Länsförsäkringar AB (publ)

CORPORATE REGISTRATION NUMBER 556549-7020

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INTERIM REPORT

Sten Dunér, President Länsförsäkringar AB

The Länsförsäkringar AB Group posts strong earnings for the nine-month period. Primarily lower claims costs in the non-life insurance operations and the bank's improved net interest income contributed to these earnings. Returns remained stable despite continued instability in the financial markets. Total assets have risen slightly more than SEK 30 billion since the start of the year – an increase that is mainly attributable to rising business volumes in the banking and unit-linked insurance operations.

Growth in the banking operations is continuing and volumes are increasing with healthy profitability. Profit rose slightly more than 60%. Both the borrowing and liquidity situation at the bank are favourable. In October, we again received confirmation that our customers believe that we are doing a good job when the Swedish Quality Index revealed that we have Sweden's most satisfied retail bank customers for the sixth consecutive year.

The non-life insurance operations also reported a strong volume trend and robust profitability. Lower claims costs is the key reason for these healthy earnings.

Following the restructuring of the life-assurance operations, the focus on offering unit-linked insurance solutions to both corporate customers and private individuals is continuing. This clear focus has led to higher premium volumes.

Ownership

Länsförsäkringar AB (publ) is wholly owned by the 23 regional insurance companies and the 14 local insurance companies. The Länsförsäkringar Alliance comprises the Länsförsäkringar AB Group, Länsförsäkringar Liv Group together with the 23 regional insurance companies.

Group structure

In addition to the Parent Company, Länsförsäkringar AB (publ), the Group includes the wholly owned companies Länsförsäkringar Bank AB (publ) and subsidiaries, Länsförsäkringar Sak Försäkrings AB (publ) and subsidiaries, and Länsförsäkringar Fondliv Försäkrings AB.

Länsförsäkringar Liv Försäkrings AB (publ) and its subsidiaries are wholly owned by Länsförsäkringar AB but are not consolidated in the consolidated financial statements since the company is operated in accordance with mutual principles, the policyholders bear the company's risks and earnings accrue in their entirety to the policyholders.

Operations

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

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

Consolidated earnings

Consolidated operating profit amounted to SEK 680 M (138). The improvement in earnings was due to lower claims costs and run-off gains in the non-life insurance operation and improved net interest income in the banking operations. Consolidated comprehensive income amounted to SEK 530 M (208). Other comprehensive income include revaluation of owner-occupied property, change in fair value of available-for-sale financial assets and translation differences from foreign operations.

Profit for unit-linked insurance amounted to SEK 99 M. Länsförsäkringar Fondliv was acquired on October 31, 2011 and was not a part of the Group on September 30, 2011.

Non-life insurance

The technical result from insurance operations, including investment income transferred from financial management, amounted to a profit of SEK 268 M (107). The improvement was mainly due to lower claims costs and good investment income. The insurance operations include a life-assurance business that generated a technical result of SEK 47 M (29).

Premiums earned after ceded reinsurance rose 1% to SEK 3,044 M (3,018). The increase was attributable to Agria Djurförsäkring and BA Health.

Claims payments after ceded reinsurance declined to SEK 2,217 M (2,374). Claims payments rose in the year-earlier period due to the growth in volumes and higher reserves in international reinsurance business, primarily because of the earthquake in Japan. The claims ratio, including claims adjustment costs, amounted to 74 (83).

The expense ratio was unchanged at 22% compared to the same period in 2011. In 2012 the expense ratio decreased from 23 to 22. Operating expenses mainly declined in Agria Djurförsäkring in Sweden and in liability insurance. For Agria, the decrease was due to lower commission expense as a result of increases in proprietary sales. Commission expense for liability insurance was lower due to reduced business volumes.

Unit-linked insurance

On October 31, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv from Länsförsäkringar Liv Försäkrings AB. Accordingly, Länsförsäkringar Fondliv was not included in the Länsförsäkringar AB Group's accounts on September 30, 2011. Comparative figures for the earnings and financial position of unit-linked life assurance pertain to the year-earlier period for the company Länsförsäkringar Fondliv.

Profit after tax for Länsförsäkringar Fondliv amounted to SEK 99 M. These higher operating expenses are largely nonrecurring and pertain to investments to cover Länsförsäkringar's combined pension offering since traditional management is no longer offered.

Managed assets rose slightly more than SEK 7 billion compared with year-end 2011 to SEK 60 billion. The increase was due to positive fund returns and a positive cash flow.

