



Länsförsäkringar Alliance
Annual Review 2012



Länsförsäkringar in brief

NON-LIFE INSURANCE



Leaders in Swedish non-life insurance

Länsförsäkringar has insured Swedes for more than 200 years, and today, about 2.8 million people are insurance customers of the local regional insurance companies. Confidence is equally high among companies in Sweden – the market share is slightly more than 35%. More than 70% of the farmers have selected Länsförsäkringar. Local claims adjustment, with quick and competent management close to customers is a hallmark of Länsförsäkringar.

BANK

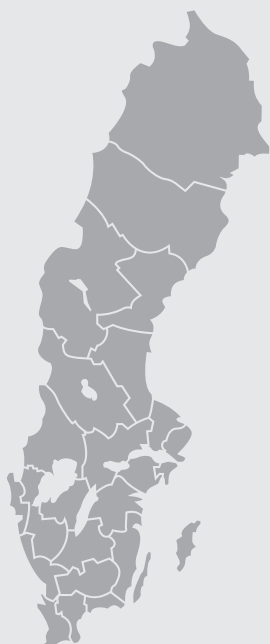


Sweden's most satisfied retail bank customers – again

Länsförsäkringar is Sweden's fifth largest retail bank. The operations continue to report strong growth and increasing market shares. Länsförsäkringar offers private individuals, farmers and small businesses a complete range of banking services. For the eighth time in nine years, Länsförsäkringar has Sweden's most satisfied retail bank customers and for the eighth consecutive year, Sweden's most satisfied retail mortgage customers.

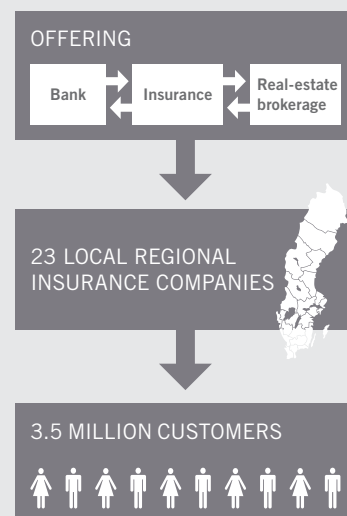
Local decision- making authority

Länsförsäkringar's definition of local focus is about more than a broad network of branches throughout Sweden. The regional insurance companies have branches from Ystad in the very south of Sweden to Luleå in the very north. But the major difference between Länsförsäkringar and other companies is that the decisions that are important to our customers are made locally. Länsförsäkringar's local branches are not run from a head office with responsibility for all of Sweden. Everything is based on the experience of local decision-making authority combined with joint strength, creating added value for our customers.



Banking, insurance and real-estate brokerage services. They go together

Through their regional insurance company, customers are provided with a complete offering of banking, insurance and real-estate brokerage services by their respective regional insurance company. A comprehensive approach to customer meetings characterises the entire operation. Regardless of whether they occur in person, on the telephone or via digital channels, customer meetings shall be based on the customer's needs and the breadth of Länsförsäkringar's offering. This holistic approach is taken into consideration in the development and offering of non-life insurance, life assurance, pension insurance, banking services and real-estate brokerage.



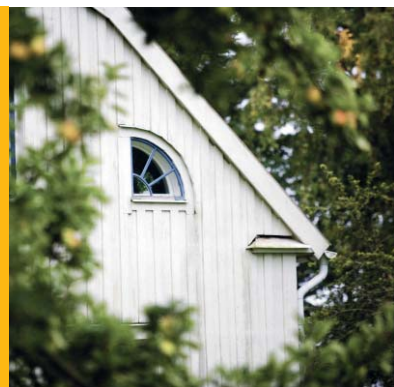
LIFE ASSURANCE AND PENSION INSURANCE



Best pension partner for customers

Länsförsäkringar focuses on life assurance and pension insurance in occupational pensions and offers both guarantee management and unit-linked insurance. Customers saving in traditional management up to October 2011 can continue to do so but this form of management is no longer sold. In the company's extensive campaign in the occupational pension market, Länsförsäkringar will assist customers by providing customised advisory services throughout the process, for better savings.

REAL-ESTATE BROKERAGE



Comprehensive real-estate brokerage

In addition to assistance from experienced and knowledgeable brokers, Länsförsäkringar Fastighetsförmedling's comprehensive real-estate brokerage also provides individuals who are selling or purchasing a home with access to a broad range of banking and insurance services, financial advisory services and extensive claims prevention expertise. Länsförsäkringar Fastighetsförmedling always has a local base, as part of the regional insurance companies' offering.

Customers are our only principal

Long-term respect for customers' security is fundamental to Länsförsäkringar, since customers are both the principal and owner. The approach is always characterised by the view that Länsförsäkringar is handling its customers' money, not its own, regardless of whether we are dealing with insurance, pension savings or banking services. There are no external shareholders or other financial interests to bear in mind except for the customers' best, and long-term financial interests are always given priority over short-term interests.

STRONG BRAND AND SATISFIED CUSTOMERS

Länsförsäkringar's joint brand is extremely strong compared with its competitors in the banking, insurance and pension industry. In 2012, the Reputability Barometer – which is carried out in 30 different countries – once again revealed that we have the highest reputation among financial brands in Sweden.

Länsförsäkringar has long held a top ranking in the customer satisfaction survey performed by the Swedish Quality Index (SQI), which measures how satisfied customers are with their bank and insurance company. The 2012 survey showed that Länsförsäkringar had Sweden's most satisfied retail bank and mortgage customers. In non-life insurance, Länsförsäkringar received a top ranking from retail and corporate customers. In life assurance, Länsförsäkringar achieved second ranking for the most satisfied customers in occupational and private pensions.

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2012 IN BRIEF



3.5 million customers

The number of customers in the Länsförsäkringar Alliance at year-end was about 3.5 million. A total of SEK 481 M is returned to insurance customers in the form of bonuses and discounts, based on earnings for 2012.

Banking operations continue to grow

Business volumes in the banking operations increased 13% to SEK 283 billion. The number of customers rose 7% to 954,000. Earnings for Länsförsäkringar Bank increased to SEK 556 M, up 44%, a result of higher business volumes combined with strong net interest income.

Strong position as market leader in non-life insurance

The market-leading position in non-life insurance was consolidated during the year. The market share rose to 29.5% (28.9). The technical result strengthened to SEK 1,439 M (856).

Real-estate brokerage gaining ground

Länsförsäkringar Fastighetsförmedling is an integrated part of the local regional insurance companies' full-service offering. Strong growth is continuing and Länsförsäkringar is now Sweden's third largest brokerage.

Safeguarding savers' money

In traditional life assurance, work on safeguarding savers' money continued. The investment portfolio was reweighted and the share of interest-bearing investments has gradually increased. The total return amounted to 6.1% (6.5), mainly as a result of the favourable returns on corporate loans and mortgage bonds.

Capital strength

The Länsförsäkringar Alliance has favourable capital strength in relation to the risks in the operations. Solvency capital rose to SEK 35,737 M (32,709) and the solvency margin increased to 182% (171).

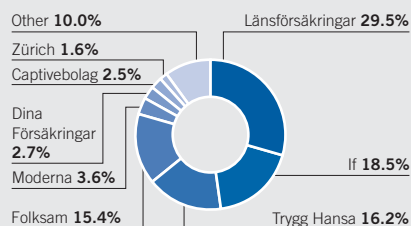
The combined ratio is falling

The combined ratio in non-life insurance improved to 96 (100) and is approaching the long-term goal of lying between 90 and 95.

Sharply increased business volumes for unit-linked insurance

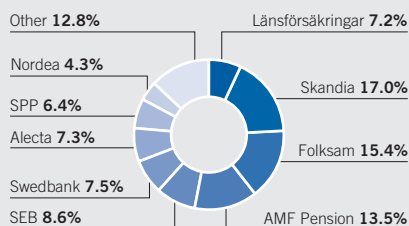
Insurance capital in unit-linked insurance rose SEK 10.7 billion, amounting to SEK 62.8 billion at year-end. This development was due to higher premium and capital flows from new customers combined with a positive value trend.

Market shares of non-life insurance, share of premiums paid



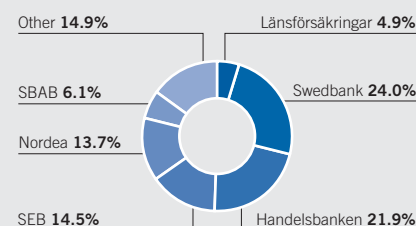
Länsförsäkringar maintained its leading position in the non-life insurance market, with a market share of 29.5%.

Market shares of life assurance, new sales



Länsförsäkringar's share of the total life-assurance market is 7.2%.

Market shares of bank, household and retail mortgages



The market share in household and retail mortgages rose from 4.6 to 4.9% during the year.

Source: Statistics Sweden

Five-year summary

Länsförsäkringar Alliance

	2012	2011	2010	2009	2008
Total capital, SEK M	36,681	33,215	35,038	32,077	36,242
Return on equity, %	8	-5	8	18	-23

Non-life insurance

Solvency capital, SEK M	35,737	32,709	34,724	31,747	25,916
Solvency margin, %	182	171	190	174	146
Premiums earned after ceded reinsurance, SEK M	19,363	18,756	18,184	17,828	17,406
Technical result, SEK M	1,439	856	529	1,688	2,453
Operating profit, SEK M	3,013	-2,273	2,552	5,449	-7,511
Combined ratio	96	100	102	96	93

Länsförsäkringar AB, Group¹⁾

	2012	2011	2010	2009	2008
Operating profit, SEK M	821	287	536	693	-3,395
Solvency capital, SEK M	15,589	14,800	10,613	8,710	7,907
Total assets, SEK M	290,994	253,223	173,835	157,005	130,554
Return on equity, %	5	2	6 ²⁾	7	-29

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

²⁾ Excludes new share issue.

Länsförsäkringar Sak, Group

	2012	2011	2010	2009	2008
Premiums earned after ceded reinsurance, SEK M	4,024	4,003	3,769	3,524	3,020
Technical result, SEK M	306	159	193	460	256
Operating profit, SEK M	486	88	313	635	-3,108

Länsförsäkringar Bank, Group

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

Länsförsäkringar Fondliv

	2012	2011	2010	2009	2008
Premium income, SEK M ¹⁾	8,714	6,518	6,345	5,794	5,009
Net profit/loss for the year, SEK M	128	297	132	20	-77
Managed assets, SEK M	62,944	52,165	54,032	45,951	31,676
Solvency ratio	2.2	2.7	2.0	1.3	1.7

¹⁾ In accordance with Insurance Sweden's definition, measured as rolling 12-month figures.

Länsförsäkringar Liv, Group

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

¹⁾ In accordance with Insurance Sweden's definition, measured as rolling 12-month figures.

Result for the regional insurance companies

SEK M	Technical result ¹⁾		Operating profit/loss ¹⁾	
	2012	2011	2012	2011
Länsförsäkringar Norrbotten	21	-23	92	-128
Länsförsäkringar Västerbotten	65	52	217	-153
Länsförsäkringar Jämtland	14	-14	73	-103
Länsförsäkringar Västernorrland	25	-14	44	-39
Länsförsäkringar Gävleborg	38	25	66	-30
Dalarnas Försäkringsbolag	100	149	337	-185
Länsförsäkringar Värmland	46	63	92	63
Länsförsäkringar Uppsala	63	-29	132	-66
Länsförsäkringar Bergslagen	77	1	260	-89
Länsförsäkringar Stockholm	39	23	100	-195
Länsförsäkringar Södermanland	16	-16	129	-80
Länsförsäkringar Göteborg och Bohuslän	42	13	290	-189
Länsförsäkringar Skaraborg	50	94	86	2
Länsförsäkringar Östgöta	132	56	335	131
Länsförsäkringar Älvsborg	103	96	250	-48
Länsförsäkringar Gotland	16	17	53	1
Länsförsäkringar Jönköping	88	80	253	-38
Länsförsäkringar Halland	51	-20	107	-129
Länsförsäkring Kronoberg	42	8	100	-2
Länsförsäkringar Kalmar län	66	71	176	-116
Länsförsäkringar Blekinge	28	7	57	-17
Länsförsäkringar Göinge-Kristianstad	33	1	126	-30
Länsförsäkringar Skåne	23	57	377	-278

¹⁾ Before bonuses and discounts.

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.



Stable profitable growth create conditions for even stronger customer offering

The Länsförsäkringar Alliance posted a strong earnings performance in 2012, largely due to a more favourable trend in claims costs and healthy investment income. Satisfied customers and a strong brand contributed to the healthy growth.

Political and financial turmoil in Europe and the US dominated the financial markets and growth in the global economy in 2012. The slowdown in the European economy also eventually affected a strong economy such as Sweden. The downturn prompted the Riksbank to lower its repo rate on several occasions in 2012. Market interest rates will remain at an abnormally low level until we see lower unemployment and a stable upswing in the economy.

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

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

Strong earnings

The Länsförsäkringar Alliance posted a strong earnings performance in 2012, largely due to a more favourable claims trend and healthy investment income. The bank continued its strong performance with stable growth and improved profitability. The loan portfolio remains characterised by high credit quality and loan losses in the banking operations are low. The non-life insurance market is a relatively mature market that is growing slowly and where

expansion is primarily taking place in animal and health insurance. The Länsförsäkringar Alliance further strengthened its leading position in the market. Intense focus on developing the life-assurance and pension offering led to premium income in the unit-linked life assurance company increasing by more than 30% during the year.

Well-prepared for changed regulations

In the aftermath of the most recent financial crisis, banking and insurance regulations were tightened and made more detailed on many points. These are essentially positive measures that will lead to a more healthy financial sector. At the same time, we are concerned about the cost-driving effects when the level of detail in the rules becomes higher and higher. In insurance, the forthcoming Solvency II rules entail significant adjustment requirements. We are now making the necessary adjustments to the regulations to enhance the efficiency of our internal processes. The adjustments will strengthen our internal governance and control.

Given this trend in the economic environment, we have opted to successively strengthen our risk control, regulatory compliance and internal audit functions in the jointly owned company Länsförsäkringar



AB. Such action has been taken successively over the past five years. The changed regulations also entail stricter capital requirements in both banking and insurance. For our insurance operations, we intend to utilise the partial internal models to calculate capital requirements. The Financial Supervisory Authority is in the process of conducting a preliminary review of our models. The aim of the models is to make the capital requirements more fair and adapted to our own operations than if they had been calculated using the standard formula under the rules.

The 23 regional insurance companies, have a very high level of capitalisation which they have had for many years. This is something that provides great security for the Länsförsäkringar Alliance in this time of stricter capital requirement regulations. Länsförsäkringar AB, as the “subsidiary” of the 23 regional insurance companies, needs sufficiently strong capitalisation, but can also rely on the financial strength of its owners and on the owners contributing capital if required. In January 2013, the owners decided to contribute SEK 500 M to strengthen the financial basis for continued investments in banking and insurance. The purpose of Länsförsäkringar Bank’s strengthened capital base is to meet the

new capital adequacy requirements that are being imposed on leading Swedish banks.

The most satisfied customers

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. Our market-leading position in non-life insurance and a stable increase in premiums earned are also testimony to the strength of our brand. In 2012, the Reputability Barometer once again revealed that we have the highest reputation among financial brands in Sweden. We are perceived to be secure and stable, particularly in times of uncertainty. Stability and a long-term approach are also the result of the regional insurance companies being owned by their customers. Respect for customers’ security is the sole interest governing the business, which ensures a long-term approach.

Challenges going forward

Länsförsäkringar finds itself at an exciting development stage. Combined, we have a broad offering in banking, insurance and real-estate brokerage services that creates a sense of security for our customers. As

usual, we are basing our continued efforts to develop our offering on our customers’ needs. Similar to our competitors, efficiency and our business practices are conditions for an attractive customer offering. We will continue to develop banking services through which profitability will strengthen by more customers selecting a greater number of bank products. We are carrying out an extensive campaign to become companies’ best occupational pension partner based on our strong fund range and unique view of advisory services. Going forward, we are focusing on generating high returns to our customers in traditional life assurance – with a modified offering adapted to the economic climate and the regulations we currently follow, we can create opportunities for better long-term returns.

Stockholm, March 2013

On behalf of the 23 regional insurance companies

A handwritten signature in blue ink, reading "Sten Dunér".

Sten Dunér
President of Länsförsäkringar AB

ABOUT LÄNSFÖRSÄKRINGAR



This is Länsförsäkringar

The Länsförsäkringar Alliance is unique in the Swedish financial service market. The 23 customer-owned regional insurance companies cooperate and combine the ability of a small company to understand customers with the advantages of economies of scale. All of the companies have a strong local base in their individual home markets and have no ownership interests other than those of their own customers. The task is to offer total solutions based on different combinations of banking services, non-life insurance, accident and health insurance, life assurance, pension and fund savings and a comprehensive real-estate brokerage through Länsförsäkringar Fastighetsförmedling.

Under a single brand, customers are provided with a complete offering of banking, insurance and real-estate brokerage services through 23 independent and customer-owned regional insurance companies. Over two centuries, simplicity, proximity and local decision-making authority have built up the success of the non-life insurance operations and been translated into the financial and real-estate brokerage services. The leading position in the non-life insurance market has been strengthened. The life-assurance operations have a clear focus on the occupational pension market and on savings in unit-linked insurance. The banking operations are growing and the foundation has been laid for becoming a first choice in banking, particularly for existing customers. Real-estate brokerage has gone from zero to the third largest brokerage in Sweden in only a few years. This is an example of the strength of the brand and the customer advantages in combining all elements of a reliable mortgage transaction in one company. The healthcare area is

another strong growth market for the Länsförsäkringar Alliance.

Customer-owned – the greatest competitive advantage

Respect for customers' security is Länsförsäkringar's only task, since customers are also the principal and the owner. This is one of Länsförsäkringar's fundamental principles and lays the basis for its view of customer relationships. Traditions and values are rooted in always ensuring what is best for customers based on their daily lives. Being customer-owned creates the basis for being close, providing the best service and having a local presence. Accordingly, being customer-owned is Länsförsäkringar's greatest competitive advantage.

To fully live up to the customer-oriented approach, which is the very foundation of Länsförsäkringar's operations, customers must perceive it to be natural and advantageous to combine their banking and insurance commitments in their local regional

insurance companies. This approach characterises the entire business. Regardless of whether they occur in person or via the telephone or Internet, all customer meetings are based on the customer's needs and the comprehensive nature of Länsförsäkringar's offering.

Long-term respect for customers' money and a sense of security

Länsförsäkringar does not have any external shareholders, which in turn guarantees a long-term approach to customers. Each regional insurance company is owned by its non-life insurance customers which, in practice, means that each company's capital belongs to its customers and that no profit is distributed to shareholders in the same way as in a limited liability company. The profit of the regional insurance companies accrues in its entirety to the customers through bonuses or growth in value. Long-term financial interests are always prioritised over short-term interests.

Growing together with customers

The operations were founded more than 200 years ago and the basic model is the same as the one applied in 1801: local, customer-owned companies that work closely with customers. Focus has always been concentrated on growing locally, alongside of customers. Länsförsäkringar Alliance has enjoyed an even and cyclic rate of development for many years, always based on changes in society and demand from customers. New business has been initiated, shaped, grown, become profitable and a natural and important part of the regional insurance companies' local offering. The market for each regional insurance company is their respective county and growth takes place by persuading more existing customers to see the advantages of combining a broad range of commitments with their regional insurance company. The growth potential of the existing customer base is immense with the uniquely strong base of non-life insurance customers. The single greatest challenge faced today is to incorporate more banking services into the brand. Customers want a bank that represents Länsförsäkringar's values. Yet, many know their regional insurance company as an insurance company that offers only a few banking services. Work remains to be

done on clearly and consistently showing that Länsförsäkringar is also a bank. A platform has been created for seriously challenging the large banks.

