure. The basic IRB Approach is used for agricultural exposures. The Standardised Approach is applied to other exposures to calculate the capital requirement for credit risk. The capital adequacy ratio according to Basel II amounted to 14.0% (13.5) and the Tier 1 ratio to 12.1% (11.8). The target level for Tier 1 ratio is 12 percentage points when Basel II is fully implemented. The capital target is permitted to vary +/- 0.5 percentage points.

Länsförsäkringar Bank's credit rating is A/stable from Standard & Poor's and A2/negative from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest rating, AAA/stable from Standard & Poor's, and the highest credit rating, Aaa/stable, from Moody's.

Unit-linked insurance

Länsförsäkringar Fondliv offers its customers unit-linked life assurance.

The wide range of funds and option of individually customised fund portfolios created excellent conditions for increasing the value of pension capital. Länsförsäkringar's fund offering comprises about 30 funds under Länsförsäkringar's own brand and about 40 external funds. Länsförsäkringar's own-brand funds are found in Länsförsäkringar's own fund management company and are administered by external managers. The external funds provide additional breadth and variety in the offering and were chosen because they posted favourable results compared with other similar funds in the market.

Länsförsäkringar's total market share for unit-linked insurance, measured in sales value, amounted to 11.0% (9.1) in 2011. The Swedish life-assurance market declined 8% in 2011, measured in premium income.

The widespread market concern in 2011 resulted in a sharp decline in the willingness of investors to take risks and a move away from risky classes of assets, such as equities, to safer assets such as securities. Such a market climate meant that long-term fixed-income funds were the winners in the fund range. Länsförsäkringar Statsobligationsfond (government bond fund) and Länsförsäkringar Obligationsfond (bond fund) rose 7.7% and 7.6%, respectively. A stand out external fund in the range was DNB Realräntefond which increased slightly more than 11%. An equities market that had a positive performance despite the general turmoil was the US market, with Länsförsäkringar Nordamerikafond (North America fund) and the USA Indexfond increasing 3.7% and 3.3%, respectively, during the year. Stronger economic statistics and lower expectations supported the US stock market. High-risk funds investing in emerging markets as well as Sweden funds and Europe funds experienced a difficult 2011 with negative performance due to the low level of risk willingness.

Profit for Länsförsäkringar Fondliv amounted to SEK 297 M (132). This improvement in earnings was largely attributable to managed assets for much of the year being higher than at comparable points in time in the preceding year, and the nonrecurring effect of the dissolution of previously reserved tax. Higher managed assets led to increased capital fees and portfolio commission from fund managers. Managed assets declined during the second half of the year driven by falling share prices and totalled SEK 52,165 billion on December 31. The Länsförsäkringar AB Group's 2011 earnings includes only earnings from November-December since Länsförsäkringar Fondliv was acquired on October 31.

Premium income amounted to SEK 20 M (22). 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 4% compared with the preceding year and amounted to SEK 397 M (380). The increase was due to the higher fund values during the year.

Traditional life assurance

The financial markets experienced extensive turmoil in 2011 and interest rate falls in Sweden were extreme. Long-term market interest rates declined to historically low levels at the end of 2011. The trend in interest rates affected the traditional life assurance industry as companies' technical liabilities were discounted by the market interest rate. Liabilities increase when the rate falls. The effect of the discounting increases if the duration of the company's technical reserves is long, which is the case for Länsförsäkringar Liv. In parallel with the decline in Swedish long-term market interest rates, the trend on the stock market was also negative. The stock-market decline was an additional burden on earnings and key figures with assets falling in value and thereby a weaker ratio between assets and liabilities. Trends in the financial market led to the company undertaking a series of steps to limit the negative consequences on the company's financial strength caused by these trends. Länsförsäkringar Liv followed a predetermined action plan for such situations,

which involved successive sales of the liquid portions of the company's equity portfolio and increases to the duration of assets by purchasing long-term obligations and through derivative contracts.

On September 6, Länsförsäkringar Liv discontinued underwriting new insurance policies under traditional management in a bid to improve its strained key figures. Existing traditional-management customers can continue their savings on the same conditions as previously. One of the aims of this change was to safeguard savings.

In conjunction with the stop on traditional management, a decision was made to sell the unit-linked life assurance company from Länsförsäkringar Liv to Länsförsäkringar AB. The sale strengthened the company's key figures. Traditional management provides a guaranteed annual return on saved capital. Returns that exceed the guaranteed return are preliminarily allocated to customers' insurance policies in the form of bonuses. In the event that the bonuses are lower than the guaranteed return, the preliminary distribution of the bonus is reallocated. The average bonus rate on traditional-management insurance policies was 4% in 2011. The bonus rate was lowered to 0% on November 1. The average bonus rate since the life-assurance operations were started in 1985 is 8.6%.

The reduction of the bonus rate will also have a positive effect on key figures in the long term. All measures generated the expected and positive effects on both earnings and key figures, although key figures for remained weak, which is why the company is continuing to focus on efficiency enhancements and risk. The solvency ratio was 109% (107) and the collective consolidation level 111% (141) on December 31, 2011.

At year-end 2011, the investment assets in Länsförsäkringar Liv largely comprised long-term interest-bearing assets. Investment assets rose to SEK 114 billion (106) during the year.

Premium income after ceded reinsurance amounted to SEK 6,514 M (6,700). Business volumes declined slightly due to the sale of Länsförsäkringar Fondliv and the discontinuation of underwriting new policies. Länsförsäkringar Liv also had a positive effect on net inflows in the contract areas for which customers have the option of transferring their insurance capital. Total premium income as defined by the Swedish Insurance Federation amounted to SEK 13,048 M (12,893), up 1% (9) compared with the year-earlier period.

Claims payments after ceded reinsurance amounted to SEK 5,432 M (4,595). The change was primarily attributable to higher pension payments. Technical reserves amounted to SEK 104,572 M (81,700). This substantial increase was mainly the result of a significantly lower discount rate since the market interest rates on Swedish government bonds have fallen to historically low levels. Surpluses in the New World management form are now reserved in the form of conditional bonuses. This had an adverse impact of SEK 4,020 M on equity.

The total return of the traditionally managed portfolio was 6.5% (4.1), a result that compares favourably with other traditional life-assurance companies. This result was attributable to high fixed-income returns in terms of both the company's strategies to hedge interest and investments in loans. The holdings in unlisted shares and property also made a positive contribution to returns. Holdings in listed shares made a negative contribution to returns during the first six months of the year, and this risk was subsequently reduced by selling listed shares.

Corporate governance

The Board of Länsförsäkringar AB is responsible for the company's organisation and for the administration of the company's affairs. This responsibility includes establishing an appropriate organisation, overall goals and strategies for the company's operations as well as guidelines for operational control and management. The Board of Länsförsäkringar AB also has corresponding responsibilities at the Group level.

The basis for Länsförsäkringar AB's corporate governance system is the assignment from owners and the joint strategies of the Länsförsäkringar Alliance. Based on this starting point, a vision was formulated for the operation and a target must be set annually within the framework for the established risk tolerance. The corporate governance system aims to ensure satisfactory control and management of the Länsförsäkringar AB Group pertaining to: suitable and surveyable organisational structure and decision process, clear distribution of responsibility and work assignments, efficient systems for transferring information and internal and external reporting.

For further information regarding corporate governance issues, see the Corporate Governance Report on page 102.

Significant events during the year

Discontinuation of underwriting new policies under traditional management

In September, Länsförsäkringar Liv discontinued underwriting new life-assurance policies under traditional management in a bid to improve its strained key figures. Existing traditional-management customers can continue their savings on the same conditions as previously.

Following the discontinuation of underwriting new policies and Länsförsäkringar Liv's sales of Länsförsäkringar Fondliv, Länsförsäkringar AB impaired its holdings in Länsförsäkringar Liv in the amount of SEK 107 M.

Acquisition of Länsförsäkringar Fondlivförsäkrings AB and new share issue

In the autumn, Länsförsäkringar AB acquired the unit-linked life assurance company from Länsförsäkringar Liv. This acquisition is part of the restructuring of the life-assurance operations. The foundation for the clear future focus on offering unit-linked insurance solutions to companies and private individuals has thus been laid. The purchase consideration totalled SEK 5.2 billion.

In conjunction with the acquisition of Länsförsäkringar Fondlivförsäkrings AB, Länsförsäkringar AB carried out a new share issue of SEK 3.0 billion to its owners. Share capital rose SEK 0.2 billion and SEK 2.8 billion was recognised as other capital contributed.

Expectations regarding future development

Through a clear role in the value chain of the Länsförsäkringar Alliance, Länsförsäkringar AB contributes to increasing competitiveness and reducing costs, thereby creating possibilities for the regional insurance companies to be successful in their respective markets. The economic environment is featuring intensified competition and pricing pressure which is imposing requirements on increasingly flexible and complete offerings and products. Accordingly, a continued focus on full-service customers (customers of

banking, non-life insurance and life-assurance services) in the market strategy is vital.

The acquisition of Länsförsäkringar Fondliv from Länsförsäkringar Liv in 2011 strengthens Länsförsäkringar's venture to become the first choice of pension partner among small businesses and thus become number one in the occupational pension market. Länsförsäkringar Fondliv will also continue to focus on offering unit-linked insurance through Länsförsäkringar's fund market for pension savings with the new Guarantee Management form, which is a supplement for customers who want an explicit guarantee of recuperating at least the saved amount.

The Swedish government appointed a Life Assurance Inquiry in the autumn of 2010. The Inquiry focuses on four issues: the transfer option, surplus management in mutual insurance companies, the influence of policyholders in hybrid companies and the conditions for restructuring into profit-distributing operations, and has been extended to the spring of 2012. Länsförsäkringar is actively participating in and monitoring the inquiry since changes to the transfer option, for example, impact the life-assurance operations and can create new types of requirements and changes.

The decision to raise the yield tax on endowment insurance policies from January 1, 2012 can be expected to limit the retail market for endowment insurance, at least for instances where this insurance element does not exist, meaning when endowment insurance has been selected as purely a savings form.

However, no changes to the taxation of pension insurance are currently being considered.

The medical-insurance market is continuing to grow, albeit with growth slowing, and was at about 6% according to the most recent study. A clear trend is that privately paid insurance policies are steadily reducing and company paid policies steadily increasing. Many small businesses view waiting lists and long-term sick leave as strong motivators for taking out medical insurance for their employees. Growth for the non-life insurance operations mainly takes place among the target groups of small and large businesses, with Länsförsäkringar's package solutions for commercial insurance.

With Swedish companies establishing operations abroad, the requirements for international insurance programmes are increasing among Länsförsäkringar's customers. Knowledge of the advantages of international insurance programmes has risen and Länsförsäkringar, through Länsförsäkringar Sak, with its membership of the International Network of Insurance (INI) and its licence to conduct insurance operations (FOS) within the EU, has a competitive advantage in this segment, which is starting to garner attention in the market. Through the INI, Länsförsäkringar can offer, as one of the few companies in the Swedish market, customised and local insurance solutions in more than 100 countries at competitive prices.

The banking operations intend to follow their strategic direction of profitable growth with high credit quality and by further refining existing products and on the basis of a favourable level of capitalisation. Growth in lending will take place by paying close attention to changes in the business environment, the financial situation and the prevailing circumstances in the capital market. Favourable liquidity will be maintained. The continued market strategy is to conduct sales and customer marketing activities targeting the customers of the regional insurance companies.

Risks and risk management

The Länsförsäkringar AB Group's operations give rise to different 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 Note 2 Risks and risk management. A significant change was made to the Group's risk profile in 2011 through the acquisition of Länsförsäkringar Fondliv and the risk exposure entailed by unit-linked insurance operations. Otherwise, the risk scenario was stable in 2011, but with the shift that has been seen for several years of the banking operations growing faster than the non-life insurance operations.

The risks that arose directly in the Parent Company were primarily attributable to the Parent Company's financing, investments in liquidity and the business support operations conducted in on behalf of the subsidiaries and the regional insurance companies.

In 2011, the Parent Company carried out a SEK 3,000 M share issue with preferential rights for existing shareholders in conjunction with the acquisition of Länsförsäkringar Fondliv. In this context, the company also raised external medium-term financing totalling SEK 1,800 M. During the year, the company repaid loans from the regional insurance companies totalling SEK 602 M, of which one subordinated loan of SEK 114 M.

The Parent Company lent a total of SEK 290 M to the subsidiary Länsförsäkringar Bank in the form of a perpetual subordinated loan. In 2011, Länsförsäkringar Bank repaid subordinated loans of SEK 960 M that the Parent Company had previously lent to Länsförsäkringar Bank and raised the corresponding financing from other parties, of which SEK 300 M in the Länsförsäkringar AB Group.

The Parent Company's interest-rate risk is low since the fixed-interest periods of the borrowing and investments are short. The maturity periods for loans and investments differ from the fixed-interest periods. The loan of SEK 290 M to Länsförsäkringar Bank has an undetermined term. The external medium-term financing of SEK 1,800 M falls due for payment in the latter half of 2013.

The Parent Company's liquidity on December 31, 2011 comprised short-term, interest-bearing investments and cash and cash equivalents totalling SEK 524 M (597). A benchmark portfolio has been determined for the management of the company's financial assets. At year-end, this entailed that the largest portion was to be invested in interest-bearing assets and a smaller portion in equities. As of December 31, 2011, equity-related assets amounted to SEK 37 M (34).

Employees

Länsförsäkringar AB's vision and values, combined with the task from the regional insurance companies, serve as a guide for all of the business operations. Motivated and competent employees are vital to having satisfied customers and achieving overall objectives. Structured HR activities are necessary for this and for ensuring access to competencies in the short and long term. Consequently, the joint HR processes also safeguard opportunities for positively developing the Group's companies in line with the owners' ambitions.

Employees participate in a structural business control process, which includes an established business planning model. A performance management model that links the targets for short and long-term employee performance to the objectives of the business plans is in place to connect the business planning process to employee performance.

Individual targets for employees are identified in discussions between employees and their managers. Coupled with expected behaviour and based on shared values, these targets comprise the overall performance expectations that are documented in the employee's target contract. Future work duties, career aspirations and professional roles are discussed every year in a bid to make employees more active in the planning of their own skills development and career planning.

An employee survey is carried out annually to study employee perceptions of performance conditions. The results of the survey are used both as a benchmark and to further improve performance conditions.

To nurture a performance culture, the Non-life Insurance business unit implemented a pilot project to give managers training and tools in driving considerable performance improvements in their daily duties and more easily pursuing and monitoring performance with their employees. The results were highly positive and the plan is to implement the project in all units in 2012.

Employees at the Länsförsäkringar AB Group are to have market-based terms of employment. The structure and level of remuneration should correspond to the Group'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.

The base of the remuneration model comprises fixed remuneration, meaning a fixed cash monthly salary. Target-based remuneration is a supplement to fixed remuneration and may be paid to employees who are not managers, and is currently maximised at SEK 12,000 per year per employee. A basic prerequisite for target-based remuneration is that Länsförsäkringar AB posts positive financial results. At least one third of the target-based remuneration is based on exceeding the overall targets of the business plans and a maximum of two thirds on exceeding individual targets. Only fixed salaries are paid to the members of company management and managers. The target-based remuneration scheme will be removed in 2012.

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.

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (2011:2) regarding remuneration policies in insurance companies, stock exchanges, clearing organisations and institutes for issuing electronic money, the Board of Directors is to adopt a remuneration policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

Long-term management supply is ensured by identifying individuals with the drive and capacity to attain senior managerial positions within three years. A leadership development programme for young talent was arranged for some 15 employees during the year, aimed at preparing these employees for a managerial role. A survey

on perceived equality was carried out in 2011 to improve equality between women and men in the management structure. Activities will be identified and the work on this subject continued in 2012. A trainee programme was held during the year with seven trainees working as project managers and controllers.

Long-term and proactive healthcare and healthy living activities, medical insurance available to all employees, a range of different preventive healthcare activities and the option of exercising during working hours are measures that contributed to total sickness absence totalling only 2.6%.

Environment

Consideration of the environment is part of sustainable enterprising for Länsförsäkringar AB and its subsidiaries. The company works continuously on reducing its environmental impact in accordance with its environmental policy and has identified areas that had a negative effect on the environment. Business travel generates emissions of the greenhouse gas carbon dioxide. To reduce the environmental impact, train travel is increasingly used for business trips according to applicable travel guidelines. Company cars are 100% environmentally friendly cars according to the company's definition of environmentally friendly cars. The company has also installed charging stations for electric cars in its own car parks to stimulate the use of cars that do not operate on fossil fuels.

Another priority area is paper dispatches. Länsförsäkringar AB has set the target of reducing volumes of paper dispatches by 80%, to be achieved over a number of years, by changing communication with customers. Far-reaching efforts were conducted to analyse all dispatches and ascertain how they can be changed, which resulted in activities that will be implemented in forthcoming years. Digital solutions are being developed to reduce paper consumption and the development of the Internet channel provides many opportunities to reduce paper dispatches while simultaneously improving information quality. The decrease in the use of paper corresponds to the same amount of carbon emissions as 1,650 flights between Stockholm and Gothenburg. The use of printing chemicals was also reduced by 15 tons.

Länsförsäkringar AB contributes to strengthening the work of the regional insurance companies to reduce the number of claims and minimise the effects of incurred damage. Avoiding a claim means avoiding emissions of chemicals to air and water. Länsförsäkringar has calculated that a water damage claim causes emissions of 300 kg of carbon dioxide.

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 from agriculture. In 2011, 74 tons of pesticides, 888 tons of waste oil, 69 tons of oil filter, 14 tons of fluorescent lamps, 64 tons of paint waste and 4,263 tons of scrap was collected from agricultural and rural properties. Scrap is recycled as new products and the risk of accidents for both humans and animals declines when hazardous waste is taken care of in an environmentally sound manner.

Two environmental audits are performed every year to ensure improvements to environmental activities. Länsförsäkringar AB, its subsidiaries and the regional insurance companies have ISO 14001:2004 certification.

Earnings and financial position

Share price trend for the Länsförsäkringar AB share

The value of the share rose 3% in 2011. As can be seen in the five-year summary, equity per Länsförsäkringar AB share has fallen 15% since 2007. Due to the financial crisis of 2008, the share price declined 28% in 2008. The company has paid dividends to shareholders over a five-year period, with the dividend corresponding to 33% of the decline in value since 2007.

Group

Consolidated operating profit amounted to SEK 284 M (536) and net profit for the year after tax totalled SEK 212 M (418). The return on equity (ROE) amounted to 2.4% (5.6). The decline in profit was mainly due to weaker earnings in the Non-life Insurance Group and lower investment income. Furthermore, the Parent Company's holdings in Länsförsäkringar Liv were impaired by SEK 107 M. This impairment loss is the result of the decision to discontinue underwriting new insurance policies in Länsförsäkringar Liv and reduced synergy effects.

In the Bank Group, operating profit rose SEK 40 M to SEK 385 M (345), with the increase primarily attributable to improved interest margins on deposits and higher lending volumes. For the Länsförsäkringar Sak Group, the technical result declined SEK 34 M to SEK 159 M (193), due to major claims in the internationally assumed reinsurance business which was impacted by natural-disaster claims during the year.

On 31 October, Länsförsäkringar AB acquired Länsförsäkringar Fondliv from Länsförsäkringar Liv. Länsförsäkringar Fondliv contributed to SEK 41 M to the Group's earnings for the year. The Group's net investment income amounted to negative SEK 37 M (pos: 221). The operating result for other operations decreased to a loss of SEK 125 M (loss: 112).

The Group's premiums earned after ceded reinsurance amounted to SEK 4,006 M (3,769) and net interest income totalled SEK 1,782 M (1,436). Expenses in the Länsförsäkringar AB Group, excluding claims payments, rose to SEK 5,903 M (5,552), mainly as a result of higher business volumes.

The Länsförsäkringar AB Group's total assets increased to SEK 253,988 M (173,850). The increase in total assets was primarily due to the acquisition of Länsförsäkringar Fondliv and also the continued growth in the banking operations' lending. Shareholders' equity amounted to SEK 13,202 M (9,831). A SEK 3 billion new share issue to shareholders took place in October. Solvency capital rose SEK 4,951 M in 2011 to SEK 15,564 M (10,613) and the Group's solvency margin was 388% (278).

Parent Company

The Parent Company reported a profit of SEK 473 M (699) after financial items and a profit of SEK 476 M (662) after tax. Income, which primarily derives from the service operations of Business Support, increased SEK 175 M to SEK 2,525 M (2,350). Earnings include dividends from the subsidiaries in the amount of SEK 138 M (432). The Parent Company's total assets amounted to SEK 17,903 M (11,831), of which shareholders' equity accounted for SEK 13,264 M (9,788). A SEK 3 billion new share issue to shareholders took place in October.

Proposed appropriation of profit

Consolidated non-restricted equity amounted to SEK 7,466 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 7,522,392,309 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	3,073,670,058
Net profit for the year, SEK	476,074,609
Non-restricted equity, December 31, 2011, SEK	7,522,392,309

The Board of Directors proposes that SEK 7,522,392,309 of the unappropriated earnings in the Parent Company be carried forward, of which SEK 3,972,647,642 to the share premium reserve.

The result of the year's operations and the company's position at December 31, 2011 are presented in the following financial statements and the accompanying notes for the Group and Parent Company.

FIVE-YEAR SUMMARY

Amounts in SEK M unless otherwise stated

Länsförsäkringar AB Group	2011	2010	2009	2008	2007
GROUP					
Operating profit/loss	284	536	693	-3,395	1,270
Net profit/loss for the year	212	418	509	-2,480	922
Return on equity, % ¹⁾	2	6	7	-29	10
Total assets, SEK billion	254	174	157	131	116
Number of shares, 000s	9,407	7,251	6,298	6,298	6,298
Equity per share, SEK	1,403	1,356	1,279	1,186	1,648
Solvency capital					
Equity	13,202	9,831	8,058	7,466	10,376
Subordinated debt	900	114	114	114	114
Deferred tax	1,462	668	538	327	1,162
Total solvency capital	15,564	10,613	8,710	7,907	11,652
Solvency margin, % ²⁾	388	278	228	252	429
Capital base for the financial conglomerate ³⁾	13,665	13,480	12,147	11,868	14,413
Necessary capital requirement for the financial conglomerate	11,620	9,970	9,303	9,364	8,088
Average number of employees	1,376	1,341	1,433	1,490	1,436
INSURANCE OPERATIONS ⁴⁾					
<i>Non-life insurance operations</i>					
Premiums earned (after ceded reinsurance)	3,754	3,549	3,285	2,793	2,430
Investment income transferred from financial operations	189	201	435	526	421
Claims payments (after ceded reinsurance) ⁵⁾	-2,713	-2,495	-2,211	-1,775	-1,601
Technical result, non-life insurance operations ²⁴⁾	121	192	429	335	294
<i>Premium income, non-life insurance</i>					
Premium income before ceded reinsurance	5,768	5,671	5,888	5,385	4,475
Premium income after ceded reinsurance	3,764	3,605	3,575	2,951	2,512
<i>Life-assurance operations</i>					
Premium income after ceded reinsurance	251	219	240	190	203
Fees pertaining to financial agreements	61	-	-	-	-
Investment income, net	8	1	5	9	4
Claims payments (after ceded reinsurance)	-157	-179	-140	-159	-163
Technical result, life-assurance operations ²⁴⁾	92	1	-3	-8	-1
Operating profit/loss for insurance operations ⁶⁾	147	323	505	-3,003	1,169
<i>Key figures</i>					
Cost ratio ⁷⁾	30	31	33	47	39
Expense ratio ⁸⁾	23	23	26	36	30
Claims ratio ^{9) 21)}	79	78	75	75	76
Combined ratio ²¹⁾	102	101	100	111	107
Management cost ratio, life-assurance operations ^{10) 22)}	2	12	14	29	69
Direct yield, % ¹¹⁾	2.7	1.9	1.7	2.3	1.6
Total return, % ¹²⁾	6.0	4.3	6.2	-12.0	7.2
<i>Financial position</i>					
Investment assets, SEK billion ¹³⁾	15	16	17	16	18
Unit-linked insurance assets – policyholder bears the risk, SEK billion	52	-	-	-	-
Technical reserves (after ceded reinsurance), SEK billion	14	14	14	14	14

Länsförsäkringar AB Group	2011	2010	2009	2008	2007
BANKING OPERATIONS					
Net interest income	1,728	1,363	1,148	1,211	1,017
Operating profit	385	345	258	245	238
Net profit for the year	298	245	178	177	176
Return on equity, % ¹⁴⁾	4.8	5.0	4.2	4.4	5.0
Total assets, SEK billion	170	149	131	104	85
Equity	6,332	5,529	4,694	4,291	3,824
Cost/income ratio before loan losses ¹⁵⁾	0.71	0.72	0.76	0.75	0.74
Investment margin, % ¹⁶⁾	1.07	0.93	0.96	1.30	1.43
Tier 1 ratio according to Basel II, % ¹⁷⁾	12.1	11.8	12.5	14.6	14.4
Capital adequacy ratio according to Basel II, % ¹⁸⁾	14.0	13.5	14.8	17.7	17.2
Capital adequacy ratio according to transition rules, % ¹⁹⁾	9.3	9.4	9.7	10.4	10.6
Loan losses in relation to loans, % ^{20) 23)}	0.04	0.03	0.04	0.07	0.06
OTHER OPERATIONS					
Income	5,314	2,184	2,219	3,049	2,210
Operating profit/loss	-125	-112	-138	-493	169

¹⁾ Operating profit plus change in value of owner-occupied property less standard tax at 26.3% (28.0% between 2007 and 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 Special Supervision of Financial Conglomerates Act (2006:531).

