

Länsförsäkringar AB (publ)

Year-end Report 2012

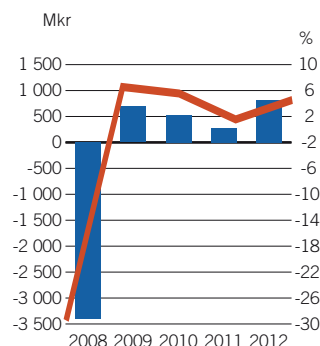
CORPORATE REGISTRATION NUMBER 556549-7020

2012 in brief

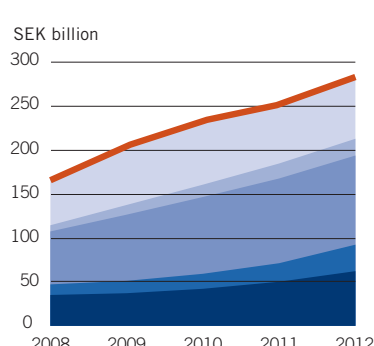
- The Group's operating profit increased SEK 535 M to SEK 822 M (287). Return on equity amounted to 4.7% (2.4).
- The Group's equity rose SEK 714 M to SEK 13,913 M and solvency capital to SEK 15,589 M (14,801).
- Operating profit for the non-life insurance operations increased SEK 398 M to SEK 486 M (88). The improvement was due to lower claims costs and stronger investment income. Premiums earned amounted to SEK 4,024 M (4,004).
- Operating profit in the Bank Group rose SEK 171 M to SEK 556 M (385). The increase in profit was primarily attributable to net interest income strengthening to SEK 2,071 M (1,728).
- Business volumes in the banking operations increased SEK 32 billion to SEK 283 billion (251).
- Profit for Länsförsäkringar Fondliv amounted to SEK 128 M (59). Commission income totalled SEK 956 M (119). Comparative figures pertain to two months.
- Premium income for unit-linked insurance rose 34% to SEK 8,714 M (6,518).

Figures in parentheses pertain to 2011.

OPERATING PROFIT AND RETURN ON EQUITY



BUSINESS VOLUMES, BANK



— Business volumes, total ■ Other loans, bank, and Wasa Kredit
 ■ Funds
 ■ Agricultural loans ■ Customer deposits
 ■ Retail mortgages

Sten Dunér, president Länsförsäkringar AB:

The Länsförsäkringar AB Group reports a strong performance for 2012, with a substantial improvement in earnings due to stronger net interest income, a more favourable claims trend and satisfactory investment income. This earnings improvement, together with the new share issue of SEK 500 M decided by the owners in January, strengthens the Group's capital situation and creates opportunities for continued investment in banking and insurance. Almost a third of the Länsförsäkringar Alliance's capital is with Länsförsäkringar AB. The owners, the 23 regional insurance companies are well consolidated and thus are highly able to contribute capital to Länsförsäkringar AB.

Länsförsäkringar's continued top ranking in the Swedish Quality Index's customer satisfaction survey in banking and insurance can be seen in the sharp increase in business volumes in both unit-linked insurance and banking. The non-life insurance market is a relatively mature market that is growing slowly. Growth is mainly taking place in animal and health insurance. It was in these growth markets and in reinsurance that Länsförsäkringar grew in 2012.

Political and financial turmoil in Europe and the US dominated the financial markets and also our operations in 2012. Uncertainty surrounding the imbalances in the global economy and its impact on growth is continuing. The stock market rose in the third quarter and risk willingness returned. Overall, it was a positive year on the stock markets and the trend was favourable for many of our funds and unit-linked insurance savers. Market interest rates will remain at an abnormally low level until we see lower unemployment and a stable upswing in the economy.



Group structure

Länsförsäkringar AB (publ) is wholly owned by the 23 regional insurance companies and the 14 local insurance companies. 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 Försäkringsaktiebolag (publ) and its subsidiaries are wholly owned by Länsförsäkringar AB but are not consolidated 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.