Being both small and large-scale

Together, the Länsförsäkringar Alliance has learnt to strike a balance between the small and the large-scale. Cooperation within the Alliance has emerged from a decentralised perspective, not the other way round. The local companies decided to cooperate together to achieve economies of scale and to concentrate on the most important issue: meetings with customers and the development of customer relations.

Certain elements of the Länsförsäkringar Alliance are conducted on a large-scale to generate economies of scale, for example, the development of products and IT systems. Other areas are better suited to being conducted on a smaller scale, such as customer meetings. Success is found in striking a balance. The basis for cooperation in the Länsförsäkringar Alliance is that as much of the operations as possible are conducted by the local companies and that

essentially all customer contact is to occur with them. For Länsförsäkringar, the core concept is to meet and know customers, and this is best achieved on a small scale. Local presence is an area that Länsförsäkringar does not compromise on. But this does not mean that the development of a large-scale format will not continue in other areas. The ultimate goal of the large-scale approach is to strengthen customer value.

Economies of scale arise in the cooperation between the regional insurance companies. Cooperation takes place through the jointly owned Länsförsäkringar AB and its subsidiaries. Länsförsäkringar AB's task is to create the necessary prerequisites for the regional insurance companies to be successful in their respective markets by conducting business, service and development operations, and to assume responsibility for the regional insurance companies' joint strategies.

Strong brand and satisfied customers

The regional insurance companies meet their customers under a single brand, regardless of whether they are providing

insurance, pension savings or banking services. It demonstrates the strength of the brand, which is the result of consistent and long-term work on brand and values. The brand is a way of living and acting when in contact with customers and the local community in general.

The brand remains extremely strong compared with its competitors in the banking, insurance and pension industry. Nordic Brand Academy's 2012 Anseendebarmeter (the Reputation Barometer) showed that Länsförsäkringar has a high reputation among banking and insurance companies.

Länsförsäkringar has long held a top ranking in the Swedish Quality Index survey, which measures how satisfied customers are with their banks and insurance companies. The results of the 2012 survey showed that Länsförsäkringar once again had Sweden's most satisfied retail bank and mortgage customers. In non-life insurance, Länsförsäkringar achieved a top ranking among retail and corporate customers. In life assurance, Länsförsäkringar achieved second ranking for the most satisfied customers in occupational and private pensions.



SUSTAINABILITY AT LÄNS- FÖRSÄKRINGAR



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 claims – it is equally concerned with financial security for non-life insurance claims 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.

Sustainability at Länsförsäkringar

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

STEN DUNÉR,
President Länsförsäkringar AB

2012 SUSTAINABILITY REPORT

For more information about sustainability and environmental activities, see Länsförsäkringar AB's Annual Report, which contains a sustainability report in accordance with Global Reporting Initiative (GRI) standards.

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, but where the aim is to benefit society at large. This will make us a naturally stable and secure player.



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 prevention work is conducted in the community with the purpose of creating the best possible living conditions for the people in the county. Respect for the local community is also demonstrated by 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.

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 2.8 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 the right conditions.

Claims prevention efforts show respect for customers' money

The Länsförsäkringar Alliance devotes substantial effort to claims prevention.

This is also a natural consequence of 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. By reducing claims costs, premiums can be kept to a minimum. 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.

COMMUNITY ENGAGEMENT – BEST PRACTICES

Our heart beats for Gotland

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



Fire safety in Västerbotten!

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



The insurance industry's most attractive employer

Human Resources issues are handled individually by each company in the Länsförsäkringar Alliance, while development and coordination in certain issues take place jointly between the regional insurance companies and Länsförsäkringar AB. A shared ambition has long been to advance Länsförsäkringar's positions as an attractive employer.

Strong employer brand

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

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

In marketing itself as an attractive employer, Länsförsäkringar utilises social-media, where students are active in their free time and when seeking employment.

The communication channel for this target-group is a career page on Facebook and Careerbook. The 23 regional insurance companies have many local partnerships with universities and colleges, which also strengthens the employer brand in the recruitment market.

Internal labour market

Länsförsäkringar AB and the 23 regional insurance companies offer a large internal labour market and provide career development opportunities for employees. During the year, about 500 vacant positions were advertised internally in the Länsförsäkringar Alliance. Using the careers section of the external website, jobseekers can see all vacant positions at the Länsförsäkringar Alliance.

Broad training activities

Länsförsäkringar invests in training and skills development for its employees. These opportunities are available in the local regional insurance company and through joint training activities at Länsförsäkringar AB, which primarily offers diplomaed business training in life assurance, banking and non-life insurance.

These diploma courses focus on giving employees the skills needed in a business context to offer customers products and solutions that meet their requirements. Some 150 training courses commenced in 2012. A total of 9,000 training days and 700 tests were implemented.

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

In the areas of working environment and healthcare, the regional insurance companies offer their employees health insurance and work professionally with rehabilitation through rehabilitation insurance or through their own arrangements. Exercise and preventive healthcare is subsidised and many companies have their own exercise premises.

Employee statistics

	Permanent employees on December 31			
	2012		2011	
	Women	Men	Women	Men
23 regional insurance companies	2,284	1,971	2,303	2,004
Länsförsäkringar AB	837	673	847	691
Mäklarservice	79	45	78	44
Total number of permanent employees	5,889		5,967	

	Permanent employees recruited during the year		Permanent employees who transferred to another company in the Länsförsäkringar Alliance		Permanent employees who left during the year	
	2012	2011	2012	2011	2012	2011
23 regional insurance companies, including Mäklarservice	287	322	29	38	188	242
Länsförsäkringar AB	111	134	11	8	115	86

Age range, all employees	23 regional insurance companies, including Mäklarservice		Länsförsäkringar AB	
	2012	2011	2012	2011
0–30 years of age	456	460	129	120
31–40 years of age	1,163	1,125	418	413
41–50 years of age	1,471	1,423	515	528
51–60 years of age	1,135	1,108	374	375
61–	278	316	74	102
Average age, women	44	45	44	45
Average age, men	45	45	45	46

Age range, managers	23 regional insurance companies, including Mäklarservice			
	2012		2011	
	Female managers	Male managers	Female managers	Male managers
0–30 years of age	1	2	1	6
31–40 years of age	32	52	36	45
41–50 years of age	93	117	85	115
51–60 years of age	43	102	46	112
61–	3	26	5	15
Total	172	299	173	293
Total	471		466	

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

Average age, managers	23 regional insurance companies including Mäklarservice		Länsförsäkringar AB	
	2012	2011	2012	2011
Women	47	47	46	46
Men	48	48	46	46

Gender distribution among management and Board	23 regional insurance companies including Mäklarservice			
	2012		2011	
	Women	Men	Women	Men
President	7	18	6	18
Management teams ¹⁾	71	122	70	119
Board members ²⁾	92	147	93	145
Assembly of representatives ³⁾	398	885	412	916

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

¹⁾ Includes union representatives.

²⁾ Regular members including union representatives.

³⁾ Regular members.

Sickness absence, %	23 regional insurance companies including Mäklarservice		Länsförsäkringar AB	
	2012	2011	2012	2011
Total sickness absence as a percentage of ordinary working hours	2.7	2.7	2.3	2.6
Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more	33.6	32.4	36.3	34.9
Sickness absence by gender, %				
Men	2.0	1.8	1.4	1.4
Women	3.2	3.6	3.1	3.6
Sickness absence by age category, %				
Up to age 29 years of age	2.7	2.8	2.9	4.2
30–49 years of age	2.6	2.3	2.2	2.1
50 years of age or older	2.9	2.8	2.4	3.2



Environmental considerations, towards a sustainable society

The regional insurance companies' work to reduce the number of claims and reduce the effects of damage that has already incurred has generated major positive environmental effects. If damage does not occur, there are no emissions of chemical substances to air or water, for example. Another important role is to provide customers with information regarding Länsförsäkringar's environmental impact and the measures being taken. Commitment to environmental issues contributes to a more ecologically sustainable society.

Insurance products for a non-toxic environment

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

Emissions of environmentally harmful substances

Any kind of damage to the environment, that can be avoided is important. Every case of damage impacts the environment in the form of energy consumption, mitigation, transport, material use and waste. According to Länsförsäkringar's calculations, water damage results in 300 kg of carbon dioxide emissions. Transport accounts for

approximately 80 kg, dehumidification for 10 kg and the manufacturing and handling of materials for 210 kg. Accordingly, helping customers to avoid damages is an important environmental measure. Länsförsäkringar has calculated that approximately 25 tons of carbon dioxide are emitted when a house burns down. In addition to atmospheric emissions from the fire, environmentally hazardous substances are released into soil and nearby watercourses from the firewater used to extinguish the blaze. Länsförsäkringar conducts joint damage prevention efforts through Länsförsäkringar AB. The purpose is to strengthen Länsförsäkringar's role in a sustainable society and contribute to the development of the local community through greater security and less damage.

Länsförsäkringar invests responsibly

Through Länsförsäkringar Fonder, Länsförsäkringar invests in a large number of companies all over the world. Those companies with operations that are integrated

with finance, the environment and social issues will prove the best investments over time. Working with responsible investments is based on the same core values adopted by the Swedish government in the international conventions signed by Sweden in such areas as the environment, human rights, child labour, labour laws, corruption and inhumane weapons. In this responsible investment work, the fund company cooperates with an external analysis firm. If companies that are subject to lobbying do not respond and/or the case does not move in a desirable direction, the company is divested and placed on the fund company's black list. Accordingly, all external managers engaged by the fund company must observe the black list when managing the fund company's funds. Companies remain blacklisted until they can prove that breaches of conventions have ceased and that the company has introduced sufficiently strong policy. Another option is to immediately divest the holding without engaging in any dialogue. At present, the fund company



has decided to exclude all companies involved in the production of nuclear weapons, cluster bombs and landmines.

Environmental impact of travel

The regional insurance companies' business travel generates carbon dioxide, a greenhouse gas that contributes to the existing greenhouse effect. To reduce this environmental impact, our employees are increasingly switching to train travel in accordance with company-wide travel guidelines. Many of the regional insurance companies have their own environmentally friendly cars for business purposes, such as damage inspections. For employees who drive for business purposes, several companies offer Eco-Driving courses for advice about fuel efficiency and green driving techniques. Meetings held on the telephone or using other forms of media save both the environment and working hours.

Good Environmental Choice electricity

Many branches in Sweden use electricity

with the Good Environmental Choice designation. In most cases, the branches are heated with locally generated district heating. Many properties hold certification from the LEED, Green Building and Environmentally Classified Building systems.

Social responsibility

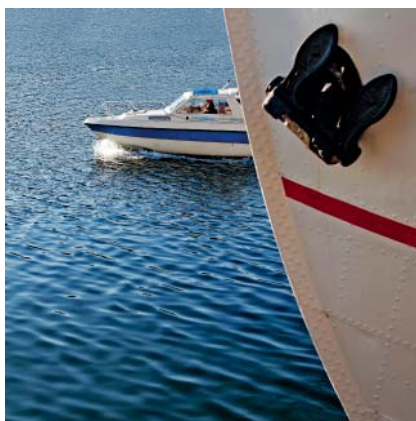
The Foundation for Regional Insurance Companies' Research Fund provides financial assistance for scientific research into everyday security. Since the early 1990s, the Research Fund has financed almost 160 research projects for a total of about SEK 90 M, in such areas as road safety, crime prevention,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

Long-term and sustainable environmental efforts

The regional insurance companies have been ISO 14001-certified for many years. The companies in the Länsförsäkringar Alliance follow a joint model that guides

their environmental work. Group-wide issues are addressed in joint decision forums, while local environmental decisions are made by the companies themselves. This structure provides a guarantee for systematic and long-term environmental efforts with a local touch. Environmental audits of all companies are conducted annually and regular reviews of environmental practices ensure that these efforts are continuously developed.

NON-LIFE INSURANCE



Continued success in the non-life insurance market

The Länsförsäkringar Alliance further strengthened its position in the non-life insurance market and its market share rose to 29.5%. A lower claims frequency also contributed to strengthening the technical result.

Most of the business in the Länsförsäkringar Alliance's non-life insurance operations is conducted directly in each regional insurance company. However, some non-life insurance business, for example, animal and health insurance is administered by the jointly owned Länsförsäkringar AB. Of the Länsförsäkringar Alliance's total premiums earned of SEK 19.4 billion, SEK 15.3 billion is in the 23 regional insurance companies and the remainder in Länsförsäkringar AB.

The non-life insurance market

The non-life insurance market is expanding and, measured in premiums paid, rose just under 2% during the year. The number of insured single-family homes and vacation homes is declining, while household and passenger-car insurance is increasing marginally. This trend is partly due to the economic downturn, but also to new, foreign-owned insurance companies, that do not report statistics to Swedish authorities, entering the market. A clear trend in the Swedish non-life insurance market is that collaborations between banks, companies and other organisations for identifying new distribution channels. The role of insurance brokers has been strengthened as both distributors and developers of the customer offering. Another clear trend is channel-

independent solutions for meeting changes in customer behaviour and demands for handling insurance cases when customers themselves have time and in the way that they want. Increasingly strict regulatory requirements combined with a harsher capital market and more intense competition are also imposing demands for efficiency enhancements to reduce operating expenses. Meanwhile, the need and competition for employees with specialist expertise is increasing. Sustainability is taking up an increasingly prominent role in the industry as a way of differentiating a company and as a form of efficient claims adjustment and claims services as companies seek out other values than lowest price to attract customers. There is growing concern among private individuals that national social insurance will be insufficient, which has led to more people taking out private insurance that provides compensation in the event of illness, unemployment, accidents, death and retirement. Accordingly, pension insurance is becoming increasingly important. As a result, the accident and health insurance market is expanding and increased 7% during the year. The health insurance market is also growing. Many companies, particularly smaller companies, want to reduce long periods of sick leave and ensure that

their employees can return to work as fast as possible after illness or injury.

Market position

Länsförsäkringar is a clear market leader in a slowly growing non-life insurance market. The market share amounted to 29.5% (28.9) measured in premiums paid. Both premiums earned and the number of policies rose during the year. Länsförsäkringar retained a very strong position in commercial insurance, with a market share of 36.3% (35.5). Through its local presence, Länsförsäkringar meets the needs and situation of companies, which is one of the reasons for the stronger position. More and more companies are working with full-service offerings with home insurance as the base. Länsförsäkringar remains a market leader in homeowner and passenger-car insurance, measured in the number of insurance policies. The number of insurance policies in passenger-car insurance rose, and the market share increased to 33.3% (32.5), while the market share for homeowner insurance increased to 39.4% (38.9). Competition is also fierce in animal insurance and many companies have promoted animal insurance as part of their full-service offering. The market is continuing to grow and through Agria Djurförsäkring, Länsförsäkringar held its leading position with a market share of 57.7% (56.9). Länsförsäkringar remains a leader in the market for health care insurance with a share of 31% (31) in the face of stiffer competition.

Capital and investments

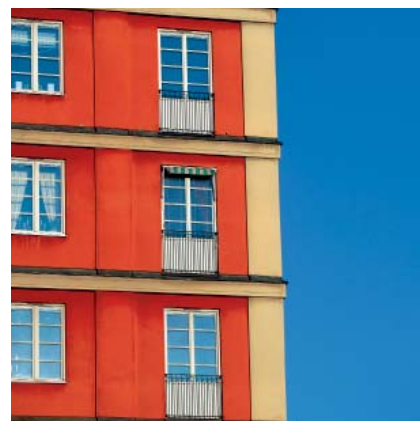
The local regional insurance companies and the jointly owned non-life insurance companies in Länsförsäkringar AB strive to retain a strong solvency margin to maintain uniform pricing over time. Länsförsäkringar endeavours to achieve a balance between risk and available surplus capital and prioritises the safeguarding of key figures. In line with the investment strategies, a percentage of assets is invested in low-risk interest-bearing securities to ensure the commitments of the non-life insurance operations. At the same time, the strong solvency margin provides the Länsförsäkringar Alliance with a substantial buffer of capital, allowing a certain portion to be invested in assets with higher anticipated returns, such as equities. In 2012, the Swedish stock market rose just over 12%

and the global index increased 13.2%, which generated high returns on equities. Credit and mortgage bonds also yielded favourable returns in 2012.

Claims trend

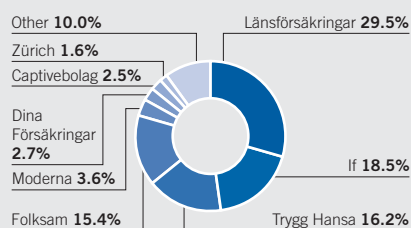
Claims costs declined to SEK 14,549 M (14,711), corresponding to a claims ratio of 75 (79). The claims frequency in home and motor hull insurance was significantly lower than in the preceding year. Expenses in home insurance fell 5% primarily due to lower water damage, which is the largest expense item. However, fire damage, which along with water damage accounts for most home-insurance claims, rose slightly during the year. For motor hull insurance, the mild winter weather led to a more favourable claims outcome compared with 2011. The claims outcome for agricultural insurance also improved compared with preceding years, when winter-related damage had a severe impact on the agricultural sector. Despite the improvement, the claims outcome remains at a high level with fire and water-damage claims costing the most. Both the internally ceded reinsurance and internationally assumed reinsurance had a low level of claims and few large claims. The main large claims that impacted earnings included Hurricane Sandy in October, the drought that devastated maize and soya crops in the US and fires at the Port of Halmstad and Steglinge Gård. To counteract a negative claims trend, claims-prevention activities remained a key focus. Fire and water claims and motor third-party liability claims were key focus areas for which concepts have been produced to support

2012 IN BRIEF



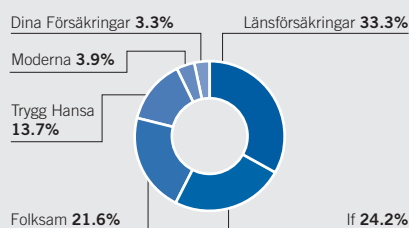
- » Leading market position retained and market share strengthened to 29.5% (28.9).
- » Solvency strengthened and the solvency margin was 182% (171).
- » The technical result rose to SEK 1,439 M (856) primarily attributable to a lower claims frequency and premium increases.
- » The combined ratio improved to 96% (100).
- » Agria Djurförsäkring retained its market-leading position in animal insurance.
- » Investment income amounted to 4.9% due to high returns on equities, and credit and mortgage bonds.

Market shares of non-life insurance, share of premiums paid



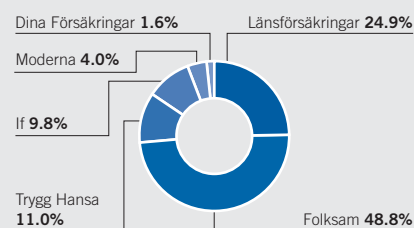
Länsförsäkringar maintained its position as a leader in the non-life insurance market, with a market share of 29.5%.

Market shares of passenger-car insurance, share of number of policies



The market share of passenger-car insurance rose to 33.3%. Both Länsförsäkringar's premium portfolio and the number of policies increased.

Market shares of household insurance, number of policies

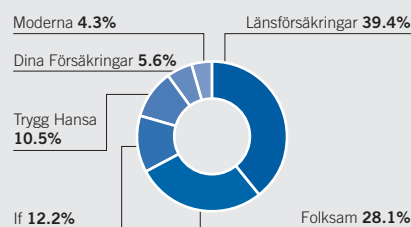


The market share of household insurance was stable at about 25%. The number of household insurance policies rose during the year.