Total premium income for unit-linked insurance amounted to SEK 6,558 M (4,893). The large increase in total premium income was due to higher premium income from occupational pension plans as a result of the stop on underwriting new insurance policies in Länsförsäkringar Liv. Greater transfers of capital also had a positive effect on premium income.

New sales in the life-assurance market fell sharply during the period because of the investment savings account (ISK) that was introduced at the start of the year as an endowment insurance option. Länsförsäkringar Fondliv, which focuses on occupational pensions, was only marginally affected by the major shift that has taken place from endowment insurance to ISK. A large portion of the new sales are for pension solutions for companies that do not have collective agreements. Sales in the sub-market of non-collectively agreed occupational pensions totalled SEK 5,489 M (5,733), down 4%.

Bank

Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth consecutive year according to the Swedish Quality Index's customer satisfaction survey that was presented on October 1. The number of customers rose 8% to 938,000 (871,000) and business volumes increased 14% to SEK 274 billion (241).

Earnings, income and expenses

Profit before loan losses increased 62% to SEK 492 M (303) and operating profit rose 62% to SEK 428 M (265). Return on equity strengthened to 6.5% (4.5).

Net interest income increased 23% to SEK 1,527 M (1 244), attributable to improved lending and deposit volumes and also to higher lending margins. Net gains from financial items remained unchanged at SEK 11 M. Operating expenses rose 13% to SEK 899 M (794), because of higher IT administrative expenses due to a broader product offering.

Loan losses

Loan losses remain low and amounted to SEK 64 M (38), net, corresponding to loan losses of 0.06% (0.04). Reserves amounted to SEK 316 M (309), corresponding to a provision ratio of 0.21% (0.23). Impaired loans amounted to SEK 262 M (278) and the percentage of impaired loans was 0.17% (0.21).

Savings

Deposits from the public rose 25% to SEK 60 billion (48). The market share strengthened to 4.2% (3.6) on August 31, 2012 and the share of market grow was slightly more than 8% between January and August, according to data from Statistics Sweden. The volume of managed funds rose 7% to SEK 69 billion (64), primarily attributable to a positive growth trend. The company manages 31 (33) mutual funds with various investment orientations. Monthly savings in funds performed well, as did fund transfers, the IPS offering (Individual Pension Savings) and the number of securities depositories.

Loans

Loans to the public rose 13% to SEK 146 billion (129). Retail mortgages in Länsförsäkringar Hypotek increased 13% to SEK 98 billion (87). On August 31, 2012, the market share for household deposits and retail mortgages increased to 4.8% (4.6), according to data from Statistics Sweden. Lending volumes increased 16% to SEK 18.9 billion (16.2). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 84% (80) of agricultural loans.

Borrowing

Debt securities in issue rose 7% to SEK 111 billion (104), of which covered bonds remained unchanged at SEK 87 billion. The Bank Group' has a low refinancing risk and long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds (Aaa/AAA). Issued covered bonds during the January-September period totalled a nominal amount of SEK 19.9 billion (25.6) and repurchased covered bonds a nominal amount of SEK 10.7 billion (11.6). Covered bonds that matured during the period amounted to a nominal amount of SEK 6.5 billion (6.2). Financing is also conducted through Länsförsäkringar Bank's borrowing programmes. During the January-September period, a nominal amount of SEK 10.6 billion (5.9) was issued under the MTN programme.

Liquidity

The liquidity reserve, which total a nominal amount of SEK 36.1 billion (31.9), is invested in Swedish securities 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, Sweden's central bank. By utilising the liquidity reserve, contracted undertakings for more than 19 months can be met without needing to secure new borrowing in the capital market. The Bank Group's Liquidity Coverage Ratio (LCR) amounted to an average of 240% for the third quarter of 2012.

Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposure and to counterparty exposures to corporates and the agricultural sector up to SEK 5 M. The fundamental IRB Approach is used for counterparty exposures to corporates and the agricultural sector in excess of SEK 5 M. The Standardised Approach continues to be applied to exposures to central governments, local governments, county councils, institutions and off-balance sheet items. On September 30, 2012, 88% of the loan portfolio comprised retail credits in accordance with the advanced IRB Approach. The Core Tier 1 ratio amounted to 12.0% (11.8). The capital adequacy ratio remained unchanged at 14.4% and the Tier 1 ratio was 12.6% (12.4).

