



Annual Report 2013

LÄNSFÖRSÄKRINGAR AB

Länsförsäkringar AB

In brief

Länsförsäkringar AB and its subsidiaries is owned by the 23 regional insurance companies, and its mission is to conduct joint banking and insurance operations, manage the Group's strategic development activities and provide service in areas that generate economies of scale and efficiency.

Länsförsäkringar AB is wholly owned by the regional insurance companies, together with 16 local insurance companies. Through a distinct role in the Länsförsäkringar Alliance's value chain, Länsförsäkringar AB contributes in increasing competitiveness and reducing costs, thereby creating possibilities for the regional insurance companies to be successful in their respective markets. In addition to the Parent Company, Länsförsäkringar AB, the Group includes Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv and its subsidiaries is not consolidated in the consolidated financial statements since the company's earnings accrue to the policyholders. ■

2013

The Länsförsäkringar AB Group's operating profit increased to SEK 923 M (819). The return on equity remained unchanged at 5%.

The Group's equity rose SEK 1,268 M and amounted to SEK 15,183 M and solvency capital amounted to SEK 18,031 M (15,590).

The technical result for the non-life insurance operations increased to SEK 434 M (304). The improved earnings is mainly explained by strong earnings in Agria Djurförsäkring and Business Area Health.

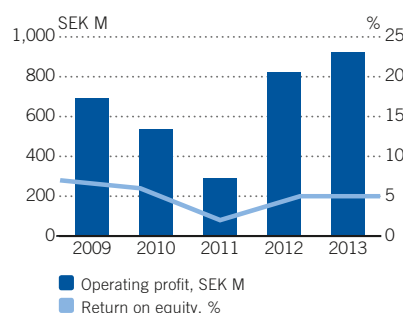
Operating profit in the Bank Group

strengthened SEK 92 M to SEK 647 M (555). The increase in profit is primarily explained by due to the improvement in the net interest income to SEK 2,230 M (2,071).

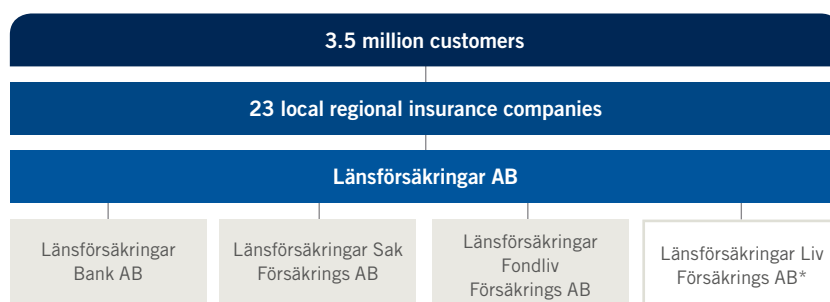
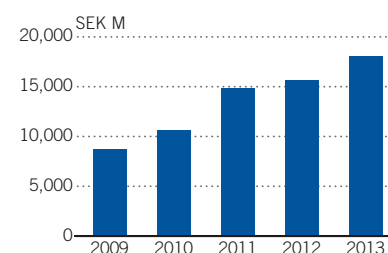
Profit for the life-assurance and pension insurance operations

in Länsförsäkringar Fondliv increased 92% to SEK 247 M (127). The strong stock-market performance, a higher premium flow and unchanged administration expenses contributed to the sharply improved earnings.

Operating profit and return on equity, Länsförsäkringar AB Group



Solvency capital, Länsförsäkringar AB Group



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

FIVE-YEAR SUMMARY

Länsförsäkringar AB, Group ¹⁾	2013	2012	2011	2010	2009
Operating profit, SEK M	923	819	287	536	693
Solvency capital, SEK M	18,031	15,590	14,800	10,613	8,710
Total assets, SEK M	322,550	290,994	253,223	173,850	157,005
Return on equity, %	5	5	2	6 ²⁾	7

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

²⁾ Excludes new share issue.

Länsförsäkringar Sak, Group	2013	2012	2011	2010	2009
Premiums earned after ceded reinsurance, SEK M	4,122	4,024	4,003	3,769	3,524
Technical result for the insurance operations, SEK M	434	306	159	193	460
Operating profit, SEK M	427	486	88	313	635

Länsförsäkringar Bank, Group	2013	2012	2011	2010	2009
Deposits from the public, SEK M	69,220	62,396	49,610	41,590	37,365
Loans to the public, SEK M	162,003	149,942	134,011	117,910	99,582
Operating profit, SEK M	647	555	385	345	258
Return on equity, %	7	6	5	5	4
Tier 1 ratio according to Basel II, %	15	14	12	12	12

Länsförsäkringar Fondliv	2013	2012
Premium income, SEK M ¹⁾	9,473	8,714
Net profit for the year, SEK M	247	127
Managed assets, SEK M	77,517	62,944
Solvency ratio	1.7	2.2

¹⁾ In accordance with Insurance Sweden's definition.

Länsförsäkringar Liv, Group	2013	2012	2011	2010	2009
Premium income, SEK M ¹⁾	3,388	4,319	13,048	12,893	11,879
Net profit/loss for the year, SEK M	5,174	4,872	-13,063	3,716	18,106
Collective consolidation, Old Trad, %	107	111	109	107	107
Solvency ratio, %	118	113	111	141	137

¹⁾ In accordance with Insurance Sweden's definition.

CREDIT RATING

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

About Länsförsäkringar

Customer-owned with local presence

Länsförsäkringar consists of 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. The regional insurance companies are owned by the insurance customers. Customers get a complete offering of banking, insurance and real-estate brokerage services through the regional insurance companies. The basis is the local presence – experience and anchoring shows that local

decision-making combined with joint administration and business development create added value for customers. Long-term concern for the security of customers is also fundamental. There are no external shareholders and customers' needs and requirements are therefore Länsförsäkringar's primary mission. The Länsförsäkringar Alliance has more than 3.5 million customers and 5,900 employees. ■

Contents

Introduction

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

Sustainability report

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

Financial statements

- 20 Board of Directors' Report
- 30 Corporate Governance Report
- 37 Five-year summary
- 38 Consolidated financial statements and notes
- 83 Financial statements and notes for the Parent Company
- 97 Audit report

Other information

- 98 Board of Directors and auditors
- 100 Group management
- 102 Definitions
- 103 Länsförsäkringar Liv Group's income statement and balance sheet
- 104 Financial calendar 2014
- 105 Addresses



A strong, intensive and forward-looking year

STATEMENT BY THE PRESIDENT The Länsförsäkringar AB Group performance developed very strongly in 2013. All lines of business reported improvements in earnings and we conducted a number of forward-looking projects that further develops our operations and creates value for our customers.



We look back on a year with significant fluctuations in both the stock markets and fixed-income markets. Several of the central banks continued to pursue a highly expansive monetary policy, while the underlying financial performance was weak. Interest rates were low at the start of the year but rose following expectations that the Federal Reserve would reduce its bond-buying stimulus. Positive signals in Europe and higher growth in the US contributed to 2013, rather pleasingly, turning into a strong year on the stock markets. We envision the global economy will continue to recover slowly, while monetary policy will remain expansive during 2014.

Strong earnings in all operations

2013 was a very strong year for the Länsförsäkringar AB Group. We can see improvements in the performance of all lines of business. The technical result in the non-life insurance business improved by more than 40% and the combined ratio fell to 93%. Primarily Agria (animal insurance) and Business Area Health contributes to this result, and these operations also account for the largest share of growth. In our banking operations, business volumes rose SEK 31 billion and profit increased 16%. Managed assets in the unit-linked life assurance company rose SEK 15 billion and, in line with volumes rising, our profitability is improving.

The ongoing efforts to enhance efficiency and keep costs low continues. One step was to outsource parts of the IT operations in 2013. At the same time, all the measures we take should not only be seen as cost savings but just as much as aggressive efforts that lays the foundation for future growth. The long-term objective is to achieve higher business volumes with unchanged fixed costs.

Joint development

One of Länsförsäkringar AB's tasks is to pursue the Länsförsäkringar Alliance's joint development activities to strengthen the regional insurance companies' competitiveness. 2013 was both an intense and exciting

year where we delivered extensive joint developments. Efforts were concentrated during the year to further enhance the customer meeting. The regional insurance companies made investments to initiate and carry out a number of strategic projects in the retail, commercial and agriculture segments. In addition to delivering in the area of improving the customer meeting, the regional insurance companies received deliveries from about 30 projects during the year. Examples include mobile services, digitalization of customer documents and work on Solvency II.

Adjustments to new regulations

Adjustments to the stricter and more detailed banking and insurance regulations are continuing. In insurance, the forthcoming Solvency II rules mean significant adjustment requirements. We are continuously making the necessary adjustments to the rules to further strengthen our internal governance and control. Over the past five years, we have successively strengthened our risk control, regulatory compliance and internal audit functions.

The changed regulations mean stricter capital requirements for both banking and insurance. Our owners, the 23 regional insurance companies, have a very high level of capitalisation which they have had for many years. This provides great security for the Alliance in this time of stricter capital requirements. The Länsförsäkringar AB Group needs sufficiently strong capitalisation on its own, but in order to see the entire Alliance's capital strength the 23 well-consolidated regional insurance companies must also be included.

In January 2013, the owners decided to contribute SEK 500 M to strengthen our financial basis. This capital contribution has

primarily been used to strengthen the bank's capital base in order to meet the new capital adequacy requirements imposed on Swedish banks.

The work on adjusting to the new rules continues to require significant resources. I am essentially positive of the measures that contribute to a healthier financial sector. However, I would like to see a more long-term approach in order for us to have a clear understanding of which rules apply so that we can take action that will result in what the rules are ultimately intended for – that is, customer value. The rules for different business operations in the financial systems should also be coordinated and harmonised with each other.

Challenges ahead

Through Länsförsäkringar AB, the Länsförsäkringar Alliance is carrying out a number of forward-striving development projects, for example, we are continuing our successful development of our mobile services. Customer demands for leading-edge mobile services are increasing at a rapid pace and in this we are at the very forefront of development, for which we have received several accolades. Digital development is one of our most important issues for the future and is of course governed by changes in needs and behaviour. And the mobile services development is the most rapid. We now have more mobile logins than Internet bank logins; each month there are 4.5 million logins to our app, which is 1 million more than logins to the Internet bank. 25% of all fund trading takes place via the app and on average, a customer logs in to the app 30 times a month.

We continue our extensive efforts in the life-assurance and pension market, where we will take a considerably larger place in

the future and where we have an offering that is very competitive. We have a strong unit-linked life assurance offering and now offer our existing traditional-management customers the option of changing the conditions of their insurance to New Trad. In brief, this offering involves lower guarantee levels combined with lower fees, which allows a changed investment mix with higher expected returns and improved opportunities for future increases in the value of savings. The transition will take a few years, but I am convinced that we will succeed – that is how attractive this offer is. Based on a unique approach to advisory services, we are now further developing our future life-assurance and pension offering to corporate customers and private individuals.

The banking operations are continuing to develop at a controlled rate, with profitability strengthening as an increasing number

of customers are choosing more banking products from our broad range. Everything we develop we do with the aim of creating conditions for the regional insurance companies to develop their local meetings and come even closer to their customers.

Stockholm, March 2014

Sten Dunér
President, Länsförsäkringar AB



The conditions for closeness in local customer meetings are created here

ABOUT LÄNSFÖRSÄKRINGAR AB Länsförsäkringar AB and its subsidiaries are commissioned by the regional insurance companies to conduct joint banking and insurance operations, pursue strategic development activities and provide service in areas that generate economies of scale and efficiency. All to create conditions for the regional insurance companies to establish closeness to their customers in their respective markets.

The operations of the jointly owned company Länsförsäkringar AB are commissioned 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 in order for that the regional insurance companies to be able to offer their customers the right range of products and enables private individuals, companies and farmers in Sweden to live in safety. The Länsförsäkringar Alliance's reinsurance coverage, a number of pool solutions and joint group insurance coverage and assumed international reinsurance are managed in the Länsförsäkringar AB Group.

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies, together with 16 local insurance companies. The regional insurance companies impose demands on effective capital use and a reasonable return on equity corresponding to 5% over the risk-free interest rate over time. In 2013, the return on equity amounted to 5%, which is well in line with the target for the year. In addition to the Parent Company, Länsförsäkringar AB, the Group consists of 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.