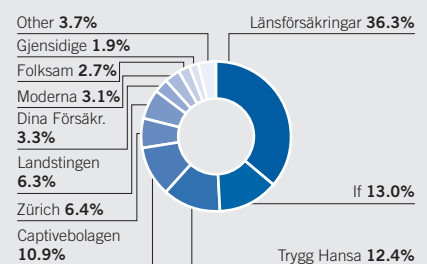
claims-prevention measures throughout the Länsförsäkringar Alliance by providing advice and materials. Customers receive advice and guidelines as a preventive measure and after damage has occurred. Environmental impact is a key component of all focus areas. For example, a decrease in the number of fires contributes to a reduction in carbon emissions. Länsförsäkringar also imposes demands on the quality and environmental work of its claims contractors. It is important that claims are dealt with as effectively as possible to avoid new claims occurring.

Market shares of homeowner insurance, number of policies



Länsförsäkringar remains a market leader in homeowner insurance, with a market share of 39.4%.

Market shares of property and casualty insurance, share of premiums paid



Länsförsäkringar maintained a strong position in property and casualty insurance with a market share of 36.3%.

INSURANCE CLASSES



Motor hull

The number of insured vehicles increased despite tough competition. Länsförsäkringar expanded its portfolio in terms of both number of insured vehicles and premium volumes. The market share measured in premium income increased to 25.3% during the year. More than two million vehicles are insured with Länsförsäkringar.

Swedish legislation will be changed in 2013 based on the European Commission's guidelines on gender as a premium argument, which has led to adjustments in premium calculation models. Gender-neutral premiums will apply to the vehicle groups in which gender has previously affected the premium level. Women's insurance for motor-bikers was discontinued and the product range for motorcycles was adjusted. New products with special due care requirements were produced, for example, MC smart for motor-bikers who use protective equipment, do not lend their motor-bikes to other people and who lock away the bike at night time.

Claims costs for motor hull insurance in 2012 were lower than in recent years, which combined with higher premium volumes improved profitability for motor hull business.

Home

The market for home insurance grew 4% during the year, measured in premium income. During the same period, Länsförsäkringar increased its premium income in home insurance by slightly more than 7% and remains the market leader in home insurance with 28.8% of the entire home-insurance market. Länsförsäkringar is also the largest company in homeowner and vacation-home insurance with a market share of 39.4 and 41.2%. The market share for household insurance amounted to 24.9%.

There is also tough competition in the home-insurance market in which many insurance companies and banks work together to strengthen their customer offering. Partnership agreements are in place with such organisations as trade unions and the retail sector that offer insurance to their customers and members.

Claims costs for home insurance fell 5% during the year. It was mainly weather-related claims, such as damage caused by hurricanes and flooding, that reduced costs. Costs for water claims also declined but remain the largest expense item. However, costs for fire claims showed an increasing trend in 2012.

Boat

The Swedish portfolio of yachts fell for the third consecutive year, resulting in fewer boats being insured. The financial and debt crises have impacted sales of new yachts which are now down to barely a third of the level noted in the peak years of 2006–2007. Premiums were pressed by brand insurance and insurance included in yacht purchases and new players in the Swedish market. More insurance companies have full-service offerings that include yacht insurance. Länsförsäkringar increased its market share from 28.3% to 29.0% in 2012 amidst accelerating competition. Premiums earned rose 2.3% and the number of yacht insurance policies increased 0.3%. Claims costs declined 17.8% during the year. Both the number of claims and average claims cost fell. The primary reason for the lower claims costs was the lower incidence of hurricanes and boat-house fires. Outboard theft is continuing to rise and new claims-prevention discounts are being introduced in 2013 to counteract this trend.

Motor hull	2012	2011
Premiums earned, gross, SEK M	6,594	6,615
Passenger cars, number of policies	1,648,000	1,625,000
Motorcycles, number of policies	132,000	139,000
Market share, percentage of insured vehicles	33.3	32.5

Home	2012	2011
Premiums earned, gross, SEK M	3,424	3,262
Households, number of policies	757,700	748,800
Market share, home	24.9	24.6
Homeowners + home content, number of policies	671,300	667,100
Market share, homeowners + home content	39.4	38.9
Vacation homes, number of policies	238,700	240,800
Market share, vacation homes	41.2	41.5

Yacht	2012	2011
Premiums earned, gross, SEK M	159	141
Yachts, number of policies	81,500	81,800
Market share, percentage of policies	29.0	28.3



BA Commercial

The property and casualty insurance portfolio increased during the year in terms of both premiums and number of policies, and Länsförsäkringar retained its leading position in the market.

The market share rose during the year to 36.3% (35.3). New insurance providers entered the market, which is resulting in more intense competition and pressing premium levels. The commercial insurance market is sensitive to the economic slowdown with premiums that, in many cases, are based on a company's sales and are therefore now relatively low. The new model for premium setting, which was previously introduced for Combined Commercial insurance, is now being gradually adapted for other products. The purpose is to better risk adjust the price and thereby increase fairness for the various customer groups. It can also be stated that claims costs are continuing to decline from the high levels of recent years. Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers with specialised liability, cargo, motor-hull and property insurance solutions. Although the cargo insurance market remained constant, the portfolio rose more than 10% in 2012. The new establishment of cargo-insurance market players has temporarily stalled which had a positive impact on premium levels.

In liability insurance, competition further intensified with former industrial-insurance companies now cultivating the

same "middle market" as Länsförsäkringar. The role of insurance brokers in property and casualty insurance was further strengthened, as both distributors and developers of the customer offering.

The interests of the Länsförsäkringar's Swedish corporate customers are increasingly international and demand for insurance solutions is rising among both new and existing customers. Knowledge of the advantages of international insurance programmes has risen. Länsförsäkringar has a competitive advantage in this segment, with its membership of the International Network of Insurance (INI) and its licence to conduct insurance operations (Freedom of Service, FOS) within the EU. Through the INI, Länsförsäkringar is one of the few companies in the Swedish market that can offer customised and local insurance solutions in more than 100 countries at competitive prices.

Länsförsäkringar is continuing to pursue its investments in renewable energy and the business partnership with Eurapco has developed, meaning that Länsförsäkringar shares its risks with its European partners with profitability. New insurance products have been developed in the leasing market and the launch of travel insurance linked to bank cards has been further enhanced. The Länsförsäkringar Alliance's work methodology for managing foreign risk was analysed and new processes have been put in place for 2013 to increase the Alliance's ability to competitively and consistently insure customers' interests.

Agriculture

Expectations of Länsförsäkringar as a market leader in the agricultural sector are high and a series of products were further developed and improved during the year to meet such high expectations. Competition remained fierce yet Länsförsäkringar retained its leading position and increased business in terms of both number of policies and premiums. Claims-related earnings continued to improve compared with preceding years, when winter-related claims had a severe impact on the agricultural sector. Despite the improvement, earnings are not satisfactory and costs for primarily fire and water claims remain at a high level. Länsförsäkringar's efforts to reduce the environmental impact of the Swedish agricultural sector are continuing. Based on active efforts, scrap and environmentally harmful waste generated by agricultural operations are collected for recycling or destruction. Customers' waste is taken care of in an environmentally friendly manner, while environmental risks are reduced.

BA Commercial	2012	2011
Premiums earned, gross, SEK M	3,554	3,472
Number of policies	233,100	232,100
Market share, Property and Casualty, %	36.3	35.3

Agriculture	2012	2011
Premiums earned, gross, SEK M	1,522	1,444
Agricultural insurance, number of policies	190,500	192,800
Tractor insurance, number of policies	255,400	261,400



Agria Djurförsäkring

Premiums earned for own account amounted to SEK 1,999 M (1,916) and operating profit improved to SEK 96 M (79). Through Agria Djurförsäkring, Länsförsäkringar is maintaining its leading position in the market in Sweden with a share of 58% (57).

Agria is the Länsförsäkringar Alliance's specialist company for animal and crop insurance and is a separate brand under Länsförsäkringar. This specialisation involves a streamlined focus on and involvement with animals and their owners. The same brand, following the same guidelines, governs all encounters with Agria, wherever they may be in the global environment.

The business area for dogs, cats and other pet insurance continued to grow and had a successful year. On April 1, 2012, a new dog and cat insurance was launched which, in combination with a media strategy focusing on TV advertisements, contributed to the strong sales. The number of insured animals is steadily growing. Growth was achieved with higher profitability despite claims costs being higher than in the preceding year. Horse insurance is the Agria business area that is most sensitive to economic fluctuations and continues to experience difficulties with a slightly declining portfolio. The number of coverings in Sweden has fallen 20% and fewer foals are insured. Agria continued to increase its market shares in the segment. The Horse insurance business area reported favourable earnings, largely due to lower operating expenses and lower claims payments. During the year, the "Take out a policy online" campaign for horses was started, which received extensive nationwide interest, suggesting a change in purchasing patterns among horse owners. The Agriculture business area reported a favourable year in terms of animal insurance with a good health status. The rain and hail in the spring and summer meant that crop claims were larger this year than in the preceding year. The size of insured areas has increased compared with 2011.

Agria International, which is a subsidiary of Agria Djurförsäkring, has the task of establishing and conducting the Agria



concept in foreign markets, and Agria is established in the UK, Norway and Denmark. Sales for Agria Denmark rose sharply compared with 2011 and Agria Dyreforsikring in Norway is the leading animal insurer in the Norwegian market. In 2012, the Norwegian market faced rapidly rising costs for veterinary care, which had a negative impact on earnings. Measures were taken at the UK branch during the year to strengthen the operations and create the conditions for

future profitability. For example, unprofitable business was discontinued, which had an adverse impact on volumes.

Agria Group	2012	2011
Premiums earned after ceded reinsurance, SEK M	1,999	1,916
Market share, Sweden, %	57.7	56.9

BA Health

Premiums earned for own account in BA Health amounted to SEK 992 M (969) and profit totalled SEK 137 M (108). The improved earnings were primarily attributable to run-off gains in group life assurance and strong earnings in accident insurance. The health care insurance market continued to expand, but the rate of growth slowed and was at about 7.9% according to the most recent survey. 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 BA Health, the introduction of a new generation of group insurance policies was the first step towards modernising the market. Work in 2012 on consolidating and converting old products to new products continued in three stages. The aim is to create insurance policies that are better tailored to current society. The new group insurance policies were converted according to plan and as a result BA Health now

has about five different standard products. This enables Länsförsäkringar to be clear in its customer communication and enhance the efficiency of its claims adjustment and customer service.

Health care insurance

In 2012, brand new health care insurance was developed. The already popular health care insurance was supplemented with preventive health services including a health profile, a self-help programme and personal counselling for managers and employees. Work-oriented rehabilitation and treatment for addiction and substance abuse will also be included in the insurance. This health care insurance helps companies to reduce sick leave among employees and supports employees in their efforts to achieve better health.

Competition in health care insurance is fierce and profitability is generally weak. The measures taken in health care insur-

ance at year-end 2009, such as the introduction of a deductible, have generated highly positive effects and resulted in Länsförsäkringar now having a balanced health care business activities and very satisfied customers.

Health care insurance featuring as a component of pension plans and commercial insurance packages was well received among customers. Länsförsäkringar has also packaged employment group life assurance with its pension plan since the autumn of 2011, which displayed a favourable sales trend.

BA Health	2012	2011
Premiums earned, gross, SEK M	1,575	1,516
Market share, accident and health insurance, premiums paid, %	19.4	19.4
Health care insurance, number of insured parties	111,000	108,000
Market share, health care insurance, %	31.0	31.0

BA Reinsurance

BA Reinsurance in Länsförsäkringar Sak manages the Länsförsäkringar Alliance's reinsurance cover through a number of pool solutions and joint group insurance cover, as well as assumed international reinsurance.

The internal reinsurance together with the reinsurance jointly procured for the Alliance is a major asset for Länsförsäkringar and its customers. The system ensures a stable solution at low cost by distributing risk in the Länsförsäkringar Alliance and underwriting external cover for large claims.

Compared to 2011, 2012 was a calm year for the reinsurance market and profitability was favourable for reinsurance companies. In 2012, premium adjustments were made to reinsurance contracts affected by claims in 2011, the market was more stable prior to 2013. Hurricane Sandy, which hit the East Coast of the US in October, is estimated to have cost insurance companies USD 20–25 billion, but claims were not large enough to affect prices of reinsurance outside the US.



The Länsförsäkringar Alliance's reinsurance programme was renewed prior to 2013 without any major adjustments. However, certain premium increases were made to fire cover due to the fire at Steglinge Gård in May and the fire at the Port of Halmstad in September.

Earnings in 2012 for BA Reinsurance totalled SEK 51 M and premium income

amounted to SEK 478 M. Earnings were adversely affected by Hurricane Sandy in October and claims resulting from drought-devastated maize and soya crops in the US. Premium increases prior to 2012 had a distinctly positive impact.

Claims adjustment

Claims service focusing on customers

Each individual regional insurance company offers a wide range of non-life insurance products for private, agricultural and corporate customers and has its own claims – adjustment specialists who provide claims services in close proximity to customers. The combination of local strength and the ability to jointly utilise resources and expertise results in high-quality customer service for all types of claim incidents. The local concept ensures swift processing by skilled employees located close to customers. Approximately 1,100 people work in the area of claims adjustment and the international network of partners also guarantees service outside Sweden. Claims adjustment is an important means of delivering the product purchased by the customer and should be characterised by active customer service. Claims are adjusted in cooperation with the customer as soon as possible after the claims have arisen. A guiding rule is that the adjustment of claims must be consistent, uniform and fair. For example, language difficulties or disabilities may affect the customer's comprehension or ability to take action, which is why it is important that Länsförsäkringar provides individually adapted service. The goal is for Länsförsäkringar's claims service to be perceived as flexible and adapted to customers' individual needs. Länsförsäkringar always strives to take measures and decisions to ensure that customers are well-informed of their rights and obligations. In 2012, claims valued at almost SEK 9.3 billion were adjusted, of which about 40% was motor-hull insurance claims. Home insurance was another major claims area, with 250,900 claims at a cost of SEK 2.3 billion.

Insurance fraud a growing problem

Insurance fraud is a major and growing problem in the insurance industry. For customers, insurance fraud ultimately results in an increase in the cost of insurance since they are charged with claims that should not actually be compensated. To counteract

insurance fraud, a team of 38 investigators in the Länsförsäkringar Alliance has been assigned the task of investigating suspicious claims. In 2012, their efforts resulted in the non-payment of insurance claims worth SEK 112 M. Most of the cases of denied compensation comprised unclear insurance claims or attempted fraud in household and motor hull insurance. A focus on personal injury in 2012 increased the frequency of these investigations and compensation totalling almost SEK 27 M was denied. Compensation was denied for 61% of the 2,414

cases investigated in 2012. Unfortunately, since many cases of insurance fraud remain undetected, the development and quality assurance of the investigations operations remains an area of focus.

Claims-prevention activities

Claims-prevention activities remain a high priority area. Fire and water claims and motor third-party liability claims were key focus areas for which concepts have been produced to support claims-prevention measures throughout the Länsförsäkringar Alliance by providing advice and materials.



Brokered business

Länsförsäkringar Mäklarservice enables Länsförsäkringar to reach customers who choose to be represented by insurance brokers when purchasing insurance. On behalf of the regional insurance companies, Mäklarservice brokered non-life insurance premiums amounting to SEK 1,105 M (1,052) at year-end 2012. The sales value of brokered sales of life-assurance and pension products totalled SEK 6,623 M (9,451). The very positive trend in brokered non-life insurance business continued in 2012, increasing SEK 53 M compared with 2011 and surpassing the sales budget by almost 50%.

Success was underpinned by a new strategy and new organisation, which were implemented to better meet the market with clear priorities that also resulted in higher systematisation and enhanced efficiency. The life-assurance business has focused on efforts to develop new products, services and a competitive fund

range. Work on developing Länsförsäkringar's automated services in brokered business continued in 2012 and will enable brokers to facilitate and improve administration to customers. Länsförsäkringar Mäklarservice has also had a Facebook profile since 2012.

The insurance-broker market is characterised by consolidation and a certain degree of caution regarding new regulatory decisions, such as transfer options and bans on commission. In February, the Swedish Insurance Brokers Association (SFM) started its licensing company InsureSec. The company was founded on an industry initiative and is owned by SFM, where Länsförsäkringar is one of the financiers. InsureSec was created to achieve greater transparency, efficient and consumer value in the insurance-broker market, as well as to ensure healthy competition and a wide range of advisory services.

Customers receive advice and guidelines as a preventive measure and after damage has occurred. This type of information is provided in a manner that is as easily understandable and unbureaucratic as possible to ensure that customers are able to utilise it, thereby limiting the scope of the claim. Environmental impact is a key component of all focus areas. In addition to a reduction in claims, successful claims-prevention work also results in a reduction in environmental impact. For example, a decrease in the number of fires contributes to a reduction in carbon emissions. Calculations indicate that a fire in a private home can generate carbon emissions of slightly more than 25 tonnes, as well as other gases, dust and waste products. Länsförsäkringar also imposes demands on the quality and environmental work of its claims contractors. It is important that claims are dealt with as effectively as possible to avoid new claims occurring. From an environmental perspective, Länsförsäkringar sees that the major impact of carbon emissions from water damage derives from materials. Water damage to a wet room can cause 300 kg of carbon emissions. Contractors are offered further training to maintain a high quality level

and feedback is given on new information. Claims-prevention work has a broad focus, including constructive and positive dialogues with government authorities and industry organisations regarding such matters as construction and industry rules, in which Länsförsäkringar's expertise in the area of building damage claims is highly sought after. In cooperation with various municipalities, county administrative boards, the Swedish Civil Contingencies Agency (MSB) and assorted research institutes, Länsförsäkringar focuses on identifying risks to enable the prevention of claims pertaining to natural disasters.

Disaster claims

Major claims require special resources. The Länsförsäkringar Alliance has prepared an emergency plan for managing major claims, and the regional insurance companies also continuously monitor the risks in their local areas. As part of this work, the Alliance's competencies in specific subject areas and the requirements arising in connection with mass-claims handling are catalogued. The primary purpose of the emergency plan is to establish a state of preparedness within the regional

insurance companies, and also to coordinate existing resources. Local cataloguing makes it easier to organise assistance from other regional insurance companies. The results are documented and the emergency plans that are drawn up contain checklists, descriptions of procedures and a division of responsibility for the work related to major claims. As a result of all of these preparations, the Länsförsäkringar Alliance is well-equipped and prepared for any major claim that may occur. The emergency plans have been extremely helpful to the regional insurance companies in their claims work following the tsunami in Southeast Asia, hurricanes that have hit Sweden and other cases of extensive damage in Sweden. The plans are continuously developed and improved by adding experiences.

Claims	Number of	Claims cost, SEK M
Commercial	37,578	2,269
Agriculture	27,575	840
Home	250,864	2,766
Accident and health	29,900	295
Boats	2,898	76
Private automotive	297,000	1,817
Commercial automotive	121,500	1,234
Total	767,315	9,297



Service outside Sweden

Meeting customer needs across borders

Increased travel requires that claims-adjustment services be expanded to provide rapid assistance abroad. For emergency claims, special resources are required. Accordingly, the Länsförsäkringar Alliance has been a major shareholder in SOS International since 2003, with a 12% interest. SOS assists customers through both travel and vehicle insurance. For example, SOS helps with breakdown services, referrals to workshops, baggage delays and medical assistance when customers suddenly fall seriously ill or are involved in an accident. SOS International processes nearly 10,000 cases for the Länsförsäkringar Alliance every year.