Investment income

The Group's investment income amounted to SEK 59 M (26) for the period. In addition, the value of owner-occupied property rose SEK 23 M (25), which is recognised directly under equity.

During the first three quarters of 2012, the Länsförsäkringar AB Group pursued its investment orientation by maintaining a low level of risk in its portfolios with investments mainly in interest-bearing securities and real estate. Investments in the interest-bearing segment were made in loans, which led to a positive contribution to total returns. The direct yield on property holdings made a stable, positive contribution to earnings.

There were major fluctuations on the international fixed-income markets during the year. At the start of the year, long-term interest rates in the US, Germany and Sweden rose when the European Central Bank (ECB) demonstrated its ability to take action and injected liquidity into the European banking system. However, the underlying problems were not resolved and in the spring uncertainty arose once again in conjunction with elections in many eurozone countries. As a result, interest rates in the US, Germany and Sweden declined again from mid-March, while rates rose in countries with lower credit ratings, such as Spain and Italy. The Swedish Financial Supervisory Authority's proposal presented at the beginning of June for establishing a floor for the discount rate of life-assurance companies made the Swedish long-term interest rate rise sharply. The trend of rising long-term interest rates in Sweden, Germany and the US continued for the remainder of June. The positive trend in long-term interest rates continued

at the start of the autumn, although the returns on long-term government securities demonstrated a relatively substantial variation. However, levels remain at historic lows due to the expansive monetary policies of the central banks.

Interest in investing in loans increases when government-backed papers are low and many companies also have healthy balance sheets. The trend in Swedish mortgage bonds, Swedish corporate bonds and foreign loans was very positive. Treasury bills had the weakest performance since their levels are at a low level.

Significant events during the interim period

No significant events took place during the interim period.

Significant events after the end of the interim period

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

At October 10, 2012, Länsförsäkringar AB had repaid a loan of SEK 1.8 billion.

Risks and uncertainty factors of the operations

The risks associated with the operations of the Länsförsäkringar AB Group and the Parent Company, and how they are managed, are described in the 2011 Annual Report. The Group's risks are not deemed to have changed significantly since the most recent year-end.

Related-party transactions

The Länsförsäkringar AB Group had the same type of agreements in 2012 that are described in the notes to the 2011 Annual Report. The most important related-party transactions during the interim period are reported in Note 3 for the Group and Note 2 for the Parent Company.

Parent Company earnings

Profit after financial items for the Parent Company amounted to SEK 236 M (62). Operating income of SEK 1,763 M (1,805) primarily comprised service income from consultancy activities in the support functions of IT, development and service. Earnings of SEK 271 M (181) include dividends of SEK 347 M (138) from the subsidiaries.

The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at September 30, 2012 are shown in the following financial statements with accompanying notes for the Group and Parent Company.

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[3)]	Standard & Poor's	AAA/Stable	A–1+
Länsförsäkringar Hypotek[3)]	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[4)]	

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

Key figures

Länsförsäkringar AB Group	Sep. 30, 2012	Sep. 30, 2011	Dec. 31, 2011
Amounts in SEK M unless otherwise stated			
Group			
Operating profit	680	138	284
Net profit for the period	524	109	212
Return on equity, % [1]	5.0	1.6	2.4
Total assets, SEK billion	284	195	254
Equity per share, SEK	1,460	1,385	1,403
Solvency capital [2]	16,093	11,697	15,564
Solvency margin, % [3]	403	291	388
Capital base for the financial conglomerate [4]	14,255	14,981	13,665
Necessary capital reqirement for the financial conglomerate	12,554	12,196	11,620
Insurance operations [5]			
Non-life insurance operations			
Premiums earned (after ceded reinsurance)	2,843	2,801	3,754
Investment income transferred from financial operations	119	228	189
Claims payments (after ceded reinsurance) [6]	–1,932	–2,139	–2,713
Technical result, non-life operations	**232**	**89**	**121**
Premium income, non-life insurance			
Premium income before ceded reinsurance	4,402	4,413	5,768
Premium income after ceded reinsurance	3,064	3,084	3,764
Life-assurance operations			
Premium income after ceded reinsurance	214	216	251
Fees pertaining to financial agreements	191	–	61
Investment income, net	1,019	12	39
Claims payments (after ceded reinsurance)	–114	–144	–157
Technical result, life-assurance operations	**352**	**18**	**92**
Operating profit for insurance operations [7]	**472**	**–44**	**147**
Key figures			
Cost ratio [8]	28	28	30
Expense ratio [9]	22	22	23
Claims ratio [10]	74	83	79
Combined ratio	96	105	102
Management cost ratio, life-assurance operations [11]	1	14[21]	2
Direct yield, % [12]	1.0	2.3	2.7
Total return, % [13]	3.1	4.1	6.0
Financial position			
Investment assets, SEK billion [14]	16	15	15
Unit-linked insurance assets – policyholder bears the risk, SEK billion	60	–	52
Technical reserves (after ceded reinsurance), SEK billion	14	14	14