Value-based planing

Länsförsäkringar AB is working with a vision and value-based planning of the operations. The vision and values serve as guiding principles for all operations in the Group. Länsförsäkringar AB's Group-wide business plan defines the vision, values and success factors. 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 financial security for 3.5 million customers. Länsförsäkringar is there to create a sense of security for our customers no matter what needs they have – everything from buying and selling a home, non-life insurance, pension, banking services and mortgages to various types of savings. The Länsförsäkringar Alliance's success is built on local presence and extensive experience.

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

Closeness in all customer meetings

Länsförsäkringar works in all channels and in all customer meetings with a brand promise based on closeness. The perception of greater closeness and reduced distance in the relationship with Länsförsäkringar is the guiding principle for everything – from product development to the personal customer meeting. The principle of closeness is based on, for example, geographic proximity, attitude based proximity and decision-based proximity. Understanding and a commitment from the entire Länsförsäkringar Alliance is required to succeed in creating clarity in the market about what the brand stands for. It is not enough for only employees in customer-facing roles in the regional insurance companies to know what the brand promise is. Moreover all employees at Länsförsäkringar AB need to have such an understanding since the mission is to create conditions for the regional insurance companies to succeed in their local customer meetings. The principles of closeness on which the brand is built are fully integrated into Länsförsäkringar AB's business plan and constitute the success factors in the plan.

Economies of scale – the large scale in the small, through Länsförsäkringar AB
Cooperation in the Länsförsäkringar Alliance has gradually emerged. The local companies have 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 a local level, the regional insurance companies can share expenses in such areas as product and concept development, IT operations and management and brand communication. The separation of duties among the regional insurance companies and Länsförsäkringar AB creates a clear focus for each party. Länsförsäkringar AB shall create the conditions for the regional insurance companies to be more effective in their roles. Economic efficiency is a basic prerequisite for this to work. 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 is always close with local presence and decision-making. The starting point is the local presence and decision-

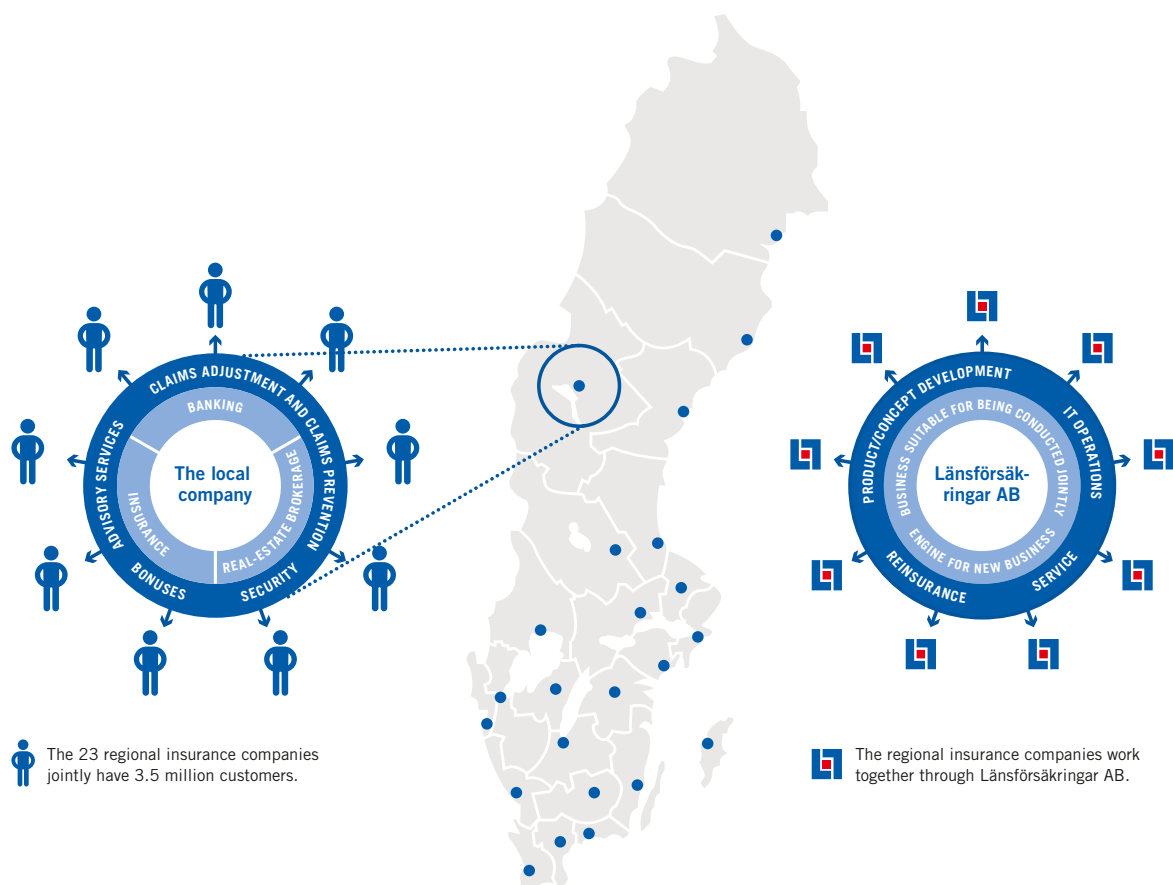
making powers: – experience shows that local decision-making authority, combined with shared strengths, creates substantial added value for customers.

Governance of risk-taking and capital use

Business activities are conducted to generate a profit so that the company can pay competitive returns. All capital that is not required for Länsförsäkringar AB's operations shall over time be returned to the owners in the form of dividends. The Group's capital situation in relation to its combined risks forms the basis of decisions on potential dividend payments. Länsförsäkringar AB endeavours to maintain a balance between capital strength and risk-taking to justify a minimum credit rating of A. Governance of risk-taking and capital use is a priority for the Group. The banking operations already have a target for risk-based capital strength in the form of a target for the Tier 1 ratio. In recent years, the non-life insurance operations and the entire Group have started applying targets for risk-based

capital strength more clearly in their internal governance. These targets are set by taking into account internal assessments of the risk level of different operations and current and future legal requirements.

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. At Länsförsäkringar AB's Extraordinary General Meeting in January 2013, the owners resolved to implement a new share issue of SEK 500 M. This capital contribution has primarily been used to strengthen the bank's capital base in order to meet the new capital adequacy requirements imposed on Swedish banks.



Business activities



Non-life insurance

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

The animal insurance operations are conducted in the subsidiary Agria Djurförsäkring and the Länsförsäkringar Alliance's reinsurance solutions are managed jointly by Länsförsäkringar Sak, which is also where internationally assumed reinsurance is underwritten. Group life assurance and employment group life assurance are underwritten in the subsidiary Länsförsäkringar Gruppliv as a supplement to the offering in health insurance. Of the Länsförsäkringar Alliance's combined premiums earned of SEK 20,070 M, premiums earned from the non-life operations in Länsförsäkringar AB represented SEK 4,122 M.



Banking

Länsförsäkringar Bank offers banking services to private individuals, agricultural customers and small businesses. Sales, advisory services and customer service are carried out through the regional insurance companies, via digital channels and by telephone. Deposits and certain lending operations are conducted by the Parent Company, while most of the lending and funding operations are conducted through the subsidiary

Länsförsäkringar Hypotek. The subsidiary Länsförsäkringar Fondförvaltning offers mutual funds. The subsidiary Wasa Kredit offers financing services to corporate customers and private individuals – primarily leasing, renting and hire purchase. The number of Länsförsäkringar Bank customers rose 4% to 879,000 in 2013. Business volumes in the banking operations increased 11% to SEK 314 billion during the year.



Life-assurance and pension insurance

In the connection to Länsförsäkringar AB's acquisition of Länsförsäkringar Fondliv the foundation for a future focus on offering pension solutions to companies and private individuals was laid. Länsförsäkringar Fondliv offers unit-linked insurance, Guarantee Management and risk insurance. Länsförsäkringar Fondliv offers 30 of its own funds and about 45 external funds. The former are found in Länsförsäkringar's own mutual fund company and are managed by external managers. Länsförsäkringar Fondliv manages SEK 78 billion on behalf of its life-assurance and pension insurance customers.

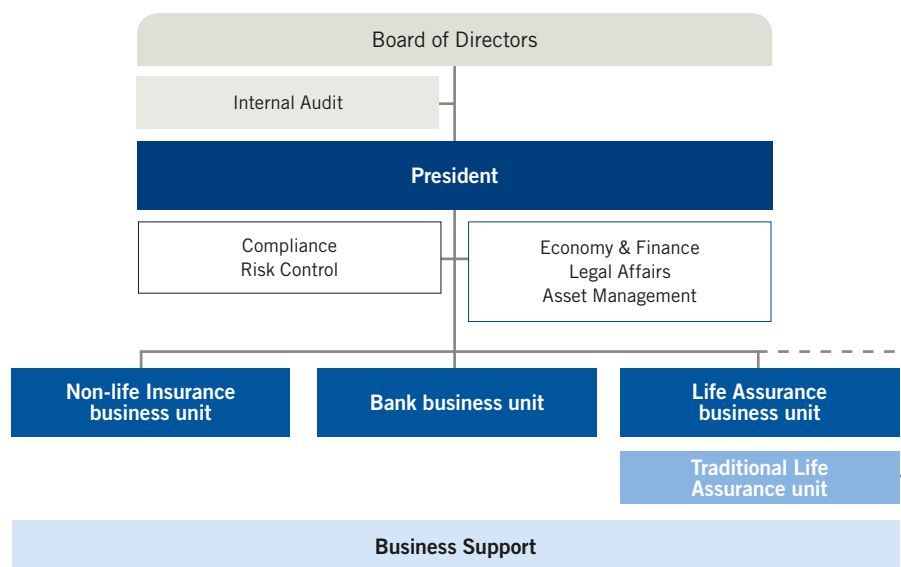
Strengthened key figures has been a focus area for Länsförsäkringar Liv in 2013. As part of this work, activities with New Trad, an offer that gives customers the

option of changing the conditions of their traditional insurance, were significant to the improvement in solvency. New Trad involves lower guarantee levels combined with lower fees that allow a changed investment mix with higher expected returns for customers. Essentially no new insurance policies under traditional management in Länsförsäkringar Liv have been underwritten since 2011. Länsförsäkringar Liv and its subsidiaries are not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders.

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

Organisation and facts

Organisational chart – Länsförsäkringar AB



SHAREHOLDINGS IN LÄNSFÖRSÄKRINGAR AB

Company	Number of shares			Share of equity, %
	A	B	C	
Länsförsäkringar Skåne	141,849	808,405	–	9.7
Länsförsäkringar Stockholm	129,212	780,180	–	9.3
Länsförsäkringar Östgöta	114,155	608,445	–	7.4
Dalarnas Försäkringsbolag	104,708	547,893	–	6.7
Länsförsäkringar Älvsborg	100,176	537,252	–	6.5
Länsförsäkringar Göteborg och Bohuslän	87,010	544,391	768	6.5
Länsförsäkringar Bergslagen	86,351	453,085	–	5.5
Länsförsäkringar Jönköping	82,812	437,973	–	5.3
Länsförsäkringar Uppsala	73,298	392,546	–	4.8
Länsförsäkringar Västerbotten	57,195	302,880	–	3.7
Länsförsäkringar Södermanland	58,117	298,457	–	3.7
Länsförsäkringar Halland	56,785	301,926	–	3.7
Länsförsäkringar Göinge-Kristianstad	49,982	298,243	–	3.6
Länsförsäkringar Gävleborg	60,058	270,352	–	3.4
Länsförsäkringar Kalmar län	56,717	273,052	–	3.4
Länsförsäkringar Västernorrland	50,186	244,134	–	3.0
Länsförsäkringar Skaraborg	64,058	232,635	–	3.0
Länsförsäkringar Jämtland	35,795	207,605	–	2.5
Länsförsäkring Kronoberg	36,701	187,604	–	2.3
Länsförsäkringar Värmland	31,160	187,100	–	2.2
Länsförsäkringar Norrbotten	16,960	118,338	–	1.4
Länsförsäkringar Blekinge	23,088	111,204	–	1.4
Länsförsäkringar Gotland	16,305	67,769	–	0.9
14 local insurance companies	–	–	4,800	0.05
Total number of shares	1,532,678	8,211,469	5,568	100.0

SHARE TREND, LÄNSFÖRSÄKRINGAR AB

SEK	2013	2012	2011	2010	2009
Equity per share	1,557	1,479	1,403	1,356	1,279

Owner control increasingly in focus

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

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

Foundations of owner control

Länsförsäkringar AB is a limited liability company and the parent company of a financial group, with shares owned individually in various holdings by the 23 regional insurance companies and 16 local insurance companies. Each of the regional insurance companies, as an owner, is responsible for ensuring that well-functioning owner control is in place vis-à-vis Länsförsäkringar AB. The boards of directors of the regional insurance companies are formally responsible for owner control.