Consolidated earnings

2012 was a strong year for the Länsförsäkringar AB Group. Consolidated operating profit amounted to SEK 822 M (287), up SEK 535 M. The improvement in profit was primarily due to higher earnings in the banking operations, and also improved earnings for the non-life insurance operations and stronger investment income. The Group's earnings were negatively charged with amortisation and impairment totalling SEK 498 M (418). Amortisation of intangible assets from the acquisition of Länsförsäkringar Fondliv had an adverse impact of SEK 129 M on earnings.

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

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

Länsförsäkringar Fondliv contributed SEK 128 M (59) to the Group's earnings.

Intense focus on developing the life-assurance and pension offering led to higher expenses during the year.

Comprehensive income for the year amounted to SEK 714 M, and solvency capital to SEK 15,589 M.

Non-life insurance

Earnings for the non-life insurance operations were strong in 2012, with operating profit improving to SEK 486 M (88). The

combined ratio improved 4 percentage points to 97 (101).

The non-life insurance market is a relatively mature market that is growing slowly. Growth is mainly taking place in animal and accident and health insurance. It was in these markets and in reinsurance that premiums earned increased in 2012. The discontinuation of portfolios in the animal insurance operations in the UK and lower volumes in liability insurance and motor hull insurance contributed to premiums earned remaining largely the same compared with the preceding year at SEK 4,024 M (4,004).

Claims payments after ceded reinsurance declined to SEK 2,923 M (3,116). Claims cost displayed a favourable trend in accident insurance and also run-off gains in group life assurance contributed to lower claims costs. The claims outcome in international reinsurance was more favourable in 2012 compared with 2011.

Investment income

During the year, the risk in the non-life insurance operations' investment assets remained low, with most of the total market risk in interest-bearing assets. The total return amounted to 3.7% (6.0). The fixed-income portfolio accounted for the largest positive contribution. The total return excluding liability hedges amounted to 5.2% (6.4).

Bank

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

Net interest income increased 20% to SEK 2,071 M (1,728), attributable to improved lending and deposit volumes and also to higher lending margins. Net from financial items declined to SEK 5 M (10).

Operating expenses rose 14% to SEK 1,235 M (1,086), attributable to higher IT administrative expenses and other volume-based costs.

Loan losses

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

Savings

The number of customers rose 7% to 954,000 (889,000) and business volumes increased 13% to SEK 283 billion (251). Deposits from the public rose 26% to SEK 62 billion (50). The market share strengthened to 4.3% (3.8) in 2012 and the share of market growth was slightly more than 10%, according to data from Statistics Sweden. The volume of managed funds rose 5% to SEK 70 billion (67), primarily attributable to a positive growth trend. The company manages 30 (33) mutual funds with different investment orientations.

Loans

Loans to the public rose 12% to SEK 150 billion (134). Retail mortgages in Länsförsäkringar Hypotek increased 14% to SEK 101 billion (89). The market share for household deposits and retail mortgages strengthened to 4.9% (4.6) in 2012, according to data from Statistics Sweden. Agricultural loans raised a total of 15% to SEK 19 billion (17). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 87% (82) of agricultural loans.

Funding

Debt securities in issue rose 13% to SEK 114 billion (101), of which covered bonds increased to SEK 91 billion (85). 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 in 2012 totalled a nominal amount of SEK 29 billion (27) and repurchased covered bonds a nominal amount of SEK 16 billion (12). Covered bonds that matured during the year amounted to a nominal

amount of SEK 7 billion (8). Financing is also conducted through Länsförsäkringar Bank's funding programmes. In 2012, a nominal amount of SEK 11 (7) billion was issued under the MTN programme.

Liquidity

The liquidity reserve, which totalled a nominal amount of SEK 37 billion (30), 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. By utilising the liquidity reserve, contracted undertakings for about 18 months can be met without needing to secure new funding in the capital market. The Bank Group's Liquidity Coverage Ratio (LCR) amounted to an average of 248% for the fourth 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 foundation IRB Approach is used for counterparty exposures to corporates and the agricultural sector in excess of SEK 5 M. The Standardised Approach continues to be applied to exposures to central governments, local governments, county councils, institutions and off-balance sheet items. On December 31, 2012, 88% of the loan portfolio comprised retail credits in accordance with the advanced IRB Approach. The Core Tier 1 ratio amounted to 13.1% (11.5). The capital adequacy ratio amounted to 15.6% (14.0) and the Tier 1 ratio to 13.7% (12.1).