Länsförsäkringar AB Group	Sep. 30, 2012	Sep. 30, 2011	Dec. 31, 2011
Banking operation			
Net interest income	1,527	1,244	1,728
Operating profit	428	265	385
Net profit for the period	316	195	298
Return on equity, % [15]	6.5	4.5	4.8
Total assets. SEK billion	192	168	170
Equity	6,933	6,328	6,332
Cost/income ratio before loan losses [16]	0.65	0.72	0.71
Investment margin, % [17]	1.11	1.05	1.07
Tier 1 ratio according to Basel II, % [18]	12.6	12.4	12.1
Capital adequacy ratio according to Basel II, % [19]	14.4	14.4	14.0
Loan losses in relation to loans, % [20]	0.06	0.04	0.04
Other operations			
Income	1,629	1,774	5,314
Operating loss	–129	–96	–125

[1] Operating profit plus change in value of owner-occupied property less standard tax at 26.3% in relation to average equity adjusted for share issue and dividends. Six-month figures are recalculated to full-year figures.
[2] Total of shareholders' equity, subordinated loan and deferred taxes.
[3] Solvency capital as a percentage of full-year premium income after ceded reinsurance.
[4] The financial conglomerate comprises the Parent Company Länsförsäkringar AB, all 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 is not 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).
[5] The earnings, key figures and financial position of the insurance operations are presented in accordance with Chapter 6, Section 2 of the Swedish Annual Accounts Act for Insurance Companies and Swedish Financial Supervisory Authority's directives and general guidelines FFFS 2008:26, Chapter 6, Section 2.
[6] Excluding claims adjustment costs.
[7] 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.
[8] Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.
[9] 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.
[10] 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.
[11] Operating expenses and claims adjustment costs inrelation to the average value of investment assets, investment assets for which the policyholder bears the investment risk and cash and cash equivalents.
[12] 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 relaton to the average value of the investment assets during the period. Pertains to non-life insurance and life-assurance.
[13] 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 period. Pertains to non-life insurance and life-assurance.
[14] 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 libilities.
[15] Operating profit plus less standard tax at 26.3% in relation to average equity adjusted for changes in value of financial assets recognised in equity. Six-month figures are recalculated to full-year figures.
[16] Total expenses before loan losses in relation to total income.
[17] Net interest in relation to average total assets.
[18] Tier 1 capital base in relation to the closing risk-weighted amount.
[19] Closing capital base in relation to the closing risk-weighted amount.
[20] Net loan losses in relaton to the carrying amount of loans to the public and to credit institutions.
[21] Refers Länsförsäkringar Gruppliv Försäkrings AB.

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

SEK M	July 1, 2012 –Sep. 30, 2012	July 1, 2011 –Sep. 30, 2011	Jan. 1, 2012 –Sep. 30, 2012	Jan. 1, 2011 –Sep. 30, 2011	Jan. 1, 2011 –Dec. 31, 2011
Premiums earned before ceded reinsurance	1,275	1,358	4,121	4,102	6,165
Reinsurers' portion of premiums earned	–332	–352	–1,063	–1,084	–2,158
Premiums earned after ceded reinsurance	**943**	**1,006**	**3,058**	**3,018**	**4,006**
Interest income	2,679	2,573	7,911	6,933	9,530
Interest expense	–2,128	–2,142	–6,320	–5,639	–7,748
Net interest income	**551**	**431**	**1,591**	**1,294**	**1,782**
Change in unit-linked insurance assets – policyholder bears the risk	1,721	–	2,427	–	–423
Dividends in unit-linked insurance assets – policyholder bears the risk	6	–	1,008	–	–23
Investment income, net	–28	–195	59	26	–37
Commission income	423	240	1,233	736	1,183
Other operating income	536	595	1,616	1,866	2,516
Total operating income	**4,152**	**2,077**	**10,992**	**6,940**	**9,050**
Claims payments before ceded reinsurance	–980	–994	–2,943	–2,996	–39,993
Reinsurers' portion of claims payments	322	193	905	717	1,132
Claims payments after ceded reinsurance	**–658**	**–801**	**–2,037**	**–2,279**	**–2,862**
Change in life-assurance	70	21	–23	–22	–1
Change in unit-linked insurance liabilities – policyholder bears the risk	–1,737	–	–3,446	–	400
Commission expense	–472	–403	–1,425	–1,220	–1,773
Staff costs	–361	–329	–1,161	–1,136	–1,473
Other administration expenses	–687	–678	–2,156	–2,094	–3,009
Loan losses	–20	–20	–64	–50	–48
Total expenses	**–3,864**	**–2,210**	**–10,313**	**–6,802**	**–8,766**
Operating profit	**288**	**–133**	**680**	**138**	**284**
Tax	–58	32	–156	–29	–72
Net profit for the period	**230**	**–101**	**524**	**109**	**212**
Earnings per share before and after dilution, SEK	24	–14	56	15	28