Based on the federal organisation and purpose of the ownership of Länsförsäkrin-

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

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

Owner-control logic

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

of the consortium are governed in the regional insurance companies' consortium agreement.

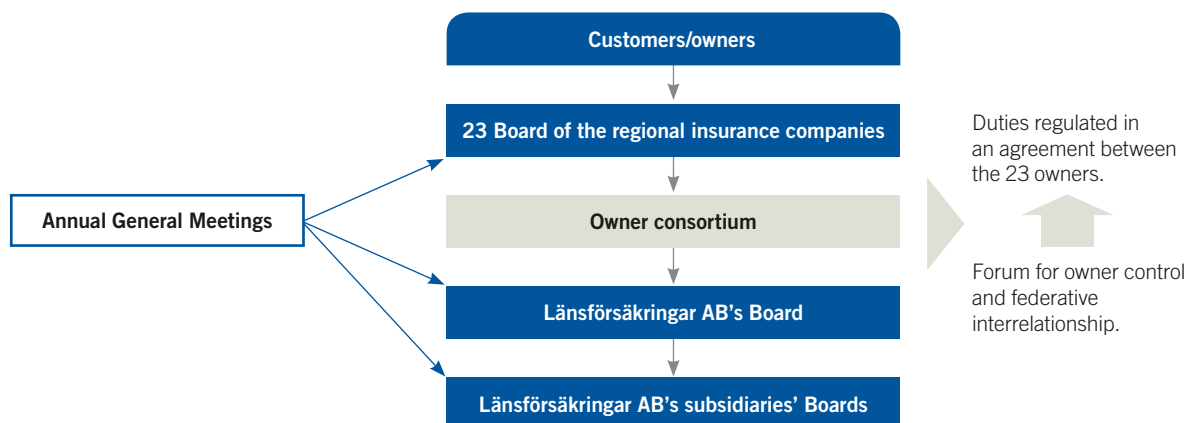
Länsförsäkringar AB's Board is elected by the General Meeting, which consists of representatives of all shareholders. The Board is elected based on a process controlled by the owners through a Nomination Committee appointed by the General Meeting. The Nomination Committee's composition, mandate period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

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

The task delegated by the owners' to the Nomination Committee is documented in a separate instruction adopted by the General Meeting. It is important that there is a clear boundary between the Nomination Committee and the Board. The Nomination Committee works independently from the Board on behalf of the owners. At the same time, interplay between the Nomination Committee and the Chairman of the Board is important to maintain process quality and avoid polarisation. One example is the Board's annual evaluation of its own work. The evaluation is documented and provided to the Nomination Committee and thereby

Owner control in the Länsförsäkringar Alliance

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



also comprises the basis of the Nomination Committee's evaluation of the Board.

Länsförsäkringar AB's Board serves as the representative of the owners within the framework of the owners' intentions. Länsförsäkringar AB's Board pursues the strategies and targets agreed on by the owners,

thus executing the owners' assignments. At the same time, Länsförsäkringar AB's Board has a major responsibility for safeguarding the capital invested in Länsförsäkringar AB by the regional insurance companies. The regional insurance companies' assignment to Länsförsäkringar AB's

Board is decided by the consortium and is documented in the Länsförsäkringar Alliance's governance documents. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.



Sustainability Report

Sustainability at Länsförsäkringar

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 security for its customers and owners. A security that not only invol-

ves preventing non-life insurance claims – it is just as much a question of financial security in the event of property damage or loss and respect for household financing for our bank customers' personal finances, and the quality of life and comfortable retirement of 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 work. Länsförsäkringar has a history where commitment does not always demand something in return. Where local efforts are not only designed to benefit local customers, but also the local community at large. ■



“Being close to our customers and taking a long-term approach to working together with the local community on sustainability issues is for us a natural part of our operations. It 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.”

STEN DUNÉR, President Länsförsäkringar AB

Reporting in accordance with GRI guidelines

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

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



Ethical guidelines

Länsförsäkringar AB operates in distinctively trust-based industries. Rules and policies on ethics are compiled in a Code of Conduct adopted by the Board of Directors of Länsförsäkringar AB. All employees must therefore act in a manner that earns the long-term trust and respect of customers, employees, government authorities and other stakeholders. The definition of ethical values can change over time. Ethical standards are based on common sense and good judgement. If an action or decision openly allows reporting for employees, customers, government authorities and the general economic environment, it is likely that it complies with the ethics and moral values in society. ■

A customer-owned corporation provides a long-term approach

The only principal of the regional insurance companies is their customers. Concepts such as Respect and the Customer first have always been natural implications of what the regional insurance companies are: customer-owned companies with the sole purpose of creating individual security for their customers and owners. Customer value is always the guiding principle. While customers are not the only stakeholders, the purpose is always to provide the most stable and secure operations possible for customers. The operations are based on a genuine customer focus, but it

must always be combined with sound business practice also. The regional insurance companies also have a history where commitment and respect do not always require something in return, but where the aim is to benefit society at large. To be a stable and secure player is therefore natural. One example of this is that Länsförsäkringar Bank and its subsidiaries have never needed government assistance or used the government funding programme. None of Länsförsäkringar AB's companies received any government support in 2013. ■

Social responsibility and community involvement

Increasing security and reducing claims shows respect for customers' money

The engagement of peoples everyday lives is included in the entire operations from non-life insurance to pension savings and banking services. With 700,000 non-life insurance claims divided between three million customers, claims prevention is one of Länsförsäkringar's 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 provide financial security for individuals and companies. The regional insurance compa-

nies work closely with their own customers and Länsförsäkringar AB creates the right conditions.

Claims prevention efforts show respect for customers' money

The Länsförsäkringar Alliance devotes substantial effort to claims prevention. This is also a natural consequence of what Länsförsäkringar represents. The local regional insurance companies are owned by their non-life insurance customers which, in practice, means that the company's capital belongs to the customers. By reducing

claims costs, premiums can be kept down. Claims prevention efforts have been conducted for many years in the areas of fire and water by the regional insurance companies and jointly through Länsförsäkringar AB. Joint efforts are aimed at lobbying authorities and professional associations to formulate building regulations to increase fire and water-damage safety. Länsförsäkringar AB works in a similar manner with road safety. Preventing damage also plays an important role in environmental practices. ■



Mitigating financial crime

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

Länsförsäkringar Bank conducts extensive work to minimise the banking

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

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



Responsible investment

Through its funds, Länsförsäkringar's fund company is invested in a large number of companies all over the world. The conviction is that those companies with operations integrated with finance, the environment and social issues will be the best investments over time. Länsförsäkringar Fondförvaltning has signed the United Nations Principles for Responsible Investment (UNPRI).

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. The aim of this work is, based on dialogue, to exert an influence on companies that breach internationally

accepted conventions and guidelines.

If this dialogue is unsuccessful, the companies are excluded from Länsförsäkringar's funds.

Länsförsäkringar Fondförvaltning works together with an external analysis firm in this work on responsible investment. Their analysis process is used to identify companies that, according to public documentation, conduct their operations in contravention of well-established international norms. A total of 50 international norms and conventions are included in the model. The fund company continuously monitors invested companies to ensure that none contravene these international norms and subsequently initiates a dialogue with these companies on Länsförsäkringar Fondförvaltning's behalf to change their actions. ■



Community engagement

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. Yet at the same time, 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. Long-term efforts are also being made to contribute to research that aims to increase personal security and reduce risks in society. ■

Employees

Satisfied and committed employees

A main focal area in 2013 has been producing a new leader profile that details the expectations of Länsförsäkringar managers. A central element of leadership is to create a coaching-based work method aimed at enhancing employee performance.

During the year, Länsförsäkringar AB produced a new leader profile that details the company's expectations of its managers. The values of the leader profile are expressed in terms of attitudes and behaviours and describe what managers should know, be and do. A leader profile also ensures that the company recruits, develops and promotes managers with the right skills.

All managers evaluated their leadership by completing a survey to create clarity in the requirements and expectations of leadership, and to identify strengths and development areas. The results also form the basis of career planning.

The work on introducing the leader profile into the operations will continue in 2014. In addition to the review of all management development programmes, a training centre will be arranged for all managers with the aim of training behaviours and skills in specific and challenging situations, as described and required by the leader profile.

Employee-ship

Employee-ship at Länsförsäkringar AB means assuming responsibility through personal development in skills, health, business improvements and cost awareness. The aims of employee-ship are stated in the personnel policy and the company's performance management work model. The basis for employee performance and development, in both the short and long term, is the business plan and values. Employees receive regular feedback on their performance and this stage of performance management was developed during the year.

Several departments at Länsförsäkringar AB have been following the Lean work

method for several years. A decision was made in 2012 to gradually introduce Lean in the entire company. A Lean office with improvement leaders from the organisation has been established with the purpose to support employees and managers during the introduction of Lean and continuously

follow up work in the organisation. Introducing Lean will make it possible to develop Länsförsäkringar AB's overall work on continuous improvements, which will lead to more satisfied customers, enhanced efficiency and profitability. The implementation process will continue in 2014.

Good results in employee survey

The results of this year's employee survey that was conducted in partnership with Net-survey revealed a higher index in all question areas compared with Swedish companies. The survey addressed such areas as commitment, leadership, working group, management and employer attractiveness. The response rate for the survey was 89%.



Equality

Part of equality efforts is to create a more even gender distribution among managers at all levels. The current distribution is 58% men and 42% women. The target figure for 2015 is 50% men and 50% women in corporate management and at department and Group management level. An even distribution of applicants for vacant managerial positions is a prerequisite for achieving this target, and statistics show that for the period January 1, 2012 till March 31, 2013, 49% were women and 51% men.

Another key issue of equality efforts is that Länsförsäkringar AB is perceived to be an equal opportunity workplace by both women and men. No cases of discrimination were reported in 2013. The table illustrates the percentage of employees who believe that Länsförsäkringar AB is an equal opportunity workplace.

	2013	2012
Women	70 %	67 %
Men	87 %	90 %
Number of respondents	89 %	78 %

Health and working environment

Maintaining positive health and a good working environment is essential for improving performance and is continuously followed up in talks between managers and employees. There is a basic outlook in the company that physical activity at work increases efficiency and improves social cohesion, and that investing in health is an important part of being an attractive employer. It also helps to reduce sickness leave.

Länsförsäkringar AB offers generous preventive health care benefits and employees can exercise for one hour a week during working hours. Länsförsäkringar's own fitness facility includes a gym, fitness classes, and health-inspiring preventive health care activities, subsidised massages and personal trainer at cost price. These health care benefits are very popular and a large number of employees make use of them.

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



Accolades as an attractive employer

University graduates ranked Länsförsäkringar among the top 100 companies that they would like to work for in the category of "Ideal Employer" in Universum's Career Barometer survey. According to the survey, economics students associate the following with Länsförsäkringar as an employer: attractive products and services, success in its market, professional training and development and respect for employees. Such associations also correspond to an internal survey on this subject.

For the eleventh consecutive year, Länsförsäkringar received the award of "The Insurance Industry's Most Attractive Employer" by economics students who took part in the Corporate Barometer survey. Länsförsäkringar's banking operations came

fifth in the same survey and the real-estate brokerage third.

Di.se/Din karriär annually assesses the most exciting companies in Sweden to pursue careers in. After having been nominated and evaluated from among 300 companies, Länsförsäkringar was named a Career Company 2013. The jury's description of a Career Company is "a company that is committed in its work to be an attractive employer and offers unique challenges and particularly interesting career progression opportunities."