⁴⁾ The earnings, financial position and key figures of the insurance operations are recognised in accordance with Chapter 6, Section 2 of the Swedish Annual Accounts Act for Insurance Companies and Chapter 6, Section 2 of FFFS 2008:26, the regulation and general advice of the Swedish Financial Supervisory Authority.

⁵⁾ Excluding claims adjustment costs.

⁶⁾ The operating profit of the insurance operations includes the Länsförsäkringar Sak Group's and Länsförsäkringar Fondliv's investment income and other non-technical income and expenses.

⁷⁾ Operating expenses include 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 regulation 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 of 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% between 2007 and 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⁾ In accordance with Basel I for 2006.

²⁰⁾ Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

²¹⁾ After recalculation in 2010 in accordance with new accounting policy for indexation of claims annuities.

²²⁾ Länsförsäkringar Fondliv is included in 2011 for two months.

²³⁾ After recalculation in accordance with the new accounting policy for loan losses.

²⁴⁾ The Länsförsäkringar Sak Group's technical result amounted to SEK 159 M in 2011. 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 38 M in 2011.

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CONSOLIDATED INCOME STATEMENT

SEK M	Note	2011	2010
Premiums before ceded reinsurance		6,164.6	5,925.9
Reinsurers' portion of premiums earned		-2,158.4	-2,157.1
Premiums earned after ceded reinsurance	5	4,006.2	3,768.8
Interest income	6	9,529.8	5,634.4
Interest expense	7	-7,747.7	-4,198.2
Net interest income		1,782.1	1,436.2
Change in unit-linked insurance assets – policyholder bears the risk		-423.3	–
Dividends in unit-linked insurance assets – policyholder bears the risk		23.1	–
Investment income, net	8	-37.1	221.2
Commission income	9	1,182.7	1,109.6
Other operating income	10	2,516.1	2,218.1
Total operating income		9,049.8	8,754.0
Claims payments before ceded reinsurance		-3,993.3	-4,137.4
Reinsurers' portion of claims payments		1,131.5	1,470.4
Claims payments after ceded reinsurance	11	-2,861.7	-2,667.0
Change in life assurance provision		-1.0	0.2
Change in unit-linked insurance liabilities – policyholder bears the risk		399.7	–
Commission expense	12	-1,772.7	-1,509.6
Staff costs	13	-1,472.8	-1,406.2
Other administration expenses	14, 15	-3,009.3	-2,594.1
Loan losses	16	-48.2	-41.6
Total expenses		-8,766.0	-8,218.3
Operating profit		283.7	535.7
Tax on net profit for the year	17	-71.8	-117.6
Net profit for the year		211.9	418.1
Earnings per share before and after dilution, SEK	18	28	66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Note	2011	2010
Net profit for the year		211.9	418.1
Other comprehensive income	37		
Translation differences for the year from foreign operations		-1.6	-19.8
Revaluation of owner-occupied property		50.6	94.8
Change for the year in fair value of available-for-sale financial assets		167.1	28.8
Tax attributable to components attributable to other comprehensive income	17	-57.3	-32.5
Total other comprehensive income for the year, net after tax		158.8	71.3
Comprehensive income for the year		370.8	489.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	Note	Dec. 31, 2011	Dec.31, 2010
ASSETS			
Goodwill	19	2,034.7	338.0
Other intangible assets	20	3,756.8	880.8
Deferred tax assets	41	148.3	191.2
Property and equipment	21	105.2	110.7
Owner-occupied property	22	2,444.5	2,414.7
Shares in Länsförsäkringar Liv Försäkrings AB	23	407.7	514.5
Shares and participations in associated companies	24	24.2	23.1
Reinsurers' portion of technical reserves	39	6,385.0	6,346.6
Investment property	25	7.1	7.0
Loans to the public	26, 28	134,011.3	117,910.2
Unit-linked insurance assets – policyholder bears the risk	27	52,165.1	–
Shares and participations	29	1,042.3	962.3
Bonds and other interest-bearing securities	30	32,030.6	31,569.5
Treasury bills and other eligible bills	31	8,341.5	4,170.0
Derivatives	32	1,640.4	1,208.7
Change in value of hedge portfolios	33	709.9	140.6
Other receivables	34	2,065.6	2,040.7
Prepaid expenses and accrued income	35	3,474.3	2,028.3
Cash and cash equivalents	36	3,193.4	2,993.3
TOTAL ASSETS		253,987.8	173,850.0
EQUITY AND LIABILITIES			
Equity	37		
Share capital		940.7	725.1
Other capital contributed		8,774.0	5,989.6
Reserves		386.6	227.7
Retained earnings, including net profit for the year		3,100.7	2,888.8
Total equity		13,202.0	9,831.2
Subordinated liabilities	38	899.7	114.0
Technical reserves	39	20,369.1	19,936.3
Unit-linked insurance liabilities – policyholder bears the risk	40	52,168.1	–
Deferred tax liabilities	41	1,610.6	858.9
Other provisions	42	230.2	292.0
Debt securities in issue	43	100,390.9	88,595.4
Deposits from the public	44	49,323.0	41,570.8
Due to credit institutions	45	3,992.0	4,981.2
Derivatives	32	2,684.1	2,130.6
Change in value of hedge portfolios	33	1,836.7	-392.4
Other liabilities	46	2,824.5	2,231.2
Accrued expenses and deferred income	47	4,457.0	3,700.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		253,987.8	173,850.0

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, 2010	629.8	4,801.3	-46.2	178.8	23.8	2,470.7	8,058.2
Comprehensive income for the year							
Net profit for the year						418.1	418.1
Other comprehensive income			-19.8	69.9	21.2		71.3
Comprehensive income for the year			-19.8	69.9	21.2	418.1	489.4
Shareholders' contribution							
New share issue	95.3	1,188.4					1,283.7
Closing equity, December 31, 2010	725.1	5,989.6	-66.0	248.7	45.1	2,888.8	9,831.2
Opening equity, January 1, 2011	725.1	5,989.6	-66.0	248.7	45.1	2,888.8	9,831.2
Comprehensive income for the year							
Net profit for the year						211.9	211.9
Other comprehensive income			-1.6	37.3	123.2		158.8
Comprehensive income for the year			-1.6	37.3	123.2	211.9	370.8
Shareholders' contribution							
New share issue	215.7	2,784.3					2,999.9
Closing equity, December 31, 2011	940.7	8,774.0	-67.6	286.0	168.2	3,100.7	13,202.0

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK M	Note	2011	2010
Operating activities			
Profit before tax		283.7	535.7
Adjustment for non-cash items	54	431.4	638.5
Tax paid		-1.8	-2.5
Cash flow from operating activities before changes in working capital		713.3	1,171.6
Cash flow from changes in working capital			
Change in investment property		-	129.9
Change in shares and participations, bonds and other interest-bearing securities and derivatives		-692.5	3,032.5
Increase(-)/Decrease(+) in operating receivables		-21,450.6	-22,162.9
Increase(+)/Decrease(-) in operating liabilities		8,953.1	-11,132.0
Cash flow from operating activities		-12,476.7	-28,960.9
Investing activities			
Acquisition of subsidiaries		-4,393.5	-
Purchase of intangible assets		-202.3	-219.1
Purchase of property and equipment		-117.6	-161.8
Divestment of property and equipment		8.8	2.1
Cash flow from investing activities		-4,704.6	-378.7
Financing activities			
New share issue		2,999.9	12.6
Loans raised		2,585.7	-
Change in debt securities in issue		11,795.5	27,573.1
Cash flow from financing activities		17,381.1	27,585.7
Net cash flow for the year		199.8	-1,753.9
Cash and cash equivalents, January 1		2,993.3	4,758.2
Exchange-rate differences in cash and cash equivalents		0.3	-11.0
Cash and cash equivalents, December 31		3,193.4	2,993.3

The new share issue that was implemented in October 2011 increased the shareholders' equity by SEK 3.0 billion. The entire new share issue was paid for in cash.

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 regulations and general advice 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.

Judgments and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that management makes judgments 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 judgments 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 judgments 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 assessments utilised in the application of the Group's accounting policies are described below

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 2011 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 reserves, 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.

Changed accounting policies

The changes applied by the Group since January 1, 2011 are described below. Other changes to IFRS applicable from 2011 did not have any significant effect on the consolidated financial statements.

Voluntary change in accounting policies

In 2011, the following changes were made to the Group's accounting policies that were not caused by application of new IFRSs.

Since year-end, a change has been made from collective to individual impairments of agricultural exposures.

A changed policy for the presentation of loan losses was introduced during the year. Under the new policy, only the Länsförsäkringar Bank Group's portion of confirmed loan losses are recognised. The regional insurance companies' portion of confirmed loan losses previously affected the item of "compensation to the regional insurance companies" in commission expense and thereby did not reduce the Bank Group's loan losses. This new policy better clarifies the division of responsibilities between the Länsförsäkringar Bank AB Group and the regional insurance companies.

Länsförsäkringar Sak changed its accounting policy regarding the recognition of investment income transferred from financial operations to insurance operations. Provisions for claims annuities have, as previously, been valued following accepted actuarial principles and with due consideration of inflation and returns to achieve indexation in accordance with the Swedish Financial Supervisory Authority's instructions. Since returns are an integrated part of the valuation of provisions, claims annuities will generate a run-off loss if they are not offset by the investment income generated by the assets corresponding to the provisions. The accounting policy has been changed so that the same amount of transferred investment income that corresponds to the indexation is transferred to claims payments and included in the change in the provision for claims outstanding.

The changes were applied retroactively in accordance with IAS 8 and impacted the financial statements for the current period, the comparative period. The comparative period was affected as follows:

Income statement	2010
Investment income, net	-101.2
Claims payments before ceded reinsurance	101.2
Net profit for the year	0.0

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 will be reclassified to net profit for the period and items that will not be "recycled" to net profit for the period. The amendment is to be applied from fiscal years beginning July 1, 2012 with retroactive effect.

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. Expected return on plan assets is 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. Early adoption is permitted.

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 will need to be provided regarding the Group's repurchase agreement. The amendment will not lead to any change in recognised amounts. The amendment is to be applied to fiscal years beginning on or after July 1, 2011.

IFRS 9 Financial Instruments: Recognition and Measurement addresses the classification and measurement of financial assets and liabilities. Under IFRS 9, all financial assets are measured at either amortised cost or fair value. The category to be used is determined based on whether the asset has characteristics similar to lending (cash flow characteristics test) or the business model applied by the company (business model test). There is also the option of measuring assets that fulfil the criteria for amortised cost at fair value in profit and loss (known as the fair value option) if this reduces inconsistencies in reporting. The standard will become mandatory on January 1, 2015, with early adoption permitted after it has been approved by the EU. On December 31, 2011, 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 40,402 M (35,740), of which SEK 1,666 M (146) 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.

An Exposure Draft regarding portfolio hedging is expected in the first half of 2012. 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 accounts. The EU has not yet approved the standard and the status of the standard is being monitored. IFRS 10 will come into effect in fiscal years beginning on or after January 1, 2013.

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 affect the consolidated financial statements. The standard is proposed to come into effect in fiscal years beginning on or after January 1, 2013.

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 not impact reporting. The standard will probably lead to expanded disclosure requirements. It is proposed that IFRS 13 come into effect in 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.

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. Continued 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, 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 company 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 company 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.

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. 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.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. 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. 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 when payments are made.

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 bal-

ance-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 reserves, 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 medical and accident 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 reserves 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 in the unit-linked life-assurance operations are recognised as provision 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 to employees

Current remuneration

Current remuneration to 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 defined-benefit 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, report 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. Prior years' confirmed and probable loan losses are reversed when no impairment requirement is deemed to exist any longer.

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.

Any 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 unit-linked insurance liabilities 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. Changes 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 buildings	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 company management believes that uncertainty surrounding future cash flows and the risk adjustment required to the discount rate is too great. The company does not intend 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. 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. 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.

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 borrowing 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 borrowing 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 borrowing 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 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 include:

- 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 charges 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 homogenous 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.

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. An analysis of these was performed in the Group's non-life insurance companies and resulted in all insurance contracts being classified 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 as insurance contracts according to the concept of materiality in the non-life insurance operations.

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 is classified as an insurance contract. Premiums for the insurance component are recognised as premium income when payments are made. 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 carry-

ing 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 unit-linked insurance contracts.

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 reserves 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 reserves corresponds to the reinsurers' responsibility for technical reserves 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 reserves

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

Changes in technical reserves 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 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.

With the exception of medical and accident insurance for children and claims annuities, the provision for claims outstanding is not discounted. In the case of medical and accident insurance for children, discounting at a rate of 1.6% is applied. The provision for disability and claims annuities is discounted in line with accepted life-assurance methods and measured at market value using current interest rates under FFFS 2011:22. The effect of interest-rate revaluations is recognised as a financial expense or income.

For third-party liability insurance, provisions are made 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 claims incurred but not reported (IBNR) encompasses costs for claims that have been incurred but are unknown to the company. The amount is an estimate based on historical experience and claims outcomes.

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

Financial liabilities whereby the liability has a direct link to the value of a financial asset 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. Recognised cash flow includes only transactions that result in 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 sophisticated and changeable financial market, and more detailed public 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, activities to govern, manage and control the business operations' 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 and at 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 Länsförsäkringar AB 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 suitably balanced.

The Group's operations include non-life insurance as well as life assurance, unit-linked insurance and banking activities. The life-assurance operations are found in a wholly owned company, Länsförsäkringar Liv, which is operated in accordance with mutual principles. The company is not consolidated in the Annual Report. Its risks are carried by the company's customers. Accordingly, the description in this Note does not apply to Länsförsäkringar Liv's risks. However, Länsförsäkringar Fondlivförsäkring's risks are included, since Länsförsäkringar AB acquired the company from Länsförsäkringar Liv in 2011.

Although Länsförsäkringar Liv has not been consolidated into the Länsförsäkringar AB Group and the risks are not described here, the company has considerable significance for the Group. Turbulence in the financial markets during the summer and autumn of 2011 had a major impact on Länsförsäkringar Liv, and its balance sheet and key figures were seriously impacted by historically low interest rates. To strengthen the company's balance sheet and improve its key figures, all saleable shares were gradually sold and the duration of the fixed-income portfolio was increased. A stop on underwriting new insurance policies under traditional management was introduced on September 6. The company sold its subsidiary Länsförsäkringar Fondliv to Länsförsäkringar AB on October 31, 2011. Länsförsäkringar Livs' efforts to strengthen the balance sheet and improve the key figures are of major significance for the entire Group, since the brand is shared.

Risk exposure for the Länsförsäkringar AB Group

SEK billion	Dec. 31, 2011	Change from Dec. 31, 2010
Investments	50	6
Shares and equity-related assets	1	0
Interest-bearing assets including loans to credit institutions and cash/bank balances	44	5
Property-related assets	2	0
Other investment assets	2	1
Loans to the public	134	16
Retail mortgages	96	9
Agricultural loans	17	3
Unsecured loans	6	1
Leasing	6	0
Hire purchase	5	1
Multi-family homes	2	0
Other	3	2
Unit-linked insurance assets – policyholder bears the risk	52	52
Reinsurers ¹⁾	7	0
Intangible assets	6	5
Other assets	5	1
Total assets	254	80

¹⁾ Reinsurers' portion of technical reserves and receivables from reinsurers.

SEK billion	Dec. 31, 2011	Change from Dec. 31, 2010
Equity	13	3
Technical reserves, gross	20	0
Third-party liability	9	0
Commercial and property	1	0
Medical and accident	2	0
Animal and crop insurance	1	0
Other direct insurance	1	0
Assumed reinsurance	7	0
Deposits and borrowing from the public	49	8
Debt securities in issue	100	12
Due to credit institutions	4	-1
Unit-linked insurance liabilities – policyholder bears the risk	52	52
Other liabilities	15	6
Total equity and liabilities	254	80

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.
- The risks taken in non-life insurance are reinsured to a relatively high extent; retention is 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.
- 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 farmers 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.

The following summary provides an overview of the Group's risk exposure.

Risk management organisation

The Board of Directors of Länsförsäkringar AB assumes overall responsibility for the management and follow-up of risk in the Group in its capacity as the Board of the Group's Parent Company. Correspondingly, the Boards of the subsidiary Groups are responsible for the risks in their respective business operations. Guidance documents regarding risk-taking are adopted in the legal entities at the 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 Finance and Risk 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.

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 Board's 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. In 2011, a Risk and Capital Committee was 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.

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.

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

The Internal Audit, which reports directly to the Boards of the Parent Company and subsidiaries, examines and evaluates the internal control of the operations.

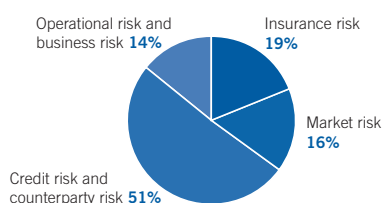
Risk modelling and reporting

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, which is reported to the Parent Company's Board of Directors every quarter, is presented as a risk model based on Basel II rules and draft Solvency II regulations. The model for the calculation of the bank's risks is based on the actual Basel II capital requirement regulations, with credit risk calculated in accordance with the advanced risk-classification method for the majority of the Bank Group's loan portfolio. An approach similar to the draft Solvency II capital requirement regulations for insurance companies was utilised for the non-life insurance companies' insurance risk and the market risks in the non-life insurance companies and the Parent Company. The risk model is calibrated to show risk such that the highest probability of a less favourable outcome occurring within 12 months is 0.5%.

The following diagram shows the allocation of risk in the Länsförsäkringar AB Group excluding Länsförsäkringar Fondliv on December 31, 2011 for the main types of risk according to the model used in 2011. Diversification effects in the non-life insurance operations between insurance risk, counterparty risk and market risk have been distributed proportionally. The total risk distribution between the primary types of risk was stable during the year compared with a rising share of credit risk for the Group due to the banking operations expanding more than the other operations.

RISK PROFILE FOR LÄNSFÖRSÄKRINGAR AB GROUP EXCLUDING LÄNSFÖRSÄKRINGAR FONDIV, DECEMBER 31, 2011



More advanced risk models are used in each operation.

Länsförsäkringar Bank calculates the capital requirement for the majority of its loan portfolio by applying the advanced Internal Ratings-based Approach (IRB approach) under the Basel II regulations. This Approach has been applied to retail exposure since the Basel II regulatory framework came into effect in February 2007. Permanent exemptions have been granted for applying the Approach to exposures to governments, local governments, county councils and banks. From 2010, the bank has permission to use the basic IRB Approach for agricultural and corporate exposures. The bank endeavours to commence application of the advanced IRB approach for minor agricultural and corporate exposures in 2012.

Länsförsäkringar Sak and Länsförsäkringar Fondliv intend to acquire approval for partial internal models for calculating capital requirements under Solvency II – refer to the section on Solvency II.

Risk, capital and solvency

The management of risk taking is closely related to the control of the use of the Group's capital. A plan for the financing of the Group's operations is prepared annually in conjunction with 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 the majority of cases, the Group's insurance companies had a capital base exceeding the statutory solvency margin by several hundred percent. 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, 2011, the Länsförsäkringar Bank Group had a capital adequacy ratio of 9.3% (9.4), 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 14.0% (13.5). The Tier 1 ratio was 12.1%, compared with the established target of 12%, with a deviation of +/- 0.5 percentage points permitted.

Following a decision by the Swedish Financial Supervisory Authority, the Länsförsäkringar AB Group, including the Länsförsäkringar Liv Group, is classified as a financial conglomerate in accordance with the Swedish Financial Conglomerates (Special Supervision) Act.

A special capital requirement applies to such conglomerates. The Länsförsäkringar AB Group fulfils this requirement by a substantial margin.

Solvency II – risk-based regulatory requirements from 2014

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 scope 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 postponed by the EU body. The most recent proposals entail that the insurance companies must submit certain information according to the Solvency II regulations during 2013, but that the new material regulations will not apply until January 1, 2014.

Länsförsäkringar AB and its subsidiaries have participated in the Solvency II preparations for several years. Following a preliminary study in 2008, a project on Solvency II preparations has been conducted since the start of 2009. An increasing number of employees will be involved in the preparations.

An increasing number of employees will be involved in the preparations. The work involves individual preparations and also influencing the content of the new rules.

Länsförsäkringar has a positive attitude to the modernisation of the rules for the insurance sector under Solvency II. However, the preparations for Solvency II demand extensive work and expenses for the Länsförsäkringar AB Group's insurance companies. Measures need to be taken in terms of the development of work processes and guidance documents and the management of data inventories and calculation procedures.

The reviews of processes that are underway will lead to enhanced efficiency.

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 most 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.

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 Swedish Financial Supervisory Authority prior to application. In January 2011, Länsförsäkringar Sak, Länsförsäkringar Fondliv and Länsförsäkringar Liv applied to the Swedish Financial Supervisory Authority for a preparatory review of the partial internal model for calculating the Solvency Capital Requirement. Work then intensified to adapt the regulatory framework of the partial internal model and its connection to operational planning, governance and control, which became central issues in Solvency II efforts during the year.

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.

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 medical and accident, commercial and property, motor vehicle, third-party liability, marine, air and cargo, animal insurance, assumed reinsurance, group life and employment 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 disaster risks.

Sensitivity analysis

Impact on profit before tax, SEK M	2011	2010
10% lower premium level	-400	-377
10% increased claims frequency or higher average claim	-312	-277
1% higher annual claims inflation	-597	-658

Reinsurance per claim incident

SEK M	2011		2010	
	Retention	Cover	Retention	Cover
Third-party liability insurance	2	300	2	300
Liability insurance	20	300	20	300
Cargo insurance	5	1,000	10	200
Accident insurance	20	600	20	250

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 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 between 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 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.

Classification of risk in the Länsförsäkringar AB Group including the Länsförsäkringar Liv Group

Non-life insurance risk Premium risk Reserve risk Disaster risk	Life-assurance risk Mortality risk Risk of paying life assurance Risk of disability and morbidity Expenses risk Cancellation risk Disaster risk	Counterparty risk Interest-rate risk Equities risk Property risk Spread risk Currency risk Concentration risk in investment assets	Market risk Counterparty risk in ceded reinsurance Counterparty risk in financial derivatives Other counterparty risk	Credit risk in lending	Operational risk
Business risk	Liquidity risk, including financing risk	Other risks			

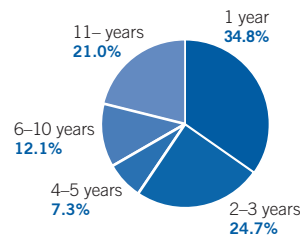
Reserve risk

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 20.4 (19.9) billion. An estimate of the cost of claims outstanding – about SEK 18.9 billion (18.4) – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in 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 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 Group's non-life insurance portfolio has a relatively high duration given the large percentage of third-party liability insurance transactions, which is why 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 tenure.

ESTIMATED DISTRIBUTION OF TENURE OF EXPECTED PAYMENTS OF CLAIMS OUTSTANDING, GROSS, CALCULATED AT PRESENT VALUE, DEC. 31, 2011



Disaster risk

Disaster risk refers to the risk of losses occurring as a result of extreme weather conditions, natural disasters, epidemics or disasters caused by human activities leading to a very large claims burden.

The Group has low exposure to disaster risks for own account. The Group administers 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 disaster risk is in the internationally received reinsurance.

Life-assurance risk

The Group's life-assurance risk derives from the claims annuities operations which are subject to the risk of paying life assurance, and the operations of Länsförsäkringar Grupplivförsäkrings AB are subject to the mortality risk and morbidity. The risk of paying life assurance, mortality risk and risk of morbidity is the risk of losses occurring as a result of the insured living longer, the mortality of

Estimated claims cost before reinsurance, per claim year

	Claim year							
SEK M	2005	2006	2007	2008	2009	2010	2011	Total
Länsförsäkringar Sak Group, excluding life-assurance operations								
At end of claim year	1,371	1,516	1,713	1,804	2,121	2,409	2,438	
One year later	1,373	1,608	1,662	1,788	2,131	2,573		
Two years later	1,403	1,581	1,567	1,786	2,105			
Three years later	1,363	1,536	1,556	1,774				
Four years later	1,338	1,522	1,549					
Five years later	1,333	1,521						
Six years later	1,322							
Estimated claims costs	1,322	1,521	1,549	1,774	2,105	2,573	2,438	
Accumulated claims payments	1,210	1,364	1,380	1,564	1,833	2,024	1,620	
Provision for claims payments	112	156	169	210	273	548	817	2,572
Provision for claims payments, older year classes								4,354
Provision for claims payments for assumed reinsurance								6,727
Total provision for claims payments, gross								13,653
Claims annuities reserve, gross								4,635
Claims adjustment reserve, gross								313
Provision for claims outstanding								18,601
Provision for claims payments, reinsurers' portion								-6,334
Claims annuities reserve, reinsurers' portion								0
Claims adjustment reserve, reinsurers' portion								-6
Provision for claims outstanding, reinsurers' portion								-6,335
Provision for claims outstanding, for own account								12,262

the insured being higher and the morbidity of the insured being higher than assumed. Life-assurance risk also occurs in unit-linked insurance operations in Länsförsäkringar Fondliv. In unit-linked insurance operations, risk pertaining to the uncertainty of mortality and morbidity are assessed less significant, while expenses risk and cancellation risk may hold more significance. Expense risk is the risk that the estimated costs will not cover the company's actual business 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.