Profit per operation segment is reported in Note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	July 1, 2012 –Sep. 30, 2012	July 1, 2011 –Sep. 30, 2011	Jan. 1, 2012 –Sep. 30, 2012	Jan. 1, 2011 –Sep. 30, 2011	Jan. 1, 2011 –Dec. 31, 2011
Net profit for the period	**230**	**–101**	**524**	**109**	**212**
Other comprehensive income					
Translation differences for the period from foreign operations	–5	8	–2	2	–2
Revaluation of owner-occupied property	–	–	23	25	51
Change for the period in fair value of available-for-sale financial assets	–56	–8	–13	106	167
Tax attributable to other comprehensive income components	15	2	–3	– 35	–57
Total other comprehensive income for the period, net after tax	**–46**	**2**	**6**	**99**	**159**
Comprehensive income for the period	**184**	**–99**	**530**	**208**	**371**
Total comprehensive income for the period attributable to:					
Parent Company's shareholders	184	–99	530	208	371

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	Sep. 30, 2012	Jun. 30, 2012	Dec. 31, 2011
ASSETS			
Goodwill	2,034	2,037	2,035
Other intangible assets	3,581	3,651	3,757
Deferred tax assets	141	151	148
Property and equipment	93	89	105
Owner-occupied property	2,439	2,460	2,444
Shares in Länsförsäkringar Liv Försäkrings AB	378	378	408
Shares and participations in associated companies	24	24	24
Reinsurers' portion of technical reserves	7,092	7,168	6,385
Investment property	–	–	7
Loans to the public	145,751	141,647	134,011
Unit-linked insurance assets – policyholder bears the risk	59,503	56,342	52,165
Shares and participations	880	857	1,042
Bonds and other interest-bearing securities	43,664	39,532	32,031
Treasury bills and other eligible bills	3,702	5,446	8,342
Derivatives	1,921	1,203	1,640
Change in value of hedge portfolios	851	547	710
Other receivables	3,020	3,275	2,066
Prepaid expenses and accrued income	3,106	2,768	3,474
Cash and cash equivalents	6,107	9,311	3,193
TOTAL ASSETS	**284,287**	**276,886**	**253,988**
EQUITY AND LIABILITIES			
Equity			
Share capital	941	941	941
Other capital contributed	8,774	8,774	8,774
Reserves	394	439	387
Retained earnings including profit for the period	3,623	3,394	3,101
Total equity	**13,732**	**13,548**	**13,202**
Subordinated liabilities	900	900	900
Technical reserves	21,450	21,528	20,369
Unit-linked insurance liabilities – policyholder bears the risk	59,549	56,358	52,168
Deferred tax liabilities	1,602	1,618	1,611
Other provisions	185	168	230
Debt securities in issue	110,161	109,154	100,391
Deposits from the public	59,205	56,676	49,323
Due to credit institutions	4,105	5,887	3,992
Derivatives	3,563	2,237	2,684
Change in value of hedge portfolios	2,186	1,546	1,837
Other liabilities	3,364	3,522	2,824
Accrued expenses and deferred income	4,285	3,744	4,457
TOTAL EQUITY AND LIABILITIES	**284,287**	**276,886**	**253,988**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings including net profit for the period	Total
Opening equity, January 1, 2011	725	5,990	228	2,889	9,831
Comprehensive income for the period			99	108	208
Closing equity, September 30, 2011	**725**	**5,990**	**327**	**2,997**	**10,039**
Opening equity, October 1, 2011	725	5,990	327	2,997	10,039
Comprehensive income for the period			60	104	163
Shareholders' contribution					
New share issue	216	2,784			3,000
Closing equity, December 31, 2011	**941**	**8,774**	**387**	**3,101**	**13,202**
Opening equity, January 1, 2012	941	8,774	387	3,101	13,202
Comprehensive income for the period			6	524	530
Closing equity, September 30, 2012	**941**	**8,774**	**393**	**3,624**	**13,732**