In addition to participating in labour market days at universities and colleges, a variety of activities were conducted within the Länsförsäkringar Alliance to strengthen the employer brand in the recruitment market, for example:

EMPLOYEE STATISTICS LÄNSFÖRSÄKRINGAR AB GROUP INCLUDING LÄNSFÖRSÄKRINGAR LIV

Employees	2013	2012
Permanent employees, total	1,535	1,510
of whom, men	659	673
of whom, women	876	837
Permanent employees recruited during the year	140	111
Permanent employees who have left and now work at another company in the Länsförsäkringar Alliance	8	11
Permanent employees who left during the year	102	115

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

Age range, all employees	2013	2012
0–30 years of age	126	129
31–40 years of age	423	418
41–50 years of age	545	515
51–60 years of age	383	374
61 years of age and above	58	74
Average age, women	44	44
Average age, men	45	45

Age range, managers	2013		2012	
	Female managers	Male managers	Female managers	Male managers
0–30 years of age	1	3	2	1
31–40 years of age	21	27	19	25
41–50 years of age	38	48	35	40
51–60 years of age	15	32	19	31
61 years of age and above	3	3	2	4
Total	78	113	77	101
Total	191		178	

Average age, managers	2013	2012
Women	45	46
Men	46	46

Gender distribution among management and Board	2013		2012	
	Women	Men	Women	Men
President	3	7	3	8
Management teams ¹⁾	21	42	20	41
Board members ²⁾	24	50	19	53

¹⁾ Includes union representatives.
²⁾ Regular members including union representatives.

Sickness absence, %	2013	2012
Total sickness absence as a percentage of ordinary working hours	2.7	2.7
Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more	34.5	36.3

- Partnership with Mitt Liv (“My Life”), an organisation that mainly helps women with foreign backgrounds, who are often highly educated, enter the Swedish labour market.
- A principal in Drivhuset’s competition for students. Drivhuset helps new entrepreneurs to start and run their own company or in other ways put their ideas into practice.
- Recruiting for student pools during term time and for summer work, and offers of internships. Employees who act as mentors for students.
- Recruitment of university graduates for more skilled summer placements.



Environmental consideration: part of sustainable enterprising

Länsförsäkringar AB contributes to strengthening the regional insurance companies' efforts to reduce the number of claims and minimise the effects of incurred damage. Another important role is to provide customers with information regarding the possible environmental impact of Länsförsäkringar's operations. Commitment to environmental issues contributes to a more ecologically sustainable society.



Emissions of environmentally harmful substances

Any form of damage to the environment that can be avoided is important. Every

case of damage impacts the environment in the form of energy consumption, decontamination, transport, material use and waste. According to Länsförsäkringar's calculations, a 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 damage 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 that was used to extinguish the blaze. Länsförsäkringar conducts joint damage prevention efforts through Länsförsäkringar AB. The purpose is to strengthen Länsförsäkringar's

role in a sustainable society and contribute to the development of the local community through greater security and less damage.

Insurance products for a non-toxic environment

Länsförsäkringar AB has developed and provided recycling insurance for the agriculture sector for several years. This insurance reduces the amount of environmentally harmful waste and scrap generated by agriculture. In 2013, approximately 389 tonnes of hazardous waste and about 5,306 tonnes of scrap and plastic from agricultural and rural properties were recycled. Furthermore, Länsförsäkringar offers wind-farm insurance, which includes the recycling of wind-power turbines when they are no longer in use.

Supporting research

The Foundation for Regional Insurance Companies' Research Fund provides financial assistance for scientific research into everyday security. Since the early 1990s, the Research Fund has financed almost 160 research projects for a combined total of about SEK 90 M, in such areas as road safety, crime prevention, health and welfare, climate, the environment, fire, forests, agriculture and product recycling. Länsförsäkringar finances the following projects in the fields of Climate and Environment: Water lines for a safely developed environment, Flooding risks along the Swedish coastline, Vulnerability to flooding, etc.

Travel, efficient meetings and consumption of resources

Länsförsäkringar AB measures carbon dioxide emissions from business travel and from the electricity and heat consumption generated by the offices. The electricity used has been designated a Good Environmental Choice by the Swedish Society for Nature Conservation. Video conferences and online and telephone meetings are used as an alternative to travelling, which saves both working hours and the environment. Employees are also offered bicycles and public transport travel cards for local travel during working hours. The offices use dis-

Carbon dioxide emissions from business travel	2013	2012
Road and air	833 tonnes of CO ₂	617 tonnes of CO ₂

Energy consumption in Länsförsäkringar AB's office properties	2013	2012	Renewable resource
Electricity	6,448 Mwh 55,585 kg CO ₂	6,931 Mwh 59,929 kg CO ₂	100% (Good Environmental Choice)
Heating	2,799 Mwh 251,901 kg CO ₂ _{equiv}	2,623 Mwh 236,070 kg CO ₂ _{equiv}	86% (District heating)

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

Combustible	Glass containers	Paper	Electronics	Metal	Corrugated cardboard	Waste food that is converted to biogas
31,200 kg	1,756 kg	63,699 kg	3,651 kg	3,040 kg	24,147 kg	782,000 liters

strict heating and properties are certified according to the Green Building Rating System, since they consume 25% less energy than the current standard for new construction in line with the Swedish National Board of Housing, Building and Planning's construction regulations. One of the properties has also received an Environmentally Classified Building certificate and obtained an overall Silver rating. Constantly improving the environmental performance of the premises is an ongoing project. The proportion of LED lighting is increased and electricity saving functions are improved as technology advances and electrical devices and fittings need replacing. All waste is separated and primarily recycled.

As an insurance and banking company, Länsförsäkringar is a major consumer of paper and in less than one year, sends more than 72 million sheets of paper to its customers. Länsförsäkringar AB has set a multi-year target to reduce the volume of paper-based communication with customers. Digital solutions are being developed to reduce paper consumption and the development of the Internet channel provides many opportunities to reduce paper-based communication. At the same time, the quality of the information is increased to make customer documents more standardised and clearer. Some examples of digital solutions are sending invoices electronically and not sending account statements or loan statements. Saving customer documents electronically creates availability regardless of time or location. Digital distribution of customer communication reduces impact on the environment since the documents do not



need to be transported and they are printed as required by the individual customer.

Long-term and sustainable environmental efforts

Länsförsäkringar has held ISO 14001 environmental management systems certification for many years. This is a guarantee that systematic and long-term environmental activities are carried out. Regular audits of environmental practices ensure that these efforts are continuously developed. Focus areas include increasing digital communication, thereby reducing paper-based com-

munication with customers, and that all purchasing and procurements that Länsförsäkringar AB carries out has clear environmental requirements for the products or services being bought. By demanding environmental compliance, the market is driven to meet these requirements and Länsförsäkringar contributes to a better environment and better health in the future. Furthermore, Länsförsäkringar is working on clarifying how it works with responsible investments.

Länsförsäkringar AB reports at the GRI Application Level C.

Länsförsäkringar AB's stakeholders

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



¹⁾ 23 regional insurance companies.

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

About the 2013 Sustainability Report

Länsförsäkringar AB's Sustainability Report pertains to the 2013 fiscal year. This is the third year Länsförsäkringar has applied the GRI's Sustainability Reporting Guidelines, Version G3.0. The information in the Sustainability Report has not been audited by a third party, but Länsförsäkringar AB deems that the information in the 2013 Annual Report and Sustainability Report complies with Application Level C of the GRI Guidelines.

Länsförsäkringar AB's intention is that the 2013 Sustainability Report and Annual Report will provide a fair indication of

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

Unless otherwise stated, the disclosures apply to the entire Länsförsäkringar AB Group. No adjustments have been made to previously collected data, nor any changes to the measurement methods, scope and

boundary compared with the preceding year. In 2013, there were no incidents or deviations from current legislation that resulted in significant fines or non-monetary sanctions against Länsförsäkringar AB.

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

Standard disclosures/performance indicators		Page reference	Reported/ Partially reported
1. STRATEGY AND ANALYSIS			
1.1	President and CEO's statement about the organisation and its strategy.	2–3, 10	■
1.2	Description of key impacts, risks, and opportunities.	2–3, 11–12, 16	■
2. ORGANISATIONAL PROFILE			
2.1	Name of the organisation.	20	■
2.2	Primary brands, products and/or services.	6, 22–28	■
2.3	Operational structure of the organisation.	7, 20	■
2.4	Location of organisation's headquarters.	105	■
2.5	Number of countries where the organisation operates.	22–28	■
2.6	Nature of ownership and legal form.	4–5, 7–8, 30	■
2.7	Markets served.	22–28	■
2.8	Scale of the reporting organisation.	Inside cover, 1, 4, 6, 37	■
2.9	Significant changes during the reporting period.		■
2.10	Awards received in the reporting year.	13, 14	■
3. REPORT PARAMETERS			
Report Profile			
3.1	Reporting period.	18	■
3.2	Date of most recent previous report.	18	■
3.3	Reporting cycle.	18	■
3.4	Contact point for questions regarding the report.	10	■
Report scope and boundary			
3.5	Process for defining report content.	18	■
3.6	Boundary of the report.	18	■
3.7	Specific limitations on the scope or boundary of the report.	18, 41–43	■
3.8	Basis for reporting on other entities.	18, 41–43	■
3.10	Explanation of any restatements provided in earlier reports.	18	■
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	18	■
Assurance			
3.12	Table identifying the location of the Standard Disclosures in the report.	18–19	■
3.13	Policy and current practice with regard to seeking external assurance for the report.	18	■

Standard disclosures/performance indicators		Page reference	Reported/ Partially reported
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
Governance			
4.1	Governance structure of the organisation.	8, 30–32	■
4.2	Indicate whether the Chair of the Board is also an executive officer.	33	■
4.3	The number of members of the Board that are independent and/or non-executive members.	31–35	■
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board.	31	■
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to the economic, environmental and social performance.	8–11	■
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives.	12, 31	■
4.13	Memberships in associations and/or national/ international advocacy organisations.	12–13	■
Stakeholder engagement			
4.14	List of stakeholder groups.	17	■
4.15	Basis for identification and selection of stakeholders.	17	■
INDICATORS			
ECONOMIC PERFORMANCE INDICATORS			
EC 1.	Direct economic value generated and distributed.	39–40	■
EC 2.	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	16	■
EC 3.	Coverage of the organisation's defined benefit plan obligations.	67	■
EC 4.	Significant financial assistance received from government.	11	■
EC 6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		■
EC 7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.		■
EC 8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	16	■
EC 9.	Understanding and describing significant indirect economic impacts, including the extent of impacts.	11–12, 15	■

Standard disclosures/performance indicators	Page reference	Reported/ Partially reported
ENVIRONMENT PERFORMANCE INDICATORS		
EN 1. Materials used by weight or volume.	17	■
EN 2. Percentage of materials used that are recycled input materials.		■
Energy		
EN 3. Direct energy consumption by primary energy source.		■
EN 4. Indirect energy consumption by primary energy source.	16	■
EN 5. Energy saved due to conservation and efficiency improvements.	16–17	■
EN 6. Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	16–17	■
EN 7. Initiatives to reduce indirect energy consumption and reductions achieved.	16–17	■
EN 8. Total water withdrawal by source.		■
Biodiversity		
EN 11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		■
EN 12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		■
Emissions, effluents and waste		
EN 16. Total direct and indirect greenhouse gas emissions by weight.	16	■
EN 17. Other relevant indirect greenhouse gas emissions by weight.		■
EN 18. Initiatives to reduce greenhouse gas emissions and reductions achieved.	16–17	■
EN 19. Emissions of ozone-depleting substances by weight.		■
EN 20. NO, SO, and other significant air emissions by type and weight.		■
EN 21. Total water discharge by quality and destination.		■
EN 22. Total weight of waste by type and disposal method.	16	■
EN 23. Total number and volume of significant spills.		■
Products and services		
EN 26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	12, 16–17	■
EN 27. Percentage of products sold and their packaging materials that are reclaimed by category.		■
Compliance		
EN 28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	18	■
SOCIAL PERFORMANCE INDICATORS		
Labour practices and decent work		
LA 1. Total workforce by employment type, employment contract, and region.	15, 67	■
LA 2. Total number and rate of employee turnover by age group, gender, and region.	15	■
Labour/Management Relations		
LA 4. Percentage of employees covered by collective bargaining agreements.	15	■
LA 5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	15	■
Occupational health and safety		
LA 7. Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.	15	■
LA 8. Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		■
Training and education		
LA 10. Average hours of training per year per employee by employee category.		■
LA 11. Programs for skills management and lifelong learning.		■

Standard disclosures/performance indicators	Page reference	Reported/ Partially reported
LA 12. Percentage of employees receiving regular performance and career development reviews.	14	■
Diversity and equal opportunity		
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	14–15	■
LA 14. Ratio of basic salary of men to women by employee category.		■
Human rights		
HR 1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		■
HR 2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		■
Non-discrimination		
HR 4. Total number of incidents of discrimination and actions taken.		■
Freedom of association and collective bargaining		
HR 5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		■
HR 6. Operations identified as having significant risk for incidents of child labour, and measures taken.		■
HR 7. Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken.		■
Community		
SO 1. Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		■
SO2. Percentage and total number of business units analysed for risks related to corruption.		■
Corruption		
SO3. Percentage of employees trained in organisation's anti-corruption policies and procedures.	12	■
SO 4. Actions taken in response to incidents of corruption.		■
Public policy		
SO 5. Public policy positions and participation in public policy development and lobbying.		■
Compliance		
SO 8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	18	■
Customer health and safety		
PR 1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		■
Product and service labelling		
PR 3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		■
PR 4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.		■
Product development		
PR 5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		■
Marketing communications		
PR 6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		■
Compliance		
PR 9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	18	■
FSSS		
FS 2. Procedures for assessing and screening environmental and social risks in business lines.	12	■
FS 13. Access points in low-populated or economically disadvantaged areas.	7, 11	■

Legend:

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

Board of directors' report

The Board of Directors and the President of Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, hereby submit the Annual Report and consolidated financial statements for the 2013 fiscal year.