Unit-linked insurance

Operating profit after tax amounted to SEK 128 M (297). The decline in profit compared with the preceding year was mainly attributable to non-recurring expenses for developing the life-assurance and pension offering, but also higher expenses for regulatory adjustments. Unit-linked insurance is Länsförsäkringar's first-choice option, although the company also offers Guarantee Management. The guarantee means that customers are guaranteed to recoup the premiums they pay if they save for at least ten years.

Managed assets rose slightly more than SEK 10 billion since year-end to SEK 62 billion. The increase was mainly due to a positive inflow of new premiums and transferred capital, positive returns also contributed to the improvement.

Premium income rose 34% to SEK 8,714 M (6,518). A high level of renewal in occupational pension plans and transferred capital contributed to the favourable trend. New sales in the life-assurance market otherwise fell due to the investment savings account (ISK) that was introduced at the start of the year. Länsförsäkringar focuses on occupational pensions and thus was not affected to any significant extent 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.

Significant events during 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.

Länsförsäkringar AB had repaid a loan of SEK 1.8 billion in October.

Significant events after the end of the interim period

At the Extraordinary General Meeting of Länsförsäkringar AB held on January 23, 2013, the owners resolved to implement a new share issue of SEK 500 M, meaning that the owners, that is to say the regional insurance companies and local insurance companies, will contribute capital. The reason for the new share issue is to strengthen Länsförsäkringar AB's financial basis for continued investments in banking and insurance. The issue will also strengthen Länsförsäkringar Bank's capital base for the purpose of meeting the new capital adequacy requirements that are being imposed on leading Swedish banks.

Risks and uncertainty factors of the operations

The risk scenario was stable in 2012, but

with the shift that has been seen for several years of the banking operations growing faster than the unit-linked life assurance and non-life insurance operations. The risks that arose directly in the Parent Company were primarily attributable to the company's financing, investments in liquidity and the business support operations conducted on behalf of the subsidiaries and the regional insurance companies. The 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.

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 198 M (473). Operating income of SEK 2,462 M (2,524) primarily comprised service income from consultancy activities in the support functions of IT, development and service. Earnings of SEK 271 M (627) included dividends of SEK 347 M (138) from the subsidiaries. The impairment of the holdings in Länsförsäkringar Liv adversely affected earnings in the amount of SEK 100 M. This impairment loss is the result of reduced synergy effects following the discontinuation of underwriting new insurance policies in Länsförsäkringar Liv.

2012 Annual Report

The Annual Report will be published from the week beginning March 11, 2013 on Länsförsäkringar AB's website (www.lansforsakringar.se/financial).

The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at December 31, 2012 are shown in the following financial statements with accompanying notes for the Group and Parent Company.

Key figures

Länsförsäkringar AB Group	2012	2011
Amounts in SEK M unless otherwise stated		
Group		
Operating profit	822	287
Net profit for the period	685	209
Return on equity, % ¹¹	4.7	2.4
Total assets	290,994	253,223
Equity per share, SEK	1,479	1,403
Solvency capital ²¹	15,589	14,801
Solvency margin, % ³¹	390	369
Capital base for the financial conglomerate ⁴¹	14,612	13,665
Necessary capital requirement for the financial conglomerate	12,661	11,620
Insurance operations ⁵¹		
<i>Non-life insurance operations</i>		
Premiums earned (after ceded reinsurance)	3,795	3,754
Investment income transferred from financial operations	162	189
Claims payments (after ceded reinsurance) ⁶¹	-2,557	-2,713
Technical result, non-life operations	268	121
<i>Premium income, non-life insurance</i>		
Premium income before ceded reinsurance	5,703	5,768
Premium income after ceded reinsurance	3,771	3,764
<i>Life-assurance operations</i>		
Premium income after ceded reinsurance	249	251
Fees pertaining to financial agreements	402	61
Investment income, net	18	8
Claims payments (after ceded reinsurance)	-140	-157
Technical result, life-assurance operations	373	92
Operating profit for insurance operations ⁷¹	613	147
<i>Key figures</i>		
Cost ratio ⁸¹	30	30
Expense ratio ⁹¹	24	23
Claims ratio ¹⁰¹	73	79
Combined ratio	97	102
Management cost ratio, life-assurance operations ¹¹¹	1	2
Direct yield, % ¹²¹	1.2	2.7
Total return, % ¹³¹	3.5	6.0
<i>Financial position</i>		
Investment assets ¹⁴¹	16,558	15,394
Unit-linked insurance assets – policyholder bears the risk	62,384	52,165
Technical reserves (after ceded reinsurance)	14,041	13,984