Market risk

Market risk is the risk of losses occurring as a result of changes, in level or volatility, of interest rates, financial asset prices and exchange rates.

Market risk occurs in the Länsförsäkringar AB Group primarily due to 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 and Länsförsäkringar Fondliv's investment assets for own account, but the investment portfolios are normally characterised by a very low level of risk.

There is also 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, being affected by the level of the stock index and so forth. 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' and Parent Company's assets, assessments are made of the potential for a favourable return and 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 that may be included in the investment portfolios are performed continuously.

Market risks in asset management are controlled by decisions in the Boards of each company concerning the proportion that is initially to be invested in each asset class and the extent to which the actual portfolio may deviate from the defined portfolio. 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 increasingly utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile.

Sensitivity analysis

Impact on profit before tax, SEK M	2011	2010
1% higher interest rate, nominal interest rates	-54	-75
1% higher real interest rate (including impact on claims annuities)	-82	-94
10% lower share prices ¹⁾	-218	-188
10% lower property prices ²⁾	-1	-1
10% weaker SEK	-30	-5

¹⁾ Includes 10% lower prices on hedge funds.

²⁾ For the effect of changed property prices, the difference between the impact on profit and the impact on equity is that the effect of a decline in the fair value of the office property utilised by the Group is recognised directly against equity. A 10% decline in the value of the property results in a decrease in equity, after 26.3% standard tax, amounting to approximately SEK 180 M (178).

The predominant proportion of the item "Other" in the segment reporting for specific risk categories below refers to items in the Parent Company.

Interest-rate risk

Interest-rate risk is the risk that the net value of assets, liabilities and insurance undertakings may decline due to changed 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 rebalancing 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 borrowing 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, 2011, 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 33 M (52).

The fixed-interest periods for the Länsförsäkringar AB Group's assets and liabilities are presented in the Fixed-interest periods for assets and liabilities table – interest-rate exposure.

Equities risk

Equities risk is the risk that the value of assets may decline due to falling share prices.

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.

Equities risk was kept at a relatively low level throughout 2011.

Property risk

Property risk is the risk that the value of assets declines due to falling property prices.

Property investments are essentially found exclusively in the non-life insurance company. The Group's property risk overwhelmingly 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 that the value of assets declines due to increases in the difference between market interest rates on bonds with credit risks and government securities.

Credit-spread risk is managed by a decision that the counterparty shall have a credit rating that is deemed to be sufficient. 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.

Bonds and other interest-bearing securities classified by rating

DEC. 31, 2011 SEK M	AAA Swedish Government	AAA other	AA	A	BBB	BB	B or lower
Insurance ¹⁾	5,674	1,972	237	866	452	589	336
Bank	8,342	20,628	–	–	–	–	–
Total	14,016	22,600	237	866	452	589	336

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

DEC. 31, 2010 SEK M	AAA Swedish Government	AAA other	AA	A	BBB	BB	B or lower
Insurance ²⁾	3,994	1,307	963	917	623	671	933
Bank	4,170	21,203	–	–	–	–	–
Total	8,164	22,510	963	917	623	671	933

²⁾ Excluding investments in hedge funds in "Insurance" and "Other" totalling SEK 949 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 that the net value of assets, liabilities and insurance undertakings declines due to fluctuations in exchange rates. The Group's significant foreign currency exposure is found only in the non-life insurance companies.

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

Group's net exposure in foreign currency

Currency, equivalent in SEK M	Dec. 31, 2011	Dec. 31, 2010
EUR	–185	–700
USD	–16	–540
GBP	36	–258
PLN	–6	207
TRY	4	192
IDR	0	131
RUB	–1	134
NOK	–46	47
Other currencies	–81	740
Total	–295	–47

The total net currency exposure on December 31, 2011 amounted to less than 1% of the total investment assets in the non-life insurance companies and the Parent Company jointly.

Counterparty risk

Counterparty risk pertains to the risk that counterparties are unable to fulfil their undertaking and that any collateral provided does not cover 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.

Regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. Minimum requirements stipulated for the choice of reinsurer include that reinsurers shall have at least an A credit rating from credit rating agency Standard & Poor's for transactions with long settlement periods and at least a BBB credit rating for other types of transactions. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers.

Exposure to reinsurers per rating category

The division refers to purchased, external cover for 2011

%	2011	2010
AAA	0.9	0.5
AA	36	23
A	63	76
BBB	0.5	0.5
BB or lower	0	0
Total	100	100

Counterparty risks in financial derivatives are managed through regulations for approved exposure per counterparty. The size of the permitted exposure depends on the rating of the counterparty.

Exposure is limited on the basis of ISDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure.

Counterparty risks in financial derivatives per rating category

Calculated based on the market value of the derivative

DEC. 31, 2011 SEK M	AAA	AA	A	BBB or lower	Total
Insurance operations	–	5	21	–	26
Bank	–	269	615	–	884
Other	–	–	–	–	–
Total	–	274	636	–	910

DEC. 31, 2010 SEK M	AAA	AA	A	BBB or lower	Total
Insurance operations	–	28	59	–	87
Bank	–	40	482	–	522
Other	–	–	–	–	–
Total	–	68	541	–	609

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 incurring losses 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 farmers, 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 this product type. 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 2011. The loan segment is a complement to the bank's 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 homogenous 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 basic IRB Approach for the portion of the loan portfolio pertaining to agricultural operations. The Standardised Approach is used for other exposures.

Bank group loans by sector

Loan receivables, SEK M	Dec. 31, 2011			Dec. 31, 2010		
	Gross	Impairment	Net	Gross	Impairment	Net
Retail sector	122,390	-199	122,191	109,233	-222	109,011
Corporate sector	9,659	-85	9,574	8,723	-64	8,659
Credit institutions	1,706		1,706	1,530		1,530
Public sector	2,246		2,246	236		236
Other	0		0	4		4
Total	136,001	-284	135,717	119,726	-286	119,440
Loans approved but not disbursed			5,115			4,671
Overdraft facilities approved but not utilised			2,097			1,755
Unutilised card loans and financial guarantees			968			750
Total credit risk exposure in the Bank Group's lending			143,897			126,616

Bank group loans by segment

Loan receivables, SEK M	Dec. 31, 2011	Dec. 31, 2010
Retail mortgages	96,318	87,414
Agricultural loans	16,665	13,786
Unsecured loans	5,676	4,911
Leasing	5,764	5,180
Hire purchase	4,589	4,079
Multi-family homes	2,173	1,994
Other	3,110	832
Credit institutions	1,706	1,530
Total	136,001	119,726

The average commitment amounted to SEK 0.9 million (0.9). Some 32% (34) of customers had a commitment of less than SEK 1 million. Only 8% (8) of customers had a commitment of more than SEK three 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).

Bank group's impaired loans

SEK M	Dec. 31, 2011	Dec. 31, 2010
Retail sector	145	141
Corporate sector	88	68
Total	233	209

Bank group's non-performing loan receivables not included in impaired loans

SEK M	2011	2010
Receivables overdue by 10 to 19 days	0	0
Receivables 20-39 days past due	293	265
Receivables 40-59 days past due	6	8
Total	299	273

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.

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.

Impairment of bank group's receivables, December 31, 2011

SEK M	Individually assessed receivables		Collectively assessed receivables		Total	
	2011	2010	2011	2010	2011	2010
Retail sector	121	95	78	127	199	222
Corporate sector	61	40	24	24	85	64
Total	182	135	102	151	284	286

Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events.

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 consequences evaluated and probability assessed. Action plans are prepared for material risks, which are regularly followed up. Each Risk Control function facilitates analyses, compiles and reports on results and follows up action plans.

Common system support is used for incident management. A continuity plan is established annually for the Group and the Group's units adopt continuity plans for their specific operations.

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 risk is managed at Board and management level through analyses and decisions prior to making strategic choices on operational focus, in the annual business planning process and if required by trends in the Group's markets. The specific business risks that are deemed to be the most important at any 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 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 third-party liability insurance transactions. Of the total technical reserves before ceded reinsurance of SEK 20.4 billion (19.9), 44% (44) refers to the third-party liability insurance class of insurance. The interest-rate decline during the year increased the value of the claim annuities linked to third-party liability to such an extent that the insurance class's share of total provisions remained unchanged.

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

The Group's investment assets in the non-life insurance companies and the Parent Company are very highly diversified. As of December 31, 2011, the office property utilised by the Group in Stockholm comprised a major investment asset. The value of this property represented approximately 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 borrowings at significantly higher costs than usual or by divesting assets at a loss.

Management of the Länsförsäkringar AB 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 Länsförsäkringar Bank Group's liquidity portfolio amounted to SEK 30.5 billion (25.7) on December 3, 2011. The liquidity portfolio comprises investments in SEK of very high credit quality. The distribution of the liquidity portfolio had the following exposure: 36% (15) to the Swedish government and 64% (80) to covered bonds.

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 13,0 billion (12.3), while short-term liabilities and payments of insurance contracts, gross before reinsurance, where claims are expected to be incurred within one year amounted to SEK 6.8 billion (6.7).

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 1,452 M (597).

Maturity structure of the Group's financial assets and liabilities

The table presents undiscounted nominal values.

Dec. 31, 2011 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	3,674	113	56	1,577	102	3,800	9,322	10,985
Other assets	511	82	58	868	300	4,423	6,242	6,225
Total assets, Insurance	4,185	195	114	2,445	402	8,189	15,530	17,210
Other liabilities	16	242	–	–	–	414	672	672
Total liabilities, Insurance	16	242	–	–	–	414	672	672
Net assets and liabilities, Insurance	4,169	–47	114	2,445	402	7,775	14,858	16,538
Derivatives, nominal value, net, Insurance	–	0	–	–	–	–	0	–
Net exposure, Insurance	4,169	–47	114	2,445	402	7,775	14,858	–
BANK								
Loans	–	2,921	3,600	9,212	118,529	–152	134,110	134,011
Bonds and other interest-bearing securities	–	100	5,575	13,950	–	–	19,625	20,628
Other assets	317	1,595	–	7,458	–	5,302	14,673	15,417
Total assets, Bank	317	4,616	9,175	30,620	118,529	5,150	168,408	170,056
Customer deposits	30,808	15,677	3,560	1,430	–	–	51,476	49,610
Debt securities in issue	–	12,844	7,388	79,861	467	–	100,559	101,280
Other liabilities	–	2,047	85	–	1,490	9,102	12,723	–
Total liabilities, Bank	30,808	30,568	11,033	81,291	1,957	9,102	164,759	150,890
Net assets and liabilities, Bank	–30,491	–25,952	–1,858	–50,671	116,573	–3,951	3,649	19,167
Derivatives, nominal value, net, Bank	–	230	239	339	–77	0	732	–
Net exposure, Bank	–30,491	–25,722	–1,619	–50,331	116,496	–3,951	4,381	–
UNIT-LINKED LIFE ASSURANCE								
Bonds and other interest-bearing securities	–	–	–	–	–	34	34	34
Other assets	6	867	104	398	376	17	1,768	1,887
Total assets, Unit-linked Life Assurance	6	867	104	398	376	51	1,802	1,921
Other liabilities	–	251	–	–	–	–	251	251
Equity	–	–	–	–	–	–	–	–
Total liabilities, Unit-linked Life Assurance	–	–	–	–	–	–	251	251
Net assets and liabilities, Unit-linked Life Assurance	6	616	104	398	376	51	1,551	1,670
Interest-rate derivatives, nominal amount, Unit-linked Life Assurance	–	–	–	–	–	–	–	–
Net exposure, Unit-linked Life Assurance	6	616	104	398	376	51	1,551	1,670
OTHER								
Bonds and other interest-bearing securities	–	–	–	–	–	375	375	375
Other assets	6	–	–	–	–	14,862	14,868	14,868
Total assets, Other	6	–	–	–	–	15,237	15,243	15,243
Other liabilities	–	1,809	–	–	–	–	1,809	602
Total liabilities, Other	–	1,809	–	–	–	–	1,809	602
Net assets and liabilities, Other	6	–1,809	–	–	–	15,237	13,434	14,641
TOTAL								
Intra-Group eliminations	–	–	–	–	–	–14,364	–14,364	–14,364
Net assets and liabilities, Total	–26,310	–27,192	–1,640	–47,828	117,350	4,747	19,127	37,652
Derivatives, nominal value, net, Total	–	230	239	339	–77	0	731	–
Net exposure, Total	–26,310	–26,962	–1,401	–47,489	117,273	4,747	19,858	–

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 2011 Annual Report.

Fixed-interest periods for assets and liabilities – interest-rate exposure

The table presents the interest maturity structure at carrying amount.

Dec. 31, 2011 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	81	880	169	–	459	744	4,886	3,766	10,985
Other assets	504	4	12	28	–	–	–	4,497	5,045
Total assets, Insurance	585	884	181	28	459	744	4,886	8,263	16,030
Other liabilities	18	13	–	–	–	–	–	22,861	22,892
Total liabilities, Insurance	18	13	–	–	–	–	–	22,861	22,892
Net assets and liabilities, Insurance	567	871	181	28	459	744	4,886	–14,598	–6,862
Interest-rate derivatives, nominal value, net, Insurance	–	–	–	–	–370	–630	–347	–	–
Net exposure, Insurance	567	871	181	28	89	114	4,539	–14,598	
BANK									
Loans	64,208	24,380	7,164	7,868	23,905	5,110	1,495	–118	134,011
Bonds and other interest-bearing securities	–	101	4,875	779	11,561	3,313	–	–	20,628
Other assets	1,580	39	–	–	–	–	–	13,798	15,417
Total assets, Bank	65,788	24,520	12,039	8,647	35,466	8,423	1,495	13,680	170,056
Customer deposits	33,555	10,781	362	3,199	1,135	296	–	283	49,610
Debt securities in issue	2,551	27,226	619	2,052	39,632	28,665	458	77	101,280
Other liabilities	2,184	1,185	8	0	631	–	755	8,072	12,835
Total liabilities, Bank	38,289	39,192	989	5,251	41,397	28,961	1,213	8,432	163,724
Net assets and liabilities, Bank	27,499	–14,672	11,050	3,396	–5,932	–20,538	282	5,248	6,332
Interest-rate derivatives, nominal value, net, Bank	–	–	50	–	25	115	20	–	–
Net exposure, Bank	27,499	–14,672	11,100	3,396	–5,907	–20,423	302	5,248	
UNIT-LINKED LIFE ASSURANCE									
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	34	34
Other assets	7	–	–	–	–	–	–	1,885	1,891
Total assets, Unit-linked Life Assurance	7	–	–	–	–	–	–	1,919	1,925
Other liabilities	251	–	–	–	–	–	–	254	505
Total liabilities, Unit-linked Life Assurance	–	–	–	–	–	–	–	254	505
Net exposure, Unit-linked Life Assurance	–244	–	–	–	–	–	–	1,665	
OTHER									
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	375	375
Other assets	31	291	–	–	–	–	–	17,206	17,528
Total assets, Other	31	291	–	–	–	–	–	17,581	17,903
Other liabilities	–	1,800	471	–	–	–	792	1,575	4,639
Total liabilities and equity, Other	–	1,800	471	–	–	–	792	1,575	4,639
Net assets and liabilities, Other	6	–1,509	–471	–	–	–	–792	16,006	
TOTAL									
Loans	64,208	24,380	7,164	7,868	23,905	5,110	1,495	–118	134,011
Bonds and other interest-bearing securities	81	981	5,044	779	12,019	4,057	4,894	4,175	32,031
Other assets	2,116	333	12	28	–	–	–	33,292	35,781
Total assets, Total	66,405	25,694	12,220	8,675	35,924	9,167	6,389	37,349	201,823
Customer deposits	33,268	10,781	362	3,199	1,135	296	–	283	49,323
Debt securities in issue	2,537	27,067	523	2,052	39,011	28,665	458	77	100,391
Other liabilities	2,203	2,998	479	0	631	792	755	31,046	38,904
Total liabilities, Total	38,008	40,846	1,364	5,251	40,777	29,753	1,213	31,406	188,618
Net assets and liabilities, Total	28,396	–15,152	10,856	3,424	–4,853	–20,586	5,176	5,943	13,202
Interest-rate derivatives, nominal value, net, Total	–	–	50	–	–322	–661	–388	–	–
Net exposure, Total	28,396	–15,152	10,906	3,424	–5,175	–21,247	4,788	5,943	

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

2011	Non-life insurance	Unit-linked insurance	Bank	Asset management	Other operations	Eliminations	Total
Premiums before ceded reinsurance	6,162.2	2.3	–	–	–	–	6,164.6
Reinsurers' portion of premiums earned	–2,158.3	–0.1	–	–	–	–	–2,158.4
Premiums earned after ceded reinsurance	4,003.9	2.2	–	–	–	–	4,006.2
Interest income	–	–	10,345.5	–	–	–815.7	9,529.8
Interest expense	–	–	–8,617.3	–	–	869.6	–7,747.7
Net interest income	–	–	1,728.3	–	–	53.8	1,782.1
Change in unit-linked insurance assets – policyholder bears the risk	–	–423.3	–	–	–	–	–423.3
Dividend in unit-linked insurance assets – policyholder bears the risk	–	23.1	–	–	–	–	23.1
Investment income, net	197.2	4.8	9.9	–175.3	9.8	–53.8	–7.3
Commission income	149.5	119.4	947.7	–	–	–33.9	1,182.7
Other operating income	172.6	4.5	293.6	256.1	5,304.7	–3,515.4	2,516.1
Total operating income	4,523.3	–269.4	2,979.5	80.9	5,314.5	–3,549.3	9,079.4
Claims payments before ceded reinsurance	–3,994.1	0.8	–	–	–	–	–3,993.3
Reinsurers' portion of claims payments	1,131.5	0.1	–	–	–	–	1,131.5
Claims payments after ceded reinsurance	–2,862.6	0.9	–	–	–	–	–2,861.7
Change in life assurance provision	–1.0	–	–	–	–	–	–1.0
Change in unit-linked insurance liabilities – policyholder bears the risk	–	399.7	–	–	–	–	399.7
Commission expense	–387.5	–56.5	–1,367.4	–	–	38.7	–1,772.7
Staff costs	–312.2	–1.6	–364.2	–46.6	–768.3	20.1	–1,472.8
Other administration expenses	–801.2	–38.4	–814.4	–154.0	–4,671.1	3,490.6	–2,988.4
Loan losses	–	–	–48.2	–	–	–	–48.2
Total expenses	–4,364.5	304.1	–2,594.1	–200.5	–5,439.4	3,549.3	–8,745.1
Operating profit	158.8	34.7	385.4	–119.7	–124.9	–	334.3
Less revaluation of owner-occupied property	–	–	–	–50.6	–	–	–50.6
Operating profit/loss in profit and loss	158.8	34.7	385.4	–170.3	–124.9	–	283.7
Tax	–	–	–	–	–	–	–71.8
Net profit/loss for the year	–	–	–	–	–	–	211.9
Income distribution							
External income	4,482.5	–303.3	2,893.1	–939.4	1,625.6	1,321.0	9,079.4
Internal income	40.8	33.9	86.4	1,020.3	3,688.9	–4,870.3	–
Total operating income	4,523.3	–269.4	2,979.5	80.9	5,314.5	–3,549.3	9,079.4

2010	Non-life insurance	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	5,925.9	–	–	–	–	5,925.9
Reinsurers' portion of premiums earned	–2,157.1	–	–	–	–	–2,157.1
Premiums earned after ceded reinsurance	3,768.8	–	–	–	–	3,768.8
Interest income	–	5,634.4	–	–	–	5,634.4
Interest expense	–	–4,271.6	–	–	73.4	–4,198.2
Net interest income	–	1,362.8	–	–	73.4	1,436.2
Investment income, net	207.5	10.0	151.1	–	–52.6	316.0
Commission income	190.8	918.8	–	–	–	1,109.6
Other operating income	125.9	169.0	260.5	2,184.4	–521.7	2,218.1
Total operating income	4,293.1	2,460.6	411.6	2,184.4	–500.9	8,848.7
Claims payments before ceded reinsurance	–4,137.4	–	–	–	–	–4,137.4
Reinsurers' portion of claims payments	1,470.4	–	–	–	–	1,470.4
Claims payments after ceded reinsurance	–2,667.0	–	–	–	–	–2,667.0
Change in life assurance provision	0.2	–	–	–	–	0.2
Commission expense	–421.0	–1,092.2	–	–0.2	3.8	–1,509.6
Staff costs	–299.7	–311.4	–53.1	–736.4	14.2	–1,386.4
Other administration expenses	–712.6	–670.1	–154.2	–1,540.0	482.9	–2,594.1
Loan losses	–	–41.6	–	–	–	–41.6
Total expenses	–4,100.0	–2,115.3	–207.3	–2,276.7	500.9	–8,198.4
Operating profit	193.0	345.3	204.3	–92.3	–	650.4
Less pension provisions	–	–	–	–19.8	–	–19.8
Less revaluation of owner-occupied property	–	–	–94.8	–	–	–94.8
Operating profit/loss in profit and loss	193.0	345.3	109.5	–112.1	–	535.7
Tax	–	–	–	–	–	–117.6
Net profit/loss for the year	–	–	–	–	–	418.1
Income distribution						
External income	4,291.4	2,501.7	–59.0	1,161.2	953.5	8,848.7
Internal income	1.7	–41.2	470.6	1,023.2	–1,454.3	–
Total operating income	4,293.1	2,460.6	411.6	2,184.4	–500.9	8,848.7

NOTE 3 EARNINGS PER OPERATING SEGMENT, cont.

The distribution into operating segments matches how the Group is organised and 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 and run-off of previously underwritten international reinsurance are also included. The Insurance operating segment comprises non-life insurance with income from external customers totalling SEK 4,225.5 M (4,149.6) and group life assurance with income from external customers totalling SEK 257.0 M (243.2)

The Fondlivförsäkring operating segment pertains to life assurance with links to mutual funds. Fondlivförsäkring 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 447.5 M (701.1), for mortgage products totalling SEK 838.8 M (446.4), for leasing and instalment totalling SEK 938.3 M (697.2) and for fund products totalling SEK 668.5 M (657.0).

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 Fondlivförsäkring operating segment's investment income. Internal expenses for asset management are 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 for 2011 does not include Group-wide adjustment for defined-benefit pensions calculated according to IAS 19.

NOTE 4 ACQUISITIONS OF OPERATIONS**Acquisitions of operations 2011**

Länsförsäkringar Fondliv Försäkrings AB

On October 31, 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 is preliminary since further analysis is required to determine the market value of the assets and the distribution between the asset class of goodwill 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 63.6 M to the Group's income and SEK 41.1 M to the Group's profit after tax. If the company had been acquired on January 1, 2011, it would have contributed SEK 416.7 M to the Group's income and SEK 189.3 M to the Group's profit after tax.

Acquired net assets

	Carrying amount in Länsförsäkringar Fondliv Försäkrings AB	Fair value, Adjustment	Fair value, recognised in the Group
Intangible assets		2,917.0	2,917.0
Cash and cash equivalents	6.5		6.5
Investment assets for which the policyholder bears the investment risk	51,779.7		51,779.7
Unit-linked insurance commitments for which the policyholder bears the investment risk	-51,778.8		-51,778.8
Deferred tax		-665.9	-665.9
Other receivables and liabilities, net	1,252.1		1,252.1
Net identifiable assets and liabilities	1,259.6	2,251.1	3,510.6
Consolidated goodwill			1,694.8
Consideration transferred			5,205.4

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."

Acquisition-related expenses

Acquisition-related expenses amount to SEK 20.1 M and comprise fees to consultants.

Acquired receivables

Fair value of financial assets amounts to SEK 123.7 M. Prepaid acquisition costs amount to SEK 897.4 M. Other receivables amount to SEK 41.4 M. All receivables are considered settled.

Consideration transferred

Cash and cash equivalents	4,400.0
Additional purchase price	805.4
Total consideration transferred	5,205.4

Additional purchase price

The acquisition agreement states that an additional purchase price of SEK 950 M shall 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 805.4 M.

Acquisitions of operations 2010

During 2010, the Länsförsäkringar AB Group did not acquire any operations.