Ownership and Group structure

Länsförsäkringar AB is wholly owned by 23 regional insurance companies and 16 local insurance companies. In addition to the 23 regional insurance companies, the Länsförsäkringar AB Group, including the Länsförsäkringar Liv Group, represents the Länsförsäkringar Alliance.

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

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

Focus of operations

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

The business activities are carried out in the Non-life Insurance, Banking and Life Assurance business units, whose task is to conduct business and assume responsibility for direct product-related support for the regional insurance companies. The financial control of the business units is primarily based on the owners' yield requirements and risk tolerance. The business activities shall be conducted to generate a profit so that the company can pay competitive returns on equity. Business service and Länsförsäkringar's joint development activities are conducted in the support functions

of the Business Service unit. The accounting, capital planning and Group controller functions are part of the Finance unit. The Asset Management unit manages the insurance operations' investment portfolios.

Significant events during the year

A new share issue of SEK 500 M took place in the spring to strengthen Länsförsäkringar AB's financial basis for continued investments in banking and insurance. Länsförsäkringar Bank has been included in the calculation of Stibor since June, together with the five other Stibor banks: Handelsbanken, Swedbank, Nordea, SEB and Danske Bank.

Significant events after balance-sheet date

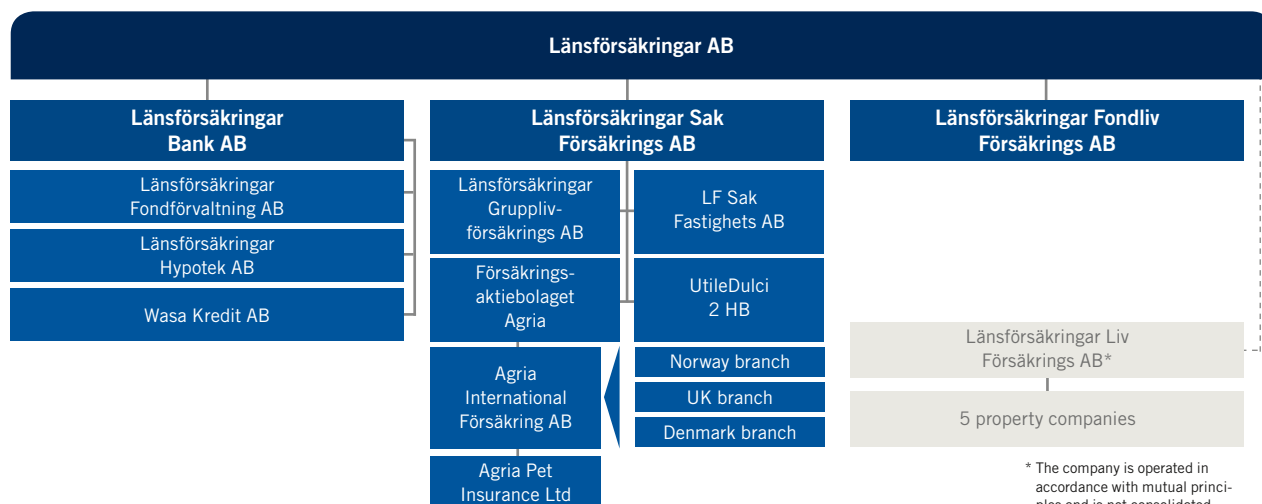
No significant events took place after year-end.

Expectations regarding future development

Trends in the external economic environment and their impact on customer needs and behaviour, along with changed legislative requirements and conditions, are of major significance to the performance of the banking and insurance industry.

Household and bank indebtedness in Europe and the US has declined and the economic climate has gradually stabilised since the financial crisis of 2008, although the underlying basis problems, such as bud-

Länsförsäkringar AB Group structure, December 31, 2013



get deficit and unemployment, remain. A time of continued low growth, low interest rates and governments becoming actively involved in issues relating to the finance sector can be expected.

This development means continued needs for risk awareness and high-quality advisory services to customers and flexibility in adapting to new regulatory requirements. As a result, higher demands are imposed on efficiency and that Länsförsäkringar AB's role and importance, in ensuring that the regional insurance companies retain and strengthen their competitiveness, gradually increases over time.

Customers' demands are also now increasing, particularly in the following three areas: companies' corporate social responsibility and sustainability, advisory services and information, and availability. The external environment expects companies, particularly financial companies working with other people's money, to describe and clarify their actions in society, in business and towards employees. The trends towards greater transparency and continuous examination mean that financial companies will need to communicate in other ways than they have been doing in the past. Altogether, this leads to a need for broader and stronger communication skills and a closer collaboration between Länsförsäkringar AB, the regional insurance companies and customers.

Earnings and financial position

The Group

Operating profit amounted to SEK 923 M (819) and all of the Group's lines of business strengthened their earnings year-on-year. The strong performance of managed assets in the unit-linked insurance operations and unchanged administration expenses contributed to a 92% increase in profit to SEK 247 M (127). Stronger net interest income and increased commission income contributed to operating profit in the bank rising 16% to SEK 647 M (555). Net interest income strengthened on the basis of a favourable trend of business volumes and well offset the negative impact of low market interest rates on deposit margins. The technical result from non-life insurance operations strengthened to SEK 130 M and the combined ratio improved to 93%. Return on equity remained unchanged at 5%, despite stronger earnings, which was

due to the strengthening of capital carried out during the year.

The Group's earnings were charged with amortisation and impairment totalling SEK 492 M (498), of which amortisation of intangible assets from the acquisition of Länsförsäkringar Fondliv had an adverse impact of SEK 135 M (129) on earnings.

The total return for 2013 amounted to a negative 0.4% (pos: 3.6). The fixed-income portfolio contributed 0.8 percentage points and equities 0.3 percentage points, while investments in hedge funds contributed 0.2 percentage points. Properties and liability hedges at year-end amounted to approximately 14% and 26% of investment assets, respectively. Properties accounted for the largest positive contribution during the year at 0.9 percentage points, where liability hedges accounted for the largest negative contribution of 2.6 percentage points. Länsförsäkringar Sak manages the entire claims annuities operation for the Länsförsäkringar Alliance. The indexed cash flows of claims annuities operations are measured at market value in accordance with the instructions of the Swedish Financial Supervisory Authority. Liabilities are hedged by using Swedish nominal and real return bonds to manage the interest-rate risk that arises from discounting liabilities. However, the negative result from the liability hedges is offset by the positive result on the liabilities side in the Group as a whole. The total return excluding liability hedges amounted to 3.1% (4.8).

The Länsförsäkringar AB Group's total assets increased to SEK 322,550 M (290,994). Solvency capital totalled SEK 18,031 M (15,590) and the solvency margin amounted to 434% (388). The Group's equity rose SEK 1,268 M to SEK 15,183 M. The higher solvency capital was largely due to contributions of SEK 500 M from the owners and the issuance of subordinated debt in Länsförsäkringar Bank that was conducted to finance the Group's continued growth. The Länsförsäkringar AB Group is a financial conglomerate and subject to a special solvency test. According to this solvency test, the Group had a surplus of SEK 3,637 M (1,929) at year-end.

Parent Company

Profit after financial items for the Parent Company amounted to SEK 249 M (198) and profit after tax to SEK 247 M (204).

Operating income of SEK 2,503 M (2,462) primarily comprised service income from consultancy activities in the support functions of IT, development and service. Earnings of SEK 336 M (271) included dividends of SEK 387 M (347) from the subsidiaries. Administration expenses amounted to SEK 2,590 M (2,535), of which the largest items were staff costs and IT expenses.

The impairment of the holdings in Länsförsäkringar Liv Försäkrings AB also negatively impacted earnings for the year in the amount of SEK 100 M (100). This impairment loss is the result of reduced synergy effects following the discontinuation of underwriting new insurance policies in Länsförsäkringar Liv. The Parent Company's total assets amounted to SEK 18,477 M (18,022), of which equity accounted for SEK 14,228 M (13,468).

Proposed appropriation of profit

Consolidated non-restricted equity amounted to SEK 9,412 M. There is no requirement for a provision for restricted reserves. According to the statement of financial position for Länsförsäkringar AB, non-restricted equity totalling SEK 8,451,294,810 is at the disposal of the Annual General Meeting. The Parent Company's non-restricted equity does not include any unrealised gains.

The Parent Company's non-restricted equity comprises	
Share premium reserve, SEK	4,450,324,212
Retained earnings, SEK	3,753,841,044
Net profit for the year, SEK	247,129,554
Non-restricted equity, December 31, 2013, SEK	8,451,294,810

The Board of Directors proposes that SEK 8,451,294,810 of the unappropriated earnings in the Parent Company be carried forward, of which SEK 4,450,324,212 to the share premium reserve.

Non-life insurance business operation

The Non-life Insurance business unit is responsible for the non-life insurance operations, which have been assigned to Länsförsäkringar AB by the regional insurance companies. Its role is to complement the companies' offering with specialist products to meet customer needs, to start new business that can be channelled through the regional insurance companies and to manage the Alliance's total reinsurance cover. Non-life insurance is divided into the following business areas: Agria (animal insurance), Business Area Health, Business Area Commercial Special Insurance and Business Area Reinsurance, and business activities are conducted in Länsförsäkringar Sak and its subsidiaries. Länsförsäkringar Sak underwrites insurance in the areas of health, commercial special insurance, international reinsurance and manages the Alliance's reinsurance cover. Länsförsäkringar Sak also conducts claims annuities operations and certain run-off transactions. The subsidiary Länsförsäkringar Gruppliv underwrites group life assurance and employment group life assurance. Länsförsäkringar Sak's subsidiary Agria Djurförsäkring is specialised in animal and crop insurance, with a strict focus on and involvement with animals and their owners. Agria International, which is a subsidiary of Agria Djurförsäkring, has the task of establishing and conducting the Agria concept in foreign markets. Agria International is established in the UK, Norway and Denmark.

Earnings and profitability

The technical result was stronger than in the preceding year primarily due to strong earnings in Agria's animal insurance and in Business Area Health. Operating profit amounted to SEK 427 M (486), a weaker result mainly due to lower investment income. The lower return was largely due to the liability hedge in nominal and real return bonds used to hedge the interest-rate risk in Länsförsäkringar Sak's discounted claims annuities reserve. At year-end, the liability hedge amounted to approximately 31% of the investment assets and accounted for the largest negative contribution, negative 3.0 percentage points of the return. However, the negative result from the liabil-

ity hedges was offset by the positive change in value of the claims annuities reserve.

Key figures improved during the year. The combined ratio increased 4 percentage points to 93 (97), due to strong earnings in Business Area Health and Agria and run-off gains primarily in the group life assurance and health care business. Agria International's business experienced a strong recovery and reported a profit after having divested unprofitable areas. Premiums earned after ceded reinsurance rose 2% to SEK 4,122 M (4,024) for the business unit as a whole. Premiums earned for Agria International declined due to discontinued portfolios and increases were primarily in Agria Djurförsäkring and Business Area Health.

Market and business volumes

The non-life insurance market is mature but increased slightly more than 3% during the year, measured in premiums paid. Growth is taking place in, for example, animal and accident and health insurance.

Claims adjustment and claims services have become a prioritised area partly to enhance efficiency, which reduces costs, but also to enhance quality and the customer experience, by providing customers with values other than the lowest price amid intense price pressure. The Swedish non-life insurance market is characterised by partnerships between banks, and other organisations and companies, as well as group solutions and investments in online and mobile solutions. The main purpose of these activities is to strengthen distribution volumes and better reach customers in the situations in which needs for insurance solutions arise. The role of insurance brokers has also been strengthened, as both distributors and developers of the customer offering. Market competition is intense and cost reductions are a focus area for maintaining competitiveness. Meanwhile, the need and competition for employees with specialist expertise is increasing.