Länsförsäkringar AB Group	2012	2011
Banking operation		
Net interest income	2,071	1,728
Operating profit	556	385
Net profit for the period	433	298
Return on equity, % ¹⁵¹	6.3	4.8
Total assets	197,159	170,056
Equity	7,172	6,332
Cost/income ratio before loan losses ¹⁶¹	0.66	0.71
Investment margin, % ¹⁷¹	1.11	1.07
Tier 1 ratio according to Basel II, % ¹⁸¹	13.6	12.1
Capital adequacy ratio according to Basel II, % ¹⁹¹	15.6	14.0
Loan losses in relation to loans, % ²⁰¹	0.06	0.04
Other operations		
Income	2,148	2,477
Operating loss	-273	-125

¹¹ 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.

²¹ Total of shareholders' equity, subordinated loan and deferred taxes.

³¹ Solvency capital as a percentage of full-year premium income after ceded reinsurance.

⁴¹ 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).

⁵¹ 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.

⁶¹ Excluding claims adjustment costs.

⁷¹ 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.

⁸¹ Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.

⁹¹ 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.

¹⁰¹ 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.

¹¹¹ 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.

¹²¹ 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 period. Pertains to non-life insurance and life-assurance.

¹³¹ 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.

¹⁴¹ 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.

¹⁵¹ 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.

¹⁶¹ Total expenses before loan losses in relation to total income.

¹⁷¹ Net interest in relation to average total assets.

¹⁸¹ Tier 1 capital base in relation to the closing risk-weighted amount.

¹⁹¹ Closing capital base in relation to the closing risk-weighted amount.

²⁰¹ Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

On October 26, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv Försäkrings AB from Länsförsäkringar Liv Försäkrings AB. Accordingly, Länsförsäkringar Fondliv is included in earnings for the Länsförsäkringar AB Group for the period from November 1, 2011 to December 31, 2011.

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

SEK M	Q 4 2012	Q 4 2011	Jan. 1, 2012 –Dec. 31, 2012	Jan. 1, 2011 –Dec. 31, 2011
Premiums earned before ceded reinsurance	1,891	2,063	6,012	6,165
Reinsurers' portion of premiums earned	–906	–1,047	–1,969	–2,158
Premiums earned after ceded reinsurance	985	989	4,043	4,006
Interest income	2,518	2,597	10,429	9,530
Interest expense	–1,958	–2,109	–8,278	–7,748
Net interest income	560	488	2,151	1,782
Change in unit-linked insurance assets – policyholder bears the risk	1,232	–423	3,659	–423
Dividends in unit-linked insurance assets – policyholder bears the risk	77	23	1,085	23
Investment income, net	0	–63	59	–37
Commission income	608	447	1,841	1,183
Other operating income	420	650	2,036	2,516
Total operating income	3,882	2,111	14,874	9,050
Claims payments before ceded reinsurance	–1,043	–997	–3,986	–3,993
Reinsurers' portion of claims payments	385	415	1,290	1,132
Claims payments after ceded reinsurance	–658	–582	–2,697	–2,862
Change in life-assurance reserve	21	21	–2	–1
Change in unit-linked insurance liabilities – policyholder bears the risk	–1,400	400	–4,846	400
Commission expense	–604	–553	–2,029	–1,773
Staff costs	–425	–337	–1,586	–1,473
Other administration expenses	–646	–915	–2,802	–3,006
Loan losses	–27	2	–91	–48
Total expenses	–3,739	–1,964	–14,053	–8,763
Operating profit	143	147	822	287
Tax	20	–43	–136	–78
Profit for the period	163	104	685	209

Earnings per share before and after dilution, SEK 73 27

Profit per operation segment is reported in Note 2.