NOTE 5 PREMIUMS EARNED AFTER CEDED REINSURANCE

	2011	2010
Non-life insurance		
Premium income, direct insurance, Sweden	2,822.2	2,722.3
Premium income, direct insurance, other EEA	599.7	556.2
Premium income, assumed reinsurance	2,345.8	2,392.6
Change in provision for unearned premiums	88.6	-36.1
Change in premium for unexpired risks	48.6	40.3
Total premiums earned before ceded reinsurance	5,904.9	5,675.3
Premiums for ceded reinsurance	-2,003.3	-2,066.2
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	-146.4	-59.6
Total reinsurers' portion of premiums earned	-2,149.7	-2,125.8
Total premiums earned after ceded reinsurance	3,755.2	3,549.5
Life insurance		
Premium income, group insurance, direct life assurance in Sweden	259.7	250.7
Total premium income before ceded reinsurance	259.7	250.7
Premiums for ceded reinsurance	-8.8	-31.3
Total premiums after ceded reinsurance	250.9	219.4
Total premiums after ceded reinsurance	4,006.2	3,768.8

NOTE 6 INTEREST INCOME

	2011	2010
Loans to credit institutions	30.0	8.2
Loans to the public	5,222.5	3,183.9
Interest-bearing securities	826.5	721.5
Derivatives		
– Hedge accounting	3,319.3	1,719.1
– Non-hedge accounting	131.5	1.5
Other interest income	0.0	0.2
Total interest income	9,529.8	5,634.4
of which interest income on impaired loans	-11.6	1.6
of which interest income from financial items not measured at fair value	5,252.4	3,214.1
Average interest rate on loans to the public during the year, %	4.1	2.7

NOTE 7 INTEREST EXPENSE

	2011	2010
Due to credit institutions	-37.1	-74.1
Deposits and borrowing from the public	-836.8	-244.8
Interest-bearing securities	-3,100.0	-2,188.9
Subordinated liabilities	-68.2	-6.6
<i>Derivatives</i>		
– Hedge accounting	-3,484.7	-1,622.0
– Non-hedge accounting	-137.5	-11.6
Other interest expense	-83.3	-50.2
Total interest expense	-7,747.7	-4,198.2
of which interest expense from financial items not measured at fair value	-4,133.8	-2,564.6
Average interest rate on deposits from the public during the year, %	1.9	0.6

NOTE 8 INVESTMENT INCOME, NET

	2011	2010
Interest income	571.2	295.9
Dividends	9.4	76.5
Profit, investment property		
Rental income	0.6	3.0
Expenses	-0.5	-2.3
Total profit, investment property	0.2	0.7
Realised profit, net		
Investment property	–	-6.0
Interest compensation	26.4	43.8
Shares and participations	65.1	153.6
Interest-bearing securities	41.2	123.9
Derivatives	-32.5	31.3
Other financial assets	-27.8	-22.9
Other financial liabilities	-10.0	-64.2
Total realised profit, net	62.5	259.5
Unrealised profit, net		
Investment property	0.2	-96.0
Shares and participations	-65.6	-87.6
Interest-bearing securities	1,197.6	-396.3
Derivatives	472.4	-516.9
Other financial assets	541.9	-585.9
Other financial liabilities	-1,788.8	1,547.7
Total unrealised profit, net	357.7	-134.9
Exchange-rate gains/losses, net	-112.1	12.3
Interest expense	-807.0	-276.1
Participations in associated companies	1.1	1.6
Impairment Länsförsäkringar Liv Försäkringsaktiebolag (publ)	-106.8	–
Asset management expenses	-13.2	-14.4
Investment income, net	-37.1	221.2

NOTE 8 INVESTMENT INCOME, NET, cont.

	2011	2010
Profit/loss by valuation category		
Derivative assets intended for risk management, non-hedge accounting	-31.8	-148.2
Other financial assets measured at fair value in profit and loss	806.7	544.5
Derivative liabilities intended for risk management, non-hedge accounting	–	-5.8
Derivatives in hedge accounting	-26.6	31.3
Derivatives not in hedge accounting	-5.9	–
Other financial liabilities measured at fair value in profit and loss	-28.0	-22.3
Available-for-sale financial assets ¹⁾	-55.5	33.4
Loan receivables and accounts receivable	52.4	24.4
Financial liabilities at amortised cost	-31.7	-63.2
Change in fair value of derivatives that are hedging instruments in a hedge of fair value	472.0	-521.5
Change in fair value of hedged items with regard to the hedged risk in hedges of fair value	-498.7	494.8
Non-financial items not included in investment income, net		
Translation, non-life annuity reserve	-583.4	-77.4
Value-preserving interest rates claims annuities reserve	-107.8	-101.2
Asset management expenses	-13.2	-14.4
Other non-financial items	14.6	46.8
Total investment income, net	-37.1	221.2

¹⁾ Total net gains on available-for-sale financial assets amounted to SEK 111.6 M (62.2), of which SEK 167.1 M (28.8) M was recognised against other comprehensive income.

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

NOTE 9 COMMISSION INCOME

	2011	2010
Payment mediation commission	63.6	81.1
Lending commission	78.3	72.9
Deposit commission	7.1	6.9
Financial guarantees	0.3	0.2
Securities commission	688.1	679.9
Card operations	106.7	75.2
Commission and profit shares in ceded reinsurance	149.5	190.8
Fees pertaining to financial agreements unit-linked insurance	61.3	–
Other commission	27.8	2.6
Total commission income	1,182.7	1,109.6
of which commission income from financial items not measured at fair value	194.6	155.2

NOTE 10 OTHER OPERATING INCOME

	2011	2010
Service income, regional insurance companies	1,167.8	1,186.5
Other service income	595.9	516.9
Other income	752.4	514.7
Total other operating income	2,516.1	2,218.1

NOTE 11 CLAIMS PAYMENTS

	2011			2010		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
Non-life insurance						
Claims paid	-4,127.7	935.2	-3,192.5	-3,810.5	944.4	-2,866.1
Claims annuities paid	97.4	-	97.4	12.3	-	12.3
Change in provision for claims incurred and reported	293.0	17.2	310.2	629.2	22.7	651.8
Change in provision for claims incurred and not reported	-100.0	172.2	72.2	-782.4	489.9	-292.5
Total	-3,837.3	1,124.6	-2,712.7	-3,951.6	1,457.0	-2,494.5
Life assurance						
Claims paid	-153.8	8.5	-145.2	-155.5	12.2	-143.3
Change in provision for claims outstanding	-2.2	-1.6	-3.8	-30.3	1.1	-29.2
Total	-155.9	6.9	-149.0	-185.8	13.3	-172.5
Total non-life insurance and life assurance	-3,993.3	1,131.5	-2,861.7	-4,137.4	1,470.4	-2,667.0

NOTE 12 COMMISSION EXPENSE

	2011	2010
Payment mediation commission	-95.7	-82.6
Securities commission	-375.7	-363.4
Card operations	-82.2	-80.2
Compensation to the regional insurance companies	-833.8	-596.3
Commission, direct insurance	-133.8	-129.4
Commission, assumed reinsurance	-181.7	-209.1
Acquisition costs unit-linked insurance	-56.4	-
Other commission	-13.4	-48.6
Total commission expense	-1,772.7	-1,509.6
of which commission expense from financial items not measured at fair value	-793.7	-549.8

Compensation to the regional insurance companies refers to their work with the Bank Group's customer-related issues in the geographical area of operations of each regional insurance company. This solution creates a local presence and market awareness. From the customer's perspective, the regional insurance companies serve as local banks. The assignment, associated issues and remuneration are regulated in partnership agreements signed by the parties.

Remuneration pertaining to the bank is primarily calculated as the difference between an established internal interest rate and customer interest rate calculated on each company's deposits and lending volumes under management. Percentage remuneration based on the market value and the fund's management fee is paid for fund volumes under management.

Salaries, other remuneration and social security expenses

Other employees	2011	2010
Salaries and remuneration	813.0	752.4
of which variable remuneration	14.2	13.1
Social security expenses	465.8	444.4
of which pension costs	181.8	186.1
Total	1,278.8	1,196.8

Board of Directors and senior executives, 31 (37)	2011	2010
Salaries and remuneration	49.9	54.9
of which variable remuneration	-	-
Social security expenses	37.7	42.6
of which pension costs	17.7	20.4
Total	87.6	97.5

Total salaries, other remuneration and social security expenses	2011	2010
Salaries and remuneration	862.9	807.3
of which variable remuneration	14.2	13.1
Social security expenses	503.5	487.0
of which pension costs	199.5	206.4
Total	1,366.4	1,294.3

NOTE 13 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Average number of employees	2011	2010
Sweden		
Men	623	618
Women	687	664
Total Sweden	1,310	1,282
Denmark		
Men	-	-
Women	3	-
Total Denmark	3	-
Norway		
Men	1	1
Women	2	1
Total Norway	3	2
UK		
Men	17	10
Women	43	47
Total UK	60	57
Total number of employees		
Men	641	629
Women	735	712
Total	1,376	1,341

Variable remuneration

Variable remuneration may be paid to all employees who are not managers. With the exception of employees within the Compliance, Risk Control and Internal Audit functions. 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 exceeding 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. A maximum of SEK 12,000 may be paid to employees per year if all the prerequisites are fulfilled.

In addition to the above, there are a number of managers and specialists in Länsförsäkringar AB Group's Asset Management, for whom a maximum of two to six months' salary may be paid. 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 a collective or individual agreement.

The variable remuneration above pertains to the recognised expense for the year. The amount includes estimated variable remuneration for 2011, as well as deviation pertaining to estimated costs for 2010.

Of the above amount pertaining to variable remuneration, SEK 2.9 M (2.6) is attributable to the insurance operations and the remaining SEK 11.3 M (10.5) is attributable to the other operations.

Remuneration to 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.

Remuneration of senior executives

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

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

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 years. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for the 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 will be 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 the 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 will be 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).

Preparation and decision-making process applied in relation to the issue of remuneration to company management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to company management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. Decisions regarding remuneration and other terms and conditions of employment for the President are made by the Board of Directors.

Composition of Remuneration Committee

The Board of Directors shall appoint at least two members from within its ranks to form a Remuneration Committee. The Board Chairman may serve as the Chairman of the Committee. The other members must be independent in relation to the company and company management.

Policies for remuneration to 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 medical insurance and other benefits offered to all employees.

Loans to the Board of Directors, Presidents/Executive

Vice Presidents and other senior executives	Dec. 31, 2011	Dec. 31, 2010
Board members	54.1	32.6
President and Executive Vice Presidents	18.4	19.2
Other senior executives	30.8	16.6
Total loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	103.3	68.4

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 National Tax Board'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, 2011	Dec. 31, 2010
Board members	23	26
Other senior executives	37	37

NOTE 14 FEES AND REMUNERATION TO AUDITORS

	2011	2010
KPMG AB		
– Audit assignments	–9.6	–10.3
– audit operations in addition to the audit assignment	–1.0	–0.9
– tax consulting	–0.8	–1.4
– other assignments	–7.1	–3.4
Deloitte		
– audit operations in addition to the audit assignment	–0.6	–0.6
– other assignments	–0.4	–
Total fees and cost reimbursements to auditors	–19.5	–16.7

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 abovementioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

Of fees and cost reimbursements to auditors, other assignments totalling SEK 6.4 M were activated as other intangible fixed assets in the statement of financial position.

NOTE 15 OTHER ADMINISTRATION EXPENSES

	2011	2010
Other administration expenses		
Costs for premises	–155.6	–176.7
Depreciation	–418.1	–373.7
IT costs	–1,252.2	–1,106.0
Consultant costs	–516.9	–295.4
Marketing	–132.3	–230.4
Telephone and postage	–115.2	–105.4
Other administration expenses	–419.0	–306.4
Total other administration expenses	–3,009.3	–2,594.1

Administration expenses in insurance operations classified by function

Expenses for acquisitions	–347.4	–481.0
Expenses for administration	–682.6	–417.9
Expenses for claims adjustment	–253.1	–289.1
Expenses in asset and property management	–48.6	–40.4
Total administration expenses in insurance operations classified by function	–1,370.7	–1,228.4

NOTE 16 LOAN LOSSES, NET

	2011	2010
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–92.7	–105.1
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	92.5	105.3
Impairment of loan losses during the year	–200.7	–109.2
Payment received for prior confirmed loan losses	41.5	26.2
Reversed impairment of loan losses no longer required	62.2	17.3
Covering of losses from related companies	–	10.0
Net expense for the year for individually assessed receivables	–97.2	–55.5
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
Provision/reversal of impairment for loan losses	48.7	13.9
Net expense for the year for collectively assessed receivables	48.7	13.9
Net expense for the year for fulfilment of guarantees	0.3	–
Net expense of loan losses for the year	–48.2	–41.6

All information pertains to receivables from the public.

NOTE 17 TAX ON NET PROFIT FOR THE YEAR

	2011	2010
Current tax		
Tax expenses for the period	-72.3	-7.0
Adjustment of tax expense pertaining to prior years	-0.3	-3.5
Total current tax	-72.6	-10.5
Deferred tax		
Deferred tax pertaining to temporary differences	21.8	-2.3
Deferred tax revenue in loss carryforwards capitalised during the year	-	0.0
Deferred tax expense as a result of utilisation of previously capitalised tax value in loss carryforwards	-21.0	-104.8
Total deferred tax	0.8	-107.1
Total recognised tax expense	-71.8	-117.6
Reconciliation of effective tax rate		
Profit before tax	283.7	535.7
Tax in accordance with applicable tax rate for Parent Company	-74.6	-140.9
Effect of other tax rates for foreign companies	-0.0	-0.5
Tax on non-deductible costs	-38.9	-13.9
Tax on non-taxable income	17.6	36.2
Utilisation of non-capitalised loss carryforwards	0.3	-
Reversal of deferred tax liabilities	24.5	-
Tax attributable to earlier years	-0.3	8.4
Other	-0.3	-7.0
Recognised effective tax on profit for the year	-71.8	-117.6
Applicable tax rate	26.3%	26.3%
Effective tax rate	25.3%	22.0%
Tax attributable to other comprehensive income		
Revaluation of owner-occupied property	-13.3	-24.9
Available-for-sale financial assets	-43.9	-7.6
Total tax attributable to other comprehensive income	-57.3	-32.5

NOTE 20 OTHER INTANGIBLE ASSETS

Capitalised expenditure for development and acquired intangible assets	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Capitalised expenses				
Cost				
Opening cost, January 1, 2010	891.9	112.8	685.9	1,690.6
Divestments/scrapping for the year	-	-	-5.0	-5.0
Exchange-rate differences for the year	-0.2	-0.1	-10.2	-10.5
Acquisitions during the year	130.2	88.8	-	219.0
Closing cost, December 31, 2010	1,022.0	201.5	670.7	1,894.2
Opening cost, January 1, 2011	1,022.0	201.5	670.7	1,894.2
Exchange-rate differences for the year	0.1	0	-	0.1
Acquisitions during the year	160.5	41.8	2,917.0	3,119.3
Closing cost, December 31, 2011	1,182.6	243.3	3,587.7	5,013.6

NOTE 18 EARNINGS PER SHARE

	2011	2010
Net profit/loss attributable to Parent Company's shareholders, SEK M	211.9	418.1
Number of shares with a quotient value of SEK 100	9,407,249	7,250,564
Earnings per share before and after dilution, SEK	28	66

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

	2011	2010
Cost		
Opening cost, January 1	338.0	353.1
Operation acquisition	1,694.8	-
Exchange-rate differences	1.9	-15.1
Closing cost, December 31	2,034.7	338.0

Goodwill totalling SEK 1,694.8 acquired during the year 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 35.1 M pertains to Länsförsäkringar Gruppliv Försäkrings AB and SEK 144.4 M to Länsförsäkringar Sak through the acquisition of an insurance portfolio in 2008. The goodwill item mainly comprises expected synergies. The remaining goodwill of SEK 160.5 M (158.6) is attributable to Försäkringsaktiebolaget Agria's acquisition of the UK sales company, Agria Pet Insurance Ltd in 2007. The goodwill 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	2011	2010
Long-term growth, %	2.0	2.0
Discount rate, %	8.0-8.5	7.0-9.5
Exchange rate GBP/SEK	10.7	10.5

Testing is based on the value in use. The cash-flow estimate was made for the period 2012 and ahead and is 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, cont.

	Internally developed IT systems	Acquired IT systems	Acquired customer- based assets	Total
Capitalised expenses				
Depreciation				
Opening accumulated depreciation, January 1, 2010	-431.0	-46.2	-223.5	-700.7
Divestments/scrapping for the year	-	-	5.0	5.0
Exchange-rate differences for the year	-	0.0	2.8	2.8
Depreciation for the year	-79.7	-11.5	-105.9	-197.1
Closing accumulated depreciation, December 31, 2010	-510.7	-57.7	-321.6	-890.0
Opening accumulated depreciation, January 1, 2011	-510.7	-57.7	-321.6	-890.0
Divestments/scrapping for the year	-	-	-	-
Exchange-rate differences for the year	0.0	-	10.7	10.7
Depreciation for the year	-88.5	-9.3	-142.8	-240.6
Closing accumulated depreciation, December 31, 2011	-599.2	-67.0	-453.7	-1,119.9
Impairment				
Opening accumulated impairment, January 1, 2010	-90.1	-28.8	-	-118.9
Impairment for the year	-4.4	-	-	-4.4
Closing accumulated impairment, December 31, 2010	-94.5	-28.8	-	-123.3
Opening accumulated impairment, January 1, 2011	-94.5	-28.8	-	-123.3
Impairment for the year	-13.6	-	-	-13.6
Closing accumulated impairment, December 31, 2011	-108.1	-28.8	-	-136.9
Carrying amount, December 31				
2010	416.8	115.0	349.1	880.8
2011	475.3	147.5	3,134.0	3,756.8

The remaining amortisation period is four 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 99.2 M (95.7) is 15 years due to longer anticipated useful life. Acquisitions for the year pertaining to acquired customer-based assets totalling SEK 2,917.0 M are attributable to Länsförsäkringar AB's acquisition of Länsförsäkringar Fondliv Försäkrings AB. The amortisation period is 20 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. Impairments of internally developed IT systems in 2010 pertain to two small bank systems in the Bank operating segment.

NOTE 21 PROPERTY AND EQUIPMENT

	2011	2010
Cost		
Opening cost, January 1	352.6	373.3
Divestments/scrapping	-40.8	-92.4
Acquisitions during the year	66.8	73.1
Exchange-rate differences	0.2	-1.3
Closing cost, December 31	378.8	352.6
Depreciation		
Opening accumulated depreciation, January 1	-241.9	-275.4
Accumulated depreciation for divestments/scrapping	32.1	85.8
Depreciation for the year	-63.6	-53.4
Exchange-rate differences	-0.2	1.2
Closing accumulated depreciation, December, 31	-273.6	-241.9
Carrying amount, December 31	105.2	110.7

No impairment losses have been recognised.

NOTE 22 OWNER-OCCUPIED PROPERTY

	After revaluation Dec. 31, 2011	Before revaluation Dec. 31, 2011	After revaluation Dec. 31, 2010	Before revaluation Dec. 31, 2011
Cost, reclassified	2,797.4	2,739.5	2,699.9	2,593.9
Accumulated amortisation	-353.0	-345.6	-285.3	-274.1
Carrying amount	2,444.5	2,393.8	2,414.6	2,319.8
Fair value		2,444.5		2,414.7
Reclassification to amortised cost			2011	2010
Opening balance, January 1			2,414.7	2,297.2
Capitalised improvements			50.8	88.7
Divestments			-	-1.7
Depreciation for the year according to plan before revaluation			-71.5	-64.4
Revaluation of owner-occupied property			50.6	94.8
Closing balance, December 31			2,444.5	2,414.7
Historical cost reduced by depreciation according to plan			1,988.2	2,009.0
Revaluation effect against revaluation reserve			37.3	69.9
Assumption on valuation at fair value			2011	2010
Current rental income/market rent, SEK M			150/158	146/158
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 Ricard 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. In 2010, a small piece of land was divested. 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, 2011	Carrying amount, Dec. 31, 2010
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	10,851	-13,063	407.7	514.5

In 2011, Länsförsäkringar Liv Försäkrings AB sold the Länsförsäkringar Fondliv Försäkrings AB subsidiary and ceased with new sales of life assurance with traditional management. As a result, the shares were impaired by SEK 106.8 M. The impairment was recognised under Investment income, net in profit and loss.

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 policy-holders, 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. An impairment was recognised on December 31, 2011.

Equity and earnings pertain to the Länsförsäkringar Liv Group.

NOTE 24 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	Dec. 31, 2011	Dec. 31, 2010
Carrying amount at beginning of the year	23.1	22.7
Divestments of associated companies	–	-1.1
Profit shares in the associated company	2.0	3.8
Other changes in the associated company's equity	-0.8	-2.3
Total shares and participations in associated companies	24.2	23.1

Accumulated impairment losses amount to SEK 3.7 M (3.7).

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Carrying amount, Dec. 31, 2011	Carrying amount, Dec. 31, 2010
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0.0	0.0
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	12.9	12.3
European Alliance Partners Company AG	CH-0203026423-1	Zurich, Switzerland	10,570	14.3	7.8	8.4
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.6	0.4
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	44.6	2.9	2.1
Summa					24.2	23.1

Summary of financial information pertaining to associated companies

	2011	2010
Income	50.1	53.6
Earnings	2.0	3.8
Assets	42.2	40.3
Liabilities	17.9	17.2
Equity	24.2	23.1

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 same calendar year as the fiscal year. The share of profit in all associated companies is included in the Asset management operating segment.

The Group 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 the owner company 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, 2011	11.4	7.1	0.0%	2.0%	-21.0
Investment property per December 31, 2010	11.4	7.0	0.0%	0.6%	-21.4

Accounts are recognised at fair value. Value effect refers to the change in fair value if the direct yield requirement is raised by two percentage points.

NOTE 25 INVESTMENT PROPERTY, cont.

Change in value for the period	Cost		Fair value	
	2011	2010	2011	2010
Opening balance, January 1	11.4	26.3	7.0	118.0
Investment in existing properties	–	0.1	–	0.1
Divestments	–	–15.0	–	–130.0
Profit/loss from adjustments of fair value			0.1	18.9
Closing balance, December 31	11.4	11.4	7.1	7.0

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

The property was 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	2010
Current rent/market rent, SEK 000s	572/781	572/781
Operating net, SEK 000s	356	359
Computed interest in discounting, %	9.7	9.7
Direct yield requirement, %	7.5	7.5

Impact on profit for the period	2011	2010
Rental income	0.6	3.1
Direct expenses for the property that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	–0.5	–2.3

The income-statement items above are included in the item "Investment income, net."

NOTE 26 LOANS TO THE PUBLIC

	Dec. 31, 2011	Dec. 31, 2010
Loan receivables, gross	134,295.1	118,196.7
Impairment	–283.8	–286.5
Loan receivables, net	134,011.3	117,910.2
Impaired loans	233.3	208.8
Reconciliation of impairment of loan losses	2011	2010
Opening balance, January 1	–286.5	–308.0
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	92.5	107.1
Reversed impairment of loan losses no longer required	110.9	64.8
Impairment of loan losses during the year	–200.7	–150.4
Closing balance, December 31	–283.8	–286.5

Loan receivables are geographically attributable in their entirety to Sweden.

NOTE 27 UNIT-LINKED INSURANCE ASSETS – POLICYHOLDER BEARS THE RISK

	Dec. 31, 2011	Dec. 31, 2010
Equity funds	44,860.8	–
Fixed-income funds	7,304.4	–
Total unit-linked insurance assets	52,165.1	–
Amortised cost	55,526.2	–

NOTE 28 FINANCIAL LEASING

Financial lease agreements specified by maturity structure where the Group is the lessor.

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	3,105.7	580.1	5,706.1
Unearned financial income ¹⁾	392.0	424.8	41.5	858.3
Gross investment	2,412.3	3,530.5	621.6	6,564.4

Dec. 31, 2010	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	1,914.5	2,938.3	285.6	5,138.4
Unearned financial income ¹⁾	255.1	255.3	7.6	518.0
Gross investment	2,169.6	3,193.6	293.2	5,656.4

¹⁾ Attributable to present value calculation.

	2011	2010
Provision for impaired loans pertaining to minimum lease fees	55.7	40.9
Variable portion of leasing fees included in net profit for the year	19.4	8.4

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, 2011	Dec. 31, 2010
Listed shares and participations	309.1	181.2
Unlisted shares and participations	733.2	781.1
Total shares and participations	1,042.3	962.3

	Dec. 31, 2011	Dec. 31, 2010
Fair value	1,042.3	962.3
Cost	646.8	631.0

NOTE 30 BONDS AND OTHER INTEREST-BEARING SECURITIES

Carrying amount	Dec. 31, 2011	Dec. 31, 2010
Treasury bills	5,846.6	3,942.1
Mortgage institutions	22,176.3	22,718.5
Other issuers	4,007.7	4,909.0
Total bonds and other interest-bearing securities	32,030.6	31,569.5

	Dec. 31, 2011	Dec. 31, 2010
Fair value	32,030.6	31,569.5
Amortised cost	30,763.0	31,353.4
Nominal value	28,627.7	29,233.1

All securities are listed.