COMMENTS ON THE FINANCIAL RESULTS, NON-LIFE INSURANCE



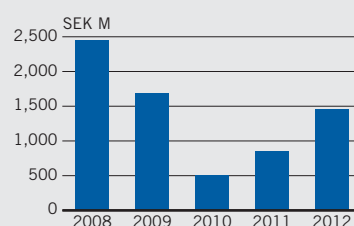
The Länsförsäkringar Alliance's earnings and key figures for non-life insurance comprise the sum of the earnings of the 23 independent regional insurance companies and the Länsförsäkringar AB Group. The Länsförsäkringar Alliance's earnings in 2012 improved and the technical result amounted to SEK 1,439 M (856). The main reason for the improvement is a significantly lower claims ratio compared with the preceding year due to a lower claims frequency and premium increases. Premium increases were made primarily in agriculture and homeowners and home content insurance. Despite a decline in claims costs during 2012, costs of particularly fire and water claims remained at a high level.

The combined ratio improved 4 percentage points to 96 (100), of which the claims ratio comprised 75 (79) and the expense ratio 21% (21). The Länsförsäkringar Alliance's solvency capital remained strong in relation to operating risk. Solvency capital totalled SEK

35,737 M (32,709) and the solvency margin amounted to 182% (171). Premiums earned increased 3.2% to SEK 19,363 (18,756). Growth in the private market is primarily taking place in motor hull and household insurance, but also in accident and health insurance and health care insurance. Agria, with Swedish and international operations, performed well and showed strong growth primarily in dog, cat and pet insurance in Sweden, Norway and Denmark. Investment income was robust due to the favourable stock-market climate and amounted to SEK 3,282 M (neg: 1,373). Operating profit amounted to SEK 3,013 M (loss: 2,273).

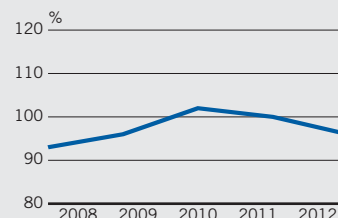
NON-LIFE INSURANCE	2012	2011	2010	2009	2008
Premiums earned after ceded reinsurance, SEK M	19,363	18,756	18,184	17,828	17,406
Technical result before bonuses, SEK M	1,439	856	529	1,688	2,453
Operating profit/loss, SEK M	3,013	-2,273	2,552	5,449	-7,511
Expense ratio	21	21	22	22	21
Claims ratio	75	79	80	74	72
Combined ratio	96	100	102	96	93
Technical result as a percentage of premiums earned after ceded reinsurance	7	5	3	9	14
Solvency capital, SEK M	35,737	32,709	34,724	31,747	25,916
Solvency margin, %	182	171	190	174	146
Return on equity, %	8	-5	8	18	-23
Total return on investment assets, %	5	-2	6	10	-14

Technical result



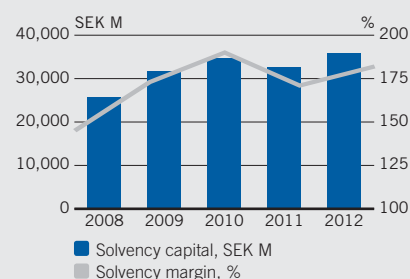
The higher technical result for 2012 was mainly due to increased growth in premiums and lower claims costs.

Combined ratio

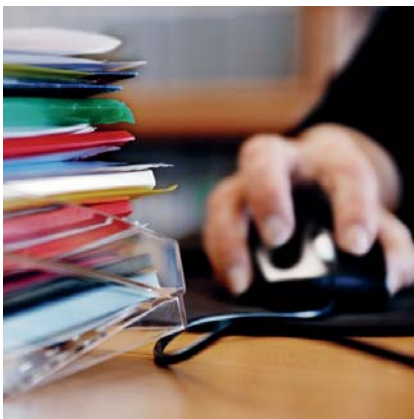


The combined ratio improved during the year, primarily as a result of a lower claims ratio, but also premium increases, and amounted to 96% for the full-year 2012.

Solvency



The Länsförsäkringar Alliance maintained a strong level of solvency. Solvency capital was SEK 35,737 M and the solvency margin 182% at year-end 2012.



Offering strengthened and business growing broadly

Länsförsäkringar Bank is Sweden's fifth largest bank, with healthy growth and Sweden's most satisfied retail customers. The strategy is based on the Länsförsäkringar Alliance's large customer base, a strong brand and the regional insurance companies being customer-owned.

Economic environment and market

The European economy continued to weaken during 2012 and the status of government finances in mainly Spain and Italy deteriorated. Concerns with regards to Spain's ability to refinance its government debt resulted in the ECB lowering its key interest rate from 1.00% to 0.75% in the summer of 2012. Somewhat later, the Outright Monetary Transactions (OMT) programme was launched to enable conditional purchases of government bonds issued by European states with financial problems. The Federal Reserve, Bank of England and Bank of Japan later followed in the ECB's footsteps by also launching stimulus packages and unconventional monetary policies in the form of quantitative easing to stimulate the economy. The latter part of the year was dominated by the intense focus on the US and the outcome of the US presidential election. Attention was then directed to a solution for the fiscal cliff. A positive trend was that the US housing market showed clear indications of a start to recovery. China showed signs of avoiding a hard landing, while the economic outlook weakened for the previously so resistant Germany. Overall, many countries found themselves in different economic phases by year-end.

Trends in the Swedish economy during the year were relatively positive due to stable household consumption, continued low inflation and rising income. The year began with a stable economic performance, although the strong SEK together with the increasingly weak European economic climate led to a decline in Swedish export and the Swedish economy was also impacted by the economic slowdown in Europe. Order bookings fell in the summer and industrial production was lower which, combined with very low pressure on inflation, resulted in the Riksbank lowering its repo rate on three occasions during the year from 1.75% to 1.00%. During the third quarter, GDP growth amounted to 0.7%. Employment weakened slightly during the second half of 2012, with an unemployment rate of 7.8% at year-end. Sweden's government debt remained low and amounted to 32% of GDP on December 31, 2012, while the government budget reported a very marginal deficit. The robust Swedish government finances create a sound basis for a more expansive economic policy for the next few years.

As a consequence of the weaker economy during the year, credit growth among Swedish households slowed and mortgage

rates fell. The mortgage cap, which was introduced in the autumn of 2010 together with higher requirements on borrowers imposed by the banks, also contributed to this slowdown. At the same time, Swedish housing prices displayed a stable trend in 2012, mainly due to a shortage of residential properties. The economic slowdown impacted housing construction and with fewer homes being built, this shortage will remain – suggesting that the stable housing-price trend will be maintained.

The interest ratio remained low during the year, due to low mortgage rates and a favourable income trend. Stress tests conducted by the Swedish Financial Supervisory Authority showed that the repayment capacity of households also remained high with sharp increases in both interest rates and unemployment. Household wealth was significantly higher than household debt and total savings are high.

A strong position

Länsförsäkringar Bank is Sweden's fifth largest retail bank with Sweden's most satisfied retail bank and mortgage customers according to the Swedish Quality Index. In 2012, the market position was further strengthened. Business volumes increased 13% to SEK 283 billion (251) and have grown on a broad front at an average of 12% over the past five years. The number of customers rose 7% to 954,000 (889,000). The business concept of the banking operations is to offer a complete range of banking services to private individuals, farmers and small businesses. The offering is to be simple and customised to provide high quality and a high level of service to customers. Länsförsäkringar Bank's mission is to

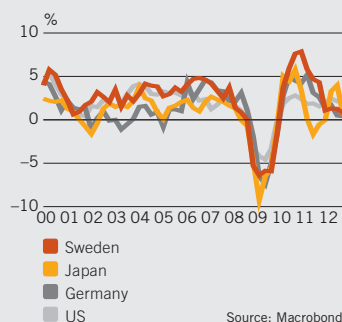
2012 IN BRIEF



develop and administer products and concepts and provide support to the regional insurance companies in their sales and service to customers. The strategy is to offer the Länsförsäkringar Alliance's customers attractive banking and insurance services. With the entire banking and insurance offering, customers receive a secure, personal and attractive commitment with Länsförsäkringar. Success is based on Länsförsäkringar's strong brand, local presence and the regional insurance companies being customer-owned. The Bank has access to the joint distribution network and the existing customer relationships in the Länsförsäkringar Alliance, with a customer base of almost 3.5 million customers. All customer contact takes place during personal meetings at the 130 branches of the 23 regional insurance companies around Sweden and via mobile services, the Internet and telephone. Customer contact also takes place at Länsförsäkringar Fastighetsförmedling's 150 branches.

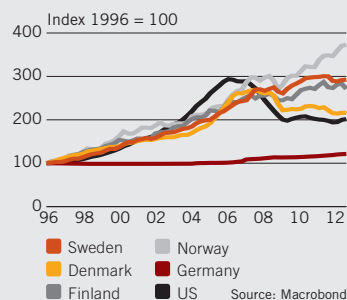
- » Operating profit rose to SEK 556 M (385), attributable to improved net interest income and higher business volumes.
- » The cost/income ratio improved to 0.66 (0.71).
- » Business volumes rose 13% to SEK 283 billion (251).
- » The number of customers increased 7% to 954,000 (889,000) and the number of customers with Länsförsäkringar as their primary bank rose 14% to 290,000 (255,000).
- » Loan losses remained low and amounted to SEK 91 M (48), net, corresponding to loan losses of 0.06% (0.04).
- » Sweden's most satisfied retail bank and mortgage customers for the eighth time in nine years, according to the Swedish Quality Index.

GDP growth



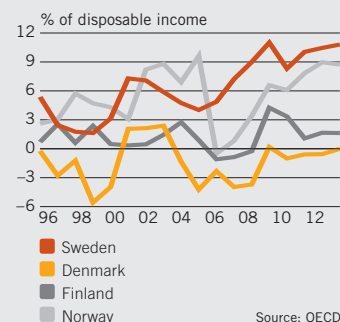
Trends in the Swedish economy during the year were relatively positive.

Housing-price trends



Swedish housing prices displayed a stable trend in 2012.

Household savings



Swedish household savings are high in relation to their disposable incomes.

OFFERING AND MARKET POSITION



Länsförsäkringar offers a broad of banking services to private individuals, farmers and small businesses. All banking operations are conducted in Sweden and customer business operations take place at the 23 local and customer-owned regional insurance companies located throughout Sweden. Customer relationships are being broadened and the offering strengthened by new products and product packages to retail customers, farmers and small businesses. Savings are in focus for meeting customer requirements for personal savings.

Savings

Länsförsäkringar wants to encourage its customers to save more and the offering for planned savings and investment advice was improved during the year. The offering to farmers was supplemented with a fixed-interest forestry account. Deposits from the public increased 26% to SEK 62 billion and the market share strengthened to 4.3% dur-

ing the year. Deposits are stably distributed between various types of transaction and savings accounts.

Fund offering

Some 80 mutual funds are currently offered to customers, of which 30 are under Länsförsäkringar's own brand. Several of Länsförsäkringar's funds have the highest rating from Morningstar. Efforts are continually taking place, in the evaluation process of managers for example, to ensure that conditions for favourable returns can be achieved.

A number of changes to own funds were made in 2012. New managers were appointed to the Growth Market Fund, North America Fund and fund-of-funds to achieve even better results for these funds in the long term. Länsförsäkringar Fondförvaltning works responsibly with investments in partnership with the GES Investment Services analyst firm on its own funds.

The aim of this partnership is to influence the companies that the funds invest in to encourage them to follow the international conventions and guidelines on such matters as the environment and human rights.

The volume of managed funds rose 5% to SEK 70 billion during the year and the market share strengthened to 3.8%. Funds are available as direct fund savings, Individual Pension Savings (IPS), Investment Savings Accounts (ISK), unit-linked insurance and PPM savings.

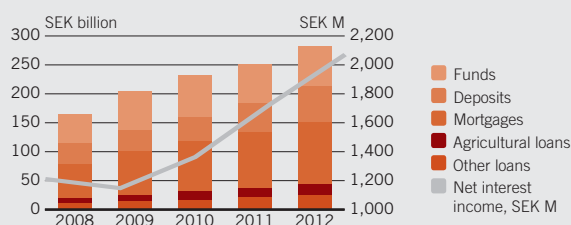
Equities and structured products

Trading in equities and other securities is growing steadily among customers and the number of deposits rose during the year. Customers are also offered structured products.

Household and retail mortgages

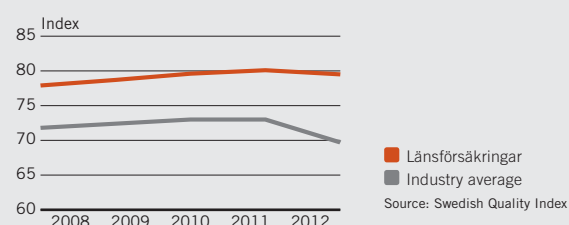
Retail mortgages accounted for 71% of lending. Mortgages up to 75% of the mar-

Business volumes and net interest income



Business volumes have grown on a broad front at an average of 12% over the past five years. Net interest income has grown at an average of 16% per year over the past five years and 20% in 2012.

Customer satisfaction retail bank customers



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

ket value on the granting date are deposited with Länsförsäkringar Hypotek and other mortgages are offered by Länsförsäkringar Bank. The credit card for private individuals was one of the new products launched during the year. Loans to the public rose 12% to SEK 150 billion during the year and the market share strengthened to 4.9%.

Agricultural offering

Länsförsäkringar is the fourth largest company in agricultural loans in Sweden and the percentage of agricultural customers that have both banking and insurance with Länsförsäkringar was 98% at year-end. The offering to farmers is broad and the packaging was improved and a fixed-interest forestry account was launched during the year. The primary target group is family-owned agricultural operations that are offered first-lien mortgages for agricultural and forestry properties and the percentage of first-lien mortgages is continuously increasing. Agricultural loans increased 15% to SEK 19.3 billion and the share of first-lien mortgages for agricultural and forestry properties rose to 86%. Agricultural deposits amounted to SEK 5.3 billion at year-end.

Small business offering

The offering to small businesses is being continuously developed based on customer needs and volume growth is taking place at a sustained low risk level. Deposits from small businesses are higher than loans to small businesses and rose 55% to SEK 7.5 billion during the year. Business lending amounted to SEK 1.6 billion at year-end.

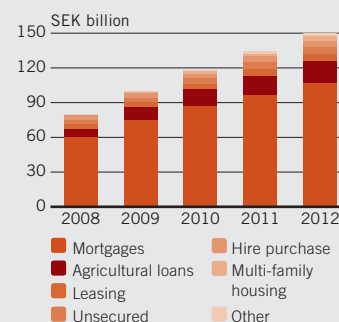
Offering to young people

A favourable offering to young people aged 12 to 17 was launched in 2012. The offering is free of charge and includes a young person's account with a bank card, Internet and telephone banking and mobile services. Additional travel insurance cover is provided if travel is paid in advance using the bank card. More free services can be added once the account holder has turned 16, such as payment services and higher withdrawals limits.

Bank cards and payments

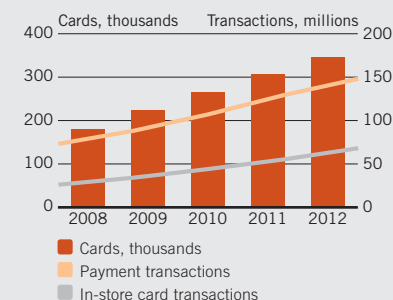
Bank cards are being continuously developed to ensure that customers can feel secure and receive a high level of service in their payment services. All bank cards were fully migrated from Mastercard to VISA during the year. Swish was launched at year-end to make it easier for retail customers to pay using their mobile telephones. The service allows for payments to be sent directly to the recipient's account number using the number of the payer's mobile telephone. The number of bank cards increased 13% to 346,000 and the number of Länsförsäkringar ATMs rose to 90. Income from payment mediation continued to increase in 2012 and bank card transactions accounted for the largest payment transaction volumes. The number of in-store bank card transactions rose 23% to 69 million and payment transactions increased a total of 15% to 149 million. The bank cards were also redesigned during the year.

Loans



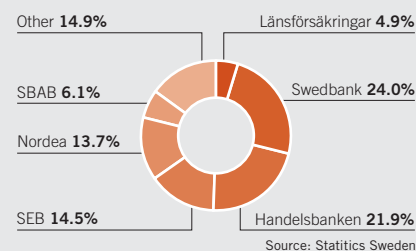
The increase in lending volume has been an average of 18% per year over the past five years. Loans primarily comprise mortgages for private individuals' homes and agricultural loans for small-scale family-owned agricultural operations.

Bank cards and payment transactions



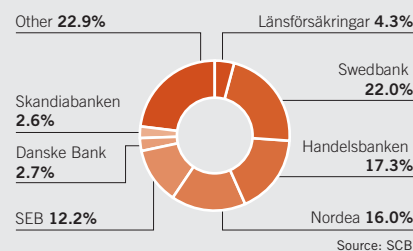
The number of bank cards and in-store transactions is steadily increasing.

Market share of household and retail mortgages



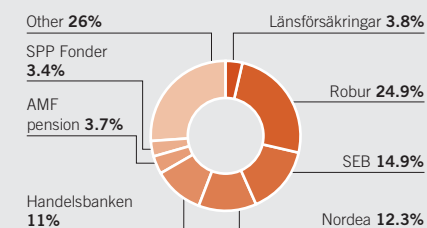
The market position in household and retail mortgages strengthened from 4.6 to 4.9% during the year.

Market share of deposits in retail market



The market position in deposits from households strengthened from 3.8 to 4.3% during the year.

Market share of mutual fund volumes



Länsförsäkringar is Sweden's fifth largest fund company with a market share of 3.8%.

CREDIT QUALITY

All loans are granted in Sweden and in SEK. The loan portfolio mainly comprises retail mortgages to households and agricultural loans to family-owned agricultural operations. The geographic spread throughout Sweden is highly favourable and commitments are relatively low.

Credit process

Loan origination is primarily directed towards retail mortgages for private individuals and small-scale family-owned agricultural operations with a low risk level. All loans are calculated on the basis of credit regulations determined by the bank's Board and the credit research system is largely automated. The regional insurance companies are knowledgeable about their customers and possess in-depth local market knowledge. In the business model between Länsförsäkringar Bank and the regional insurance companies, there is a strong incentive to maintain excellent credit quality. The banking operations impose strict requirements in terms of customer selection, customers' repayment capacity and the quality of collateral. In connection with credit scoring, the repayment capacity of borrowers and households is stress tested and the quality of the loan portfolio and borrowers' repayment capacity are continuously monitored and reviewed. The decision-support model, combined with the expertise of the

regional insurance companies, provides favourable conditions for balanced and consistent loan origination and a loan portfolio that maintains high credit quality.

Mainly mortgage lending for private housing

The loan portfolio exclusively comprises loans in Sweden, with 71% of lending for private housing in the form of single-family homes and tenant-owned apartments. First-lien mortgages with loan-to-value ratios of up to 75% of the market value account for 91% of retail mortgages. A total of 80% of the collateral for retail mortgages comprises single-family homes and 20% tenant-owned apartments. The average loan for each borrower is SEK 1 million and only 8% of borrowers have a commitment of more than SEK 3 million. Retail mortgages in Länsförsäkringar Hypotek increased to SEK 101 billion, up 14%, of which SEK 4.1 billion was attributable to multi-family homes with the majority for loans to tenant-owners' associations. Market-value analyses of the mortgage portfolio are continuously performed and market values are updated at least once per year for all single-family homes, tenant-owned apartments and vacation homes in the Bank Group.