On October 26, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv Försäkrings AB from Länsförsäkringar Liv Försäkrings AB. Accordingly, Länsförsäkringar Fondliv is included in earnings for the Länsförsäkringar AB Group for the period from November 1, 2011 to December 31, 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 4 2012	Q 4 2011	Jan. 1, 2012 –Dec. 31, 2012	Jan. 1, 2011 –Dec. 31, 2011
Net profit for the period	163	104	685	209
Other comprehensive income				
Translation differences for the period from foreign operations	–	–4	–2	–2
Revaluation of owner-occupied property	26	25	49	51
Change for the period in fair value of available-for-sale financial assets	–45	61	–58	167
Tax attributable to other comprehensive income components	42	–22	39	–57
Total other comprehensive income for the period, net after tax	23	60	29	159
Comprehensive income for the period	186	164	714	368
Total comprehensive income for the period attributable to:				
Parent Company's shareholders	186	164	714	368

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	Dec. 31, 2012	Dec. 31, 2011
ASSETS		
Goodwill	710	712
Other intangible assets	3,952	4,066
Deferred tax assets	22	148
Property and equipment	92	105
Owner-occupied property	2,437	2,445
Shares in Länsförsäkringar Liv Försäkrings AB	308	408
Shares and participations in associated companies	24	24
Reinsurers' portion of technical reserves	6,731	6,385
Investment property	–	7
Loans to the public	149,942	134,011
Unit-linked insurance assets – policyholder bears the risk	62,384	52,165
Shares and participations	948	1,042
Bonds and other interest-bearing securities	44,669	32,031
Treasury bills and other eligible bills	5,222	8,342
Derivatives	1,900	1,640
Change in value of hedge portfolios	878	710
Other receivables	2,397	2,316
Prepaid expenses and accrued income	3,948	3,474
Cash and cash equivalents	4,429	3,193
TOTAL ASSETS	290,994	253,223
EQUITY AND LIABILITIES		
Equity		
Share capital	941	941
Other capital contributed	8,774	8,774
Reserves	415	387
Retained earnings including profit for the period	3,783	3,097
Total equity	13,913	13,199
Subordinated liabilities	900	900
Technical reserves	20,772	20,369
Unit-linked insurance liabilities – policyholder bears the risk	62,390	52,168
Deferred tax liabilities	799	850
Other provisions	175	230
Debt securities in issue	115,476	100,391
Deposits from the public	61,901	49,323
Due to credit institutions	1,063	3,992
Derivatives	3,111	2,684
Change in value of hedge portfolios	2,177	1,837
Other liabilities	3,421	2,825
Accrued expenses and deferred income	4,897	4,457
TOTAL EQUITY AND LIABILITIES	290,994	253,223

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 year	–	–	159	209	368
New share issue	216	2,784	–	–	3,000
Closing equity, December 31, 2011	941	8,774	387	3,098	13,199
Opening equity, January 1, 2012	941	8,774	387	3,098	13,199
Comprehensive income for the year	–	–	29	685	714
Closing equity, December 31, 2012	941	8,774	415	3,783	13,913

Number of shares totalled 9,407,249.