NOTE 31 TREASURY BILLS AND OTHER ELIGIBLE BILLS

	Dec. 31, 2011	Dec. 31, 2010
Carrying amount		
Swedish government	8,341.5	4,170.0
Fair value	8,341.5	4,170.0
Amortised cost	7,943.1	4,240.4
Nominal value	7,458.0	3,900.0

NOTE 32 DERIVATIVES

	Nominal amounts		Fair values	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Derivative instruments with positive values or valued at zero				
<i>Derivatives in hedge accounting</i>				
Interest	63,925.0	47,397.0	1,378.0	643.4
Currency	10,576.6	1,777.7	454.2	401.3
Collateral received, CSA	–	–	–265.7	–17.0
<i>Other</i>				
Equity	–	16.8	–	0.0
Interest	330.1	14,889.4	0.2	3.0
Currency	9,394.3	9,196.5	73.7	177.9
Total derivatives with positive values	84,226.0	73,277.4	1,640.4	1,208.7
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest	75,199.0	61,594.0	1,571.0	1,260.1
Currency	11,852.1	10,577.1	887.2	827.7
<i>Other</i>				
Equity	–	–	–	–
Interest	1,332.4	–316.0	0	0.7
Currency	9,546.4	10,016.3	225.9	42.1
Total derivatives with negative values	97,929.9	81,871.5	2,684.1	2,130.6

NOTE 33 FAIR VALUE ADJUSTMENT OF INTEREST-RATE-RISK HEDGED ITEMS IN PORTFOLIO HEDGE

	2011	2010
Assets		
Carrying amount, January 1	140.6	767.9
Changes during the year pertaining to lending	569.3	–627.3
Carrying amount, December 31	709.9	140.6
Liabilities		
Carrying amount, January 1	–392.4	762.1
Changes during the year pertaining to lending	3.6	–5.9
Changes during the year pertaining to borrowing	2,225.4	–1,148.6
Carrying amount, December 31	1,836.7	–392.4

NOTE 34 OTHER RECEIVABLES

	Dec. 31, 2011	Dec. 31, 2010
Receivables pertaining to direct insurance	1,055.1	772.9
Receivables, reinsurance	256.6	175.2
Deposits with companies that have ceded reinsurance	42.1	45.1
Accounts receivable	396.8	799.1
Other receivables	314.9	248.4
Total other receivables	2,065.6	2,040.7

NOTE 35 PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2011	Dec. 31, 2010
Accrued interest and rental income	2,218.4	1,721.2
Prepaid acquisition costs	1,005.9	97.0
Other accrued income	126.0	119.4
Other prepaid expenses	124.0	90.7
Total prepaid expenses and accrued income	3,474.3	2,028.3

NOTE 36 CASH AND CASH EQUIVALENTS

	Dec. 31, 2011	Dec. 31, 2010
Cash and balances with central banks	66.9	84.8
Balances with other banks	3,126.5	2,908.5
Total cash and cash equivalents	3,193.4	2,993.3

NOTE 37 EQUITY

	Restricted equity		Non-restricted equity	
	Share capital	Restricted reserves	including comprehensive income for the year	Total equity
Opening equity, January 1, 2010	629.8	4,704.1	2,724.3	8,058.2
Net profit/loss for the year			418.1	418.1
Change in translation reserve		-24.4	4.5	-19.8
Change in revaluation reserve			94.8	94.8
Change in fair value reserve			28.8	28.8
Tax on items recognised in other comprehensive income			-32.5	-32.5
Total other comprehensive income		-24.4	95.6	71.3
Comprehensive income for the year		-24.4	513.7	489.4
Transfer between restricted and non-restricted equity		115.5	-115.5	-
New share issue	95.3		1,188.4	1,283.7
Closing equity, December 31, 2010	725.1	4,795.2	4,311.0	9,831.2
Opening equity, January 1, 2011	725.1	4,795.2	4,311.0	9,831.2
Net profit/loss for the year			211.9	211.9
Change in translation reserve		3.1	-4.7	-1.6
Change in revaluation reserve			50.6	50.6
Change in fair value reserve			167.1	167.1
Tax on items recognised in other comprehensive income			-57.3	-57.3
Total other comprehensive income		3.1	155.7	158.8
Comprehensive income for the year		3.1	367.6	370.8
Transfer between restricted and non-restricted equity		-3.1	3.1	-
New share issue	215.7		2,784.3	2,999.9
Closing equity, December 31, 2011	940.7	4,795.1	7,466.1	13,202.0

Number of shares	2011	2010
Issued January 1	7,250,564	6,297,583
Conversion of loans, Series B shares	-	943,613
Cash issue, Series B shares	2,155,452	8,678
Cash issue, Series C shares	1,233	690
Issued December 31	9,407,249	7,250,564

The quotient value per share is SEK 100. All shares are ordinary shares. Of the shares issued on January 1, 2011, 1,532,678 were Series A shares (carrying ten votes each), 5,713,746 were Series B shares and 4,140 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

	2011	2010
Translation reserve		
Opening translation reserve, January 1	-66.0	-46.2
Translation differences for the year	-1.6	-19.8
Closing translation reserve, December 31	-67.6	-66.0
Revaluation reserve		
Opening revaluation reserve, January 1	248.7	178.8
Revaluation of owner-occupied property	50.6	94.8
Tax attributable to revaluation for the year	-13.3	-24.9
Closing revaluation reserve, December 31	286.0	248.7
Fair value reserve		
Opening fair value reserve, January 1	45.1	23.8
Change for the year in fair value of available-for-sale financial assets	167.1	28.8
Tax attributable to change for the year	-43.9	-7.6
Closing fair value reserve, December 31	168.2	45.1

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.

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 2011.

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, 2011	Dec. 31, 2010
Subordinated debts with three-month floating interest rates	145.0	-
Subordinated debts with a fixed interest rate	754.7	114.0
Total subordinated liabilities	899.7	114.0

All subordinated debts at December 31, 2011 are listed and due on December 31, 2021. Loans totalling SEK 114 M to regional insurance companies were unlisted and repaid in 2011. On December 31, 2011, interest on the variable loans was 5.135%. The interest rate on tied-up loans is 5.64%.

NOTE 39 TECHNICAL RESERVES

	2011			2010		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance, January 1	1,511.8	171.7	1,340.1	1,515.0	215.2	1,299.8
Provisions during the period	-100.4	-131.4	31.0	36.7	-43.0	79.7
Insurance portfolio taken over/ceded	-	-	-	-15.6	-	-15.6
Exchange-rate changes	3.1	-0.0	3.1	-24.3	-0.5	-23.8
Closing balance, December 31	1,414.5	40.3	1,374.2	1,515.8	171.7	1,340.1
of which non-life insurance	1,414.5	40.3	1,374.2	1,511.8	171.7	1,340.1
Unexpired risk						
Opening balance, January 1	61.2	16.1	45.1	101.5	32.7	68.8
Provisions during the period	-36.8	-15.0	-21.8	-40.3	-16.6	-23.7
Closing balance, December 31	24.4	1.1	23.3	61.2	16.1	45.1
of which non-life insurance	24.4	1.1	23.3	61.2	16.1	45.1
Life-assurance provision						
Opening balance, January 1	3.9	-	3.9	4.1	-	4.1
Provisions during the period	1.0	-	1.0	-0.2	-	-0.2
Closing balance, December 31	4.9	-	4.9	3.9	-	3.9
of which life assurance	4.9	-	4.9	3.9	-	3.9
Claims outstanding						
Claims incurred and reported	8,694.3	2,293.2	6,401.1	9,287.8	2,271.3	7,016.5
Claims incurred and not reported	5,523.2	3,859.0	1,664.2	4,787.9	3,390.4	1,397.4
Claims annuities	3,793.8	-	3,793.8	3,592.6	-	3,592.6
Claims adjustment costs	348.2	6.7	341.5	402.4	7.7	394.7
Total opening balance, January 1	18,359.5	6,158.8	12,200.6	18,070.7	5,669.4	12,401.2
Provisions for the period	-188.5	182.0	-370.5	183.6	513.6	-330.0
Interest-rate translation of provision for claim annuities	583.4	-	583.4	77.4	-	77.4
Enumeration of provision for claim annuities	107.8	-	107.8	101.2	-	101.2
Insurance portfolio taken over/ceded	58.8	5.9	52.9	-9.7	-	-9.7
Exchange-rate changes	4.3	-3.1	7.4	-63.6	-24.3	-39.4
Closing balance, December 31	18,925.3	6,343.6	12,581.7	18,359.5	6,158.8	12,200.6
of which non-life insurance	18,601.3	6,339.3	12,262.0	18,098.8	6,153.0	11,945.8
of which life assurance	323.9	4.3	319.7	260.6	5.8	254.8
Specification of closing balance claims outstanding						
Claims incurred and reported	8,239.0	2,308.3	5,930.7	8,694.3	2,293.2	6,401.1
Claims incurred and not reported	5,695.1	4,025.5	1,669.6	5,523.2	3,859.0	1,664.2
Claims annuities	4,677.9	3.9	4,674.0	3,793.8	-	3,793.8
Claims adjustment costs	313.2	5.8	307.4	348.2	6.7	341.5
Total closing balance, December 31	18,925.3	6,343.6	12,581.7	18,359.5	6,158.8	12,200.6
Carrying amount at year-end						
of which non-life insurance	20,369.1	6,385.0	13,984.1	19,936.3	6,346.6	13,589.7
of which life assurance	20,040.2	6,380.7	13,659.6	19,671.8	6,340.8	13,331.0
	328.8	4.3	324.6	264.6	5.8	258.7
Run-off profit/loss, non-life insurance	221.5	-35.0	186.4	160.0	-96.6	63.4

Provision for claims outstanding before discounting for medical and accident insurance for children amounts to SEK 28.1 M (31.4). The corresponding amount after discounting is SEK 27.6 M (29.9). The discount rate is 1.6% (3.0).

**NOTE 40 UNIT-LINKED INSURANCE LIABILITIES
- POLICYHOLDER BEARS THE RISK**

	Dec. 31, 2011	Dec. 31, 2010
Opening balance	-	-
Acquisition of Group companies	51,778.8	-
Payments	1,137.3	-
Cancellations and repurchases	-127.2	-
Paid remuneration	-159.5	-
Costs withdrawn	-63.4	-
Change in value	-400.3	-
Other changes	2.5	-
Closing balance	52,168.1	-

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, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Intangible assets	–	–	802.6	60.6	802.6	60.6
Property	–0.8	–0.9	280.4	276.1	279.6	275.2
Financial assets	–	–	76.8	82.8	76.8	82.8
Receivables	–	–	2.2	–	2.2	–
Other assets	–0.7	–0.9	0.1	–	–0.6	–0.9
Liabilities	–30.8	–61.7	–	22.8	–30.8	–38.9
Loss carryforwards	–158.0	–201.7	–	–	–158.0	–201.7
Untaxed reserves	–	–	490.6	490.6	490.6	490.6
Deferred tax asset (–) /deferred tax liability (+)	–190.3	–265.2	1,652.6	932.8	1,462.3	667.7
Offset	42.0	73.9	–42.0	–73.9	–	–
Net deferred tax asset (–) /deferred tax liability (+)	–148.3	–191.2	1,610.6	858.9	1,462.3	667.7

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 three-year period.

Change in deferred tax in temporary differences and loss carryforwards

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	60.6	767.2	0.1	–33.6	–	8.3	802.6
Property	275.2	–	–	–8.9	13.3	–	279.6
Financial assets	82.8	–	–	10.2	–	–16.2	76.8
Receivables	–	–	–	2.2	–	–	2.2
Other assets	–0.9	–	–	0.3	–	–	–0.6
Liabilities	–38.9	–	–	8.1	–	–	–30.8
Loss carryforwards	–201.7	–101.2	–	21.0	–	123.8	–158.0
Untaxed reserves	490.6	–	–	–	–	–	490.6
Deferred tax assets (–) /deferred tax liabilities (+)	667.7	665.9	0.1	–0.8	13.3	116.0	1,462.3

2010	Amount at January 1	Currency translation	Recognised in profit and loss	Recognised in other comprehensive income	Amount at December 31
Intangible assets	88.3	–9.8	–17.9	–	60.6
Property	248.5	–	1.7	24.9	275.2
Financial assets	68.7	–	6.5	7.6	82.8
Other assets	–0.5	–	–0.5	–	–0.9
Liabilities	–51.4	–	12.5	–	–38.9
Loss carryforwards	–306.4	–	104.8	–	–201.7
Untaxed reserves	490.6	–	–	–	490.6
Deferred tax assets (–) /deferred tax liabilities (+)	537.9	–9.8	107.1	32.5	667.7

NOTE 42 OTHER PROVISIONS

	Dec. 31, 2011	Dec. 31, 2010
Provision for pensions being paid	48.6	58.3
Provisions for early retirement in accordance with pension agreement	62.2	67.9
Provision for contractual obligations	89.4	145.3
Other provisions	29.9	20.6
Total other provisions	230.2	292.0
Provision for contractual obligations	2011	2010
Carrying amount, January 1	145.3	189.6
Provisions made during the period	13.2	12.7
Amounts utilised during the year	–69.0	–57.0
Unutilised amount reversed during the year	–	0.0
Carrying amount, December 31	89.4	145.3

Defined-benefit pension plans

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement from 2006 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, 2011	Dec. 31, 2010
Present value of wholly or partly funded commitments	27.1	31.9
Fair value of plan assets	–16.1	–16.6
Present value of unfunded commitments	40.0	38.9
The limitation amount due to the design of the plan	9.7	10.3
Present value of net commitments	60.7	64.4
Unrecognised accumulated actuarial gains (+) and losses (–)	10.0	17.7
Net amount recognised pertaining to defined-benefit plans in the statement of financial position	70.7	82.2
Provision, special employer's contribution	18.7	21.5
Other pension provisions	15.3	16.2
Total	104.7	119.8

The net amount is recognised in the following items in the statement of financial position

Other provisions	110.9	126.1
Other receivables	–6.2	–6.5
Total	104.7	119.8

NOTE 42 OTHER PROVISIONS, cont.

	2011	2010			
Change in net liability recognised in the statement of financial position					
Opening liability, January 1	82.2	78.9			
Pension costs for the year according to specification below	7.3	11.2			
Settlement	-18.8	-7.8			
Closing net, December 31 according to the statement of financial position	70.7	82.2			
Changes in total present value for defined-benefit plans					
Commitments for defined-benefit plans, January 1	70.8	69.8			
Costs for service during current period	1.3	1.4			
Interest expense	1.8	1.8			
Paid remuneration	-11.3	1.7			
Actuarial gains (-) and losses (+)	4.5	-4.0			
Total commitments for defined-benefit plans, December 31	67.1	70.8			
Change in fair value of plan assets					
Fair value of plan assets, January 1	16.6	16.8			
Expected return on plan assets	-0.2	-0.2			
Difference between expected and actual return (actuarial gains/losses)	-0.4	0.0			
Fair value of plan assets, December 31	16.1	16.6			
Composition of plan assets					
Participations in fixed-income funds	16.7	24.1			
Cash and bank balances	2.1	3.4			
Other assets	0.1	0.0			
Liabilities	-2.8	-10.9			
Total	16.1	16.6			
Costs recognised in profit and loss					
Costs for service during current period	1.3	1.4			
Interest expense	1.8	1.8			
Expected return on plan assets	-0.2	-0.2			
Effects of reductions and settlements	4.3	8.2			
Total net expenses in profit and loss	7.3	11.2			
Costs are recognised in the following lines in profit and loss:					
Staff costs	7.3	11.2			
Significant calculation assumptions on December 31					
Discount rate	1.1%	2.7%			
Expected return on plan assets	2.0%	3.0%			
Expected rate of salary increase	3.0%	3.0%			
Percentage expected to retire voluntarily at age 62	20.0%	20.0%			
	2011	2010	2009	2008	2007
Historic information					
Present value of defined-benefit commitments	67.1	70.8	69.8	92.2	113.8
Fair value of plan assets	16.1	-16.6	-16.8	-23.0	-23.9
Surplus/Deficit in the plan	51.0	54.1	53.1	69.1	89.9
Experience-based adjustment pertaining to plan assets	1.0	0.0	-	-	1.3
Experience-based adjustment pertaining to defined-benefit commitments	1.3	4.5	10.5	13.0	1.4

Defined-contribution pension plans

These 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 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.

	2011	2010
Expenses for defined-contribution plans	168.3	172.3

NOTE 43 DEBT SECURITIES IN ISSUE

	Dec. 31, 2011	Dec. 31, 2010
Commercial papers	4,622.3	4,204.9
Bond loans	95,691.4	84,292.9
Cashier's cheques issued	77.2	97.6
Total debt securities in issue	100,390.9	88,595.4

NOTE 44 DEPOSITS FROM THE PUBLIC

	Dec. 31, 2011	Dec. 31, 2010
Deposits from insurance companies	2,061.3	2,422.4
Deposits from households	43,247.0	36,647.8
Deposits from other Swedish public	4,014.7	2,500.7
Total deposits from the public	49,323.0	41,570.8

NOTE 45 DUE TO CREDIT INSTITUTIONS

	Dec. 31, 2011	Dec. 31, 2010
Swedish banks	3,738.0	-
Other Swedish credit institutions	254.0	4,981.2
Total liabilities due to credit institutions	3,992.0	4,981.2

Genuine repurchase transactions amounted to SEK 1,938.0 M (4,919.0).

NOTE 46 OTHER LIABILITIES

	Dec. 31, 2011	Dec. 31, 2010
Liabilities pertaining to direct insurance	634.2	550.1
Liabilities, reinsurance	258.2	289.4
Deposits from reinsurers	29.3	40.6
Accounts payable	234.3	308.9
Interest-bearing liabilities to regional insurance companies	-	487.6
Due to Länsförsäkringar Liv Försäkrings AB	1,061.7	36.4
Other liabilities	606.8	518.2
Total other liabilities	2,824.5	2,231.2

NOTE 47 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31, 2011	Dec. 31, 2010
Accrued interest expense	3,129.0	2,548.1
Other accrued expenses	580.4	597.7
Prepaid rent	437.7	200.7
Other deferred income	309.9	354.2
Total accrued expenses and deferred income	4,457.0	3,700.8

NOTE 48 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec. 31, 2011	Dec. 31, 2010
Pledged assets		
Total registered investment assets on behalf of policyholders	67,729.7	15,082.6
Pledged securities in the Riksbank	1,900.0	1,900.0
Pledged securities in Euroclear	850.0	1,150.0
Pledged shares in subsidiaries	2,098.6	–
Loan receivables, covered bonds	84,428.0	76,653.7
Collateral paid due to repurchase agreement	1,938.0	4,919.2
Other collateral for securities	15.0	15.0
Bonds	187.9	157.7
Chattel mortgages, associated companies	0.3	0.3
Total pledged assets	159,131.1	99,878.5

Registered assets follow the regulations stipulated in Chapter 7, Section 11 of 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 was 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.

	Dec. 31, 2011	Dec. 31, 2010
Contingent liabilities		
Guarantees	35.2	31.2
Part-owner of Utile Dulci 2 HB	15.7	13.0
Early retirement at age 62 in accordance with pension agreement, 80%	248.9	270.7
Letters of Credit	1.9	1.6
Total contingent liabilities	301.7	316.5
Other commitments		
Loans approved but not disbursed	5,115.4	4,670.9
Unutilised portion of overdraft facilities	2,097.4	1,755.1
Unutilised portion of credit card facilities	933.0	719.6
Total other commitments	8,145.8	7,145.7

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 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

Amount expected to be recovered	Dec. 31, 2011			Dec. 31, 2010		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Goodwill	–	2,034.7	2,034.7	–	338.0	338.0
Other intangible assets	240.6	3,516.2	3,756.8	167.1	713.7	880.8
Deferred tax assets	148.3	–	148.3	186.1	5.1	191.2
Property and equipment	63.6	41.6	105.2	56.6	54.1	110.7
Owner-occupied property	71.5	2,373.0	2,444.5	62.8	2,351.9	2,414.7
Shares in Länsförsäkringar Liv Försäkrings AB	–	407.7	407.7	–	514.5	514.5
Shares and participations in associated companies	–	24.2	24.2	–	23.1	23.1
Reinsurers' portion of technical reserves	6,380.5	4.5	6,385.0	3,983.1	2,363.6	6,346.6
Investment property	–	7.1	7.1	–	7.0	7.0
Loans to the public	8,303.2	125,708.1	134,011.3	7,286.8	110,623.4	117,910.2
Unit-linked insurance assets – policyholder bears the risk	2,562.4	49,602.7	52,165.1	–	–	–
Shares and participations	521.2	521.2	1,042.3	34.1	928.1	962.3
Bonds and other interest-bearing securities	2,424.3	29,606.3	32,030.6	4,328.3	27,241.2	31,569.5
Treasury bills and other eligible bills	5,520.8	2,820.7	8,341.5	1,349.3	2,820.7	4,170.0
Derivatives	148.5	1,491.9	1,640.4	294.4	914.3	1,208.7
Change in value of hedge portfolios	–	709.9	709.9	–	140.6	140.6
Other receivables	2,050.5	15.1	2,065.6	1,953.2	87.5	2,040.7
Prepaid expenses and accrued income	2,700.6	773.7	3,474.3	2,028.3	–	2,028.3
Cash and cash equivalents	3,193.4	–	3,193.4	2,993.3	–	2,993.3
Total assets	34,329.4	219,658.4	253,987.8	24,723.3	149,126.7	173,850.0

Amount expected to be settled	Dec. 31, 2011			Dec. 31, 2010		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities						
Subordinated liabilities	–	899.7	899.7	114.0	–	114.0
Technical reserves	7,086.8	13,282.2	20,369.1	8,696.4	11,239.9	19,936.3
Unit-linked insurance liabilities – policyholder bears the risk	2,507.7	49,660.5	52,168.1	–	–	–
Deferred tax liabilities	–	1,610.6	1,610.6	–	858.9	858.9
Other provisions	16.1	214.1	230.8	26.9	265.1	292.0
Debt securities in issue	26,336.3	74,054.6	100,390.9	20,452.0	68,143.4	88,595.4
Deposits from the public	8,057.9	41,265.1	49,323.0	6,791.4	34,779.4	41,570.8
Due to credit institutions	2,192.0	1,800.0	3,992.0	4,981.2	–	4,981.2
Derivatives	334.9	2,349.2	2,684.1	119.9	2,010.7	2,130.6
Change in value of hedge portfolios	–	1,836.7	1,836.7	–	–392.4	–392.4
Other liabilities	2,824.5	–	2,824.5	2,086.4	144.7	2,231.2
Accrued expenses and deferred income	4,457.0	–	4,457.0	3,700.8	–	3,700.8
Total liabilities	53,813.2	186,972.7	240,785.8	46,969.1	117,049.7	164,018.8

Dec. 31, 2011	Financial assets measured at fair value in profit and loss						Total	Fair value
	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		
Assets								
Goodwill						2,034.7	2,034.7	
Other intangible assets						3,756.8	3,756.8	
Deferred tax assets						148.3	148.3	
Property and equipment						105.2	105.2	
Owner-occupied property						2,444.5	2,444.5	
Shares in Länsförsäkringar Liv Försäkrings AB					407.7		407.7	407.7
Shares and participations in associated companies						24.2	24.2	
Reinsurers' portion of technical reserves						6,385.0	6,385.0	
Investment property						7.1	7.1	
Loans to the public	134,011.3						134,011.3	125,352.1
Unit-linked insurance assets – policyholder bears the risk		52,165.1					52,165.1	52,165.1
Shares and participations		1,031.9			10.4		1,042.3	1,042.3
Bonds and other interest-bearing securities		11,402.4			20,628.2		32,030.6	32,030.6
Treasury bills and other eligible bills					8,341.5		8,341.5	8,341.5
Derivatives			73.8	1,566.5			1,640.4	1,640.4
Change in value of hedge portfolios	709.9						709.9	709.9
Other receivables	962.6				1.0	1,102.0	2,065.6	2,065.6
Prepaid expenses and accrued income	103.0	32.6		1,395.2	693.7	1,249.7	3,474.3	3,474.3
Cash and cash equivalents	3,182.9					10.5	3,193.4	3,193.4
Total assets	138,969.7	64,632.0	73.8	2,961.8	30,082.5	17,267.9	253,987.8	

	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				899.7		899.7	899.7
Technical reserves					20,369.1	20,369.1	
Unit-linked insurance liabilities – policyholder bears the risk	52,168.1					52,168.1	52,168.1
Deferred tax liabilities					1,610.6	1,610.6	
Other provisions					230.2	230.2	
Debt securities in issue				100,390.9		100,390.9	100,418.5
Deposits from the public				49,323.0		49,323.0	49,349.2
Due to credit institutions				3,992.0		3,992.0	3,992.0
Derivatives		225.9	2,458.2			2,684.1	2,684.1
Change in value of hedge portfolios				1,836.7		1,836.7	1,836.7
Other liabilities				1,349.8	1,474.7	2,824.5	2,824.5
Accrued expenses and deferred income			1,038.2	2,380.2	1,038.6	4,457.0	4,457.0
Total liabilities	52,168.1	225.9	3,496.4	160,172.3	24,723.1	240,785.8	