First-lien mortgages to agricultural operations

Loans to the agricultural segment account for 13% of the loan portfolio. Some 86% of loans to the agricultural segment are first-lien mortgages to mainly family-owned agricultural operations, while other loans pertain to sec-

ond-lien mortgages and operating credits. Family-owned agricultural operations account for 95% of agricultural loans. The average commitment is low and the geographic spread throughout Sweden is favourable.

Leasing, hire purchase and unsecured loans

Wasa Kredit's loans, which amount to 9% of the loan portfolio, comprise 47% leasing, 39% hire purchase and 14% unsecured loans to Swedish households and businesses. These lending products entail a slightly higher risk and higher earnings.

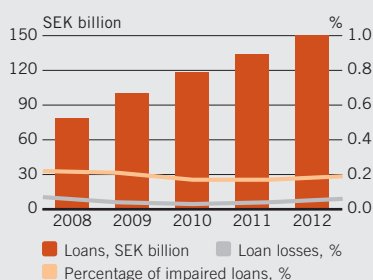
Business lending

Business lending amounted to SEK 1.6 billion at year-end, pertaining to SEK 0.7 billion to industrial and office properties and SEK 0.9 billion to operating credits to small businesses. The small business offering is continuously developed and lending growth is based on maintaining a low risk tolerance.

Impaired loans and reserves

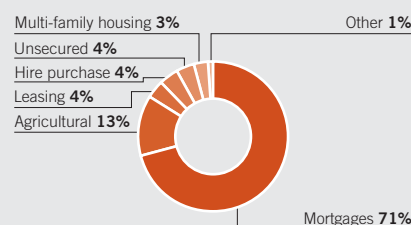
Impaired loans and loan losses are at very low levels, demonstrating that credit quality remains high. Impaired loans amounted to SEK 298 million, corresponding to a percentage of impaired loans in relation to loans of 0.19% at year-end. Reserves amounted to SEK 325 million and the reserve ratio in relation to loans amounted to 0.21%. Loan losses remained low and amounted to SEK 91 million, of which SEK 67 million pertains to Wasa Kredit. The loan loss level is low and amounted to 0.06%.

Loans, impaired loans and loan losses



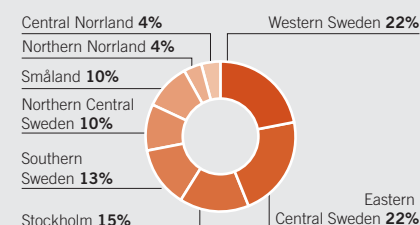
Total loans rose 12% to SEK 150 billion and the loan loss remained low at 0.06%.

Product distribution loans



The loan portfolio primarily comprises retail mortgages and agricultural loans.

Geographic distribution, mortgages



All loans are granted in Sweden and in SEK. Retail mortgages are well distributed throughout Sweden.

FUNDING AND LIQUIDITY

The Group is mainly financed with customer deposits and funding through Länsförsäkringar Hypotek's covered bonds.

Objectives

The aim of the funding operations is to ensure that the Group has a sufficiently strong liquidity position to manage turbulent periods in capital markets, when access to funding is limited or even impossible. The bank's liquidity risk is controlled and limited on the basis of a survival horizon, meaning how long all known cash flows can be met without access to capital-market financing.

Financing sources

The Bank is a retail bank with a major retail mortgage lending operation and is thus mainly financed with customer deposits and funding through covered bonds, which have the highest credit rating from Moody's (Aaa/stable) and Standard & Poor's (AAA/stable). Long-term senior funding and short-term commercial paper funding takes place in Länsförsäkringar Bank. The bank maintains a sound balance of covered and senior funding and all capital market funding is conducted under a number of funding programmes. The single most important source of financing is the Swedish covered bond market, where Länsförsäkringar Hypotek has a number of outstanding

liquid benchmark bonds. At year-end, Länsförsäkringar Hypotek had six outstanding benchmark loans with maturity periods of 2013–2018. The Swedish market is one of Europe's largest and most liquid, which secures excellent access to long-term financing.

Diversification

Since all assets in the balance sheet are in SEK, the Group has no structural need for financing in foreign currency. However, the bank has chosen to conduct a certain portion of its capital market funding in international markets in an effort to diversify and broaden the investor base. In recent years, funding has also taken place through issuance of Euro Benchmark Covered Bonds, which has increased funding diversification and strengthened the brand in both the Swedish and European markets. In addition, the long-term funding is supplemented with covered bonds in primarily NOK and CHF.

Market activities and derivative management

The bank works pro actively with its outstanding liabilities by repurchasing bonds with short remaining terms against issuance of long-term debt as a means of managing and minimising the liquidity and refinancing risk. The market risks that arise in the lending and funding operations are managed through derivative instruments. Using derivatives increases the flexibility of funding activities, entailing that the financing can be based on market conditions without

exposing the operation to interest-rate and currency risks.

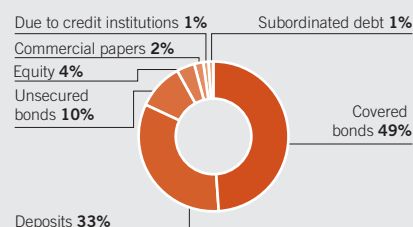
Deposits

The share of deposits in the Group's total financing continued to increase during the year, amounting to 33% on December 31, 2012. The Group's position in the deposits market was strengthened, primarily a result of the bank's robust growth in volume and customers. This trend demonstrates that deposits increased more as a percentage than loans during the year, which can also be seen in the key figures for loans/deposits.

Market trend

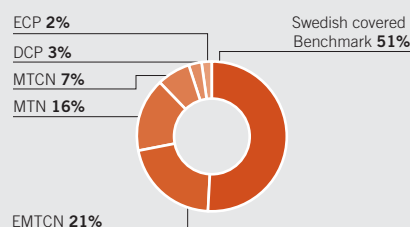
The European debt crisis continued to dominate the financial markets during the year and contributed to low key interest rates throughout the entire Western world. Growth expectations for global and Swedish economies were adjusted downwards, while investors' risk willingness was influenced by bailout packages from the ECB, the FED and other central banks. The financial turmoil and considerably more stable Swedish economy, in relative terms, contributed to a major demand for investment in Swedish bonds, which had a positive effect on funding costs for Swedish banks. The credit spreads for both covered and unsecured bonds gradually became narrower during the year. The Swedish covered bond market was highly successful. The market for senior unsecured bonds was stronger than in the past two years with favourable issue volumes in Sweden but primarily in the international market.

Financing sources



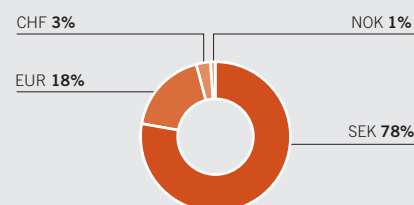
The largest source of financing in the Group is covered bonds, representing 49%. Deposits are steadily increasing and accounted for 33% of the Group's financing.

Funding by programme



Programme funding primarily takes place with Swedish benchmark bonds, representing 51%. International funding with covered bonds accounts for 21%.

Funding by currency



Programme funding primarily takes place in the Swedish market and in SEK.

Funding operations during the year

The banking operations had favourable access to funding throughout the entire year. Funding increased 13% to SEK 114 billion. Covered bonds were issued at a volume corresponding to a nominal amount of SEK 28.5 billion and issuances CHF and NOK were also implemented. The average remaining term of the covered bonds was 2.3 years on December 31, 2012. During the year, Länsförsäkringar Bank issued unsecured bonds for a nominal amount of SEK 11.4 billion. On December 31, 2012, the average remaining term for the Group's long-term programme funding was 2.1 years. In 2012, Länsförsäkringar Hypotek issued three new secured domestic benchmark loans. The outstanding volume of commercial paper programmes was stable and at year-end, the outstanding volume of the Swedish commercial paper programme amounted to a nominal amount of SEK 10.1 billion and to a corresponding nominal amount of SEK 1.9 billion in the international Euro-commercial paper programme (ECP).

Liquidity

Successful management of liquidity and financing is characterised by effective long-term planning and a high level of control. A satisfactory liquidity reserve is in place to ensure that sufficient liquidity is always available. The management and investment of reserves complies with the established limits set out in the Financial Policy. The liquidity reserve totalled a nominal amount of SEK 37.5 billion at December 31, 2012. The liquidity reserve is invested in securities with high credit quality. A total of 77% of the liquidity reserve comprises Swedish covered bonds, 18% Swedish government bonds, 4% other Swedish bonds and 1% German government securities. The liquidity of the investments is high and all securities included in the liquidity reserve are eligible for transactions with the Riksbank and, where appropriate, with the ECB. 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 average Liquidity Coverage Ratio (LCR) amounted to an average of 248% during the fourth quarter of 2012.



Rating

Länsförsäkringar Bank's long-term credit rating is A/stable from Standard & Poor's and A2/negative from Moody's. The short-term credit ratings are A-1 from Standard & Poor's and P-1 from Moody's.

Länsförsäkringar Hypotek's covered bonds have an unchanged highest rating of Aaa/stable from Moody's and AAA/stable from Standard & Poor's. Länsförsäkringar Hypotek is thus one of four issuers in the Swedish market for covered bonds with the highest rating from Standard & Poor's and Moody's.

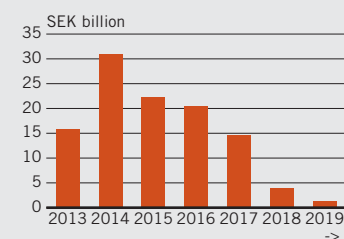
Capital adequacy

The 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 is used for other exposures. On December 31, 2012, 88% of the loan portfolio comprised retail credits in accordance with the Advanced IRB Approach. The Core Tier 1 ratio according to Basel II strengthened to 13.1% (11.5). The capital base strengthened to SEK 7,546 M (6,686) and the capital adequacy ratio according to Basel II was 15.6% (14.0). Tier 1 capital amounted to SEK 6,612 M (5,747) net, and the Tier 1 ratio according to Basel II strengthened to 13.7% (12.1).

Risks and risk control

The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks, liquidity risks and market risks. The macroeconomic situation in Sweden is critical for credit risks since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks, which are restricted through narrow limits. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly satisfactory during the year.

Programme funding by maturity



The average remaining term was 2.1 years on December 31, 2012. All volumes are at nominal value.

COMMENTS ON THE FINANCIAL RESULTS, BANK



Earnings and profitability

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

Income

Operating income increased a total of 24%, or SEK 362 M, to SEK 1,882 M (1,520), as a result of improved net interest income. Net interest income increased 20% or SEK 343 M to SEK 2,071 M (1,728) attributable to higher lending and deposit volumes and improved lending margins. The investment margin strengthened to 1.11% (1.07).

Net interest income was charged with SEK 65 M (56) for fees to the stability fund. Commission income increased 4% to SEK 984 M (948), primarily attributable to higher income from bank cards. Commission expense amounted to SEK 1,369 M (1,364). Net gains from financial items declined to SEK 5 M (10).

Expenses

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

Loan losses

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 an unchanged provision ratio of 0.21%. Impaired loans amounted to SEK 298 M (233) and the percentage of impaired loans was 0.19% (0.17).

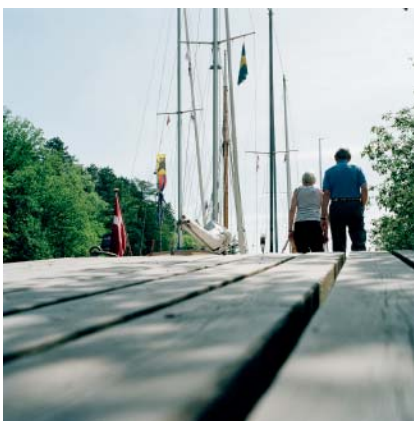
INCOME STATEMENT

SEK M	2012	2011
Net interest income	2,071	1,728
Net commission expense	-385	-416
Other operating income	196	208
Total operating income	1,882	1,520
Staff costs	-396	-351
Other administration expenses	-737	-652
Depreciation/amortisation and impairment of property and equipment/intangible assets	-102	-83
Total operating expenses	-1,235	-1,086
Profit before loan losses	647	434
Loan losses, net	-91	-48
Operating profit	556	385
Tax	-123	-88
NET PROFIT FOR THE YEAR	433	298

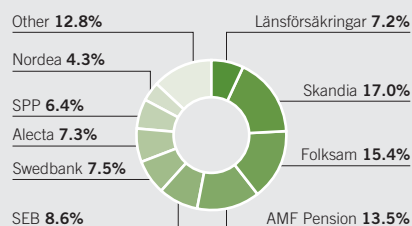
BALANCE SHEET

SEK M	Dec 31, 2012	Dec 31, 2011
ASSETS		
Treasury bills and other eligible bills	5,222	8,341
Loans to credit institutions	2,853	1,706
Loans to the public	149,942	134,011
Bonds and other interest-bearing securities	32,685	20,628
Intangible assets	446	439
Property and equipment	9	10
Other assets	6,002	4,921
TOTAL ASSETS	197,159	170,056
EQUITY AND LIABILITIES		
Due to credit institutions	1,063	2,192
Deposits and funding from the public	62,396	49,610
Debt securities in issue	114,263	101,279
Subordinated liabilities	1,490	1,490
Other liabilities	10,775	9,153
Equity	7,172	6,332
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	197,159	170,056

LIFE ASSURANCE AND PENSION INSURANCE



Market share of new sales



Länsförsäkringar's total market share in life assurance, measured in new sales, was 7.2% (10.4).

Savers' best pension partner – for the entire process

Länsförsäkringar is focusing on life assurance and pension insurance in the occupational pension market and is carrying out an extensive campaign on a strong fund range. In traditional management, life assurance creates opportunities for better long-term returns.

Background

The very core of the pension systems has changed in the past 20 years. The responsibility for pension has successively been transferred from the state and the employer to the individual. The outcome of a future pension thus depends on how successful a person is at managing pension savings. More and more people perceive saving to be a complete task that is difficult to fully understand. Solutions based on promises about the amount of pension have, in many areas, instead been replaced by solutions that are based on saving a certain premium each year. Meanwhile, pension savings have become more impor-

tant than ever before since the gap between salary and national pension is gradually increasing. Pension savings are particularly important to small businesses that do not have collective agreement pensions that employees at workplaces with such agreements receive through their employment.

Länsförsäkringar is carrying out an extensive campaign in the occupational pension market. The basis of the focus is that there is a highly elevated need to improve pensions. Länsförsäkringar will assist customers by providing customised advisory services throughout the process, to achieve better savings.

Brokered business

More than 40% of Länsförsäkringar's total life-assurance business is brokered and an increasing number of companies are choosing to be represented by an insurance broker. Länsförsäkringar Mäklarservice enables Länsförsäkringar to reach customers who choose to be represented by insurance brokers. Brokered business accounts for SEK 6,624 M of the total sales value.

Market

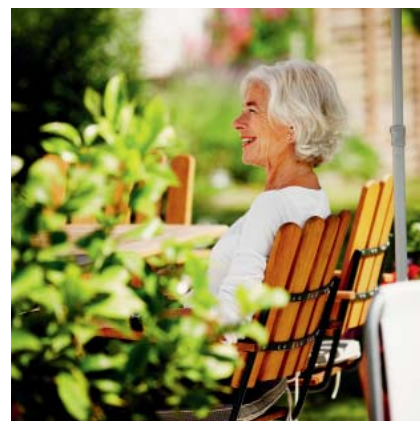
The pension market is continuing to grow, albeit at a lower rate of growth than previously. However, the collective-agreement pension market is growing rapidly. There is also a greater general need for private supplements alongside a national pension and an occupational pension.

Alongside the large-scale procurements of collective-agreement occupational pensions, business is also procured through independent insurance brokers. The driving forces behind this trend are the desire to tackle the competition from collective-agreement solutions and a competitive tool between brokers. Those succeeding in best pressurising the supplier manage to secure the customer relationship.

Procurement processes, via collective agreements and via brokers, are putting pressure on prices and conditions, which in turn is leading to lower declining per product. Income from a collective-agreement insurance policy in the ITP area, for



2012 IN BRIEF

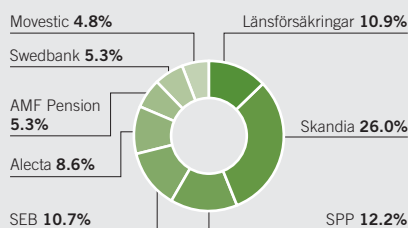


example, has fallen by two thirds after the most recent procurement round. Demands will also be in procurement processes for lower fees and greater clarity on the fees charged to savings, and how this affects savings trends.

Länsförsäkringar focuses on life-assurance and pension insurance in occupational pensions and offers a management form with a guarantee element and unit-linked insurance. Customers saving in traditional management up to October 2011 can continue to do so but this form of management is no longer sold. Länsförsäkringar's market share in occupational pensions is 10.9%, in collective agreement pensions 4.1% and in private pensions 10.4%.

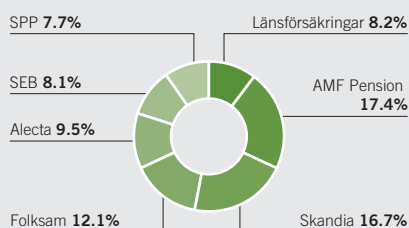
- » The extensive campaign in the occupational pension market and focus on enhancing the unit-linked insurance offering impacted earnings in 2012.
- » Insurance capital in unit-linked insurance increased 21% to SEK 62.8 billion.
- » Länsförsäkringar Fondliv retained its position as the third largest unit-linked insurance company in the Swedish market.
- » The total return for traditional life assurance amounted to 6.1% (6.5).
- » The solvency ratio in traditional life assurance strengthened to 113%, up 2 percentage points.
- » Collective consolidation in traditional life assurance improved due to positive investment income and amounted to 111% (109).

Occupational pension market, market share of new sales, excluding collective agreements



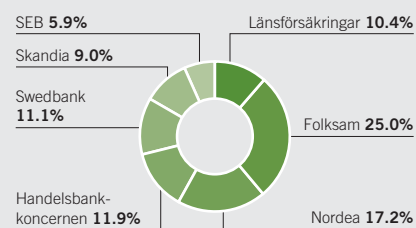
Länsförsäkringar is the third largest company in the occupational pension sub-market, excluding collective agreement pensions, after Skandia and SPP.

Occupational pension market, total market share of new sales



Länsförsäkringar is the total fifth largest company in the occupational pension market.

Private pension market, market share of new sales



Länsförsäkringar is Sweden's fifth largest life-assurance company in the private pension sub-market with a market share of 10.4% (14.1).



Major focus on unit-linked insurance yielded results

The extensive campaign on unit-linked insurance and in the occupational pension market yielded results during the year. Insurance capital rose during the year by SEK 10.7 billion to almost 63 billion.

Market

New sales in the life-assurance market declined significantly during the year. The reason was the Investment Savings Account (ISK) that was introduced at the start of the year as an alternative to endowment insurance, which affected many unit-linked insurance companies who were active in the capital-investment market.