Of total equity SEK 5,736 M (5,736) is restricted equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK M	Jan. 1, 2012 –Dec. 31, 2012	Jan. 1, 2011 –Dec. 31, 2011
Cash flow from operating activities before changes in working capital	8,088	713
Cash flow from changes in working capital	–19,909	–13,190
Cash flow from operating activities	–11,821	–12,477
Cash flow from investing activities	–229	–4,705
Cash flow from financing activities	13,286	17,381
Net cash flow for the period	1,236	200
Cash and cash equivalents, January 1	3,193	2,993
Net cash flow for the period	1,236	200
Exchange-rate differences in cash and cash equivalents	0	0
Cash and cash equivalents at end of period	4,429	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 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 – Dec. 31, 2012, SEK M	Insurance operations	Unit-linked insurance	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	5,991	20					6,012
Reinsurers' portion of premiums earned	-1,968	-1					-1,969
Premiums earned after ceded reinsurance	4,024	19					4,043
Interest income			10,429				10,429
Interest expense			-8,358			80	-8,278
Net interest income			2,071			80	2,151
Change in unit-linked insurance assets – policyholder bears the risk		3,659					3,659
Dividend in unit-linked insurance assets – policyholder bears the risk		1,085					1,085
Investment income, net	169	5	5	198	-188	-80	108
Commission income	119	956	984			-217	1,841
Other operating income	137	41	190	287	2,336	-955	2,036
Total operating income	4,448	5,764	3,251	484	2,148	-1,172	14,924
Claims payments before ceded reinsurance	-3,970	-16					-3,986
Reinsurers' portion of claims payments	1,290						1,290
Claims payments after ceded reinsurance	-2,680	-16					-2,697
Change in life-assurance provision	-2						-2
Change in unit-linked insurance liabilities – policyholder bears the risk		-4,846					-4,846
Commission expense	-366	-522	-1,369			229	-2,029
Staff costs	-330	-46	-397	-60	-768	14	-1,586
Other administration expenses	-825	-332	-838	-83	-1,653	929	-2,802
Loan losses			-91				-91
Total expenses	-4,203	-5,762	-2,695	-143	-2,421	1,172	-14,053
Operating profit/loss for company management	245	2	556	341	-273	-	871
Revaluation of owner-occupied property				-49			-49
Operating profit/loss in profit and loss	245	2	556	292	-273	-	822
Tax							-136
Profit for the period							685
Income distribution							
External income	4,452	5,547	3,279	132	922	592	14,924
Internal income	-4	217	-28	352	1,226	-1,764	-
Total operating income	4,448	5,764	3,251	484	2,148	-1,172	14,924

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.

Depreciation/amortisation and impairment: Depreciation of property and equipment and amortisation of intangible assets is included in "Other administration expenses in Non-life Insurance and Unit-linked Life Assurance. The impairment of the holdings in Länsförsäkringar Liv is included in net investment income in "Other operations."

NOTE 2 EARNINGS PER SEGMENT, CONT.

Jan. 1, 2011 – Dec. 31, 2011, SEK M	Insurance operations	Unit-linked insurance	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	6,162	2					6,165
Reinsurers' portion of premiums earned	-2,158	0					-2,158
Premiums earned after ceded reinsurance	4,004	2					4,006
Interest income			9,530				9,530
Interest expense			-7,802			54	-7,748
Net interest income			1,728			54	1,782
Change in unit-linked insurance assets – policyholder bears the risk		-423					-423
Dividend in unit-linked insurance assets – policyholder bears the risk		23					23
Investment income, net	197	5	10	-175	10	-54	-7
Commission income	150	119	948			-34	1,183
Other operating income	136	5	198	256	2,467	-545	2,516
Total operating income	4,487	-269	2,884	81	2,477	-579	9,079
Claims payments before ceded reinsurance	-3,994	1					-3,993
Reinsurers' portion of claims payments	1,132	0					1,132
Claims payments after ceded reinsurance	-2,863	1					-2,862
Change in life-assurance provision	-1						-1
Change in unit-linked insurance liabilities – policyholder bears the risk		400					400
Commission expense	-388	-57	-1,364			35	-1,773
Staff costs	-312	-2	-351	-47	-768	6	-1,473
Other administration expenses	-796	-35	-735	-123	-1,834	537	-2,985
Loan losses			-48				-48
Total expenses	-4,359	307	-2,498	-169	-2,602	579	-8,742
Operating profit/loss for company management	127	38	385	-88	-125		337
Revaluation of owner-occupied property				-51			-51
Operating profit/loss in profit and loss	127	38	385	-139	-125		287
Tax							-78
Profit for the period							209
Income distribution							
External income	4,485	-303	2,893	-735	1,634	1,106	9,079
Internal income	2	34	-10	816	843	-1,684	-
Total operating income	4,487	-269	2,884	81	2,477	-579	9,079