Dec. 31, 2010	Financial assets measured at fair value in profit and loss						Total	Fair value
	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		
Assets								
Goodwill						338.0	338.0	
Other intangible assets						880.8	880.8	
Deferred tax assets						191.2	191.2	
Property and equipment						110.7	110.7	
Owner-occupied property						2,414.7	2,414.7	
Shares in Länsförsäkringar Liv Försäkrings AB					514.5		514.5	514.5
Shares and participations in associated companies						23.1	23.1	
Reinsurers' portion of technical reserves						6,346.6	6,346.6	
Investment property						7.0	7.0	
Loans to the public	117,910.2						117,910.2	118,146.9
Shares and participations		951.8			10.4		962.3	962.3
Bonds and other interest-bearing securities		10,366.2			21,203.3		31,569.5	31,569.5
Treasury bills and other eligible bills					4,170.0		4,170.0	4,170.0
Derivatives			180.9	1,027.8			1,208.7	1,208.7
Change in value of hedge portfolios	140.6						140.6	140.6
Other receivables	890.3					1,150.4	2,040.7	2,040.7
Prepaid expenses and accrued income	180.9	48.1	21.8	992.9	575.2	209.4	2,028.3	2,028.3
Cash and cash equivalents	2,993.3						2,993.3	2,993.3
Total assets	122,115.3	11,366.1	202.7	2,020.7	26,473.5	11,671.8	173,850.0	

	Financial liabilities measured at fair value in profit and loss				Total	Fair value
	Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities		
Liabilities						
Subordinated liabilities			114.0		114.0	114.0
Technical reserves				19,936.3	19,936.3	
Deferred tax liabilities				858.9	858.9	
Other provisions				292.0	292.0	
Debt securities in issue			88,595.4		88,595.4	89,542.0
Deposits from the public			41,570.8		41,570.8	41,610.0
Due to credit institutions			4,981.2		4,981.2	4,981.2
Derivatives	42.8	2,087.8			2,130.6	2,130.6
Change in value of hedge portfolios			-392.4		-392.4	-392.4
Other liabilities			1,064.6	1,166.6	2,231.2	2,231.2
Accrued expenses and deferred income	24.2	693.3	1,893.9	1,089.3	3,700.8	3,700.8
Total liabilities	67.0	2,781.1	137,827.6	23,343.1	164,018.8	

Valuation of Länsförsäkringar Liv Försäkrings AB is reported in Note 23. Valuation methods for shares, bonds, treasury bills and derivatives recognised 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, 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	52,165.1	–	–	52,165.1
Shares and participations	309.1	385.4	347.8	1,042.3
Bonds and other interest-bearing securities	32,030.6	–	–	32,030.6
Treasury bills and other eligible bills	8,341.5	–	–	8,341.5
Derivatives	0.0	1,640.3	–	1,640.4
Liabilities				
Unit-linked insurance liabilities – policyholder bears the risk	–	52,168.1	–	52,168.1
Derivatives	0.0	2,684.1	–	2,684.1

Dec. 31, 2010	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				
Shares and participations	181.9	354.3	426.2	962.3
Bonds and other interest-bearing securities	31,569.5	–	–	31,569.5
Treasury bills and other eligible bills	4,170.0	–	–	4,170.0
Derivatives	0.5	1,208.1	–	1,208.7
Liabilities				
Derivatives	0.7	2,130.0	–	2,130.6

Change level 3		Shares and participations	
Opening balance, January 1, 2010			6.9
Transferred from level 2 to level 3			505.5
Divestments			–2.3
Recognised in profit/loss for the year			–84.0
Closing balance, December 31, 2010			426.2
Profits and losses recognised in profit for the year pertaining to assets included in the closing balance at December 31, 2010.			
			–84.0
Opening balance, January 1, 2011			426.2
Transferred from level 2 to level 3			–
Divestments			–0.0
Recognised in profit/loss for the year			–78.3
Closing balance, December 31, 2011			347.8
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2011.			
			–78.3

There were no significant transfers between level 1 to level 2 during 2011.

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 the European Private Equity and Venture Capital Association. The measurement is certified annually by each fund's external auditors.

The largest single asset at level 3 on December 31, 2010, had a value within the interval of SEK 306.6 M – SEK 371.2 M. On December 31, 2011, the value was lowered to SEK 270.7 M – 334.4 M in line with performance on the DJ STOXX 600 index. The asset is recognised at the average value of SEK 302.6 M (338.9).

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, 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, 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

Company 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 2011

Regional insurance companies and local insurance companies
Länsförsäkringar AB is wholly owned by the 23 regional insurance companies and their subsidiaries, together with 14 local insurance companies. A large portion of the Group's customer contact takes place through the regional insurance companies and 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 2011

	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	1.4	–	–	–	–
Länsförsäkringar Liv Group	608.2	–319.7	63.4	1,154.0	2,082.2

Owners

Regional insurance companies	1,330.3	–1,002.3	6,101.1	7,926.7	–
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Other related parties

Länsförsäkringar Mäklarservice AB,					
Länsförsäkringar Fastighetsförmedling AB	24.4	–16.3	0.1	22.6	–

NOTE 52 DISCLOSURES ON RELATED PARTIES, cont.
Interest income and interest expense 2011

	Interest income	Interest expense
Regional insurance companies	0.3	-34.6
Länsförsäkringar Liv Group	-	-10.5
Other related parties	0.8	-0.6

Related-party transactions 2010

	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	0.2	-	-	-	-
Länsförsäkringar Liv Group	574.3	-314.7	63.0	148.4	-

Owners

Regional insurance companies	1,328.2	-673.2	6,068.2	9,024.4	-
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Other related parties

Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB:	17.4	-11.5	0.5	18.1	-
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Interest income and interest expense 2010

	Interest income	Interest expense
Regional insurance companies	-	-49.1

Receivables from and liabilities to regional insurance companies include technical reserves.

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 2011 Annual Report.

NOTE 53 GROUP COMPANIES

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in %	
		Dec. 31, 2011	Dec. 31, 2010
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	-
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 Försäkring Run-Off AB	Sweden	-	100
Wasa Kredit AB	Sweden	100	100

Länsförsäkringar Fondliv Försäkrings AB was acquired and Wasa Försäkring Run-Off AB was liquidated in 2011.

Participating interest refers to the share of capital, which also corresponds to the number of votes for the total number of shares.

NOTE 54 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS

	2011	2010
Interest paid and dividends received		
Dividends received	9.4	76.5
Interest received	588.3	318.1
Interest paid	-80.7	-97.5

Adjustment for non-cash items

Depreciation/amortisation and impairment of assets	418.1	308.5
Unrealised gains/losses on investment assets	-418.0	119.9
Capital gains and losses in assets	-1.9	-2.1
Impairment Länsförsäkringar Liv Försäkringsaktiebolag	106.8	-
Technical reserves after ceded reinsurance	394.4	184.2
Pension provisions	15.4	28.1
Other provisions	-77.2	-1.6
Other items not affecting liquidity	-6.2	1.4
Total	431.4	638.5

	2011	2010
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Acquisition of subsidiaries
Acquired assets and liabilities

Financial assets	123.7	-
Unit-linked insurance assets – policyholder bears the risk	51,779.7	-
Operating receivables	1,729.8	-
Cash and cash equivalents	6.5	-
Total assets	53,639.7	-

Unit-linked insurance liabilities – policyholder bears the risk	51,778.8	-
Operating liabilities	601.3	-
Total liabilities	52,380.1	-

Purchase consideration paid	4,400.0	-
Less acquired cash and cash equivalents	-6.5	-
Impact on cash and cash equivalents	4,393.5	-

Divestment of subsidiaries
Divested assets

Cash and cash equivalents	-	0.1
Total assets	-	0.1

Purchase consideration received	-	0.1
Less cash and cash equivalents in the sold operations	-	-0.1
Impact on cash and cash equivalents	-	-

Cash and cash equivalents

Cash and bank balances	3,193.4	2,993.3
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Unutilised credit facilities amount to SEK 50 M (50).

NOTE 55 EVENTS AFTER BALANCE-SHEET DATE

No significant events were reported after the balance-sheet date.

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 head office is Tegeluddsvägen 11-13.
The postal address is 106 50 Stockholm.

The consolidated financial statements 2011 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

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INCOME STATEMENT FOR THE PARENT COMPANY

SEK M	Note	2011	2010
Net sales	3	2,524.5	2,350.1
Operating expenses			
External expenses	4, 5, 7	-1,802.7	-1,630.4
Staff costs	6	-818.1	-789.5
Depreciation/amortisation and impairment of property and equipment and intangible assets	12,13	-58.1	-49.6
Operating loss		-154.4	-119.4
Profit/loss from financial items			
Profit from participations in Group companies	8	703.2	811.4
Interest income and similar profit/loss items	9	55.4	58.6
Interest expense and similar profit/loss items	10	-130.9	-51.8
Profit after financial items		473.4	698.8
Tax on net profit/loss for the year	11	2.7	-37.0
Net profit for the year		476.1	661.8

Net profit for the year corresponds to the comprehensive income for the year.

BALANCE SHEET FOR THE PARENT COMPANY

SEK M	Note	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
ASSETS				
Fixed assets				
Intangible assets	12	145.8	111.0	33.6
Property and equipment	13	286.6	258.8	158.9
Financial fixed assets				
Shares and participations in Group companies	14	14,364.0	8,146.9	7,121.3
Loans to Group companies	15	290.0	1,250.0	1,554.9
Other securities held as fixed assets	16	422.8	525.9	523.3
Deferred tax assets	17	-	-	20.8
		15,076.8	9,922.8	9,220.3
Total fixed assets		15,509.2	10,292.7	9,412.8
Current assets				
Inventories		-	0.2	0.6
Current receivables				
Receivables from Group companies	28	699.1	492.2	499.5
Receivables from other related parties	28	94.8	319.4	290.8
Other receivables		42.0	46.2	108.0
Prepaid expenses and accrued income	18	68.8	49.2	58.8
		904.7	907.0	957.1
Current investments	19	411.8	226.3	193.8
Cash and bank balances		1,077.2	404.5	699.9
Total current assets		2,393.6	1,538.1	1,851.5
TOTAL ASSETS	27	17,902.8	11,830.7	11,264.3

BALANCE SHEET FOR THE PARENT COMPANY, cont.

SEK M	Note	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
EQUITY, PROVISIONS AND LIABILITIES				
Equity	20			
<i>Restricted equity</i>				
Share capital		940.7	725.1	629.8
Statutory reserve		4,801.3	4,801.3	4,801.3
Total restricted equity		5,742.0	5,526.3	5,413.0
<i>Non-restricted equity</i>				
Share premium reserve		3,972.6	1,188.4	–
Retained earnings		3,073.7	2,411.8	2,280.5
Net profit for the year		476.1	661.8	131.3
Total non-restricted equity		7,522.4	4,262.0	2,411.8
Total equity		13,264.4	9,788.4	7,842.8
Provisions				
Provisions for pensions and similar commitments	21	45.3	54.6	60.6
Other provisions	22	18.9	9.5	7.6
Total provisions		64.1	64.0	68.2
Long-term liabilities				
Subordinated debt from regional insurance companies	24	–	–	114.0
Deferred tax liabilities	17	11.0	13.8	–
Due to credit institutions	23	1,800.0	–	–
Liabilities to other related parties	28	662.6	–	–
Total long-term liabilities		2,473.6	13.8	114.0
Current liabilities				
Accounts payable		176.9	205.6	193.4
Liabilities to Group companies	28	1,485.8	844.4	1,002.6
Subordinated debt from regional insurance companies	24	–	114.0	–
Liabilities to other related parties	28	199.1	618.6	1,803.9
Other liabilities		14.0	13.2	65.5
Accrued expenses and deferred income	25	224.8	168.7	173.8
Total current liabilities		2,100.7	1,964.5	3,239.2
TOTAL EQUITY, PROVISIONS AND LIABILITIES	27	17,902.8	11,830.7	11,264.3
Pledged assets and contingent liabilities				
Pledged assets	26	2,082.2	–	–
Contingent liabilities		121.1	128.8	129.2
		2,203.3	128.8	129.2

STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

SEK M	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net profit/loss for the year	
Opening equity, January 1, 2010	629.8	4,801.3	–	2,446.5	–93.7	7,783.8
Adjustment for retroactive application				–166.0	225.0	59.0
Adjusted shareholders' equity January 1, 2010	629.8	4,801.3	–	2,280.5	131.3	7,842.9
Net profit for the year					661.8	661.8
Appropriation of profit				131.3	–131.3	–
New share issue	95.3		1,188.4			1,283.7
Closing equity, December 31, 2010	725.1	4,801.3	1,188.4	2,411.8	661.8	9,788.4
Opening equity, January 1, 2011	725.1	4,801.3	1,188.4	2,411.8	661.8	9,788.4
Net profit for the year					476.1	476.1
Appropriation of profit				661.8	–661.8	–
New share issue	215.7		2,784.3			2,999.9
Closing equity, December 31, 2011	940.8	4,801.3	3,972.6	3,073.6	476.1	13,264.4

Net profit/loss for the year corresponds to the comprehensive income for the year.

PARENT COMPANY CASH-FLOW STATEMENT

SEK M	Note	2011	2010
Operating activities			
Profit after financial items		473.4	698.8
Adjustment for non-cash items	29	–413.9	–330.7
		59.5	368.1
Income tax paid		–0.1	–2.4
Cash flow from operating activities before changes in working capital		59.4	365.8
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		0.2	0.4
Increase (–)/Decrease (+) in operating receivables		566.2	55.2
Increase (+)/Decrease (–) in operating liabilities		–343.3	–104.1
Cash flow from operating activities		282.5	317.4
Investing activities			
Shareholders' contribution paid		–798.0	–850.0
Acquisition of intangible assets		–37.5	–82.7
Acquisition of property and equipment		–91.6	–145.6
Divestment of property and equipment		5.5	11.3
Acquisition of subsidiaries		–4,420.0	–
Divestment of subsidiaries		257.1	0.1
Group contribution paid that is recognised as investment in subsidiaries		–470.9	–180.0
Divestment of financial assets		–	20.1
Investments in financial assets		–82.3	–55.1
Repayment of loans		960.0	304.9
Cash flow from investing activities		–4,677.7	–977.0
Financing activities			
New share issue		2,999.9	12.6
Amortisation of loans		–114.0	–17.7
Loans raised		1,800.3	–
Group contributions received		384.1	284.2
Cash flow from financing activities		5,070.3	279.1
Net cash flow for the year		675.2	–380.6
Cash and cash equivalents, January 1		408.1	788.7
Cash and cash equivalents, December 31		1,083.3	408.1
Parent Company's cash and cash equivalents in Länsförsäkringar Bank		–6.1	–3.6
Cash and bank balance in the Parent Company's balance sheet		1,077.2	404.5

The new share issue that was implemented in October 2011 increased the shareholders' equity by SEK 3.0 billion. The entire new share issue was paid for in cash.

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 2011.

The Swedish Financial Reporting Board has withdrawn UFR 2 Group contribution and shareholders' contribution and made amendments to RFR 2 pertaining to recognition of Group contribution paid and received. As of 2011, Group contribution received will be recognised as dividend and Group contribution paid as investment in shares in subsidiaries. Comparative figures for 2011 were amended in accordance with the new policies. In the past, Group contributions were recognised according to UFR 2 Group contributions and shareholders' contributions directly in shareholders' equity.

The amendments have been applied retroactively in accordance with IAS 8 and the two past years have been recalculated. The amendments have influenced the financial statements for the current period, the preceding period and accumulated at the beginning of the comparative period. See Note 31.

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 cash-flow statement 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 provision 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, 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 dividends. 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 to 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 2011, the Parent Company's holdings of investment shares and mutual fund units amounted to SEK 34.8 M (32.3). In addition, there were current interest-bearing investments and cash in the Parent Company amounting to SEK 1,452.3 M (596.7).

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 2,364.2 M (2,178.1) and rental income of SEK 160.3 M (172.0) for premises and equipment. The company's sales are recognised in the "Other operations" operating segment. A total of 27% (27) of sales derives from companies in the Länsförsäkringar AB Group, 24% (22) from the Länsförsäkringar Liv Group, 46% (50) from regional insurance companies and 3% (1) from external customers.

NOTE 4 EXTERNAL EXPENSES

	2011	2010
Cost of premises, Note 5	-166.8	-162.2
Marketing	-151.8	-144.7
Consultants	-784.1	-681.7
Fees to auditors, Note 7	-4.1	-7.1
IT costs	-490.9	-474.2
Printed matter, telephony and postage	-121.4	-107.6
Asset management expenses	-2.4	-4.2
Other expenses	-81.2	-48.7
Total	-1,802.7	-1,630.4

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.

Marketing costs include SEK 100.0 M (100.0) 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:

	2011	2010
Within one year	-166.8	-162.2
Between one year and five years	-667.3	-648.7
Longer than five years	-	-162.2
Total	-834.2	-973.0

A rental charge of SEK 166.8 M (162.2) was recognised in profit for 2011.

The lease contracts are valid for ten years up to and including December 2016. Every time that least contracts are renewed, a basic rent level is established that is subsequently indexed to the consumer price index.

Lease agreements in which the company is the lessor

Irrevocable lease payments pertaining to rent for premises amount to:

	2011	2010
Within one year	87.4	97.1
Between one year and five years	259.6	333.8
Longer than five years	-	78.9
Total	347.0	509.8

In 2011, rental income amounting to SEK 76.1 M (97.1) 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 22.6 M (18.2), lease contracts are valid for three years up to and including 2012 with the possibility of extension.

NOTE 6 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

	2011	2010
Average number of employees, salaried employees, Sweden		
Men	371	367
Women	341	337
Total number of employees	712	704
Salaries, other remuneration and social security expenses		
<i>Board of Directors and senior executives, 15 (22)</i>		
Salaries and remuneration	21.9	24.1
of which, fixed salary to the President and Executive Vice President	7.4	4.3
of which, variable remuneration to the President and Executive Vice President	-	-
of which fixed salary to other senior executives	11.9	17.0
of which variable salary to other senior executives	-	-
Social security expenses	14.4	18.9
of which pension costs	6.0	9.1
Total	36.4	42.9
<i>Other employees</i>		
Salaries and remuneration	428.1	405.4
of which variable remuneration	5.5	3.9
Social security expenses	266.9	259.2
of which pension costs	108.2	110.9
Total	695.0	664.6
<i>Total salaries, other remuneration and social security expenses</i>		
Salaries and remuneration	450.0	429.5
of which variable remuneration	5.5	3.9
Social security expenses	281.4	278.1
of which pension costs	114.3	120.0
Total	731.4	707.6

Variable remuneration

Variable remuneration may be paid to all employees who are not managers. With the exception of employees within the Compliance, Risk Control and Internal Audit functions. A basic prerequisite for paying variable remuneration to 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. A maximum of SEK 12,000 may be paid to employees per year if all the prerequisites are fulfilled.

In addition to the above, there are a few managers and specialists within Länsförsäkringar AB's Asset Management, where a maximum of one to six months' salaries are paid. 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 the outcome 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.

The variable remuneration above pertains to the recognised expense for the year. The amount includes estimated variable remuneration for 2011, as well as deviation pertaining to estimated costs for 2010.

NOTE 6 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.

Remuneration to 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 to senior executives

Remuneration to the President and other senior executives comprises basic salary, variable 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 company management.

	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
						Defined-contribution
2011						
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-Christine 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	2.9	8.9	44
Total 2011	26.0	–	4.6	9.9	40.5	
Total remuneration from Parent Company	17.4	–	4.6	6.1	28.0	44
Total remuneration from subsidiaries and Länsförsäkringar Liv	8.6	–	0.0	3.8	12.5	36

	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
						Defined-contribution
2010						
Sten Dunér, President	4.3	–	0.0	1.6	5.9	38
Ann Sommer, Executive Vice President	2.5	–	0.0	1.0	3.4	34
Lars-Eric Åström, Chairman of the Board	0.5	–	–	–	0.5	–
Hans Jonsson, former Chairman of the Board	0.3	–	–	–	0.3	–
Gösta af Petersens, Deputy Chairman of the Board	0.3	–	–	–	0.3	–
Ann-Christine 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	0.1	–	–	–	0.1	–
Fredrik Daveby, Board member	0.1	–	–	–	0.1	–
Christer Olander, Board member	0.2	–	–	–	0.2	–
Anders Källström, former Board member	0.1	–	–	–	0.1	–
Ulf W Ericsson, former Board member	0.1	–	–	–	0.1	–
Other senior executives						
Parent Company (9 people)	19.0	–	0.1	7.5	26.6	42
Subsidiaries and Länsförsäkringar Liv (2 people)	5.7	–	–	3.3	9.0	58
Total 2010	34.1	–	0.1	13.3	47.5	
Total remuneration from Parent Company	25.9	–	0.1	9.1	35.1	41
Total remuneration from subsidiaries and Länsförsäkringar Liv	8.1	–	–	4.3	12.4	50

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 the 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 will be 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 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 respective 62 and 65 is a defined-contribution plan. Pension amounting to about 70% of the pensionable salary will be paid. Pension from the age of 65 will be 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).

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. 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 company management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to company management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy.

Decisions regarding remuneration and other terms and conditions of employment for the President are made by the Board of Directors.

Composition of Remuneration Committee

The Board of Directors shall appoint at least two members from within its ranks to form a Remuneration Committee. The Board Chairman may serve as the Chairman of the Committee. The other members must be independent in relation to the company and company management.

Policies for remuneration to 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 medical insurance and other benefits offered to all employees.

Loans to senior executives	Dec. 31, 2011	Dec. 31, 2010
Board members	15.1	12.9
President and Executive Vice Presidents	10.2	5.4
Other senior executives	5.9	16.7
Total	31.2	35.0

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 National Tax Board'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, 2011	Dec. 31, 2010
Board members	25	25
Other senior executives	33	21

NOTE 7 FEES AND REMUNERATION TO AUDITORS

	2011	2010
KPMG AB		
– audit assignments	–3.3	–3.4
– audit operations in addition to the audit assignment	–0.4	–0.4
– tax consulting	–0.3	–1.0
– other assignments	–0.2	–2.3
Total	–4.1	–7.1

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 abovementioned 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

	2011	2010
Dividends from subsidiaries	138.0	431.6
Group contributions received	563.8	384.1
Capital gains/losses from limited partnerships	0.1	0.1
Capital gains/losses, subsidiaries	1.3	–
Impairment, subsidiaries	–	–4.4
Total	703.2	811.4

NOTE 9 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2011	2010
Interest income, Group companies	29.3	41.3
Interest income, other	12.0	6.9
Capital gains, shares and participations	0.6	8.6
Capital gains, interest-bearing securities Group companies	–	0.8
Capital gains, interest-bearing Group companies	1.0	–
Capital gains, currencies	0.7	0.1
Unrealised gains, interest-bearing securities	12.6	0.6
Dividends on shares and participations	–0.7	0.4
Total	55.4	58.6

NOTE 10 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2011	2010
Interest expense, Group companies	–1.8	–2.1
Interest expense, subordinated debt	–3.6	–3.8
Interest expense, other	–18.6	–39.0
Capital losses, interest-bearing securities	–	–3.8
Capital losses, currencies	–0.1	–1.8
Unrealised losses, interest-bearing securities	–	–1.2
Impairment of shares and participations ¹⁾	–106.8	–
Total	–130.9	–51.8

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

	2011	2010
Current tax		
Tax income for the period	0.0	0.0
Adjustment of tax expense pertaining to prior years	-0.1	-2.4
Deferred tax expense (-)/tax income (+)		
Deferred tax pertaining to temporary differences	2.8	-34.6
Total recognised tax income	2.7	-37.0
Reconciliation of effective tax rate		
Profit before tax	473.3	698.8
Tax at applicable tax rate	-124.4	-183.8
Tax on non-deductible costs	-33.8	-6.5
Tax on non-taxable income	37.2	113.6
Tax attributable to earlier years	-0.1	-2.4
Group contribution paid	123.8	42.0
Recognised effective tax	2.7	-37.0
Applicable tax rate	26.3%	26.3%
Effective tax rate	-0.6	5.3%

NOTE 12 INTANGIBLE ASSETS

Capitalised IT costs	Internally developed	Acquired	Total
Cost			
Opening cost, January 1, 2010	1.7	90.8	92.4
Acquisitions during the year	-	82.6	82.6
Closing cost, December 31, 2010	1.7	173.3	175.0
Opening cost, January 1, 2011	1.7	173.3	175.0
Acquisitions during the year	-	37.5	37.5
Closing cost, December 31, 2011	1.7	210.8	212.5
Amortisation			
Opening accumulated amortisation, January 1, 2010	-1.4	-28.6	-30.0
Amortisation for the year	-0.3	-4.9	-5.2
Closing accumulated amortisation, December 31, 2010	-1.7	-33.5	-35.1
Opening accumulated amortisation, January 1, 2011	-1.7	-33.5	-35.1
Amortisation for the year	-	-2.8	-2.8
Closing accumulated amortisation, December 31, 2011	-1.7	-36.2	-37.9
Impairment			
Opening accumulated impairment, January 1, 2010	-	-28.8	-28.8
Impairment for the year	-	-	-
Closing accumulated impairment, December 31, 2010	-	-28.8	-28.8
Opening accumulated impairment, January 1, 2011	-	-28.8	-28.8
Impairment for the year	-	-	-
Closing accumulated impairment, December 31, 2011	-	-28.8	-28.8
Carrying amount, December 31			
2010	-	111.0	111.0
2011	-	145.8	145.8

The five-year amortisation period for intangible assets managed in 2011 remains. The amortisation period for an acquired accounting and monitoring system with a carrying amount of SEK 99.2 M (95.7) is 15 years due to longer anticipated useful life.