Länsförsäkringar, which focuses on occupational pensions, was only marginally affected by the major shift from endowment insurance to ISK. The market share for unit-linked insurance, measured in sales value, rose to 11.5% (11.0) and the share of the sub-market of non-collectively agreed occupational pensions was 17.2% (18.7). A very large portion of new sales of Länsförsäkringar's life-assurance products comprises pension solutions to companies that do not have collective agreements, a market in which the need for individual advice is widespread. Based on customer needs, customers are offered a solution that comprises both pension savings and various insurance solutions to create financial security. Länsförsäkringar continued to have very high customer satisfaction in the occupational-pension sector for corporate customers, according to the Swedish Quality Index.

Business volumes

Insurance capital rose SEK 10.7 billion to SEK 62.8 billion. The main reason for the improvement is higher premium and capital flows from new customers and a positive value trend in insurance capital. Total premium income rose to SEK 8,714 M (6,518). The occupational pension product area accounted for 80% of premiums paid, collective agreement pensions represented 6% and endowment insurance 6%.

Sales in the sub-market of non-collectively agreed occupational pensions totalled SEK 7,252 M (7,448). Länsförsäkringar sells proprietary unit-linked insurance solutions through its in-house sales force (including franchisees) and insurance brokers. The proprietary sales channels performed positively compared with the year-earlier period and increased 18%.

Unit-linked insurance

Länsförsäkringar's fund offering comprises 30 funds under Länsförsäkringar's own brand and about 45 external funds. Funds under the own brand are found in Länsförsäkringar's own fund company and are administered by selected external managers. Savers are offered a broad and in-depth range together with the external funds that have been selected because of

their favourable performance compared with similar funds on the market. Unit-linked insurance is now Länsförsäkringar's first-choice option and, since new sales under traditional management were discontinued, the offering has been supplemented with funds with similar orientations and risk levels as traditional management. Three new funds were added in February that can be used as building blocks to create a corresponding management option. These funds are Standard Life GARS, Lynx Dynamic and Enter Return. The following funds were launched in April: GAM Star China, JP Morgan Brazil, JP Morgan US Small and Cap Growth Enter Sweden, and in November JP Morgan Africa was added. These five funds either fill the categories that Länsförsäkringar's fund range had been lacking or supplement the range to offer more choice in a category. The performance of the funds was generally favourable in 2012 and more than half of the funds rose more than 10%. Equity funds with investments in Sweden, Europe and in emerging markets had the best performance, whereas for fixed-income funds those focusing on credit and mortgage bonds performed the best.

Guarantee Management

Guarantee Management is Länsförsäkringar's option for customers seeking a guarantee element to their savings and wishing to know the lowest level of their future payments. The guarantee means that customers are guaranteed to recoup the payments made in the savings but with the possibility of additional returns, if customers save for at least ten years. The assets of Guarantee Management are divided between

equity and fixed-income investments, with the fixed-income element will always be at least 40% and the equities portion may be as low as zero. The Asset Management Unit at Länsförsäkringar AB manages this product. The return since the product was launched on February 15 to year-end was 2.5%. The fixed-income element during the year comprised Länsförsäkringar Bond Fund and Länsförsäkringar Money Market Fund, and returns benefited from the large holdings of these funds in mortgage bonds. In the equities portion, the holdings in Länsförsäkringar USA Index Fund made a stable positive contribution during the year. The portion invested in Länsförsäkringar Growth Market Fund generated a strong contribution to returns towards the end of the year.

Risks and risk management

Länsförsäkringar Fondliv conducts unit-linked and life-assurance activities and offers savings in unit-linked insurance and Guarantee Management. Unit-linked insurance involves customers choosing the investment orientations and risk level themselves, and thus they also assume the risk level associated with the investment themselves. One of Länsförsäkringar Fondliv's most important objectives is to ensure that the company offers funds that deliver as high returns as possible.

Guarantee Management means that the customer has a guaranteed portion in their savings and that the company is responsible for the investment orientation, with the aim of generating reasonable returns at a controlled level of risk. The company is also responsible for other risks in the operations and risk management is an integrated part of the business governance.



COMMENTS ON THE FINANCIAL RESULTS

Profit for Länsförsäkringar Fondliv totalled SEK 128 M (297). The decline in earnings compared with the preceding year was primarily due to higher operating expenses and a positive nonrecurring effect of the dissolution of previously reserved tax of SEK 118 M in 2011. The higher operating expenses were mainly attributable to nonrecurring expenses for developing the life-assurance and pension offering, but also increased expenses for regulatory adjustments. Most of Fondliv's premiums are recognised in the balance sheet. Premium income in the income statement amounted to SEK 20 M (20).

The portion of premiums that contain a material insurance risk are recognised as premium income. Fees for the financial component of agreements are recognised as fees from financial agreements. The fees rose 9% compared with the preceding year to SEK 431 M (397) and management remuneration rose 11% compared with the preceding year to SEK 426 M (385). The increase was due to the higher fund values during the year as a result of increased premiums and positive returns. Operating expenses totalled SEK 731 M (602).

LÄNSFÖRSÄKRINGAR LIV, GROUP

INCOME STATEMENT

SEK M	2012	2011
Premium income after ceded reinsurance	19	18
Fees from financial agreements	431	397
Investment income, net	4,744	-6,148
Claims payments	-19	-10
Change in technical provisions	-4,542	6,383
Operating expenses	-731	-602
Other technical revenue and expenses	431	381
Technical result, non-life insurance operations	337	419
Non-technical expenses	-4	-8
Profit before tax	333	411
Tax	-205	-114
PROFIT FOR THE PERIOD	128	297

BALANCE SHEET

SEK M	Dec 31, 2012	Dec 31, 2011
ASSETS		
Fixed assets	22	-
Other financial investment assets	598	52
Investment assets for which the policyholder bears the investment risk	62,384	52,165
Reinsurers' portion of technical provisions	4	4
Receivables	1,462	833
Other assets	17	107
Prepaid expenses and accrued income	1,019	929
TOTAL ASSETS	65,505	54,090

EQUITY, PROVISIONS AND LIABILITIES

Equity	1,835	1,420
Technical provisions	58	57
Technical provisions, Guarantee Management	369	-
Technical provisions, conditional bonus	190	-
Unit-linked insurance commitments for which the policyholder bears the risk	62,390	52,168
Provision for taxes	0	29
Deposits from reinsurers	4	4
Liabilities	646	410
Accrued expenses and deferred income	15	2
TOTAL EQUITY, PROVISIONS AND LIABILITIES	65,505	54,090



Conditions created for better long-term returns

In 2012, Länsförsäkringar Liv implemented the risk-reduction measures that were initiated in the preceding year. The foundation is now being laid to create the conditions for better long-term returns.

Financial situation

The turmoil in the financial markets continued in 2012 and the debt crisis in Europe was a centre of focus. The market interest rate that had an adverse effect on earnings in 2011 fell slightly in 2012, although the impact on earnings was relatively minor. The trend in long-term market interest rates impacts the earnings of the life-assurance companies by discounting the liabilities to the policyholders by the market interest rate. Accordingly, falling interest rates mean that liabilities increase. In 2012, declining rates could be matched against positive investment income in Länsförsäkringar Liv. This was a deliberate strategy with the investment portfolio being matched at an early stage with liabilities in order to reduce risk when interest rates fell. This strategy has proven to be successful and generated the results expected based on the prevailing interest rates in 2012.

Key figures for traditional life assurance

The solvency ratio shows the value of the company's total assets in relation to the guaranteed commitments to customers. Since solvency is one of the company's most important financial restrictions, at lower levels the solvency ratio becomes a measure of the long-term repayment capacity. The measure reflects a situation

if the entire guaranteed capital were to be paid on a single day. In 2012, Länsförsäkringar Liv worked actively on strengthening its solvency and reducing the risk of a decline in solvency. Länsförsäkringar Liv's current investment portfolio, of which 90% comprises interest-bearing investments, is deemed to contain too low a level of high-yield investments to generate a favourable return over time. Accordingly, the company will continue to prioritise strengthened key figures.

The solvency ratio amounted to 113% (111) on December 31, 2012. The capital base, the solvency surplus, amounted to SEK 14 billion on December 31, 2012, an increase of 27% for the year. Meanwhile, the capital requirement totalled SEK 4.5 billion, giving a solvency rate of 3.1 (2.4). The strengthening of the capital base was due to the company's positive earnings in 2012 that were reduced by the surplus paid.

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

Traditional management

Investments are normally made in interest-bearing securities, equities, properties and alternative investments. In 2012, work on safeguarding savers' money continued.

Länsförsäkringar Liv continued its work on reducing risks in the investment portfolio.

The percentage of equities, properties and alternative investments were gradually reduced in favour of long-term interest-bearing investments with longer durations. On December 31, 2012, asset allocation in the portfolio was as follows: 2% invested in equities, 92% in interest-bearing securities, 2% in property and 4% in alternative investments. The return for the different asset classes in 2012 was as follows: equities 1.4% (neg: 7.6), interest-bearing securities 6.2% (11.2), properties 5.1% (5.7) and alternative investments 14.2% (0.5).

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 8.3%. The bonus rate was at 0% for all of 2012 as a precautionary strategy aimed at securing collective consolidation and future bonuses. Collective consolidation in 2012 improved due to favourable investment income. Investment income amounted to 6.1% on December 31, 2012.

New World management

Under the New World management form, savers' money is managed by investing in

equities and interest-bearing assets. Normally 70% of capital is invested in equities and the remainder in interest-bearing assets. Under New World, savers have the guarantee of recouping the deposited money, less deductions for fees and taxes, after five years or in the event of death. The return for New World amounted to 12.2% (neg: 3.8) in 2012. The market value for New World amounted to SEK 13 billion. In 2012, underwriting new insurance policies managed under New World was discontinued.

Risks and risk management

One of the key objectives for Länsförsäkringar Liv is to ensure that the company can meet its guaranteed commitments to customers by a satisfactory margin. Accordingly, 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.

During 2012, turmoil in financial markets remained widespread and interest-rates in Sweden were historically low. Since Länsförsäkringar Liv introduced measures as early as 2011 to adapt the company's risk level to the new global situation, the company's solvency ratio was stable throughout 2012 despite variations in the interest rate. In 2012, Länsförsäkringar Liv completed the risk-reduction measures that were introduced during 2011 and risks in the investment portfolio were further reduced through longer durations in fixed-income investments and lower exposure to properties and equities.



COMMENTS ON THE FINANCIAL RESULTS

Profit for Länsförsäkringar Liv amounted to SEK 4,872 M (loss: 13,063). The positive result was due to positive investment income and reduced technical provisions. The total premium income in Länsförsäkringar Liv (Group) amounted to SEK 4,319 M (6,514), down 34%. The decline was due to essentially all new sales of insurance policies in Länsförsäkringar Liv having been discontinued. However, premiums continue to be paid for valid insurance policies, but no new policies were added. New sales of insurance in risk operations were made in 2012. Claims payments paid amounted to SEK 7,491 M (5,432).

Net investment income amounted to SEK 7,659 M (4,530) and was positively impacted by a high percentage of fixed-income investments with long maturities. Interest-bearing investments in the form of corporate loans and mortgage bonds yielded healthy returns throughout the year and contributed to the total return. The return on alternative investments also made a contribution, despite comprising a low percentage of the portfolio. Investment assets according to the balance sheet rose to SEK 126,528 M (117,923) during the year, whereby investment assets in traditional management mainly comprised long-term interest-bearing assets.

LÄNSFÖRSÄKRINGAR LIV, GROUP

Key figures, SEK M	2012	2011
Premium income in accordance with Insurance Sweden's definition R12.	4,319	13,048
Total assets	135,036	129,003

INCOME STATEMENT SEK M

	2012	2011
Premium income after ceded reinsurance	4,319	6,514
Investment income, net	7,659	4,530
Claims payments	-7,491	-5,432
Other technical revenue and expenses	-	322
Change in technical provisions	1,372	-16,698
Operating expenses	-412	-1,462
Technical result for insurance operations	5,447	-12,226
Non-technical expenses	-460	-731
Profit/loss before tax	4,987	-12,957
Tax	-115	-106
PROFIT/LOSS FOR THE PERIOD	4,872	-13,063

BALANCE SHEET SEK M

	Dec 31, 2012	Dec 31, 2011
ASSETS		
Intangible assets	-	12
Investment assets	121,964	113,920
Investment assets for which the policyholder bears the investment risk	4,564	4,003
Reinsurers' portion of technical provisions	609	597
Receivables	2,370	1,495
Other assets	3,997	7,286
Prepaid expenses and accrued income	1,578	1,691
TOTAL ASSETS	135,083	129,003
EQUITY, PROVISIONS AND LIABILITIES		
Share capital	8	8
Funds and net profit for the period	13,824	10,843
Technical provisions	104,942	106,913
Provisions for life assurance for which the policyholder bears the investment risk	4,564	4,003
Provisions for other risks and expenses	176	178
Deposits from reinsurers	609	597
Liabilities	10,542	5,745
Accrued expenses and deferred income	418	716
TOTAL EQUITY, PROVISIONS AND LIABILITIES	135,083	129,003

Risk control – the target for modern management model

Management model focusing on risk

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 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 high level of market-risk control applies to the entire balance sheet. Safeguarding current key figures

must be continuously balanced against the possibility of taking risk in management. In the short term, this has impacted opportunities for Länsförsäkringar Liv to invest in assets that are not tradeable in the short term, known as alternative investments.

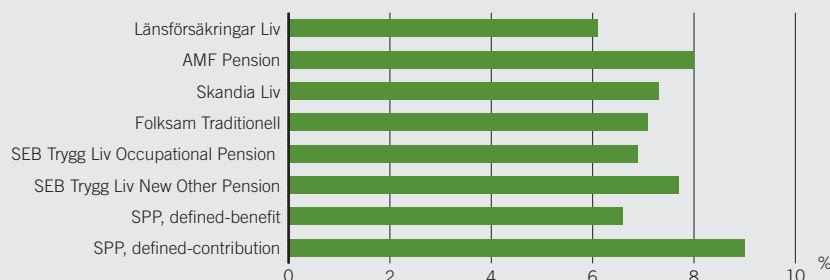
During the year, the investment operations had to adjust the risk level to the terms dictated by the balance sheet. This involved the sale of unlisted equities and properties. Sales mainly took place at recognised market values and did not impact returns.

INVESTMENT ASSETS IN TRADITIONAL MANAGEMENT

	Market value Jan 1, 2012, SEK M	Percentage of portfolio, %	Market value Dec 31, 2012, SEK M	Percentage of portfolio, %	Total return, %
Interest-bearing	87,681	80,7	101,761	92.9	6.2
Equities	10,468	9,6	1,829	1.7	1.4
Alternative investments	4,004	3,7	3,884	3.5	14.2
Property	6,496	6,0	2,016	1.8	5.1
Total	108,649	100	109,490	100	6.1

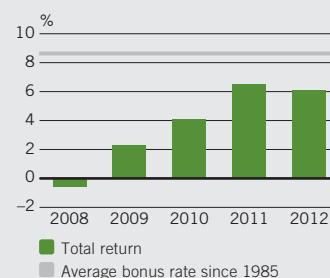
¹⁾ Contribution to total return.

Total return on investment assets



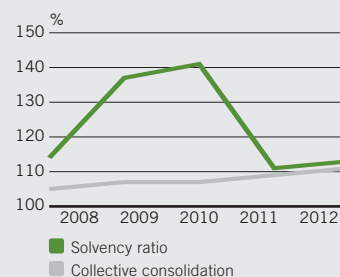
Länsförsäkringar Liv had a total return of 6.1% for 2012 with a high percentage of interest-bearing investments with long terms and a low percentage of equities.

Total return and bonuses



The total return in traditional management varies over the years. A high average return allows for a high bonus rate. The average bonus rate has been 8.3% since 1985.

Solvency ratio and collective consolidation in traditional life assurance



The solvency ratio is affected by falls in market interest rates. However, collective consolidation is not impacted by interest-rate changes. Maintaining collective consolidation requires a balance between investment income and the bonus rate.





REAL-ESTATE BROKERAGE



Comprehensive real-estate brokerage gaining ground

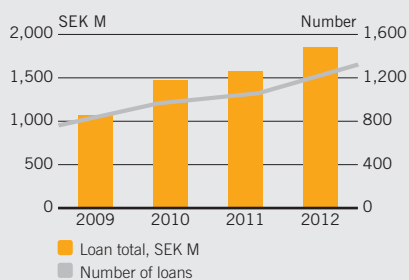
Through the regional insurance companies, Länsförsäkringar Fastighetsförmedling offers a total solution for reliable mortgage transactions: real-estate brokerage, banking and insurance services all in one company. Real-estate brokerage is also a key customer meeting for sales of mortgages and insurance.

Länsförsäkringar Fastighetsförmedling has 150 branches throughout Sweden, of which seven were opened in 2012. Strong growth has advanced Länsförsäkringar Fastighetsförmedling to the position of third largest brokerage in Sweden with a market share of 8.7%. The real-estate brokerage is an integrated part of the local regional insurance companies' full-service offering. The aim is to always contribute more than just the brokerage and sale of residential properties. The operations are conducted in franchise form, whereby the regional insurance company acts as the franchiser for the local

branch. This also means that Länsförsäkringar Fastighetsförmedling differs from national estate-agent chains by always being locally based. A total of 4,960 single-family homes, 7,490 tenant-owned apartments and 784 vacation homes were sold in the period December 2011–December 2012. The value of the sales amounted to SEK 20.2 billion. During the period, sales of single-family homes and vacation homes resulted in SEK 1.9 billion in first-lien mortgages in Länsförsäkringar's mortgage institution, distributed between 1,323 transactions.



Single-family homes and vacation homes sold with loans deposited with Länsförsäkringar Hypotek



Sales of single-family homes and vacation homes resulted in SEK 1.9 billion in first-lien mortgages in Länsförsäkringar Hypotek.

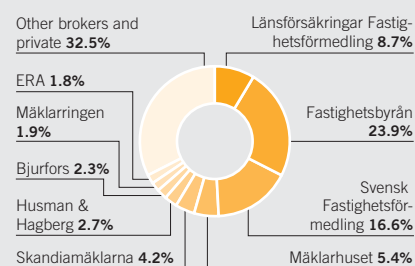
Residential properties sold¹⁾, Länsförsäkringar Fastighetsförmedling



The rate of growth in the past year was about 2,200 units sold, to 13,200 units sold, up 20%.

¹⁾ Single-family homes, vacation homes and tenant-owned apartments.

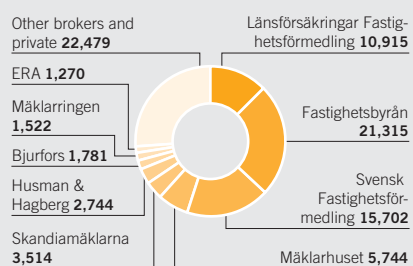
Market shares 2012



Länsförsäkringar Fastighetsförmedling is the third largest brokerage group in Sweden, measured in number of single-family homes and vacation homes sold. Tenant-owned apartments are not included in industry statistics.

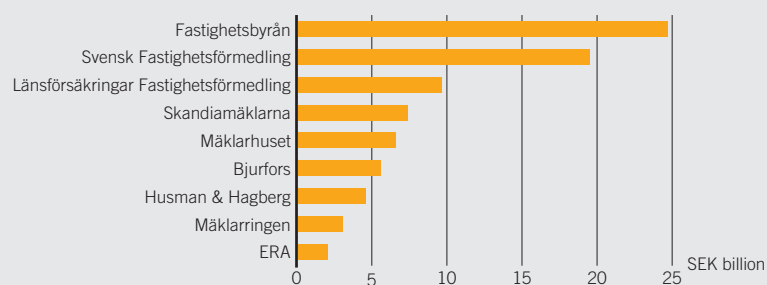


Number of single-family homes and vacation homes sold 2012



The diagram shows the number of single-family homes and leisure homes that each brokerage has sold according to statistics from the registration authority, meaning land registration certificates.