NOTE 3 RELATED-PARTY TRANSACTIONS

SEK M	Income Jan.-Dec.	Expenses Jan.-Dec.	Receivables Dec. 31	Liabilities Dec. 31	Commit- ments
2012					
Group companies	3	–	–	–	–
Länsförsäkringar Liv Group	490	–137	251	1,514	2,022
Regional insurance companies	1,281	–1,470	6,399	9,012	–
Other related parties	25	–12	0	23	–
2011					
Group companies	1	–	–	–	–
Länsförsäkringar Liv Group	608	–331	63	1,154	1,982
Regional insurance companies	1,330	–1,037	6,101	7,927	–
Other related parties	25	–17	0	23	–

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

NOTE 4 ACQUISITION OF OPERATIONS**Acquisitions of operations 2012**

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

Adoption of preliminary acquisition analysis 2011**Länsförsäkringar Fondliv Försäkrings AB**

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

Acquired net assets**Länsförsäkringar Fondliv Försäkrings AB**

SEK M	Preliminary acquisition analysis	New valuation	Adopted acquisition analysis
Intangible assets	2,917	306	3,223
Cash and cash equivalents	6	–	6
Investment assets for which the policyholder bears the investment risk	51,780	–	51,780
Unit-linked insurance commitments for which the policyholder bears the investment risk	–51,779	–	–51,779
Deferred tax	–666	767	101
Other receivables and liabilities, net	1,252	–	1,252
Net identifiable assets and liabilities	3,511	1,073	4,584
Consolidated goodwill	1,695	–1,324	372
Consideration transferred			
Cash and cash equivalents	4,400	–	4,400
Additional purchase price	805	–	805
Receivables	–	–250	–250
Total consideration transferred	5,205	–250	4,955

Goodwill

The goodwill value comprises contracts for new customers that are expected to be taken out following the acquisition of the operation and synergies. The value declined by SEK 1,323 M as a result of the changed acquisition analysis.

Intangible assets

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

NOTE 4 ACQUISITIONS OF OPERATIONS, CONT.**Receivables**

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

Change in additional purchase price 2012

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

Acquisitions of operations 2011**Länsförsäkringar Fondliv Försäkrings AB**

On October 26, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv Försäkrings AB from Länsförsäkringar Liv Försäkrings AB. The company conducts its operations in accordance with the Swedish Act on Unit-Linked Life Insurance (1989:1079). The prepared acquisition analysis was preliminary since further analysis is required to determine the market value of the assets and the distribution between the asset class of 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 64 M to the Group's income and SEK 41 M to the Group's profit after tax. If the company had been acquired on January 1, 2011, it would have contributed SEK 417 M to the Group's income and SEK 189 M to the Group's profit after tax.

Intangible assets

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

Acquired receivables

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

Additional purchase price

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

Acquisition-related expenses

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

NOTE 5 GOODWILL

SEK M	2012	2011
Cost		
Opening cost, January 1	712	338
Business combination	–	372
Exchange-rate differences	–2	2
Closing cost, December 31	710	712

Goodwill of SEK 372 M acquired in 2011 pertains to Länsförsäkringar AB's acquisition of Länsförsäkringar Fondliv. The goodwill item comprises contracts for new customers who are expected to come after the acquisition, and synergies. Of the remaining goodwill value, SEK 35 M pertains to Länsförsäkringar Gruppliv Försäkrings AB and SEK 144 M to Länsförsäkringar Sak through the acquisition of an insurance portfolio in 2008. The goodwill item mainly comprises expected synergies. The remaining goodwill of SEK 159 M (160) is attributable to Försäkringsaktiebolaget Agria's acquisition of the UK sales company, Agria Pet Insurance Ltd, in 2007. The goodwill item comprises customer relations not identified, products and know-how in the organisation.