NOTE 13 PROPERTY AND EQUIPMENT

	Improvement to third-party properties	Equipment	Total
Cost			
Opening cost, January 1, 2010	89.2	234.9	324.1
Divestments	-	-11.3	-11.3
Scrapping	-	-57.3	-57.3
Acquisitions during the year	87.7	57.9	145.6
Closing cost, December 31, 2010	176.9	224.1	401.0
Opening cost, January 1, 2011	176.9	224.1	401.0
Divestments	-	-31.3	-31.3
Scrapping	-	-2.4	-2.4
Acquisitions during the year	49.1	42.5	91.6
Closing cost, December 31, 2011	226.0	232.9	458.9
Depreciation			
Opening accumulated depreciation, January 1, 2010	-	-165.2	-165.2
Accumulated depreciation for divestments	-	10.1	10.1
Scrapping	-	57.3	57.3
Depreciation for the year	-12.2	-32.2	-44.4
Closing accumulated depreciation, December 31, 2010	-12.2	-130.1	-142.3
Opening accumulated depreciation, January 1, 2011	-12.2	-130.1	-142.3
Accumulated depreciation for divestments	-	22.8	22.8
Scrapping	-	2.4	2.4
Depreciation for the year	-19.3	-36.1	-55.3
Closing accumulated depreciation, December 31, 2011	-31.5	-140.9	-172.4
Carrying amount, December 31			
2010	164.7	94.1	258.8
2011	194.5	92.0	286.6

No impairment losses have been recognised. Equipment includes SEK 4.0 M (4.0) representing works of art that are not depreciated. Länsförsäkringar AB leases equipment to Group companies. The carrying amount of leased equipment totals SEK 20.5 M (19.7) and rental income was SEK 4.3 M (3.4). The rental income corresponds to the depreciation of the leased equipment.

NOTE 14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	2011	2010
Cost		
Opening cost, January 1 according to the Annual Report	11,710.0	10,774.1
Shareholders' contributions	798.0	850.0
Group contribution paid	470.9	180.1
Purchases	5,205.4	–
Divestments	–261.7	–94.2
Closing cost, December 31	17,922.6	11,710.0
Impairment		
Opening accumulated impairment, January 1	–3,563.1	–3,652.8
Impairment for the year	–	–4.4
Divestments	4.4	94.2
Closing accumulated impairment, December 31	–3,558.7	–3,563.1
Carrying amount, December 31	14,364.0	8,146.9

Divestments pertain to the liquidation of WASA Försäkring Run Off AB.
The acquisition 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 2011	Carrying amount 2010
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	100	6,012.6	5,214.6
Länsförsäkringar Fondliv Försäkrings AB (publ)	516401-8219	10,000	100	–	5,205.4	–
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	2,000,000	100	100	3,145.7	2,674.9
Wasa Försäkring Run-Off AB	556563-9456	1,000	–	100	–	257.2
Utile Dulci 2 HB	916601-0067		0.1	0.1	0.3	0.2
Shares and participations in Group companies					14,364.0	8,146.9

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, 2011	Dec. 31, 2010
Subordinated debt to Länsförsäkringar Bank AB	290.0	1,250.0
Carrying amount	290.0	1,250.0

The loan to Länsförsäkringar Bank pertains to a loan of SEK 290.0 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.

Four loans totalling SEK 960 M were repaid in 2011.

NOTE 16 OTHER SECURITIES HELD AS FIXED ASSETS

	2011	2010
Opening balance, January 1	525.9	523.3
Acquisition of tenant-owned apartments	2.6	–
Revaluation of tenant-owned apartments	1.1	2.6
Impairment Länsförsäkringar Liv Försäkrings AB (publ)	–106.8	–
Carrying amount, December 31	422.8	525.9

Company name	Number of shares and participations	Carrying amount 2011	Carrying amount 2010
Länsförsäkringar Liv Försäkrings AB (publ)	8,000	407.7	514.5
Brf Mässen	2	6.0	3.0
Brf Igeldammen	3	4.5	4.1
Kungsholmsstrand 165	1	4.6	4.4
Total		422.8	525.9

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 106.8 M was implemented on December 31, 2011 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, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Property and equipment	–	–	29.1	32.7	29.1	32.7
Current investments	–2.1	–5.1	–	–	–2.1	–5.1
Pension provisions	–14.4	–13.7	–	–	–14.4	–13.7
Liabilities	–1.6	–	–	–	–1.6	–
Deferred tax assets (–)/deferred tax liabilities (+)	–18.1	–18.8	29.1	32.7	11.0	13.8
Offset	18.1	18.8	–18.1	–18.8	–	–
Net deferred tax asset (–) /deferred tax liability (+)	–	–	11.0	13.8	11.0	13.8

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	32.7	–3.5	29.2
Current investments	–5.1	3.0	–2.1
Pension provisions	–13.7	–0.7	–14.4
Liabilities	–	–1.6	–1.6
Deferred tax assets (–)/deferred tax liabilities (+)	13.8	–2.8	11.0

Change in deferred tax in temporary differences and loss carryforwards

	Amount at January 1	Recognised in profit and loss	Amount at December 31
Property and equipment	–	32.7	32.7
Current investments	–5.0	–0.2	–5.1
Pension provisions	–15.8	2.1	–13.7
Deferred tax assets (–)/deferred tax liabilities (+)	–20.8	34.6	13.8

Länsförsäkringar AB has no deferred tax recognised directly against equity.

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2011	Dec. 31, 2010
Accrued interest income	12.4	9.2
Prepaid expenses	56.4	40.0
Total	68.8	49.2

NOTE 19 CURRENT INVESTMENTS

	Dec. 31, 2011		Dec. 31, 2010	
	Cost	Fair value	Cost	Fair value
Unlisted shares and participations, Swedish	2.5	1.9	2.5	1.9
Listed shares and participations, foreign	20.2	–	20.2	–
Mutual fund units, Swedish	0.4	0.5	0.5	0.6
Mutual fund units, foreign	33.8	34.3	33.8	31.7
Interest-bearing securities, Swedish	365.4	375.1	191.9	192.2
Total	422.3	411.8	249.0	226.3

Specification of current investments	Dec. 31, 2011		Dec. 31, 2010	
	Cost	Fair value	Cost	Fair value
Unlisted participations, Swedish				
Länsförsäkringar Fastighetsförmedling AB	2.5	1.9	2.5	1.9
Listed participations, foreign				
Kaupthing Búnadarbanki hf	20.2	–	20.2	–
Mutual fund units, Swedish				
Länsförsäkringar Fund-in-fund Low risk	0.4	0.5	0.5	0.6
Mutual fund units, foreign				
GaveKal Platform Company Fund	33.8	34.3	33.8	31.7

	Dec. 31, 2011		Dec. 31, 2010	
	Cost	Fair value	Cost	Fair value
Interest-bearing securities, Swedish				
Listed bonds issued by other Swedish issuers	365.4	375.1	191.9	192.2
Total current investments	422.3	411.8	249.0	226.3

NOTE 20 EQUITY

A specification of changes in shareholders' equity is provided after the Parent Company's balance sheet.

	Number of votes per share	Dec. 31, 2011 Number	Dec. 31, 2010 Number
Shares at a quotient value of SEK 100			
Series A	10	1,532,678	1,532,678
Series B	1	7,869,198	5,713,746
Series C	1	5,373	4,140
Number of shares outstanding		9,407,249	7,250,564

During 2011, 2,156,685 shares were issued, 2,155,452 Series B shares and 1,233 Series C shares, through a cash issue.

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 4,801.3 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, CONT'D.

	Dec. 31, 2011			Dec. 31, 2010		
	Pensions being paid	Provision in accordance with pension agreement	Total	Pensions being paid	Provision in accordance with pension agreement	Total
Pension commitments	18.9	26.4	45.3	25.6	29.0	54.6
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	25.6	29.0	54.6	31.3	29.4	60.6
Cost excluding interest expense charged to earnings	-0.2	-3.3	-3.5	0.7	-1.2	-0.7
Interest expense	0.5	0.7	1.3	0.7	0.8	1.5
Pensions paid	-7.0	0.0	-7.0	-7.0	-	-7.0
Capital value at December 31	18.9	26.4	45.3	25.5	29.0	54.6
Cost of the company's own pensions						
Cost excluding interest expense	-0.2	-3.3	-3.5	0.7	-1.2	-0.6
Interest expense	0.5	0.7	1.3	0.7	0.8	1.5
Net expenses in profit and loss	0.4	-2.6	-2.2	1.4	-0.4	0.9

Costs recognised as personnel expenses in profit and loss.

Assumptions pertaining to defined-benefit commitments

Discount rate	2.7%	2.7%	2.7%	2.7%
Expected rate of salary increase	-	3.0%	-	3.0%
Percentage expected to retire voluntarily at age 62		20.0%		20.0%

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.

	2011	2010
Expenses for defined-contribution plans	97.8	100.7

NOTE 22 OTHER PROVISIONS

	Dec. 31, 2011	Dec. 31, 2010
Provision for interest subsidies for personal loans to former employees who have retired	12.6	9.5
Other provisions	6.3	-
Total	18.9	9.5

The provision pertain to interest subsidies for personal loans to former employees who have retired.

NOTE 21 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	Dec. 31, 2011	Dec. 31, 2010
Provision for pensions being paid	18.9	25.5
Provisions for early retirement in accordance with pension agreement	26.4	29.0
Total provisions for pensions	45.3	54.6

No portion of the amount recognised as "Provisions for pensions" is 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 from 2006 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 the current age groups.

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 23 DUE TO CREDIT INSTITUTIONS

	Dec. 31, 2011	Dec. 31, 2010
Swedish banks	1,800.0	-

The terms of the bank loan are fixed until October 25, 2013 and carry three months' interest rate, which at year-end was 3.03%.

NOTE 24 SUBORDINATED DEBT FROM INSURANCE COMPANIES

	2011-12-31	2010-12-31
Subordinated liabilities (shareholder loans)	–	114.0
Subordinated debt of SEK 114.0 M was repaid on December 15, 2011.		

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31, 2011	Dec. 31, 2010
Holiday pay liability	42.1	38.9
Social security expenses	13.7	12.7
Special employer's contribution	25.3	25.2
Accrued bonuses	11.0	10.5
Provisions for staff costs	28.3	23.1
Other accrued expenses	104.3	58.3
Total	224.8	168.7

NOTE 26 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec. 31, 2011	Dec. 31, 2010
Pledged assets		
Pledged shares in subsidiaries	2,082.2	–
Contingent liabilities		
Early retirement at age of 62 in accordance with pension agreement	105.4	115.8
Part-owner of Utile Dulci 2 HB	15.7	13.0
Total	121.1	128.8

NOTE 27 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES

Amount expected to be recovered	Dec. 31, 2011				Dec. 31, 2010			
	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⁾	10.5	135.2		145.8		111.0		111.0
Property and equipment ¹⁾	60.0	226.6		286.6	50.0	208.8		258.8
Participations in Group companies		14,364.0		14,364.0		8,146.9		8,146.9
Loans to Group companies		290.0		290.0		290.0	960.0	1,250.0
Other securities held as fixed assets		422.8		422.8		525.9		525.9
Total fixed assets	70.5	15,438.7	–	15,509.2	50.0	9,282.6	960.0	10,292.7
Current assets								
Inventories	–			–	0.2			0.2
Current receivables in Group companies	699.1			699.1	492.2			492.2
Receivables from other related parties	94.8			94.8	319.4			319.4
Other receivables	42.0			42.0	46.2			46.2
Prepaid expenses and accrued income	68.8			68.8	49.2			49.2
Current investments	411.8			411.8	226.3			226.3
Cash and bank balances	1,077.2			1,077.2	404.5			404.5
Total current assets	2,393.6	–	–	2,393.6	1,538.1	–	–	1,538.1
Total assets	2,464.1	15,438.7	–	17,902.8	1,588.1	9,282.6	960.0	11,830.7

Amount expected to be settled	Dec. 31, 2011				Dec. 31, 2010			
	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	7.0	38.2		45.2	7.0	47.6		54.6
Other provisions		18.9		18.9		9.5		9.5
Total provisions	7.0	57.1	–	64.1	7.0	57.0	–	64.0
Long-term liabilities								
Deferred tax liabilities		11.0		11.0		13.8		13.8
Due to credit institutions		1,800.0		1,800.0				–
Liabilities to other related parties		464.9	197.7	662.6				–
Total long-term liabilities	–	2,275.9	197.7	2,473.6	–	13.8	–	13.8
Current liabilities								
Accounts payable	176.9			176.9	205.6			205.6
Liabilities to Group companies	1,485.8			1,485.8	844.4			844.4
Subordinated debt from regional insurance companies	–			–	114.0			114.0
Liabilities to other related parties	199.1			199.1	618.6			618.6
Other liabilities	13.9			13.9	13.2			13.2
Accrued expenses and deferred income	224.8			224.8	168.7			168.7
Total current liabilities	2,100.7	–	–	2,100.7	1,964.5	–	–	1,964.5
Total liabilities and provisions	2,107.6	2,333.0	197.7	4,638.4	1,971.5	70.8	–	2,042.3

¹⁾ The amount that is expected to be recovered within 12 months corresponds to depreciation/amortisation for the year.

NOTE 28 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 2011		Group companies	Liv Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	651.6	583.3	–	1,133.0	18.8	2,386.7
	Rent, premises	39.9	11.4	–	19.0	3.6	73.9
	Rent, equipment	3.2	1.1	–	–	–	4.3
	Financial liabilities	40.5	–6.5	0.1	–	–	34.1
Expenses	Services purchased	0.2	–1.4	–	–30.5	–0.1	–31.8
	Rent, premises	–159.0	–	–	–2.7	–	–161.8
	Financial costs	–1.8	0.0	–	–7.9	–	–9.6
Receivables	Interest-bearing loans	290.0	–	–	–	–	290.0
	Cash and cash equivalents with Länsförsäkringar Bank	6.1	–	–	–	–	6.1
	Other receivables	693.1	34.5	–	58.1	2.1	787.9
Liabilities	Interest-bearing liabilities	–	–791.8	–	–	–	–791.8
	Other liabilities	–1,485.8	56.4	–	–0.2	–	–1,429.6
Related-party transactions 2010		Group companies	Liv Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	536.6	503.5	–	1,160.4	16.9	2,217.4
	Rent, premises	43.3	12.7	–	14.4	–	70.4
	Rent, equipment	2.7	0.7	–	–	–	3.4
	Financial liabilities	41.8	–	0.1	–	–	41.8
Expenses	Services purchased	–0.7	–5.6	–	–59.5	–1.0	–66.8
	Rent, premises	–152.9	–	–	–2.1	–	–155.0
	Financial costs	–2.1	–	–	–42.6	–	–44.7
Receivables	Interest-bearing loans	1,250.0	–	–	–	–	1,250.0
	Cash and cash equivalents with Länsförsäkringar Bank	3.6	–	–	–	–	3.6
	Other receivables	488.8	35.2	–	283.7	0.5	808.2
Liabilities	Interest-bearing liabilities	258.0	–	–	601.6	–	859.6
	Other liabilities	586.4	7.0	–	123.9	0.1	717.4

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 Finance and Risk, Asset Management and Business Support, which conduct development, IT and service operations.

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 (1,250).

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 29 SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

	2011	2010
Interest paid and dividends received		
Dividends received from subsidiaries	138.0	431.7
Interest received	40.8	48.2
Interest paid	–23.7	–45.0
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	164.9	54.1
Capital gains/losses attributable to divestment of assets	–1.9	–6.4
Unrealised gains	–12.6	–0.6
Unrealised losses	–	1.2
Unrealised exchange gains	–0.7	–0.8
Unrealised exchange losses	0.1	1.8
Provisions	0.1	4.2
Group contributions received that are regulated in the following fiscal year	–563.8	–384.1
Total	–413.9	–330.7

Cash and cash equivalents comprise bank balances. Unutilised credit facilities amount to SEK 50 M (50).

NOTE 30 FINANCIAL TRANSACTIONS NOT RECOGNISED IN THE BALANCE SHEET

Länsförsäkringar AB has external suppliers of IT operations at a cost of SEK 260.8 M. The costs also include machinery equipment required for computer operations. Some regional insurance companies and Länsförsäkringar Liv are included in the arrangement. Their remuneration to Länsförsäkringar AB is included in service revenue.

NOTE 31 EFFECTS IN AMENDMENT OF ACCOUNTING POLICIES FOR GROUP CONTRIBUTIONS

Income statement	2010	
Profit from participations in Group companies	379.7	
Decrease/increase of tax expense	–58.9	
Net profit for the year	320.8	
Balance sheet	Dec. 31, 2010	Jan. 1, 2010
Changes in shares and participations in subsidiaries	234.7	59
Changes in Retained earnings	–86.1	–166
Changes in profit/loss for the year	320.8	225

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 28, 2012

Lars-Eric Åström
Chairman

Gösta af Petersens
Deputy Chairman

Hans Benndorf
Board member

Fredrik Daveby
Board member

Mats Fabricius
Board member

Sune Nilsson
Board member

Ann-Christin Norrström
Board member

Christer Olander
Board member

Anne-Marie Pålsson
Board member

Håkan Haraldsson
Employee Representative

Åsa Jansson
Employee Representative

Tomas Jönsson
Employee Representative

Sten Dunér
President

My audit report was submitted on March 28, 2012.

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 28, 2012. 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 11, 2012.

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 2011. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 30–99.

Responsibilities of the Board of Directors and the Managing Director (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 and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for the internal control deemed necessary by the Board of Directors and the President for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatement is due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the annual accounts and consolidated financial statements based on my audit. I conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures 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 taking the circumstances into account, 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, 2011 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act, and the consoli-

dated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2011 and its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report and corporate governance report are 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 and loss and the administration of the Board of Directors and the President of Länsförsäkringar AB for 2011.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal concerning the appropriation of the company's profit and loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit and 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 and loss, I examined whether the proposal complies 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 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.

Opinions

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, March 28, 2012

Stefan Holmström
Authorised Public Accountant

SUMMARY OF THE LIFE ASSURANCE GROUP'S INCOME STATEMENT AND BALANCE SHEET

INCOME STATEMENT

SEK M	2011	2010
Premium income, gross	6,554	6,724
Premium income, net	6,178	6,320
Investment income, net	4,866	8,033
Claims payments	-5,432	-4,354
Other underwriting income	322	352
Change in technical reserves	-16,698	-4,333
Operating expenses	-1,462	-1,350
Technical result, life assurance operations	-12,226	4,670
Non-technical items	-731	-750
Profit/loss before tax	-12,957	3,920
Tax	-106	-204
Net profit/loss for the year	-13,063	3,716

BALANCE SHEET

SEK M	Dec. 31, 2011	Dec. 31, 2010
Assets		
Intangible assets	12	1,186
Investment assets	113,919	105,872
Investment assets for which the policyholder bears the investment risk	4,003	54,206
Reinsurers' portion of technical reserves	597	663
Receivables	1,502	3,008
Other assets	7,279	7,336
Prepaid expenses and accrued income	1,691	2,158
Total assets	129,003	174,429
Equity, provisions and liabilities		
Share capital	8	8
Funds plus net profit for the period	10,843	29,597
Technical reserves	106,913	84,109
Provisions for life assurance for which the policyholder bears the investment risk	4,003	54,208
Provisions for other risks and expenses	178	380
Deposits from reinsurers	597	663
Liabilities	5,745	4,927
Accrued expenses and deferred income	716	537
Total equity, provisions and liabilities	129,003	174,429

Corporate Governance Report

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. In terms of the operations, the Group is organised into four business units and three additional units for Business Support, Asset Management, as well as Finance and Risk. In addition, there are two President's staff functions, an internal audit function, as well as a function for compliance and risk control. In the business units, the business operation is run jointly as deemed best by Länsförsäkringar Alliance. Most of the development and service operation in Länsförsäkringar Alliance is conducted in coordination and jointly with shared prioritisations.

The basis for Länsförsäkringar AB's corporate governance system is the assignment from owners and the joint strategies of the Länsförsäkringar Alliance. Based on this starting point, a vision was formulated for the operation and a target must be set annually within the framework for the established risk tolerance.

The corporate governance system aims to ensure satisfactory control and management of the Länsförsäkringar AB Group pertaining to:

- suitable and surveyable organisational structure and decision process,
- clear distribution of responsibility and work assignments,
- efficient systems for transferring information within the Group,
- submitting information to authorities, as well as
- internal and external reporting.

To fulfil the above, the corporate governance system established a number of components within the framework. These components are governing policies on which to base the formation of the organisational structure and distribution of responsibility, risk management system and internal control system. Other components in the corporate governance system include the structure for internal rules and regulations, subcontracting policies, suitability requirements pertaining to employees and Board members, as well as continuity plans.

The formation of the corporate governance system within Länsförsäkringar AB at the Parent Company and Group level is established in a Group instruction, which will thus comprise a basic governance document for control and monitoring. For subsidiaries, the corporate governance system is established in special corporate instructions for each company, based on the Group instruction. Accordingly, the corporate instructions for subsidiaries, along with the Group instructions, will form the basic control document for governing and monitoring the operation. In addition, there are a number of Group-wide and corporate-specific control documents that regulate governance of the operation.

Länsförsäkringar AB complies with the Swedish Code of Corporate Governance (referred to below as the Code) in the applicable parts, with consideration of the fact that the company is not a stock market company. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Notice

- Notice, publication of information prior to, attending and holding of an Annual General Meeting. Deviation from the provisions of the Code with respect to the fact that the company is not a stock market company and a limited number of shareholders.

Composition of Board of Directors

- Deviation from the provisions of the Code exist regarding independence of a majority of the elected Board members in relation to the company and that not less than two Board members must be independent in relation to the company's large shareholders. According to the instruction for the Nomination Committee (see below), 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.

Mandate period

- The mandate period for Board members is, as a general rule, two years. Deviation from the provision of the Code stipulating a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a Board member irrespective of mandate period. A mandate period that is longer than one year contributes to ensuring continuity and establishing competence within the Board.

Nomination Committee

- Deviation from the provision of the Code exists regarding independence of a majority of the members of the Nomination Committee in relation to the company.

This Corporate Governance Report is unaudited.

General Meeting

Shareholders exercise their voting rights at the General Meeting. 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. Decisions are made at the Annual General Meeting pertaining 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 proposal for remuneration to 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 2011 Annual General Meeting approved the principles for remuneration and other terms of employment for company management.

Nomination process

The General Meeting of Länsförsäkringar AB appoints a Nomination Committee, which is charged with the duty of presenting proposals for members of the Board of Directors and auditors of Länsförsäkringar AB and its directly owned subsidiaries and certain other companies, and fees to these members and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. Since the 2011 Annual General Meeting, the Nomination Committee has comprised Karin Starrin (Chairman) (Länsförsäkringar Halland), Göran Trobro (Deputy Chairman) (Länsförsäkringar Göttinge Kristianstad), Ulf W Eriksson (Länsförsäkringar Värmland), Anna-Greta Lundh (Länsförsäkringar Södermanland) and Conny Sandström (Länsförsäkringar Västerbotten).

External auditors

In accordance with the Articles of Association, Länsförsäkringar AB shall have 1-3 auditors and 0-3 deputy auditors. Auditors are appointed for a mandate period of not more than four years. At the 2008 Annual General Meeting, Stefan Holmström, KPMG Bohlins AB, was appointed auditor and Johan Bäckström, KPMG Bohlins AB, was appointed deputy auditor, both for a mandate period of four years.

Composition of Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar AB shall comprise 8–12 Board members elected by the General Meeting, with or without deputies. Board members are elected for a mandate period of two years. In addition, members appointed by trade unions are also 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 Board currently comprises 12 members and one deputy. Nine of the members were elected by the Annual General Meeting. Three members and two deputies were appointed by the trade unions. The Board members are listed on pages 106–107 in the Annual Report.

Board responsibilities and allocation of duties

The Board is responsible for the organisation and administration of the company and shall handle and make all decisions concerning issues of material significance and an overall nature relating to the company's operations. This includes determining an appropriate organisation, the goals and strategies of the operation and guidelines for control and governance.

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, conflict of interests and disqualification.

The Board shall remain informed about the performance of the company to continuously assess the company's financial situation and position. Through its formal work plan, the Board has estab-

lished that financial reporting shall take place in accordance with established instructions and through regular Board meetings. The Board must also regularly manage and evaluate the company's and the Group's risk development and risk management. During the year, the Board regularly reviews the earnings and sales trends, investment income, the financial position, etc., in relation to the business plan and forecasts.

In an internal Group directive, the Board has established the company's and the Group's organisation and clarified the distribution of work duties between the various units and executives in the company and the Group. Every year, the Board establishes a directive for the President as well as a large number of guidance documents for the operations.