Value of sales of single-family homes and vacation homes 2012



The sales value of single-family homes and leisure homes for Länsförsäkringar Fastighetsförmedling amounted to SEK 9.7 billion. Tenant-owned apartments are not included in the diagram and, including them, the total value of sales was SEK 20 billion.

LÄNS-
FÖRSÄKRINGAR
ALLIANCE
IN FIGURES





The combined earnings of the Länsförsäkringar Alliance's non-life insurance operations are presented first on the following pages. This will be followed by key figures from each of the 23 regional insurance companies.

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Länsförsäkringar Göinge-Kristianstad	53
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Länsförsäkringar Alliance 2012

	Norrbotten	Västerbotten	Jämtland	Västernorrland	Gävleborg	Dalarna	Värmland	Uppsala	Bergslagen	Stockholm	Södermanland
NON-LIFE INSURANCE, SEK M											
Result after ceded reinsurance 2012											
Premiums earned	284	558	378	380	420	994	437	618	844	1,580	455
Investment income transferred from financial operations	22	31	10	19	12	30	13	24	16	61	13
Claims payments	-220	-414	-294	-293	-298	-772	-325	-446	-624	-1,217	-359
Operating expenses	-64	-101	-80	-81	-96	-152	-82	-132	-159	-384	-93
Other income/expenses	-	-9	-	-	-	-	3	-	-	-	-
Technical result from non-life insurance operations before bonuses and discounts	21	65	14	25	38	100	46	63	77	39	16
Bonuses and discounts	-	-41	-	-	-	-137	-	-1	-77	-	-
Technical result, non-life insurance operations	21	24	14	25	38	-37	46	62	0	39	16
Total investment income	102	195	88	59	52	279	74	104	232	213	141
Investment income transferred to insurance operations	-22	-31	-10	-19	-12	-30	-16	-24	-16	-61	-13
Other income/expenses	-10	-12	-19	-20	-12	-11	-12	-11	-33	-92	-16
Operating profit	92	176	73	44	66	201	92	131	183	100	129
Balance sheet, Dec 31, 2012											
ASSETS											
Investment assets											
Shares in Länsförsäkringar AB	193	514	347	435	489	910	307	656	760	1,281	509
Other shares and participations	287	1,045	431	259	33	1,991	240	472	1,172	765	904
Bonds and other interest-bearing securities	360	816	348	429	711	1,377	362	841	510	1,670	534
Other investment assets	-2	175	99	21	5	133	228	23	577	1	10
Total investment assets	838	2,549	1,225	1,144	1,238	4,411	1,137	1,992	3,019	3,717	1,957
Reinsurers' portion of technical provisions	140	210	177	265	106	363	149	277	146	216	180
Receivables and other assets	110	234	178	162	204	391	162	288	309	572	153
Cash and bank balances	49	153	291	57	79	128	540	47	549	59	63
Prepaid expenses and accrued income	13	35	26	17	13	29	14	25	28	45	14
Total assets	1,150	3,181	1,897	1,645	1,639	5,321	2,002	2,628	4,051	4,609	2,367
EQUITY AND LIABILITIES											
Equity	373	1,158	869	564	363	2,480	864	987	1,810	358	1,060
Untaxed reserves	-	627	-	-	358	-	-	-	-	1,196	-
Technical provisions (before ceded reinsurance)	614	1,134	787	917	763	2,218	844	1,241	1,508	2,576	993
Other provisions and liabilities	116	183	189	147	143	509	226	307	616	298	295
Accrued expenses and deferred income	46	80	52	17	11	115	68	94	117	181	19
Total equity and liabilities	1,150	3,181	1,897	1,645	1,639	5,321	2,002	2,628	4,051	4,609	2,367
Solvency capital	448	1,866	1,015	626	771	2,866	1,024	1,190	2,186	1,716	1,261
Solvency margin	158	327	269	163	182	284	230	190	251	107	272

The Länsförsäkringar Alliance is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 23 independent regional insurance companies that jointly own Länsförsäkringar AB. The Länsförsäkringar Alliance's earnings from non-life insurance consist of the total of the earnings of the 23 regional insurance companies and of the jointly owned Länsförsäkringar AB Group, excluding the Life Assurance Group and the Bank Group. To achieve the correct total values for

Länsförsäkringar, the balance between the Länsförsäkringar AB Group and the regional insurance companies has been eliminated. The value and changes in the value of the Länsförsäkringar AB share, as well as subordinated loans and the Länsförsäkringar AB Group's liabilities to and receivables from the regional insurance companies have been eliminated.

Göteborg och Bohuslän	Skaraborg	Östergötland	Älvsborg	Gotland	Jönköping	Halland	Kronoberg	Kalmar	Blekinge	Göinge-Kristianstad	Skåne	The Länsförsäkringar AB Group excluding Bank & Fondliv	Länsförsäkringar Alliance Non-life insurance	Länsförsäkringar Alliance
1,151	543	1,084	892	168	787	527	373	599	251	394	1,625	4,022	19,363	19,363
22	14	16	38	7	12	25	9	22	9	8	54	169	657	657
-873	-409	-740	-651	-124	-578	-403	-267	-462	-175	-290	-1,391	-2,923	-14,549	-14,549
-259	-98	-229	-176	-34	-133	-98	-73	-94	-57	-79	-264	-1,014	-4,033	-4,033
1	-	-	-	-	-	-	-	-	-	-	-	7	2	2
42	50	132	103	16	88	51	42	66	28	33	23	261	1,439	1,439
-	-	-130	-22	-	-27	-	-1	-51	-	-	6	-	-481	-481
42	50	2	81	16	61	51	41	15	28	33	29	261	958	958
294	66	226	221	37	211	122	66	151	51	115	439	268	3,282	3,282
-22	-14	-16	-38	-7	-12	-25	-9	-22	-9	-8	-54	-204	-691	-691
-24	-16	-7	-36	6	-35	-41	-1	-18	-13	-14	-31	-57	-536	17
290	86	205	228	53	225	107	99	126	57	126	383	268	3,013	3,566
880	418	1,018	898	118	734	499	316	465	189	491	1,334	-	-	-
2,111	320	1,872	2,065	349	937	821	494	830	337	620	2,321	12,936	33,613	21,958
1,201	558	1,286	785	179	805	602	385	615	475	591	1,346	11,530	28,316	61,455
26	131	846	49	40	624	340	122	403	68	218	274	2,537	6,947	8,822
4,218	1,427	5,022	3,798	686	3,100	2,262	1,317	2,312	1,071	1,920	5,275	27,003	68,876	92,235
241	164	291	247	97	262	444	135	170	100	210	672	6,728	6,728	6,731
389	186	453	407	66	271	179	122	240	102	130	555	899	6,047	230,673
88	71	81	148	183	335	17	92	118	20	62	503	1,453	5,185	8,160
39	15	49	6	17	20	21	17	22	5	16	57	413	953	4,488
4,974	1,864	5,895	4,606	1,049	3,988	2,923	1,683	2,863	1,297	2,338	7,062	36,495	87,788	342,287
2,115	557	2,721	2,334	532	1,663	1,208	733	1,359	572	1,140	2,601	13,071	29,338	30,179
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,177	1,035	2,106	1,738	400	1,646	1,311	725	1,095	523	873	3,390	20,149	44,787	107,425
631	184	1,027	412	113	649	282	218	393	186	311	1,009	3,258	12,275	203,295
52	87	41	121	4	30	123	7	16	16	13	61	17	1,388	1,388
4,974	1,864	5,895	4,606	1,049	3,988	2,923	1,683	2,863	1,297	2,338	7,062	36,495	87,788	342,287
2,515	695	3,248	2,668	602	1,953	1,439	889	1,607	696	1,360	3,243	13,612	35,737	36,681
216	126	294	292	355	242	273	233	263	273	343	195	337	182	-

The 23 regional insurance companies and the Länsförsäkringar AB Group apply the approved international financial reporting standards (IFRS).

LÄNSFÖRSÄKRINGAR NORRBOTTEN



President Kjell Lindfors
Board Chairman Mats Fabricius

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	92	-128
Total assets, SEK M	1,150	1,053
Solvency margin, %	158	126
Number of employees	71	78
Bank		
Deposits, SEK M	632	499
Loans, SEK M	291	270
Retail mortgages, SEK M	1,279	1,114
Fund volumes managed, SEK M	57	43
Number of customers	7,900	7,300
Life assurance		
Premium income, SEK M	122	144
Total insurance capital, SEK M	1,954	1,932
Number of customers	19,300	19,900
Non-life insurance		
Premiums earned, SEK M	284	277
Technical result for insurance operations, SEK M	21	-23
Combined ratio after ceded reinsurance, %	100	118
Total return on asset management, %	14	-9
Number of customers	57,800	57,400

LÄNSFÖRSÄKRINGAR VÄSTERBOTTEN



President Göran Spetz
Board Chairman Conny Sandström

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	217	-115
Total assets, SEK M	3,181	2,956
Solvency margin, %	327	310
Number of employees	159	160
Bank		
Deposits, SEK M	2,606	2,055
Loans, SEK M	1,138	1,098
Retail mortgages, SEK M	3,326	2,845
Fund volumes managed, SEK M	388	216
Number of customers	23,800	21,500
Life assurance		
Premium income, SEK M	246	278
Total insurance capital, SEK M	3,833	3,758
Number of customers	34,700	36,100
Non-life insurance		
Premiums earned, SEK M	558	530
Technical result for insurance operations, SEK M	65	52
Bonuses and discounts, SEK M	-41	-38
Combined ratio after ceded reinsurance, %	100	97
Total return on asset management, %	8	-5
Number of customers	108,200	105,400

LÄNSFÖRSÄKRINGAR JÄMTLAND



President Pia Sandvik Wiklund
Board Chairman Tomas Eriksson

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	73	-73
Total assets, SEK M	1,897	1,807
Solvency margin, %	269	247
Number of employees	107	111
Bank		
Deposits, SEK M	1,241	998
Loans, SEK M	969	924
Retail mortgages, SEK M	1,974	1,805
Fund volumes managed, SEK M	81	62
Number of customers	13,500	12,500
Life assurance		
Premium income, SEK M	129	145
Total insurance capital, SEK M	2,014	1,975
Number of customers	19,900	20,300
Non-life insurance		
Premiums earned, SEK M	378	373
Technical result for insurance operations, SEK M	14	-14
Bonuses and discounts, SEK M	-	-30
Combined ratio after ceded reinsurance, %	99	107
Total return on asset management, %	6	-3
Number of customers	54,900	54,300

LÄNSFÖRSÄKRINGAR VÄSTERNORRLAND



President Leif Johanson
Board Chairman Stig Högberg

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	44	-39
Total assets, SEK M	1,645	1,590
Solvency margin, %	163	156
Number of employees	115	116
Bank		
Deposits, SEK M	1,163	923
Loans, SEK M	457	419
Retail mortgages, SEK M	1,511	1,292
Fund volumes managed, SEK M	161	158
Number of customers	21,400	21,100
Life assurance		
Premium income, SEK M	177	198
Total insurance capital, SEK M	3,346	3,301
Number of customers	27,500	28,300
Non-life insurance		
Premiums earned, SEK M	380	366
Technical result for insurance operations, SEK M	25	-14
Combined ratio after ceded reinsurance, %	98	110
Total return on asset management, %	5	1
Number of customers	70,100	69,800

LÄNSFÖRSÄKRINGAR GÄVLEBORG



President Tua Holgersson
Board Chairman Mats Åstrand

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	66	-30
Total assets, SEK M	1,639	1,556
Solvency margin, %	182	170
Number of employees	153	171
Bank		
Deposits, SEK M	1,626	1,379
Loans, SEK M	978	971
Retail mortgages, SEK M	3,626	3,310
Fund volumes managed, SEK M	144	92
Number of customers	20,600	19,100
Life assurance		
Premium income, SEK M	191	212
Total insurance capital, SEK M	3,153	3,091
Number of customers	32,300	33,200
Non-life insurance		
Premiums earned, SEK M	420	408
Technical result for insurance operations, SEK M	38	25
Combined ratio after ceded reinsurance, %	94	98
Total return on asset management, %	4	-3
Number of customers	82,800	82,900

DALARNAS FÖRSÄKRINGSBOLAG



President Anders Grånäs
Board Chairman Maria Engholm

Key figures	2012	2011
Operating profit before bonuses and discounts, SEK M	337	81
Total assets, SEK M	5,321	5,177
Solvency margin, %	284	271
Number of employees	260	255
Bank		
Deposits, SEK M	3,427	2,580
Loans, SEK M	1,424	1,369
Retail mortgages, SEK M	5,448	4,702
Fund volumes managed, SEK M	393	288
Number of customers	37,300	33,600
Life assurance		
Premium income, SEK M	390	429
Total insurance capital, SEK M	5,884	5,676
Number of customers	50,800	52,100
Non-life insurance		
Premiums earned, SEK M	994	975
Technical result for insurance operations, SEK M	100	149
Bonuses and discounts, SEK M	-137	-266
Combined ratio after ceded reinsurance, %	102	88
Total return on asset management, %	6	-1
Number of customers	142,700	141,600

LÄNSFÖRSÄKRINGAR VÄRMLAND



President Ulf W Eriksson
Board Chairman Patrik Sandin

Key figures	2012	2011
Operating profit before bonuses and discounts, SEK M	92	63
Total assets, SEK M	2,002	1,913
Solvency margin, %	230	218
Number of employees	102	104
Bank		
Deposits, SEK M	918	756
Loans, SEK M	501	473
Retail mortgages, SEK M	1,422	1,226
Fund volumes managed, SEK M	75	61
Number of customers	10,100	9,300
Life assurance		
Premium income, SEK M	157	168
Total insurance capital, SEK M	2,808	2,729
Number of customers	26,300	27,200
Non-life insurance		
Premiums earned, SEK M	437	415
Technical result for insurance operations, SEK M	46	63
Combined ratio after ceded reinsurance, %	93	90
Total return on asset management, %	5	2
Number of customers	83,900	82,700

LÄNSFÖRSÄKRINGAR UPPSALA



President Ann-Christin Norrström
Board Chairman Björn Sundell

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	132	-65
Total assets, SEK M	2,628	2,494
Solvency margin, %	190	176
Number of employees	193	190
Bank		
Deposits, SEK M	2,824	2,189
Loans, SEK M	1,500	1,379
Retail mortgages, SEK M	5,430	4,736
Fund volumes managed, SEK M	247	193
Number of customers	27,400	25,600
Life assurance		
Premium income, SEK M	388	419
Total insurance capital, SEK M	5,966	5,791
Number of customers	50,600	51,700
Non-life insurance		
Premiums earned, SEK M	618	582
Technical result for insurance operations, SEK M	63	-29
Bonuses and discounts, SEK M	-1	-1
Combined ratio after ceded reinsurance, %	94	110
Total return on asset management, %	6	0
Number of customers	111,800	110,100

LÄNSFÖRSÄKRINGAR BERGSLAGEN



President Mikael Sundquist
Board Chairman Bengt-Erik Lindgren

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	260	-89
Total assets, SEK M	4,051	3,697
Solvency margin, %	251	244
Number of employees	226	226
Bank		
Deposits, SEK M	3,792	2,793
Loans, SEK M	3,367	3,088
Retail mortgages, SEK M	6,862	5,745
Fund volumes managed, SEK M	275	182
Number of customers	38,500	33,200
Life assurance		
Premium income, SEK M	534	550
Total insurance capital, SEK M	7,522	7,248
Number of customers	61,500	62,500
Non-life insurance		
Premiums earned, SEK M	844	788
Technical result for insurance operations, SEK M	77	1
Bonuses and discounts, SEK M	-77	-
Combined ratio after ceded reinsurance, %	93	103
Total return on asset management, %	8	-2
Number of customers	166,900	162,400

LÄNSFÖRSÄKRINGAR STOCKHOLM



President Fredrik Bergström
Board Chairman Christer Villard

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	100	-195
Total assets, SEK M	4,609	4,502
Solvency margin, %	107	104
Number of employees	452	430
Bank		
Deposits, SEK M	6,497	5,466
Loans, SEK M	1,753	1,668
Retail mortgages, SEK M	15,277	13,302
Fund volumes managed, SEK M	654	556
Number of customers	79,800	76,400
Life assurance		
Premium income, SEK M	2,918	3,200
Total insurance capital, SEK M	44,797	42,824
Number of customers	232,300	237,100
Non-life insurance		
Premiums earned, SEK M	1,580	1,532
Technical result for insurance operations, SEK M	39	23
Combined ratio after ceded reinsurance, %	101	103
Total return on asset management, %	6	-1
Number of customers	322,800	318,700

LÄNSFÖRSÄKRINGAR SÖDERMANLAND



President Anna-Greta Lundh
Board Chairman Axel von Stockenström

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	129	-82
Total assets, SEK M	2,367	2,229
Solvency margin, %	272	257
Number of employees	127	121
Bank		
Deposits, SEK M	1,575	1,213
Loans, SEK M	674	604
Retail mortgages, SEK M	3,394	2,856
Fund volumes managed, SEK M	129	93
Number of customers	17,800	16,200
Life assurance		
Premium income, SEK M	207	247
Total insurance capital, SEK M	3,517	3,424
Number of customers	32,000	32,800
Non-life insurance		
Premiums earned, SEK M	455	436
Technical result for insurance operations, SEK M	16	-16
Bonuses and discounts, SEK M	-	-2
Combined ratio after ceded reinsurance, %	99	107
Total return on asset management, %	7	-2
Number of customers	86,800	85,700

LÄNSFÖRSÄKRINGAR GÖTEBORG OCH BOHUSLÄN



President Ingemar Larsson
Board Chairman Sune Nilsson

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	290	-189
Total assets, SEK M	4,974	4,634
Solvency margin, %	216	199
Number of employees	295	286
Bank		
Deposits, SEK M	3,532	2,815
Loans, SEK M	1,289	1,185
Retail mortgages, SEK M	6,616	5,945
Fund volumes managed, SEK M	299	228
Number of customers	42,500	39,200
Life assurance		
Premium income, SEK M	1,091	1,256
Total insurance capital, SEK M	15,705	15,211
Number of customers	94,800	96,200
Non-life insurance		
Premiums earned, SEK M	1,151	1,100
Technical result for insurance operations, SEK M	42	13
Combined ratio after ceded reinsurance, %	98	103
Total return on asset management, %	8	-3
Number of customers	209,900	205,000

LÄNSFÖRSÄKRINGAR SKARABORG



President Carl Henrik Ohlsson
Board Chairman Jonas Rosman

Key figures	2012	2011
Operating profit before bonuses and discounts, SEK M	86	2
Total assets, SEK M	1,864	1,728
Solvency margin, %	126	113
Number of employees	149	141
Bank		
Deposits, SEK M	2,515	2,031
Loans, SEK M	1,547	1,277
Retail mortgages, SEK M	2,977	2,619
Fund volumes managed, SEK M	256	210
Number of customers	29,900	28,100
Life assurance		
Premium income, SEK M	208	231
Total insurance capital, SEK M	4,069	4,027
Number of customers	34,300	35,100
Non-life insurance		
Premiums earned, SEK M	543	527
Technical result for insurance operations, SEK M	50	94
Combined ratio after ceded reinsurance, %	93	86
Total return on asset management, %	5	-6
Number of customers	95,600	93,800