In the long term, the issues of the future structure of social insurance and the potential privatisation of parts of the system will be central to the non-life insurance industry. Growing concern that social insurance in Sweden is insufficient has led to more peo-

ple taking out private insurance in all areas that provide compensation in the event of illness, unemployment, accidents, death and retirement. The rising indebtedness of households also increases the need for these types of insurance. Company owners also want to ensure that neither they nor their employees go on long periods of sick leave and health care insurance can thus provide greater security. The accident and health insurance market is expanding, as is the health care insurance market. Competition is fierce, particularly in health care insurance.

The market for animal insurance grew by slightly more than 7%. The high level of insurance in Sweden entails limited growth potential and, accordingly, Agria has worked for several years, through its Agria International subsidiary, towards profitable establishments in other markets. Agria International has operations established in the UK, Norway and Denmark.

The commercial-insurance market is sensitive to economic trends, with premiums that in many cases are governed by company sales and that remain at relatively low levels.

The international reinsurance market has high capacity, which results in pressed prices. This higher capacity is partly due to new players entering the market, such as hedge funds that now also underwrite assumed reinsurance.

Agria Djurförsäkring

Agria Djurförsäkring is a market leader in Sweden, with a market share of 59%. Premiums earned for own account in animal insurance amounted to SEK 2,043 M (1,999) and the technical result improved to SEK 168 M (70). Operating profit amounted to SEK 177 M (96).

The business area for insurance of dogs, cats and other pets continued to grow and had a successful year. While the sales trend during the year was highly favourable, claims payments for dog and cat insurance increased alarmingly quickly and far exceed expectations during the spring months. This forced to an additional premium adjustment and measures in claims processing. Veterinary care is being restructured, the results of which started to emerge during the year. Fewer and larger players are influencing the

direction, availability and costs in veterinary care. Higher claims costs were offset by changes to insurance conditions and price adjustments, and earnings stabilised in the autumn. Horse insurance is the most sensitive to Agria's market to economic fluctuations, with a slightly declining portfolio, although Agria is capturing market shares in the segment. Horse insurance reported favourable earnings, largely due to a major focus on operating expenses and a stable claims cost level.

Business Area Livestock reported a positive year, despite slightly reduced numbers of livestock in 2013. A favourable crop husbandry season and lower claims costs than forecasted for both animals and crops resulted in solid earnings for the year.

The international business continued to grow in Norway and Denmark. Agria Dyreforsikring is now a leader in animal insurance in Norway. The Norwegian market also faced rapidly rising costs for veterinary care in 2013, which had a negative impact on earnings. The measures carried out in the UK operations in 2012 and 2013 improved earnings, resulting in profit for the year and contributed to more robust conditions for stable further profitability.

Business Area Health

Länsförsäkringar is increasing both premium volumes and the number of policies in personal-risk insurance. The accident and health insurance market is expanding, and increased by more than SEK 0.5 billion to SEK 7.6 billion during the year, up almost 8%. Länsförsäkringar's market share in accident and health insurance declined slightly but has been relatively stable in the past few years at slightly more than 19%. The health care insurance market also continued to expand, and Länsförsäkringar remains a market leader. At year-end 2012, 522,000 individuals had health care insurance, most of which is taken out and paid by the employer.

Premiums earned for own account in Business Area Health amounted to SEK 1,043 M (992) and profit totalled SEK 162 M (137). The improved earnings were primarily attributable to strong earnings in accidents and run-off gains in the group life assurance and health care business. The introduction of a new generation of group insurance policies in business area Health started to generate results. In 2013, the market positively received modernised products

that provide sound financial basic security for companies and employees. The aim was to create insurance policies that are better tailored to current society.

Brokered sales continue to perform well. Business Area Health both renewed existing and underwrote new brokered agreements during the year, resulting in an increase in the portfolio of brokered insurance. A more comprehensive health care insurance was launched in 2013. The already popular health care insurance was expanded to include preventive health services in the form of a health profile, a self-help programme and personal counselling for managers and employees. Work-oriented rehabilitation and treatment for addiction and substance abuse is also included in the insurance policy. This health care insurance supports employees in their efforts to achieve better health and helps companies reduce sickness absence rates.

Business Area Commercial Special Insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers with specialised casualty, cargo, motor-hull and property insurance solutions. Premiums earned amounted to SEK 548 M (553), down 1.0% compared with the preceding year. The decline was mainly due to lower volumes in the motor-hull business, which volumes increased in both casualty and cargo insurance despite continued intense competition in the market. Earnings strengthened to SEK 69 M (65). The price pressure in cargo insurance stagnated slightly, although there are no indications that premiums are starting to rise. The number of players in the market rose again and further price pressure can thus be expected in the future. Länsförsäkringar's market share in cargo insurance stalled slightly during 2013.

Competition in casualty insurance has further intensified with companies that previously focused only on large companies now also cultivating the same market segments (small and medium-sized businesses) as Länsförsäkringar Sak.

The interests of the Länsförsäkringar Alliance's corporate customers in Sweden are increasingly international and demand for commercial insurance solutions is increasing among both new and existing customers. Through the International Net-

work of Insurance (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.

Business Area Reinsurance

Business Area Reinsurance manages the Länsförsäkringar Alliance's joint reinsurance cover and underwrites internationally assumed reinsurance. The internal reinsurance in the form of pool solutions and 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 within the Länsförsäkringar Alliance and procuring external cover for large claims.

Premiums earned after ceded reinsurance for Business Area Reinsurance was SEK 488 M (478) in 2013 and profit amounted to SEK 45 M (51).

The international reinsurance market suffered from several major claims in 2013. The most costly were the hailstorms in Germany in the summer and the floods in the Czech Republic, Germany and Austria. There were also several major risk claims and during the fourth quarter of the year Northern Europe experienced four storms: the St. Jude storm, Cyclone Hilde, Cyclone Xaver and Storm Ivar. Earnings for Länsförsäkringar Sak's assumed reinsurance business were affected by these claims. Typhoon Haiyan that hit the Philippines in November was a massive humanitarian disaster, but did not have a major financial impact on the reinsurance market.

Despite these claims, prices in the reinsurance market declined slightly since reinsurance companies could report healthy profits and new players entered the market, such as hedge funds that underwrite assumed reinsurance.

The regional insurance companies were also affected by claims resulting from the St. Jude storm, Cyclone Hilde, Cyclone Xaver and Storm Ivar. The most expensive was the St. Jude storm, which is expected to cost about SEK 280 M. In 2013, the Länsförsäkringar Alliance also experienced a large number of fires that impacted earnings for internal reinsurance. Some of these claims were reinsured on the basis of external annual aggregate cover.

The Länsförsäkringar Alliance's reinsurance cover was renewed without any major

changes and at a slightly lower price. The assumed, international reinsurance business was also renewed without any major changes. Contracts that incurred claims were subject to varying price increases, while prices were reduced in those without claims.

Investment income

The risk level in the investment portfolio was reduced compared with the year-earlier period. Most of the risk utilisation, about 85%, derived from the investment assets; properties and equities. The total return for the Länsförsäkringar Sak Group was a negative 0.9% (pos: 3.7). The lower return in 2013 was largely due to the liability hedge. The liability hedge comprises nominal and real return bonds used to hedge the interest-rate risk in Länsförsäkringar Sak's discounted claims annuities reserve. At year-end, the liability hedge amounted to approximately 31% of the investment assets and accounted for the largest negative contribution, negative 3.0 percentage points of the return. Properties, which at year-end amounted to about 17% of investment assets, represented the largest positive contribution of 1.0 percentage points. The fixed-income portfolio made a positive contribution of 0.8 percentage points and investments in hedge funds contributed 0.2 percentage points. The total return excluding liability hedges amounted to 3.1% (5.2).

NON-LIFE INSURANCE

- The technical result increased to SEK 434 M (304).
- Operating profit amounted to SEK 427 M (486).
- Premiums earned increased to SEK 4,122 M (4,024).
- The combined ratio strengthened to 93% (97).

Bank business operation

Länsförsäkringar Bank offers banking services to private individuals, agricultural customers and small businesses. The Bank Group consists of the Parent Company Länsförsäkringar Bank AB, and the wholly owned subsidiaries Länsförsäkringar Hypotek AB, Länsförsäkringar Fondförvaltning AB and Wasa Kredit AB. Länsförsäkringar Bank is the fifth largest retail bank in Sweden with business volumes of SEK 314 billion and 879,000 customers. The banking operations are conducted only in Sweden and the strategy is to offer banking services to the Länsförsäkringar Alliance's customers. Länsförsäkringar has great potential to offer banking services to the existing 3.5 million customers of the Länsförsäkringar Alliance based on its already strong customer relationships. The prioritised target groups are the 1.8 million home-insurance, agricultural and small business customers. The number of Länsförsäkringar Bank customers rose 4% to 879,000 (847,000). The number of customers with Länsförsäkringar as their primary bank increased 10% to 319,000 (290,000) and of these customers 94% (93) are already insurance customers. The number of products per customer rose to 4.9 (4.8).

Earnings and profitability

Profit before loan losses increased 19% to SEK 773 M (647) and operating profit rose 16% to SEK 647 M (556), due to higher net interest income and increased commission income. Return on equity strengthened to 6.7% (6.3).

Operating income increased 12% to SEK 2,104 M (1,882), and is explained by higher net interest income and increased commission income. Net interest income strengthened 8% to SEK 2,230 M (2,071) due to higher volumes, while deposit margins and the return on equity had a negative impact on net interest income. The investment margin strengthened to 1.06% (1.11).

Net gains from financial items declined to a loss of SEK 86 M (gain: 5) due to the negative effects of changes in fair value and the repurchase of own debt. Commission income increased 16% to SEK 1,140 M (984) due to higher income from fund,

card and securities business. The number of bank cards rose 12% to 388,000 (346,000). Net commission resulted in a decrease in expense to SEK 253 M (385) due to increased commission income.

Operating expenses rose 8% to SEK 1,331 M (1,235), which is primarily explained by increased IT administrative expenses, the fund company's higher administrative expenses, higher staff costs attributable to the finance-company operations and costs for building up a shared backoffice function in the banking operations. The cost/income ratio before loan losses strengthened to 0.63 (0.66) and the cost/income ratio after loan losses strengthened to 0.69 (0.70).

Loan losses remained very low and amounted to SEK 126 M (91), net, corresponding to loan losses of 0.08% (0.06). Reserves totalled SEK 422 M (325), corresponding to a reserve ratio in relation to loans of 0.25% (0.21). Impaired loans amounted to SEK 393 M (298), corresponding to a percentage of impaired loans of 0.23% (0.19).

Market and business volumes

Deposits from the public rose 11% to SEK 69 billion (62). Deposits from small businesses grew to SEK 8.6 billion (7.5) and the number of deposit accounts rose 10%. On December 31, 2013, the market share strengthened to 4.5% (4.3) according to Statistics Sweden. Fund volumes increased 18%, or SEK 13 billion, to SEK 83 billion (70) which is explained increased growth in value and a strong net flow during the year.

Loans to the public rose 8% to SEK 162 billion (150). All loans are granted in Sweden and in SEK and have a well-diversified geographic distribution.

Retail mortgages in Länsförsäkringar Hypotek increased 11% to SEK 112 billion (101). On December 31, 2013, the market share of household lending strengthened to 5.0% (4.9) according to Statistics Sweden. The market share for retail mortgages on December 31, 2013 was 4.9% (4.9).

The percentage of retail mortgages in relation to the total loan portfolio was

unchanged at 71%. First-lien mortgages for agricultural properties amounted to SEK 18.3 billion (16.7) and agricultural lending increased 7% to a total of SEK 20.7 billion (19.3). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 89% (86) of agricultural loans. Loans to small businesses totalled SEK 1.7 billion (1.6) on December 31, 2013.

Funding

Debt securities in issue rose 8% to SEK 124 billion (114), of which senior funding accounted for SEK 22 billion (18) and covered bonds for SEK 99 billion (91). The Bank Group has low refinancing risk and the maturity structure of funding is highly diversified. Long-term financing takes place in the capital market through covered bonds and senior unsecured bonds. During the year, the bank increased the percentage of senior funding and reduced the percentage of covered funding. Issuances during the year took place on average with longer maturities.