Number of shares totalled 9,407,249.
Of total equity SEK 5,736 M (5,520) is restricted equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK M	Jan. 1, 2012 –Sep. 30, 2012	Jan. 1, 2011 –Sep. 30, 2011	Jan. 1, 2011 –Dec. 31, 2011
Cash flow from operating activities before changes in working capital	6,454	840	713
Cash flow from changes in working capital	–13,183	–13,438	–13,190
Cash flow from operating activities	**–6,729**	**–12,598**	**–12,477**
Cash flow from investing activities	–127	–239	–4,705
Cash flow from financing activities	9,770	14,025	17,381
Net cash flow for the period	**2,914**	**1,187**	**200**
Cash and cash equivalents, January 1	3,193	2,993	2,993
Net cash flow for the period	2,914	1,187	200
Exchange-rate differences in cash and cash equivalents	0	0	0
Cash and cash equivalents at end of period	**6,107**	**4,181**	**3,193**

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) 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. The Group also complies with recommendation RFR 1 Supplementary Accounting Rules for Groups and statements issued by the Swedish Financial Reporting Board. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

During the first six months of 2012, Länsförsäkringar's commenced sales of a new product - Garantiförvaltning (Guarantee Management). This entails that the Group reports life-assurance reserve and conditional bonus in unit-linked life-assurance operations in technical provisions in the statement of financial position.

The life-assurance reserve is calculated in accordance with standard actuarial principles based on assumptions regarding interest rates, mortality, morbidity and yield tax. In the calculation of technical provisions, a gross interest rate assumption was applied in accordance with the Swedish Financial Supervisory Authority's regulations FFFS 2011:22 and FFFS 2012:5 for the choice of interest rate in calculating technical provisions. The entire yield curve was applied, meaning that each future transaction is valued taking into account the interest rate corresponding to the duration of the transaction in relation to the calculation date.

A conditional bonus is recognised as a bonus for which the policyholder bears a financial or insurance risk that affects the amount of the bonus. The provision comprises the value of the assets linked to the contracts less life-assurance provision.

In all other respects, the interim report for the Group has been prepared in accordance with the same accounting policies and calculation methods applied in the 2011 Annual Report.

New and revised IFRS and interpretations have not had any monetary impact.

NOTE 2 EARNINGS PER SEGMENT

Jan. 1, 2012 – Sep. 30, 2012, SEK M	Insurance operations	Unit-linked insurance	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	4,106	15					4,121
Reinsurers' portion of premiums earned	–1,062	–1					–1,063
Premiums earned after ceded reinsurance	**3,044**	**14**					**3,058**
Interest income			7,911				7,911
Interest expense			–7,384			64	–6,320
Net interest income			**1,527**			**64**	**1,591**
Change in unit-linked insurance assets – policyholder bears the risk		2,427					2,427
Dividend in unit-linked insurance assets – policyholder bears the risk		1,008					1,008
Investment income, net	124	3	11	78	–69	–64	83
Commission income	27	640	728			–162	1,233
Other operating income	138	28	138	186	1,698	–572	1,616
Total operating income	**3,333**	**4,120**	**2,404**	**264**	**1,629**	**–734**	**11,016**
Claims payments before ceded reinsurance	–2,929	–13					–2,943
Reinsurers' portion of claims payments	905	–					905
Claims payments after ceded reinsurance	**–2,024**	**–13**					**–2,037**
Change in life-assurance provision	–23						–23
Change in unit-linked insurance liabilities – policyholder bears the risk		–3,446					–3,446
Commission expense	–218	–365	–1,014			172	–1,425
Staff costs	–234	–24	–291	–50	–570	8	–1,161
Other administration expenses	–607	–279	–608	–29	–1,188	554	–2,156
Loan losses			–64				–64
Total expenses	**–3,107**	**–4,127**	**–1,976**	**–79**	**–1,758**	**734**	**–10,313**
Operating profit/loss for company management	**226**	**–7**	**428**	**185**	**–129**	**–**	**703**
Revaluation of owner-occupied property				–23			–23
Operating profit/loss in profit and loss	**226**	**–7**	**428**	**161**	**–129**	**–**	**680**
Tax							–156
Profit for the period							**524**
Income distribution							
External income	3,333	3,958	2,425	20	702	577	11,016
Internal income	–	162	–21	244	926	–1,400	–
Total operating income	**3,333**	**4,120**	**2,404**	**264**	**1,629**	**–818**	**11,016**