LÄNSFÖRSÄKRINGAR ÖSTGÖTA



President Anders Östryd
Board Chairman Lars-Eric Åström

Key figures	2012	2011
Operating profit before bonuses and discounts, SEK M	335	131
Total assets, SEK M	5,895	5,540
Solvency margin, %	294	289
Number of employees	300	297
Bank		
Deposits, SEK M	5,275	4,461
Loans, SEK M	3,142	2,921
Retail mortgages, SEK M	6,720	5,522
Fund volumes managed, SEK M	383	270
Number of customers	48,800	45,700
Life assurance		
Premium income, SEK M	959	1,007
Total insurance capital, SEK M	9,363	8,644
Number of customers	70,900	72,900
Non-life insurance		
Premiums earned, SEK M	1,084	1,037
Technical result for insurance operations, SEK M	132	56
Bonuses and discounts, SEK M	-130	-
Combined ratio after ceded reinsurance, %	89	96
Total return on asset management, %	5	2
Number of customers	182,700	179,800

LÄNSFÖRSÄKRINGAR ÄLVSBOG



President Sten Lundqvist
Board Chairman Lars Hallkvist

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	250	-17
Total assets, SEK M	4,606	4,364
Solvency margin, %	292	280
Number of employees	282	305
Bank		
Deposits, SEK M	3,503	2,837
Loans, SEK M	1,711	1,464
Retail mortgages, SEK M	6,851	5,894
Fund volumes managed, SEK M	315	250
Number of customers	61,100	58,900
Life assurance		
Premium income, SEK M	409	469
Total insurance capital, SEK M	6,792	6,650
Number of customers	62,500	64,000
Non-life insurance		
Premiums earned, SEK M	892	849
Technical result for insurance operations, SEK M	103	96
Bonuses and discounts, SEK M	-22	-37
Combined ratio after ceded reinsurance, %	93	94
Total return on asset management, %	6	-1
Number of customers	162,900	161,000

LÄNSFÖRSÄKRINGAR GOTLAND



President Mariette Nicander
Board Chairman Gösta af Petersens

Key figures	2012	2011
Operating profit before bonuses and discounts, SEK M	53	1
Total assets, SEK M	1,049	991
Solvency margin, %	355	330
Number of employees	62	62
Bank		
Deposits, SEK M	1,076	859
Loans, SEK M	1,525	1,402
Retail mortgages, SEK M	2,210	1,907
Fund volumes managed, SEK M	76	50
Number of customers	11,400	10,300
Life assurance		
Premium income, SEK M	89	99
Total insurance capital, SEK M	960	894
Number of customers	11,800	11,800
Non-life insurance		
Premiums earned, SEK M	168	167
Technical result for insurance operations, SEK M	16	17
Combined ratio after ceded reinsurance, %	94	94
Total return on asset management, %	5	-2
Number of customers	29,100	28,900

LÄNSFÖRSÄKRINGAR JÖNKÖPING



President Örian Söderberg
Board Chairman Göran Lindell

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	253	-25
Total assets, SEK M	3,988	3,632
Solvency margin, %	242	222
Number of employees	190	191
Bank		
Deposits, SEK M	3,007	2,322
Loans, SEK M	1,554	1,374
Retail mortgages, SEK M	3,605	3,127
Fund volumes managed, SEK M	234	163
Number of customers	26,000	23,800
Life assurance		
Premium income, SEK M	362	410
Total insurance capital, SEK M	6,136	5,969
Number of customers	44,600	45,700
Non-life insurance		
Premiums earned, SEK M	787	760
Technical result for insurance operations, SEK M	88	80
Bonuses and discounts, SEK M	-27	-13
Combined ratio after ceded reinsurance, %	90	92
Total return on asset management, %	7	-2
Number of customers	122,500	121,200

LÄNSFÖRSÄKRINGAR HALLAND



President Christian Bille
Board Chairman Karin Starrin

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	107	-105
Total assets, SEK M	2,923	2,588
Solvency margin, %	273	254
Number of employees	146	143
Bank		
Deposits, SEK M	2,861	2,493
Loans, SEK M	3,268	3,195
Retail mortgages, SEK M	5,407	5,122
Fund volumes managed, SEK M	242	152
Number of customers	33,500	32,700
Life assurance		
Premium income, SEK M	291	309
Total insurance capital, SEK M	5,052	5,010
Number of customers	44,100	45,100
Non-life insurance		
Premiums earned, SEK M	527	497
Technical result for insurance operations, SEK M	51	-20
Bonuses and discounts, SEK M	-	-24
Combined ratio after ceded reinsurance, %	95	109
Total return on asset management, %	6	-3
Number of customers	94,600	93,400

LÄNSFÖRSÄKRING KRONOBERG



President Fredrik Daveby
Board Chairman Per-Åke Holgersson

Key figures	2012	2011
Operating profit before bonuses and discounts, SEK M	100	0
Total assets, SEK M	1,683	1,564
Solvency margin, %	233	227
Number of employees	88	86
Bank		
Deposits, SEK M	1,613	1,269
Loans, SEK M	906	826
Retail mortgages, SEK M	1,661	1,524
Fund volumes managed, SEK M	123	94
Number of customers	27,300	27,000
Life assurance		
Premium income, SEK M	177	206
Total insurance capital, SEK M	3,399	3,756
Number of customers	23,500	24,100
Non-life insurance		
Premiums earned, SEK M	373	337
Technical result for insurance operations, SEK M	42	8
Bonuses and discounts, SEK M	-1	-2
Combined ratio after ceded reinsurance, %	91	100
Total return on asset management, %	5	0
Number of customers	64,600	63,600

LÄNSFÖRSÄKRINGAR KALMAR LÄN



President Lars B Danielsson
Board Chairman Christer Olander

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	176	-68
Total assets, SEK M	2,863	2,673
Solvency margin, %	263	246
Number of employees	158	156
Bank		
Deposits, SEK M	2,031	1,576
Loans, SEK M	1,001	890
Retail mortgages, SEK M	2,159	1,719
Fund volumes managed, SEK M	192	113
Number of customers	17,100	15,500
Life assurance		
Premium income, SEK M	183	208
Total insurance capital, SEK M	3,792	3,756
Number of customers	30,900	31,800
Non-life insurance		
Premiums earned, SEK M	599	606
Technical result for insurance operations, SEK M	66	71
Bonuses and discounts, SEK M	-51	-48
Combined ratio after ceded reinsurance, %	99	98
Total return on asset management, %	7	-5
Number of customers	104,400	103,200

LÄNSFÖRSÄKRINGAR BLEKINGE



President Ingemar Åkeson
Board Chairman Anders Åkesson

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	57	-17
Total assets, SEK M	1,297	1,194
Solvency margin, %	273	260
Number of employees	73	77
Bank		
Deposits, SEK M	1,085	920
Loans, SEK M	846	769
Retail mortgages, SEK M	1,784	1,605
Fund volumes managed, SEK M	127	85
Number of customers	11,300	10,500
Life assurance		
Premium income, SEK M	153	186
Total insurance capital, SEK M	2,240	2,185
Number of customers	18,800	19,100
Non-life insurance		
Premiums earned, SEK M	251	241
Technical result for insurance operations, SEK M	28	7
Combined ratio after ceded reinsurance, %	92	101
Total return on asset management, %	5	-1
Number of customers	52,500	51,600

LÄNSFÖRSÄKRINGAR GÖINGE-KRISTIANSTAD



President Henrietta Hansson
Board Chairman Göran Trobro

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	126	-30
Total assets, SEK M	2,338	2,260
Solvency margin, %	343	318
Number of employees	111	110
Bank		
Deposits, SEK M	1,558	1,328
Loans, SEK M	1,366	1,063
Retail mortgages, SEK M	1,860	1,679
Fund volumes managed, SEK M	142	112
Number of customers	15,000	14,200
Life assurance		
Premium income, SEK M	171	193
Total insurance capital, SEK M	3,138	3,103
Number of customers	27,300	27,800
Non-life insurance		
Premiums earned, SEK M	394	386
Technical result for insurance operations, SEK M	33	1
Combined ratio after ceded reinsurance, %	94	98
Total return on asset management, %	6	-1
Number of customers	72,100	71,600

LÄNSFÖRSÄKRINGAR SKÅNE



President Susanne Petersson
Board Chairman Otto Ramel

Key figures	2012	2011
Operating profit/loss before bonuses and discounts, SEK M	377	-278
Total assets, SEK M	7,062	6,402
Solvency margin, %	195	180
Number of employees	438	420
Bank		
Deposits, SEK M	3,843	3,145
Loans, SEK M	3,330	2,836
Retail mortgages, SEK M	9,970	8,914
Fund volumes managed, SEK M	412	331
Number of customers	54,600	49,500
Life assurance		
Premium income, SEK M	1,118	1,162
Total insurance capital, SEK M	17,346	16,885
Number of customers	124,100	127,000
Non-life insurance		
Premiums earned, SEK M	1,625	1,563
Technical result for insurance operations, SEK M	23	57
Bonuses and discounts, SEK M	6	-
Combined ratio after ceded reinsurance, %	102	100
Total return on asset management, %	9	-4
Number of customers	327,500	319,000



A strong joint hub, creates local success

Länsförsäkringar AB and its subsidiaries are tasked by the regional insurance companies to conduct joint banking and insurance operations, pursue strategic development activities and provide service in areas that generate economies of scale and efficiency, to create possibilities for the regional insurance companies to be successful in their respective markets.

Länsförsäkringar AB is the hub of the Länsförsäkringar Alliance and is wholly owned by the 23 regional insurance companies, together with 14 local insurance companies. The regional insurance companies impose demands on capital use and a reasonable return on equity corresponding to 5% over risk-free interest. In 2012, the return on equity (ROE) amounted to 5%. In addition to the Parent Company, Länsförsäkringar AB, the Group encompasses Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv and its subsidiaries are not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders.

Together we create security

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

With almost 6,000 employees, the Länsförsäkringar Alliance works to provide exactly this type of financial security for 3.5 million customers. Länsförsäkringar exists to create a sense of security for our customers no matter what needs they have – 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.

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

Mission

The operations of the jointly owned company Länsförsäkringar AB are tasked with conducting profitable business activities in non-life insurance, life assurance and banking services, developing products, concepts, meeting places and tools, and providing business service to the regional insurance companies. This ensures that the regional insurance companies can offer

their customers the right range of products and enables private individuals, companies and agricultural customers in Sweden to live with a sense of security.

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

Cooperation in the Länsförsäkringar Alliance has gradually emerged. The local companies decided to cooperate together to achieve economies of scale and to concentrate on the most important issue: meetings with customers. Instead of developing these resources at local level, the regional insurance companies can share expenses in such areas as product and concept development, IT operations and management and brand communication. The 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 insurance 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.

Governance of risk-taking 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.

The Group prioritises developing its work on governance of risk-taking and capital use. The banking operations already have targets for risk-based capital strength in the form of a target for the Tier 1 ratio. In recent years the non-life insurance oper-

ations and entire Group have started applying targets more clearly for risk-based capital strength 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-taking and to improve the governance and planning of the Group's capital use.

Almost two thirds of the Länsförsäkringar Alliance's capital, excluding the capital in Länsförsäkringar Liv, which belongs to 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 other stakeholders have that approach. The regional insurance companies are extremely well consolidated and thus are highly able to contribute capital to the Group. This was demonstrated by Länsförsäkringar AB's acquisition of Länsförsäkringar Fondliv in 2011, which the regional insurance companies enabled by contributing SEK 3 billion to Länsförsäkringar AB.

At Länsförsäkringar AB's Extraordinary General Meeting in January 2013, the owners resolved to implement a new share issue of SEK 500 M. The reason for the new share issue is to strengthen the company's financial 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.

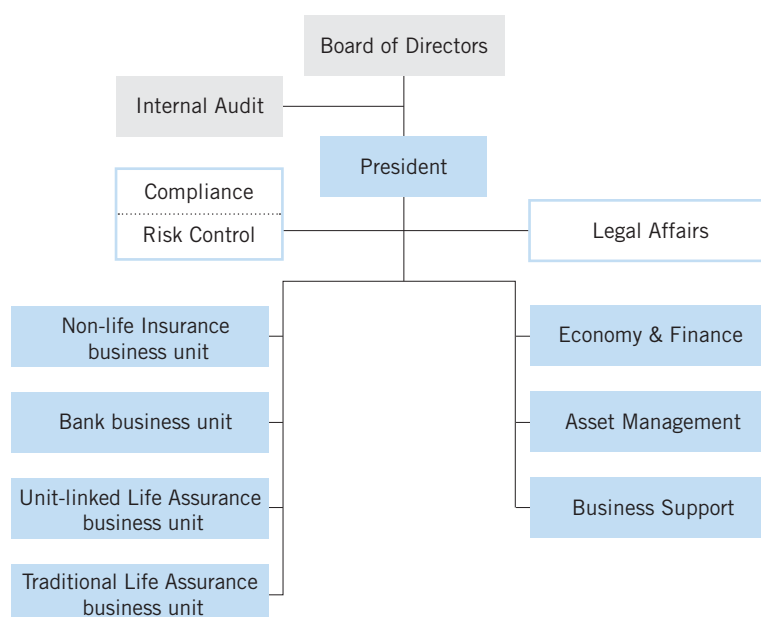


ORGANISATION AND FACTS

2012 IN BRIEF

- » Operating profit amounted to SEK 821 M (287).
- » Investment income was positive and amounted to SEK 59 M (neg: 37).
- » The technical result declined to SEK 306 M (159) due to the lower cost of capital and higher claims costs.
- » The combined ratio was 97% (101).

ORGANISATIONAL CHART – LÄNSFÖRSÄKRINGAR AB



SHAREHOLDERS IN LÄNSFÖRSÄKRINGAR AB

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	376,183	–	4.8
Länsförsäkringar Västerbotten	57,195	290,232	–	3.7
Länsförsäkringar Södermanland	58,117	285,932	–	3.7
Länsförsäkringar Halland	56,785	285,258	–	3.6
Länsförsäkringar Göinge-Kristianstad	49,982	286,011	–	3.6
Länsförsäkringar Gävleborg	60,058	270,352	–	3.5
Länsförsäkringar Kalmar län	56,717	261,469	–	3.4
Länsförsäkringar Västernorrland	50,186	244,134	–	3.1
Länsförsäkringar Skaraborg	64,058	222,213	–	3.0
Länsförsäkringar Jämtland	35,795	199,055	–	2.5
Länsförsäkring Kronoberg	36,701	179,725	–	2.3
Länsförsäkringar Värmland	31,160	179,433	–	2.2
Länsförsäkringar Norrbotten	16,960	113,586	–	1.4
Länsförsäkringar Blekinge	23,088	106,487	–	1.4
Länsförsäkringar Gotland	16,305	64,816	–	0.9
14 local insurance companies	–	–	4,439	0.05
Total number of shares	1,532,678	7,869,198	5,373	100

KEY FIGURES, LÄNSFÖRSÄKRINGAR AB GROUP¹⁾

	2012	2011
Profit before tax, SEK M	821	287
Solvency capital, SEK M	15,589	14,800
Total assets, SEK M	290,994	253,223
Return on equity, %	5	2

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

SHARE TREND OF THE LÄNSFÖRSÄKRINGAR AB SHARE

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

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.

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. 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, as an owner, is responsible for ensuring that well-functioning owner control is in place vis-à-vis Länsförsäkringar AB. The Boards of Directors of the regional insurance companies are formally responsible for owner control.

Based on the federal organisation and the purpose of the ownership of Länsförsäkringar AB, the regional insurance companies have together created joint forms for owner control. The forms comply with the requirements usually imposed on owner control and 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. This is 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

The logic of owner control concerns the relationship between the Boards of the regional insurance companies, Länsförsäkringar AB's Annual General Meeting, the regional insurance companies' owner consortium and Länsförsäkringar AB's Board of Directors. The formal owner control takes place through the Annual General Meeting, although the regional insurance companies' owner consortium and their representation on Länsförsäkringar AB's Board are also important components of owner control. The duties of the Annual 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.

Länsförsäkringar AB's Board is elected by the General Meeting, which comprises representatives for all shareholders. The Board is elected based on a process controlled by the owners through a Nomination Committee appointed by the General Meeting. The Nomination Committee's composition, mandate period and so forth are 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, interplay between the Nomination Committee and the Chairman of the Board is important for maintaining process quality and avoiding 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. Länsförsäkringar AB's Board pursues the strategies and targets that the owners agree on at any time, thus performing the owners' assignments. At the same time, Länsförsäkringar AB's Board is highly responsible for safeguarding the capital invested in Länsförsäkringar AB by the regional insurance companies. The regional insurance companies' assignment to Länsförsäkringar AB's Board is decided in the consortium and is documented in, for example, the Länsförsäkringar Alliance's governance documents. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.

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 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, non-life insurance

The ratio between Claims payments, including claims adjustment costs and Premiums earned after ceded reinsurance, expressed as a percentage.

Combined ratio, non-life insurance

The sum of operating expenses, claims payments and claims adjustment costs in relation to premiums earned after ceded reinsurance, expressed as a percentage.

Expense ratio, non-life insurance

Operating expenses 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 assets

Investment assets are current or long-term assets that take the form of an investment. This includes real estate and securities in the case of an insurance company.

Investment income, non-life insurance

The net of the following income and expense: interest income, interest expense, dividends on shares and participations, surplus (deficit) on company-owned property, change in the fair value of properties, shares, interest-bearing securities and derivatives, gains (losses) on the sale of investment assets, currency exchange gains (losses), less operating expenses in asset management.

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.

Loan losses in relation to lending

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

Loan losses net, bank

Confirmed loan losses and reserves for loan losses less recoveries of receivables and net expense for the year for loan losses for guarantees and other contingent liabilities.

Net interest income, bank

Interest income from loans to the public, credit institutions and income from interest-bearing securities less expenses for deposits and funding from the public, credit institutions and expenses for interest-bearing securities.

Operating expenses, insurance

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

Premiums earned

The proportion of premium income attributable to the fiscal year.

Premium income

Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance business.

Reinsurance

If an insurance company cannot, or does not wish to, assume the entire liability to policyholders, it reinsures part of its policies with other companies. In this connection, the reinsurance is said to be “ceded” by the first company and “assumed” by the second company.

Return on equity

Profit before tax plus change in surplus value of owner-occupied property less standard tax at a rate of 26.3% as a percentage of average equity adjusted for dividends and new share issue.

Run-off result

Profit and loss arising at accounting year-end in the provision for claims outstanding made in the preceding year-end accounts. The 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.

Solvency capital

The sum of shareholders' equity, untaxed reserves (including deferred tax liabilities), subordinated debt as well as surplus values on assets.

Solvency, life insurance

The market value of the company's total net assets in relation to guaranteed commitments to policyholders (technical provisions according to the balance sheet), expressed as a percentage.

Solvency, life insurance

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, expressed as a percentage.

Solvency margin, non-life insurance

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

Technical provisions

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 for insurance operations

Premiums earned less claims payments and operating expenses plus income from ceded reinsurance and investment income transferred from financial operations.

Total return ratio, non-life insurance

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 2013

First quarter:

Interim review, Länsförsäkringar Alliance	April 24
Interim report, Länsförsäkringar AB	April 24
Interim report, Länsförsäkringar Bank	April 24
Interim report, Länsförsäkringar Hypotek	April 24

Second quarter:

Interim review, Länsförsäkringar Alliance	August 23
Interim report, Länsförsäkringar AB	July 19
Interim report, Länsförsäkringar Bank	July 19
Interim report, Länsförsäkringar Hypotek	July 19

Third quarter:

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

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