Issued covered bonds amounted to a nominal SEK 23.5 billion (28.5), repurchased covered bonds to a nominal SEK 7.2 billion (16.0) and matured covered bonds to a nominal SEK 8.4 billion (6.6) for the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 10.7 billion (11.4).

Liquidity

The liquidity reserve totalled a nominal amount of SEK 45.9 billion (40.6) at December 31, 2013, according to the Swedish Bankers' Association's definition. The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. A total of 76% (77) of the liquidity reserve comprises Swedish covered bonds, 19% (22) other Swedish government bonds, 4% (1) Finnish government bonds in EUR and USD and German bonds guaranteed by the government and 1% (–) deposits with the Swedish National Debt Office. By utilising the liquidity reserve, contractual undertakings for about 1.5 years can be met without needing to secure new funding in the capital market.

The Bank Group's Liquidity Coverage Ratio (LCR) amounted to 230% (277) on December 31, 2013. The LCR in EUR amounted to 1,847% (158) on December 31, 2013.

Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The Advanced IRB Approach is applied to all retail exposure and to counterparty exposures to corporates and the agricultural sector up to SEK 5 M. The Foundation IRB Approach is used for counterparty exposures to corporates and the agricultural sector in excess of SEK 5 M, and the Standardised Approach for other exposures.

On December 31, 2013, an unchanged 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 14.7% (13.1). The capital base increased to SEK 9,436 M (7,546) and the capital adequacy ratio strengthened to 18.7% (15.6). Tier 1 capital amounted to SEK 7,441 M (6,612) and the Tier 1 ratio strengthened to 14.7% (13.7).

BANK

- Operating profit rose 16% to SEK 647 M (555).
- Loan losses remained low with a loan loss of 0.08% (0.06).
- Business volumes increased 11% to SEK 314 billion (283). Deposits rose to SEK 69 billion (62) during the year.
- The number of customers rose 4% to 879,000 (847,000).

Life-assurance and pension insurance business operations

Länsförsäkringar offers life-assurance and pension solutions to corporate customers and private individuals. Fund management, Guarantee Management and risk insurance are offered through the subsidiary Länsförsäkringar Fondliv. No new policies are underwritten in Länsförsäkringar Liv, but the company manages traditional life assurance that was taken out before it was closed in September 2011.

Earnings and profitability

Profit for Länsförsäkringar Fondliv improved substantially to SEK 247 M (127), as a result of a stronger trend in the stock market, increased premium inflows and unchanged administration expenses. Income from customer fees for unit-linked insurance contracts rose 16% to SEK 501 M (431). Management remuneration amounted to SEK 493 M (426), up 16%. Operating expenses totalled SEK 790 M (731). The increase in operating expenses is explained by higher selling expenses attributable to increased volumes.

Most of Fondliv's premium flows are recognised in the balance sheet. Premium income in the income statement amounted to SEK 61 M (20). The portion of premiums that contain a material insurance risk are recognised as premium income.

Market

A very large portion of Länsförsäkringar's new life-assurance sales is for pension solutions for companies that do not have collective agreements. This is a market with a widespread need for individual advice. A pension analysis is performed based on individual customer needs, after which the customer receives an offer normally comprising both pension savings and various insurance solutions that the customer needs to lead a financially secure life. Länsförsäkringar sells proprietary unit-linked insurance solutions through its in-house sales force (including franchisees) and insurance brokers.

New sales in the life-assurance market increased slightly during the year. New sales in 2012 declined, largely due to many savers choosing to start saving in investment savings accounts (ISK) instead of in

insurance. The trend turned around during 2013 and life-assurance policies are rising again. New sales in the Swedish life-assurance market in unit-linked insurance increased 5% to SEK 75 billion and premium income rose 3% to SEK 68 billion. Länsförsäkringar's total market share in unit-linked insurance, measured in sales value, amounted to 10.8% (11.5) in 2013. The market share measured in premium income amounted to 12.8% (12.2).

Occupational pensions – the largest market

The sales value of the occupational pension market for unit-linked insurance was SEK 56 billion (53), up 6%. The occupational pension market is the largest sub-market, comprising 75% (75) of the total unit-linked insurance market. Länsförsäkringar Fondliv's sales value in unit-linked insurance in the occupational pension market was SEK 7.0 billion (7.2), down 3%. This figure corresponds to a market share of 12.4% (13.6). The sales value of the important sub-market of non-collectively agreed occupational pensions for Fondliv amounted to SEK 6.6 billion. Länsförsäkringar Fondliv's market share amounted to 16.6%. New sales in the sub-market of non-collectively agreed occupational pensions totalled SEK 41 M (39.3), which was slightly better than in the preceding year. The proprietary sales channels of In-House Sales Force and Franchises performed positively compared with the year-earlier period and increased 6% and 11%, respectively.

Private and savings market

The private pension sub-market in the unit-linked insurance market declined 3% and Länsförsäkringar Fondliv's market share of unit-linked insurance amounted to 10.6%, up 1.1 percentage points year-on-year. The savings sub-market in unit-linked insurance market rose 4%. Länsförsäkringar Fondliv's market share amounted to 4.7% (4.1).

Business volumes

Total premium income as defined by Insurance Sweden amounted to SEK 9,473 M (8,713). The non-collectively agreed occupational pensions sub-market accounted for

79% of total premium income. Collective agreement pensions represented 5% and the private-pension and savings market 16% of total premiums paid. Capital transferred strengthened premium income by SEK 2,627 M (2,342). Premium income for Guarantee Management amounted to SEK 706 M. Managed assets at year-end totalled SEK 77.5 billion. Risk insurance contributed SEK 43 M in premium income.

The proprietary sales channels performed positively compared with the year-earlier period and increased 8%. Sales in the sub-market of non-collectively agreed occupational pensions totalled SEK 7,502 M (7,252).

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, where the fixed-income element will always be at least 40% and the equities portion may be as low as zero. The Asset Management Unit at Länsförsäkringar AB manages this product. The return for the year was 5.6%.

LÄNSFÖRSÄKRINGAR FONDIV

■ The unit-linked life assurance company manages SEK 78 billion (63) on behalf of life-assurance and pension insurance customers.

■ Sales amounted to SEK 8 billion, making Länsförsäkringar Sweden's fourth largest unit-linked insurance company.

■ Profit for the unit-linked life assurance company improved to SEK 247 M (127).

Equities accounted for more than half of the portfolio's return; the main contributors were US equities (3.4 percentage points) and European equities (1.2 percentage points). However, equities in emerging markets slightly negatively impacted the return. The fixed-income portfolio was supplemented with holdings in Investment Grade and High Yield, and reported a neutral performance for the year with a contribution of 0.2 percentage points.

Fund management

Länsförsäkringar's fund offering consists of 30 funds under Länsförsäkringar's own brand and about 45 external funds. The former are found in Länsförsäkringar's own fund company and are managed by selected external managers. The external funds provide additional breadth and variety in the offering and were chosen because they have posted favourable results compared with other similar funds in the market. 2013 began with sharply rising stock markets and market interest rates. Positive signals in Europe, higher growth in the US, improved gains in the companies and a general increase in risk willingness provided a healthy basis for the stock markets during 2013.

There were temporary declines during the year, driven by political unrest, rising interest rates and relative high share valuations. Almost 80% of the range performed positively during 2013. The 30 best funds increased more than 20%. These included funds with an orientation towards the US, Swedish small companies and Europe. Funds with a negative performance were those investing in emerging markets and commodities that were adversely affected by the weak commodities market, lower export and a weak economic climate. Fixed-income funds struggled to hold their positions in the fluctuating fixed-income climate, and some ended on a minus. The SEK weakened during the year, which contributed positively to funds investing outside Sweden.

Traditional life assurance in Länsförsäkringar Liv

Länsförsäkringar Liv conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. Strengthening the key figures has been the company's focus in 2013.

Activities in New Trad were an important part of this work. Other important work conducted was the continued preparations for the forthcoming Solvency II regulations.

Old Trad

Investments in traditional life assurance are normally invested in listed equities and interest-bearing securities, as well as properties and alternative investments. No major changes were made to the investment mix for Old Trad during 2013. During the autumn, the company gradually adjusted the investment portfolio to the transition rules for the discount rate prior to Solvency II that will come into effect from the start of 2014. Accordingly, durations in the fixed-income portfolio could be reduced slightly. In Old Trad, the possibility of investing assets in more risk-exposed investments, such as equities, has been limited. Rising interest rates during 2013 meant that the value trend in interest-bearing securities was negative. On December 2013, asset allocation in the traditionally managed portfolio, Old Trad, was as follows: 92% interest-bearing securities, 4% alternative investments and the remainder was equities and property. The return on the various asset classes was as follows: Interest-bearing securities negative 3.8% (pos: 6.2), equities 21.6% (1.4), alternative investments 4.7% (14.2) and properties negative 4.0% (pos: 5.1). The bonus rate was at 0% for most of the year but was raised to 1% from November 1st.

New Trad

At the end of May, the first customers were sent offers inviting them to change the conditions of their insurance product to New Trad. New Trad means that customers are offered the opportunity to change the conditions of their traditional insurance policies. Lower guarantee levels combined with lower fees allow a changed investment mix with higher expected returns and improved opportunities for future increases in the value of savings. The response has been positive and on December 31 slightly more than 13,000 customers had accepted the offer to change the conditions of their insurance. The work on expanding the offer to more customers continues. The investment mix consists of 60% interest-bearing assets, 30% equities, 5% properties and 5% alternative investments. The higher element of

risk in the New Trad investment portfolio compared with Old Trad also entails higher expected returns and bonuses. The return amounted to 4.3%. The solvency margin in New Trad was 115% and the bonus rate has been at 5% since the start in May 2013.

New World

In the New World management form, approximately 30% of the customers' capital is invested in bonds and 70% in Swedish and foreign equities. New World is a traditional insurance policy whereby customers are guaranteed to recoup at least the premiums paid, subject to deductions for expenses and yield tax.

The return in New World during 2013 was favourable, and particularly equities investments in mature markets contributed to the positive result. The return in December 2013 amounted to 12.8% (12.2).

Earnings and profitability

Profit for Länsförsäkringar Liv amounted to SEK 5.1 billion (4.9). The positive earnings are largely explained by the sharp upturn in long-term market interest rates. The Swedish ten-year government bond rate rose by almost 1 percentage point. Liabilities were discounted by the market interest rate and thus the decrease in interest rates contributed positively to earnings. Technical provisions declined SEK 11.8 billion. However, investment income in Länsförsäkringar Liv was negatively impacted by rising market interest rates since the value of long-term interest-bearing investments declined. The positive net earnings due to the increase in interest rates was the result of a deliberate strategy for how assets were matched against liabilities. The introduction of New Trad also contributed to the positive result. The conversion to New Trad means that the guaranteed commitments decline, which has a positive effect on liabilities and earnings. Lower liabilities also provide greater scope for investments with higher expected returns.

In 2013, the company also worked on reducing its operating expenses. The company lowered its operating expenses by a total of 16% during the year.

The total return in Länsförsäkringar Liv's traditional portfolio, Old Trad, was a negative 3.0% (pos: 6.1) and net investment income included in profit and loss totalled a loss of SEK 1.8 billion (pos: 7.7). The total

return amounted to 4.3% (–) for New Trad and to 12.8% (12.2) for New World.

Premium income for Länsförsäkringar Liv amounted to SEK 3.4 billion (4.3), down 22% (34). The insurance portfolio has declined since new sales was discontinued. External transfers, paid-up insurance and no new additions of insurance resulted in the portfolio declining. Payments continued to be made for premium paying insurance policies in the portfolio, but premium income is declining as final insurance payments are made. One-off payments have essentially ceased since new sales were discontinued, which also adversely affected premium income. Claims paid amounted to SEK 7.6 billion (7.5). Investment assets according to the balance sheet fell to SEK 112.8 billion (126.5) during the year.

Key figures for Länsförsäkringar Liv
The solvency ratio improved 5 percentage points in 2013. The solvency ratio amounted to 118% (113) on December 31, 2013 and the solvency rate to 4.3. The solvency ratio shows the relation between total capital and capital guaranteed to the customer, whereas the solvency rate comprises the relation between the company's capital base and capital requirement. The solvency rate and solvency ratio are measures that reflect the company's capacity to quickly pay out the entire guaranteed capital.

LÄNSFÖRSÄKRINGAR LIV

■ The solvency ratio improved during the year and amounted to 118% (113) on December 31, 2013.

■ The total return in traditional management was a negative 3.0% (pos: 6.1).

■ The total return amounted to 4.3% for New Trad and to 12.8% (12.2) for New World.