The Board conducts annual strategic seminars and evaluations of its own work. The Board also annually assesses the work of the President and his terms of employment. The Board meets the company's auditors at least once per year (see also Audit Committee below).

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.

Chairman

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

Internal audit

The Board appointed an internal audit function independent from the operating activities, with the primary task of ensuring that the scope and direction of the operations agree with the guidelines issued by the Board and that the operations are being conducted towards the targets established by the Board. The internal audit function is also to examine and assess the organisation of the bank, its procedures, governance and control of the operations. The Board has adopted a separate instruction for the internal audit function.

Finance Committee

The Board of Directors of Länsförsäkringar AB has appointed four of the total of eight members in a Group-wide Finance Committee for the Länsförsäkringar AB Group. The remaining members are appointed by the Boards of some of the subsidiaries. The Committee is intended to be a forum for financial analyses of the business environment and macroeconomics, as well as to prepare issues concerning asset management 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 Annual General Meeting in 2011 appointed Lars-Eric

Åström (Chairman), Sten Dunér (President), Kajsa Lindståhl, and Anne-Marie Pålsson to represent Länsförsäkringar AB on the Finance Committee.

Audit Committee

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

- The company's and Group's financial reporting and accounting issues.
- The company's and Group's internal governance and control.
- Internal audit work.
- External auditors' work.
- Outsourced work.

At the Board meeting immediately following the 2011 Annual General Meeting, Gösta af Petersens (Chairman), Lars-Eric Åström and Christer Olander were appointed members of the Audit Committee.

Remuneration Committee

The Remuneration Committee shall prepare issues on remuneration to company management, employees with overall responsibility for any of the company's control functions, as well as prepare decisions for measures to monitor application of the remuneration policy. The Committee shall also prepare the principles for remuneration and other terms of employment for company management. At the Board meeting immediately following the 2011 Annual General Meeting, Lars-Eric Åström (Chairman), Sune Nilsson and Gösta af Petersens were appointed members of the Remuneration Committee.

Meetings and attendance

The table below shows the number of meetings held in each body since the 2011 Annual General Meeting until February 2012, and the attendance by each Board member:

	Board of Directors	Finance Committee	Audit Committee	Remuneration Committee
Total number of meetings	12	5	5	3
Gösta af Petersens	12	–	5	–
Hans Benndorf	12	–	–	–
Fredrik Daveby	12	–	–	–
Sten Dunér	–	5	–	–
Christer Ekehov, deputy	0	–	–	–
Mats Fabricius	12	–	–	–
Håkan Haraldsson	10	–	–	–
Åsa Jansson	12	–	–	–
Tomas Jönsson	10	–	–	–
Kajsa Lindståhl	–	5	–	–
Sune Nilsson	12	–	–	3
Christer Olander	12	–	5	–
Ann-Christin Norrström	12	–	–	–
Karl-Erik Pettersson, deputy	0	–	–	–
Anne-Marie Pålsson	9	4	–	–
Lars-Eric Åström	11	5	3	3

INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

The Board of Directors is responsible for the control and governance of the operations. This responsibility includes the preparation of an efficient system for risk management and internal control. The risk management system shall also ensure that the Länsförsäkringar AB Group is continuously able to identify, manage and report risks. Internal control is a process designed to provide reasonable assurance that the objectives of the operations are achieved in terms of appropriate and effective business operations, reliable financial reporting and information about the operations and compliance with applicable internal and external regulations. The internal-control system encompasses all parts of the organisation and is an integral part of each operation within the Group.

Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second the Compliance and Risk Control functions and the third the Internal Audit function. The second and third lines of defence are independent in relation to the first line.

Throughout the Group, routines and modes of action are coordinated by Group-wide regulations and guidelines that are approved and established in each subsidiary. Examples of such guidance documents include Group instructions, reporting instructions, business control principles and attestation instructions.

The purpose of the internal control of the financial reporting is to manage risks in the processes pertaining to the preparation of the financial reporting and to ensure a high level of reliability in such reporting.

Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, decision-making procedures and allocation of authorities and responsibilities among the various bodies that the Board of Directors, the President and management have established for the Parent Company and the Group. The control environment also includes the values and corporate culture that the Board, the President and management communicate and work from to create appropriate and efficient operations.

The Board appointed an Audit Committee with the task of assuming responsibility for preparing the Board's quality assurance of the company's and Group's financial reporting and to monitor the efficiency of the company's and Group's internal governance and control. The Committee is also to prepare the direction, scope and coordination of the work of the Internal Audit and study the observations and recommendations from the external auditors. Special Audit Committees have been established by the Boards of some of the subsidiaries.

The process for internal control and risk management is based on the control environment and involves four main activities: risk assessment, control activities, information and communications, and follow-up.

Risk assessment

Risk assessment includes identifying and analysing the source of risks affecting internal control relating to financial reporting. These risks are analysed at Group level, Group-wide level and unit level. The company and the Group are governed through common processes, in which risk management is built into every process and various methods are used to value and restrict risks and to ensure that identified risks are managed in accordance with established guidance documents.

Based on the risk analysis, the processes and control activities associated with key risks are assessed to identify material errors in the financial reporting.

Control activities

Risks in financial reporting are controlled through carefully prepared financial statements, standardised work routines with built-in control functions and the evaluation of ongoing improvements. The financial information is analysed and reviewed at various organisational levels before being presented publicly.

Efforts are ongoing to eliminate and reduce identified significant risks affecting internal control relating to financial reporting. This includes the development and improvement of control activities, and efforts to ensure that employees have the appropriate expertise.

Information and communications

Internal guidance documents are subject to review and reassessment at least once a year. All guidance documents are published on the company's intranet. Every manager must ensure that the regulations are communicated to affected subordinate staff.

Follow-up

The Internal Audit function was established to assist the Board in following up and ensuring that the scope and direction of the operations complies with the guidelines issued by the Board and that the operations are conducted in accordance with the targets established by the Board. Based on its reviews, the Internal Audit function shall form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit function reports to the Board of Directors.

The Compliance function's task is to regularly identify, assess, monitor and report on compliance risks, meaning the risk that inadequate compliance could tarnish the reputation of the company or result in financial losses or sanctions in accordance with legislation or regulations. Reporting is addressed to the respective Presidents and Boards of Directors.

Board of Directors and auditors

LARS-ERIC ÅSTRÖM



Born 1946. Elected 2008. Chairman of the Board since 2010. Forest farmer. Technical college engineer. Other Board assignments: Chairman of Östgöta Brandstodsbolag, Board member of Bergvik Skog. Previous experience: 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 Farmers (LRF), LRF Skogsförvaltning AB, Ågarfrämjandet.

GÖSTA AF PETERSENS



Born 1947. Elected 2004. Deputy Chairman of the Board. Farm manager. Chartered surveyor's degree SLU, Pedagogic studies Teacher's College Uppsala. Other Board assignments: Chairman of Länsförsäkringar Gotland, Gotlandsägg AB and Eskelunds hembageri AB. Previous experience: President of Guteprodukter AB and Gotlands Trädgårdsprodukter.

HANS BENNDORF



Born 1954. Elected 2008. President of Länsförsäkringar Stockholm. Doctor of Philosophy in Business and Economics and Master of Science in Business and Economics at Stockholm School of Economics. Other Board assignments: Chairman of Insurance Industry's Pension Fund (FPK), Sörman & Partners AB and Sörman & Partners KB, Board member of Länsförsäkringar Mäklarservice, Länsförsäkringar Fondliv and AB Huges Marina. Previous experience: 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 assignments: Board member of Länsförsäkring Kronoberg and Eolus Vind AB, Vice Chairmen of Swedish Fire Protection Committee of Agriculture, Chairman of Hjalmar Petri Holding AB. Previous experience: 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 assignments: Chairman of Länsförsäkringar Norrbotten, Norrbottensgården Slakteri AB, Norrbottensgården Utveckling AB and Polcirkeln Lantgård AB, Board member of Outinens Potatis AB. Previous experience: Head of Business Area at HS Rådgivning Nord AB.

SUNE NILSSON



Born 1953. Elected 2008. Consultant. Business school economist. Other Board assignments: Chairman of Länsförsäkringar Göteborg och Bohuslän, Almi Väst AB, STS Travel School AB, Holisticon AG, Vicura AB, Board member of Sigma AB, Incit AB and Infocube AB. Previous experience: CEO of Sigma AB and Mandator AB and President of PostNet AB.

ANN-CHRISTIN NORRSTRÖM



Born 1952. Elected 2007. President of Länsförsäkringar Uppsala. Master of Science in Business and Economics. Other Board assignments: 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. Previous experience: Head of Risk Operations at Länsförsäkringar Gävleborg, Board member of Länsförsäkringar Liv, Aktietorget Uppland AB, Forskningsfonden and Gefle Dagblad.

CHRISTER OLANDER



Born 1944. Elected 2010. Master of Science in Business and Economics. Other Board assignments: Chairman of Länsförsäkringar Kalmar län, Malin Olander MOOV AB, Board member of LFK Finans AB. Previous experience: Authorised Public Accountant and partner at TRG Revision AB, Chairman of TRG Revision AB, IREV HB Institute for Education of Auditors. Training of auditors.

ANNE-MARIE PÅLSSON



Born 1951. Elected 2005. Associate Professor, Economics, Ph D Lund University. MA University of California. Other Board assignments: Vice Chairman of Länsförsäkringar Skåne, Board member of Peab and G L Beijer AB. Previous experience: Research and teaching at Lund University, committee assignments, several Board appointments at Swedish National Audit Office, Institute for Future Research, Stadshypotek AB, Second Swedish National Pension Fund, Investment AB Öresund, HQ AB, Samhall Gripen, Färs och Frosta Sparbank and others.

HÅKAN HARALDSSON



Born 1948. Elected 2006. Employee representative LFP. School leaving examination. Other Board assignments: Chairman of Länsförsäkringar Alliance's Employee Association, LFP, employee representative of Länsförsäkringar Stockholm.

ÅSA JANSSON



Born 1972. Elected 2011. Employee representative FTF, Claims at Horse business area Agria Djurförsäkring. Food engineering graduate. Other Board assignments: Länsförsäkringar Sak, Deputy Chairman profit-sharing association Ekorren in Agria Djurförsäkring. Previous experience: Recruitment consultant at Manpower.

TOMAS JÖNSSON



Born 1951. Elected 2001. Employee representative Swedish Confederation of Professional Association. Claims adjuster Non-life business unit. Bachelor of Arts in Legal Science, Master of Science in Engineering. Other Board assignments: Länsförsäkringar Sak, Bank and Insurance Section of Jusek. Previous experience: Bank attorney Föreningsbanken.

OLLE TÖRNELL



BOARD SECRETARY

Born 1958. Employed 1992. Head of Legal Affairs. Bachelor of Arts in Legal Science. Previous experience: Head of Legal Affairs Wasa Försäkring, bank attorney Nordbanken.

AUDITORS

Auditor elected by the Annual General Meeting

Stefan Holmström,
Public Authorised Accountant,
KPMG AB.

Deputy auditor elected by the Annual General Meeting

Johan Bäckström,
Public Authorised Accountant,
KPMG AB.

Group management

STEN DUNÉR



Born 1951. Employed 1982. President. Master of Science in Business and Economics. Previous experience: CFO and other senior positions at Länsförsäkringar AB. Board appointments: Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank, Swedish Insurance Federation and Swedish Insurance Employers' Association (FAO), Board member of Fastighets AB Balder.

ANN SOMMER



Born 1959. Employed 1988. President of Länsförsäkringar Sak. Master of Science in Business and Economics. Previous experience: President of WASA International, President of WASA Special Försäkrings AB, President of Wasa International UK, President of Stockholm Re. Board appointments: Chairman of Försäkrings AB Agria and Länsförsäkringar Gruppliv. Board member of Länsförsäkringar Mäklarservice, Swedish Forest Agency, SOS International, Amice (Association of Mutual Insurers and Insurance Cooperatives in Europe).

RIKARD JOSEFSON



Born 1965. Employed 2011. President of Länsförsäkringar Bank. Bachelor of Arts. Previous experience: President SEB Finans, Regional Director East SEB, Head of GTS Global Transaction Services SEB Merchant Banking. Other Board assignments: Chairman Wasa Kredit, Länsförsäkringar Hypotek and Essen International AB. Board member of Länsförsäkringar Fondförvaltning and Livlust Foundation.

GUNILLA FORSMARK KARLSSON



Born 1958. Employed 2006. President of Länsförsäkringar Fondliv. Economics at Umeå University. Previous experience: Executive Vice President of Länsförsäkringar Bank, President of Skandiabanken, President of Länsförsäkringar Mäklarservice, Executive Vice President of SEB Bolån. Board appointments: The Council for Negotiation and Co-operation's (PTK) Education Foundation, Board member of Länsförsäkringar Gruppliv.

JÖRGEN SVENSSON



Born 1959. Employed 2008. President of Länsförsäkringar Liv. Studies in economy, law and marketing. Previous experience: President of Länsförsäkringar Blekinge, various managerial positions at Skandia and If. Board appointments: Board member of Länsförsäkringar Mäklarservice.

CECILIA ARDSTRÖM



Born 1965. Employed 2012. Financial Director. Economics at University of Gothenburg School of Business, Economics and Law. Previous experience: Head of Treasury Tele2 AB, Head of Asset Management Folksam Group, KPMG Management Consulting. Board assignments: Swedish Export Credit Corporation SEK.

MALIN RYLANDER-LEIJON



Born 1970. Employed 2001. CFO. Head of Finance & Risk. Master of Science in Business and Economics. Administration Programme, specialising in Economics, Uppsala University. Previous experience: Head of Finance & Control, Länsförsäkringar Liv and auditor at SET Revisionsbyrå.

SÖREN WESTIN



Born 1953. Employed 2000. Head of Business support. Licentiate of Science in Business and Economics Umeå University. Previous experience: Head of Service unit at Länsförsäkringar AB, President of Länsförsäkringar Jämtland, President of AB Länstidningen, member of Samhall AB's company management. Board appointments: Länsförsäkringar Fastighetsförmedling, Foundation for Research Fund of the Regional Insurance Companies and Swedish Motor Insurers.

ÅSA JANSSON



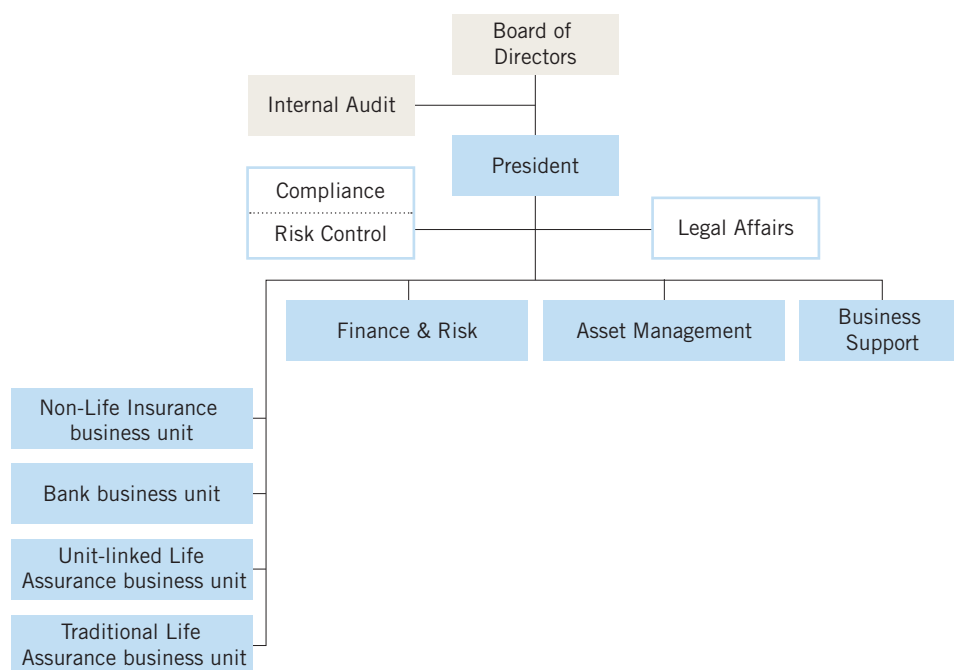
Born 1972. Employed 1998. Employee representative FTF, Claims at Horse business area Agria Djurförsäkring. Food engineering graduate. Previous experience: Recruitment consultant at Manpower. Other Board assignments: Länsförsäkringar Sak, Deputy Chairman profit-sharing association Ekorren in Agria Djurförsäkring.

TOMAS JÖNSSON



Born 1951. Employed 1986. Employee representative Swedish Confederation of Professional Association. Claims adjuster Non-Life Insurance business unit. Bachelor of Arts in Legal Science, Master of Science in Engineering. Previous experience: Bank attorney, Föreningsbanken. Board appointments: Board member of Länsförsäkringar Sak Försäkrings AB, Bank and Insurance Section of Jusek.

LÄNSFÖRSÄKRINGAR AB – ORGANISATIONAL CHART



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.

Cost/income ratio, bank

Total expenses in relation to total income. The cost/income ratio is calculated before and after loan losses

Cost ratio

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.

Interest-bearing securities

Loans issued in the market by a borrower (such as the government). Long-term securities are normally termed “bonds,” while short-term loans are in the form of what are commonly called “bills.”

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, bank

Probable loan losses comprise the difference between the amount of credit granted and the amount expected to be recovered, taking into account the borrower's ability to pay and the value of collateral. Actual losses are confirmed, for example, in bankruptcy proceedings or a settlement.

Loan losses in relation to lending

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 borrowing from the public, credit institutions and expenses for interest-bearing securities.

Operating expenses in the insurance operations

Includes costs of marketing, sales and administration in insurance operations.

Operating profit

Profit/loss before tax.

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, deferred tax liabilities/assets and subordinated debt.

Solvency margin, non-life insurance

Solvency capital as a percentage of premium income after ceded reinsurance.

Technical reserves

Reserves for unearned premiums and unexpired risks, life assurance reserves and reserves 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.

Financial calendar

2012

First quarter

Interim report, Länsförsäkringar Bank
Interim report, Länsförsäkringar Hypotek

April 23
April 23

Second quarter

Interim report, Länsförsäkringar Bank
Interim report, Länsförsäkringar Hypotek
Interim review, Länsförsäkringar Alliance
Interim report, Länsförsäkringar AB

August 28
August 28
August 29
August 29

Third quarter

Interim report, Länsförsäkringar Bank
Interim report, Länsförsäkringar Hypotek
Interim review, Länsförsäkringar Alliance

October 25
October 25
October 26



Addresses

Länsförsäkringar Norrbotten
Box 937
SE-971 28 Luleå
Visit: Köpmantorget
Phone: +46 (0)920-24 25 00
E-mail: info@LFnorrboten.se

Länsförsäkringar Västerbotten
Box 153
SE-901 04 Umeå
Visit: Nygatan 19
Phone: +46 (0)90-10 90 00
E-mail: info@LFvasterbotten.se

Länsförsäkringar Jämtland
Box 367
SE-831 25 Östersund
Visit: Prästgatan 18
Phone: +46 (0)63-19 33 00
E-mail: info@lfz.se

Länsförsäkringar Västernorrland
Box 164
SE-871 24 Härnösand
Visit: Stora Torget 3
Phone: +46 (0)611-36 53 00
E-mail: info@vn.lansforsakringar.se

Länsförsäkringar Gävleborg
Box 206
SE-801 03 Gävle
Visit: Slottstorget 3
Phone: +46 (0)26-14 75 00
E-mail: info@lfgavleborg.se

Dalarnas Försäkringsbolag
Box 3
SE-791 21 Falun
Visit: Slaggatan 9
Phone: +46 (0)23-930 00
E-mail: info@dalarnas.se

Länsförsäkringar Värmland
Box 367
SE-651 09 Karlstad
Visit: Köpmannagatan 2 A
Phone: +46 (0)54-775 15 00
E-mail: info@LFvarmland.se

Länsförsäkringar Uppsala
Box 2147
SE-750 02 Uppsala
Visit: Svartbäcksgatan 44
Phone: +46 (0)18-68 55 00
E-mail: info@uppsala.lansforsakringar.se

Länsförsäkringar Bergslagen
Box 1046
SE-721 26 Västerås
Visit: Stora Gatan 41
Phone: +46 (0)21-19 01 00
E-mail: info@lfbergslagen.se

Länsförsäkringar Stockholm
SE-115 97 Stockholm
Visit: Tegelluddsvägen 21
Phone: +46 (0)8-562 830 00
E-mail: info@sth.lansforsakringar.se

Länsförsäkringar Södermanland
Box 147
SE-611 24 Nyköping
Visit: V Storgatan 4
Phone: +46 (0)155-48 40 00
E-mail: info@lfs.se

Länsförsäkringar Göteborg och Bohuslän
SE-404 84 Gothenburg
Visit: Lilla Bommen 8
Phone: +46 (0)31-63 80 00
E-mail: info@gbg.lansforsakringar.se

Länsförsäkringar Skaraborg
Box 600
SE-541 29 Skövde
Visit: Rådhusgatan 8
Phone: +46 (0)500-77 70 00
E-mail: info@skaraborg.lansforsakringar.se

Länsförsäkringar Östgöta
Box 400
SE-581 04 Linköping
Visit: Platensgatan 11
Phone: +46 (0)13-29 00 00
E-mail: info@Lfostgota.se

Länsförsäkringar Älvsborg
Box 1107
SE-462 28 Vänersborg
Visit: Vallgatan 21
Phone: +46 (0)521-27 30 00
E-mail: info@alvsborg.lansforsakringar.se

Länsförsäkringar Gotland
Box 1224
SE-621 23 Visby
Visit: Österväg 17
Phone: +46 (0)498-28 18 50
E-mail: info@lfgotland.se

Länsförsäkringar Jönköping
Box 623
SE-551 18 Jönköping
Visit: Barnarpsgatan 22
Phone: +46 (0)36-19 90 00
E-mail: info@lfj.se

Länsförsäkringar Halland
Box 518
SE-301 80 Halmstad
Visit: Strandgatan 10
Phone: +46 (0)35-15 10 00
E-mail: info@LFhalland.se

Länsförsäkring Kronoberg
Box 1503
SE-351 15 Växjö
Visit: Kronobergsgatan 10
Phone: +46 (0)470-72 00 00
E-mail: info@lfkronoberg.se

Länsförsäkringar Kalmar län
Box 748
SE-391 27 Kalmar
Visit: Norra Långgatan 17
Phone: +46 (0)20-66 11 00
E-mail: info@LFkalmar.se

Länsförsäkringar Blekinge
Box 24
SE-374 21 Karlshamn
Visit: Kyrkogatan 21
Phone: +46 (0)454-30 23 00
E-mail: info@lfblekinge.se

Länsförsäkringar Göinge-Kristianstad
Box 133
SE-291 22 Kristianstad
Visit: V Storgatan 49
Phone: +46 (0)44-19 62 00
E-mail: info@goinge-kristianstad.se

Länsförsäkringar Skåne
Box 742
SE-251 07 Helsingborg
Visit: Södergatan 15
Phone: +46 (0)42-633 80 00
E-mail: info.skane@lansforsakringar.se

JOINT COMPANIES

Länsförsäkringar AB
SE-106 50 Stockholm
Visit: Tegelluddsvägen 11–13
Phone: +46 (0)8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Liv
SE-106 50 Stockholm
Visit: Tegelluddsvägen 21
Phone: +46 (0)8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Fondliv
SE-106 50 Stockholm
Visit: Tegelluddsvägen 21
Phone: +46 (0)8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Sak
SE-106 50 Stockholm
Visit: Tegelluddsvägen 11–13
Phone: +46 (0)8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Bank
SE-106 50 Stockholm
Visit: Tegelluddsvägen 11–13
Phone: +46 (0)8-588 416 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Hypotek
SE-106 50 Stockholm
Visit: Tegelluddsvägen 11–13
Phone: +46 (0)8-588 416 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Fondförvaltning
SE-106 50 Stockholm
Visit: Tegelluddsvägen 11–13
Phone: +46 (0)8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Fastighetsförmedling
Box 742
SE-251 07 Helsingborg
Visit: Södergatan 15
Phone: +46 (0)42-633 98 10
E-mail: helsingborg@lansfast.se

Länsförsäkringar Mäklarservice
Box 27120
SE-102 52 Stockholm
Visit: Tegelluddsvägen 21
Phone: +46 (0)8-588 490 00
E-mail: info.maklarservice@lansforsakringar.se

Wasa Kredit
Box 6740
SE-113 85 Stockholm
Visit: Tegelluddsvägen 21
Phone: +46 (0)8-635 38 00
E-mail: info@wasakredit.se

Agria Djurförsäkring
Box 70306
SE-107 23 Stockholm
Visit: Tegelluddsvägen 11–13
Phone: +46 (0)8-588 421 00
E-mail: info@agria.se

Humlegården Fastigheter
Box 5182
SE-102 44 Stockholm
Visit: Birger Jarlsgatan 25
Phone: +46 (0)8-678 92 00
E-mail: info@humlegarden.se