NOTE 2 EARNINGS PER SEGMENT, CONT.

Jan. 1, 2011 – Sep. 30, 2011, SEK M	Insurance operations	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	4,102					4,102
Reinsurers' portion of premiums earned	–1,084					–1,084
Premiums earned after ceded reinsurance	**3,018**					**3,018**
Interest income		6,933				6,933
Interest expense		–5,689			50	–5,639
Net interest income		**1,244**			**50**	**1,294**
Investment income, net	234	11	–164	10	–50	41
Commission income	26	710				736
Other operating income	101	154	189	1,764	–343	1,866
Total operating income	**3,379**	**2,120**	**25**	**1,774**	**–343**	**6,954**
Claims payments before ceded reinsurance	–2,996					–2,996
Reinsurers' portion of claims payments	717					717
Claims payments after ceded reinsurance	**–2,279**					**–2,279**
Change in life-assurance provision	–22					–22
Commission expense	–210	–1,011			1	–1,220
Staff costs	–234	–274	–33	–599	4	–1,136
Other administration expenses	–555	–519	–76	–1,272	338	–2,084
Loan losses		–50				–50
Total expenses	**–3,300**	**–1,855**	**–110**	**–1,870**	**343**	**–6,792**
Operating profit/loss for company management	**79**	**265**	**–84**	**–96**	–	**163**
Revaluation of owner-occupied property			–25			–25
Operating profit/loss in profit and loss	**79**	**265**	**–110**	**–96**	–	**138**
Tax						–29
Profit for the period						**109**
Income distribution						
External income	3,378	2,140	–159	1,138	459	6,954
Internal income	1	–20	184	637	–802	–
Total operating income	**3,379**	**2,120**	**25**	**1,774**	**–343**	**6,954**

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

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. Goodwill for all associated companies and the Group is included in the Non-life Insurance operating segment.

The Fondlivförsäkring operating segment pertains to life-assurance with links to mutual funds. Länsförsäkringar Fondliv Försäkrings AB was acquired in 2011 and reported two months of 2011.

The Banking operating segment pertains to deposits and lending operations. The legal structure of Länsförsäkringar Bank Group matches the product offering to customers.

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. Expenses for asset management are also included. The internal follow-up also includes a change in value in owner-occupied property that is otherwise recognised in other comprehensive income.

The Other operating segment pertains to service, IT and development for the Länsförsäkringar Alliance, administration of securities funds and costs for joint functions.

NOTE 3 RELATED-PARTY TRANSACTIONS

SEK M	Income Jan.-Sep.	Expenses Jan.-Sep.	Receivables Sep. 30	Liabilities Sep. 30
2012				
Länsförsäkringar Liv Försäkrings AB Group	391	162	78	1,147
Regional insurance companies	1,525	860	7,780	9,324
Övriga närstående	20	8	2	22
2011				
Länsförsäkringar Liv Försäkrings AB Group	417	236	48	40
Regional insurance companies	1,292	849	6,724	10,560
Övriga närstående	17	10	–	–

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

NOTE 4 ACQUISITIONS OF OPERATIONS

Acquisitions of operations 2011
On October 31, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv from Länsförsäkringar Liv Försäkrings AB. The prepared acquisition analysis is still preliminary.

Additional purchase price
The acquisition agreement states that an additional purchase price of SEK 950 M is to be paid in seven annual part payments to Länsförsäkringar Liv Försäkrings AB. The additional purchase price is recognised as amortised cost and amounted to SEK 822 M at the end of the period, and SEK 805 M at December 31, 2011.