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

Assumption	2012	2011
Long-term growth, %	2,0	2,0
Discount rate, %	7,5	8,0–8,5
Exchange rate GBP/SEK	10,6	10,7

Testing is based on the value in use. A cash-flow estimate was made for the period 2013 and ahead and based on a forecast period of 3–5 years. After that, cash flows are extrapolated with a 2% growth rate. The growth assumption is based on experience and discount rates corresponding to the yield requirement on equity. A market value is calculated for Länsförsäkringar Fondliv according to MCEV. The calculation is performed based on the present value of future gains in the insurance portfolio. These future gains are measured and discounted using a market-based, risk-free yield curve.

Financial statements for the Parent Company

INCOME STATEMENT FOR THE PARENT COMPANY

SEK M	Q 4 2012	Q 4 2011	Jan. 1, 2012 –Dec. 31, 2012	Jan. 1, 2011 –Dec. 31, 2011
Net sales	699	719	2,462	2,524
Operating expenses				
External expenses	–491	–555	–1,619	–1,803
Staff costs	–230	–208	–850	–818
Depreciation/amortisation and impairment of property and equipment and intangible assets	–16	–15	–66	–58
Operating profit/loss	–39	–59	–73	–154
Profit/loss from financial items				
Profit from participations in Group companies	91	565	438	703
Interest income and similar profit/loss items	37	0	39	55
Interest expense and similar profit/loss items	–128	–118	–206	–131
Profit/loss after financial items	–38	389	198	473
Tax	–23	–11	6	3
PROFIT/LOSS FOR THE PERIOD	–61	378	204	476

BALANCE SHEET FOR THE PARENT COMPANY

SEK M	Dec. 31, 2012	Dec. 31, 2011
ASSETS		
Intangible assets	130	146
Property and equipment	259	287
Shares and participations in Group companies	14,956	14,364
Other fixed assets	604	713
Current assets	844	1,316
Cash and bank balances	1,229	1,077
TOTAL ASSETS	18,022	17,903
EQUITY, PROVISIONS AND LIABILITIES		
Equity	13,468	13,264
Provisions	82	64
Long-term liabilities	2,765	2,474
Current liabilities	1,707	2,101
TOTAL EQUITY, PROVISIONS AND LIABILITIES	18,022	17,903

STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

SEK M	Dec. 31, 2012	Dec. 31, 2011
Opening balance equity	13,264	9,788
New share issue	–	3,000
Profit for the period	204	476
Equity at the end of the period	13,468	13,264

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

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK M	Dec. 31, 2012	Dec. 31, 2011
Cash flow from operating activities	369	283
Cash flow from investing activities	–616	–4,678
Cash flow from financing activities	395	5,070
Net cash flow for the period	148	675
Cash and cash equivalents, January 1	1,083	408
Net cash flow for the period	148	675
Cash and cash equivalents at end of period	1,231	1,083
Parent Company's cash and cash equivalents in Länsförsäkringar Bank	–2	–6
Cash and bank balance in the Parent Company's balance sheet	1,299	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.-Dec.	Expenses Jan.-Dec.	Receivables Dec. 31	Liabilities Dec. 31
2012				
Group companies	1,271	-147	163	-1,020
Länsförsäkringar Liv Group	489	-51	45	-695
Regional insurance companies	1,135	-41	114	-7
Other related parties	22	0	0	-
2011				
Group companies	1,447	-161	989	-1,486
Länsförsäkringar Liv Group	589	-1	35	-735
Regional insurance companies	1,152	-41	58	0
Other related parties	22	0	2	-

Income and expenses include interest.

NOTE 3 ACQUISITIONS OF OPERATIONS

Acquisition of Länsförsäkringar Fondliv Försäkrings AB October 26, 2011, see the Group's Note 4 Acquisition of operations.

On behalf of the Board of Directors, the President presents the report on the company's operations 2012.

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

Stockholm february 6, 2013

Sten Dunér
President

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.

Financial calendar 2013

Annual Report 2012.....	vecka 11
Interim report January-March.....	April 24
Interim report April-June	July 19
Interim report July-September	October 25

This year-end report contains such information that Länsförsäkringar AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on February 6, 2013 at 16.00 a.m Swedish time.

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