Financial statements for the Parent Company

INCOME STATEMENT FOR THE PARENT COMPANY

SEK M	July 1, 2012 –Sep. 30, 2012	July 1, 2011 –Sep. 30, 2011	Jan. 1, 2012 –Sep. 30, 2012	Jan. 1, 2011 –Sep. 30, 2011	Jan. 1, 2011 –Dec. 31, 2011
Net sales	**609**	**574**	**1,763**	**1,805**	**2,524**
Operating expenses					
External expenses	–404	–387	–1,136	–1,248	–1,803
Staff costs	–188	–195	–620	–632	–818
Depreciation/amortisation and impairment of property and equipment and intangible assets	–8	–15	–42	–43	–58
Operating profit/loss	**10**	**–23**	**–35**	**–118**	**–154**
Profit/loss from financial items					
Profit from participations in Group companies	0	0	347	148	703
Interest income and similar profit/loss items	1	11	2	46	55
Interest expense and similar profit/loss items	–13	2	–78	–13	–131
Profit/loss after financial items	**–3**	**–10**	**236**	**62**	**473**
Tax	8	–3	29	14	3
PROFIT/LOSS FOR THE PERIOD	**6**	**–13**	**265**	**77**	**476**

BALANCE SHEET FOR THE PARENT COMPANY

SEK M	Sep. 30, 2012	Jun. 30, 2012	Dec. 31, 2011
ASSETS			
Intangible assets	140	143	146
Property and equipment	269	282	287
Shares and participations in Group companies	14,658	14,508	14,364
Other fixed assets	695	683	713
Current assets	651	1,002	1,316
Cash and bank balances	1,251	1,046	1,077
TOTAL ASSETS	**17,664**	**17,664**	**17,903**
EQUITY, PROVISIONS AND LIABILITIES			
Equity	13,530	13,524	13,264
Provisions	64	65	64
Long-term liabilities	1,800	1,800	2,474
Current liabilities	2,270	2,275	2,101
TOTAL EQUITY, PROVISIONS AND LIABILITIES	**17,664**	**17,664**	**17,903**

STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

SEK M	Sep. 30, 2012	Jun. 30, 2012	Dec. 31, 2011
Opening equity according to the balance sheet on December 31 the year preceding the interim period	13,264	13,264	9,788
New share issue	–	–	3,000
Profit for the period	265	260	476
Equity at the end of the period	**13,530**	**13,524**	**13,264**

The Parent Company has no items recognised in Other comprehensive income.

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK M	Jan. 1, 2012 –Sep. 30, 2012	Jan. 1, 2011 –Sep. 30, 2011	Jan. 1, 2011 –Dec. 31, 2011
Cash flow from operating activities	1,421	–30	283
Cash flow from investing activities	–292	581	–4,678
Cash flow from financing activities	–	–	5,070
Net cash flow for the period	**1,129**	**551**	**675**
Cash and cash equivalents, January 1	1,077	408	408
Net cash flow for the period	1,129	551	675
Cash and cash equivalents at end of period	**2,206**	**959**	**1,083**
Parent Company's cash and cash equivalents in Länsförsäkringar Bank	–955	–883	–6
Cash and bank balance in the Parent Company's balance sheet	**1,251**	**76**	**1,077**

Notes to the financial statements for the Parent Company

NOTE 1 ACCOUNTING POLICIES

The Parent Company prepares its accounts according to the Annual Accounts Act (1995:1554). The company also applies recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board and statements issued pertaining to listed companies. 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. In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2011 Annual Report.

NOTE 2 RELATED-PARTY TRANSACTIONS

SEK M	Income Jan.-Sep.	Expenses Jan.-Sep.	Receivables Sep. 30	Liabilities Sep. 30
2012				
Group companies	588	63	125	1,054
Länsförsäkringar Liv Försäkrings AB Group	390	32	67	832
Regional insurance companies	825	31	108	78
2011				
Group companies	481	119	101	1
Länsförsäkringar Liv Försäkrings AB Group	417	1	24	3
Regional insurance companies	844	62	133	114

Income and costs include interest.

NOTE 3 ACQUISITIONS OF OPERATIONS

Acquisition of Länsförsäkringar Fondliv Försäkrings AB October 31, 2011, see the Group's Note 4 Acquisition of operations.

This interim report has not been reviewed by the company's auditor.

Stockholm, October 25, 2012

Sten Dunér
President

LFAB Kommunikation 06681 utg 06 Eng 2012-10

Financial calendar

Year-end report 2012..... **February 6, 2013**

This report contains such information that Länsförsäkringar AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on October 25, 2012 at 15.00 a.m Swedish time.

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