Other information

Risks and risk management

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

The risk scenario was stable in 2013, but with the shift seen for several years where the banking operations are growing faster than the unit-linked life assurance and non-life insurance operations. The risks that arise directly in the Parent Company are primarily attributable to the company's financing, investments in liquidity and the business-support operations conducted on behalf of the subsidiaries and the regional insurance companies.

The Parent Company's interest-rate risk is relatively low since the fixed-interest periods of the funding and investments are short. The maturity periods for loans and investments differ from the fixed-interest periods. The Parent Company's liquidity on December 31, 2013 comprised short-term, interest-bearing investments and cash equivalents totalling SEK 1,608 M (1,392). At year-end, the largest portion was invested in interest-bearing assets and a smaller portion in equities. At December 31, 2013, equity-related assets amounted to SEK 45 M (38).

Employees

Employeehip at Länsförsäkringar AB means assuming responsibility through personal development in skills, health, business improvements and cost awareness. The aims of employeehip are stated in the personnel policy and the company's performance management work model.

The basis for employee performance and development, in both the short and long term, is the business plan and values and employees receive regular feedback on their performance. A good working environment and maintaining positive health is essential for improving perfor-

mance and is continuously followed up in talks between managers and employees.

The company's basic outlook is that physical activity at work increases efficiency and improves social cohesion, and that investing in health is an important part of being an attractive employer. It also helps to reduce sickness absence. Länsförsäkringar AB offers generous preventive health care benefits and employees can exercise for one hour a week during working hours. Länsförsäkringar's own fitness facility includes a gym, fitness classes, and health-inspiring preventive health care activities, subsidised massages and personal trainers at cost price. All employees have health care insurance that provides rapid access to specialised care. Medical advice and follow-ups are provided through the sickness reporting service and managers can receive professional advice regarding rehabilitation for employees, if required.

During the year, Länsförsäkringar AB produced a new leader profile that details the company's expectations of its managers. The values are expressed in the leader profile in the forms of attitudes and behaviours and describe what managers should know, be and do in five areas: lead development, lead change, lead employees, lead the business and lead oneself. A leader profile also ensures that the company's recruits, develops and promotes managers with the right skills. Part of equality efforts is to create a more even gender distribution among managers. The current distribution in the Länsförsäkringar AB Group is 58% (60) men and 42% (40) women. The target figure for 2015 is 50% men and 50% women in corporate management and at department and Group management level.

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

Environment

For the Länsförsäkringar AB Group environmental considerations is a key issue in sustainable development. Länsförsäkringar AB's environmental management system has held ISO 14001 certification since 2004, which was confirmed by SFK Certification in 2013. Environmental audits are conducted every year that provide opportunities to better adapt the operations to environmental considerations. SFK Certification conducts audits of Länsförsäkringar AB's environmental practices, and the company's own internally trained environmental auditors are also reviewed. All regional insurance companies also hold ISO 14001 certification.

The company works continuously to reduce its environmental impact in line with its environmental policy. Areas with a negative impact on the environment have been identified. Efforts to reduce the environmental impact of the Swedish agricultural sector are continuing. Under Länsförsäkringar's recycling insurance, scrap and environmentally harmful waste generated by agricultural operations are collected for recycling or destruction.

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

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

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

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

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

.....

The results of the year's operations and the financial position of the Länsförsäkringar AB Group and the Parent Company at December 31, 2013 are presented in the following financial statements with accompanying notes for the Group and Parent Company.

.....

Corporate Governance Report

Introduction

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

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

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

Description of the corporate governance system

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

Länsförsäkringar AB's corporate governance model can be described as the frame-

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

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

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

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

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

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

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

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

Internal control systems

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

trol and provides support for conducting operations with a high level of risk control. Internal Audit, the third line of defence, comprises the Board's support for quality assurance and evaluation of the organisation's risk management, governance and internal control.

Risk-management system

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

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

Structure of internal regulatory framework

In order to be lucid and easily available the Länsförsäkringar AB Group's internal regulatory framework shall be characterized by ease and clarity. The aim shall be to limit the number of internal regulatory documents to as great extent as possible. The internal regulatory framework in the Länsförsäkringar AB Alliance consists of steering documents as follows:

- Policy – Communicates a position of principal
- Guidelines – General regulatory framework that sets the frames
- Instruction – detailed instructions within a specific area

The steering documents can either be joint or company specific, that is to say they apply either to all companies within the Länsförsäkringar AB Alliance or for only one of the companies. The joint steering documents are confirmed by the Länsförsäkringar AB Board of Directors or decided by the CEO. The joint steering documents shall also be approved by and incorporated in remaining companies in the organisation. The com-

pany-specific steering documents are confirmed either by the Board of each company respectively or by the CEO of the subsidiaries.

Principles for outsourcing activities

Distribution of work within the Länsförsäkringar AB Alliance is an important tool to achieve economies of scale in both finance and competence. It is also a way to realize an effective and active steering within the Alliance. The operational organisation with business in the business units and Group-wide functions in the mother company has been determined based on this. Also, outsourcing of operations to external party is an essential tool in order to gain economies of scale in both finance and competence. Outsourcing to external party occurs both within Länsförsäkringar AB and the subsidiaries. The Länsförsäkringar AB Board of Directors has, on the basis of this, decided upon a Group-wide policy for outsourcing of operations, that specifies overall principles for internal and external outsourced operations. Based on this policy, the subsidiaries have confirmed guidelines for outsourcing of operations.

Suitability requirements

Employees and Board members are subject to suitability requirements.

Business continuity planning

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

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

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

Shareholders and General Meeting

The shareholders exercise their influence at the General Meeting, which is the company's highest decision-making body. A General Meeting is normally held once

per year, the Annual General Meeting. No shareholder is entitled to own more than 9.9% of the capital or votes in the company.

Shareholders' power of decision

At General Meetings, no one may vote using their own or anyone else's shares for more than 99/1,000 votes represented at the Meeting. Motions are passed at General Meetings by a simple majority of votes unless the Swedish Companies Act prescribes another specific voting majority. The resolutions of the Annual General Meeting pertain to the Annual Report, the election of members of the Board and auditors, remuneration to Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The remuneration proposal for Board members presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman and other Board members, and includes remuneration for committee work. The 2013 Annual General Meeting approved the principles for remuneration and other terms of employment for corporate management.

Nomination Committee

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

Nomination Committee prior to 2014 Annual General Meeting

The Nomination Committee has comprised Otto Ramel (Chairman) (Länsförsäkringar Skåne), Ulf W Eriksson (Länsförsäkringar Värmland), Per-Åke Holgersson (Länsförsäkringar Kronoberg), Conny Sandström

(Länsförsäkringar Västerbotten) and Örian Söderberg (Länsförsäkringar Jönköping) since the 2013 Annual General Meeting. Prior to the 2014 Annual General Meeting, the Nomination Committee has:

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

Prior to 2014 Annual General Meeting, the Nomination Committee will

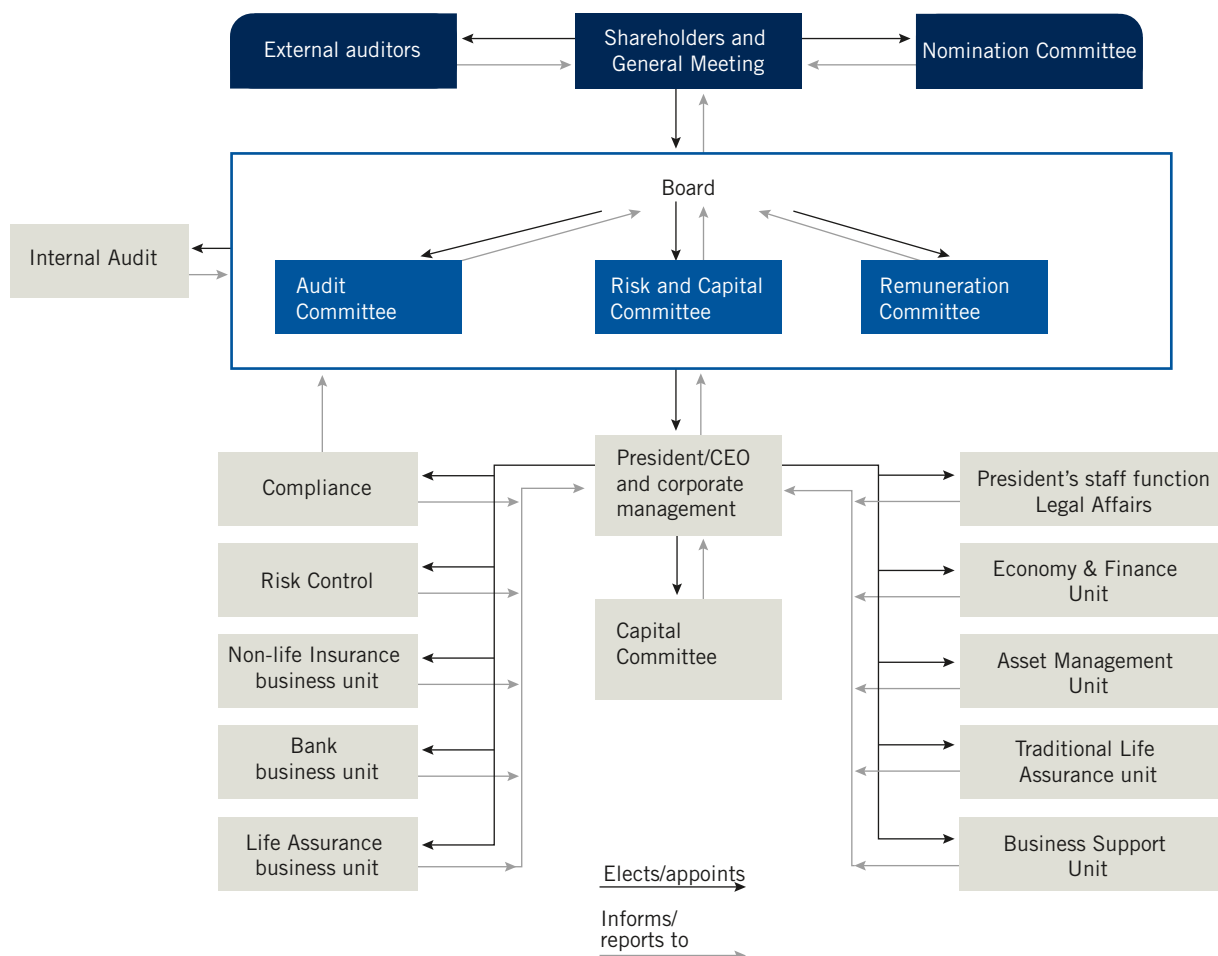
- Evaluate the candidates' independence
- Nominate Board members, including the Chairman of the Board and in certain cases, a Deputy Chairman,
- Carry out suitability assessments of Board members in accordance with established processes and procedures,
- Propose fees to Board members, auditors and other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

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

External auditors

The Annual General Meeting appoints the external auditors. Nominations are made to the Nomination Committee. In accordance with the Articles of Association, Länsförsäkringar AB has between one and three auditors and between zero and three deputy auditors. The auditors are appointed for a mandate period of not more than four years. At the 2012 Annual General Meeting, Stefan Holmström, KPMG AB, was appointed auditor and Johan Bäckström, KPMG AB, was appointed deputy auditor, both for a mandate period of three years. Stefan Holmström has served as the company's auditor since 2000. Alongside Länsförsäkringar AB, his major audit

Länsförsäkringar AB's governance structure



assignment is Handelsbanken AB (publ). Stefan Holmström has no other assignments in any other company that affect his independence in relation to Länsförsäkringar AB.

The auditors examine Länsförsäkringar AB's Annual Report and Corporate Governance Report, as well as the administration of the Board and the President. At the Annual General Meeting, the auditors present the audit report and describe the audit process. The auditors presented their audit results and observations to the Board on one occasion during 2013. The auditors also participate in meetings of the Audit Committee.

Board of Directors

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

The Board currently comprises twelve regular members and two deputies. Ten of the members were elected by the Annual General Meeting. Two members and two deputies were appointed by trade-unions. The Board members are listed on pages 98–99.

Board responsibilities and delegation of duties

The Board is responsible for the organisation and administration of the company and decides on issues of material significance and of an overall nature relating to the company's operations. The Board appoints,

dismisses and assesses the President, adopts an appropriate operational organisation for Länsförsäkringar AB and the Länsförsäkringar AB Group, the goals and strategies of the operations, and ensures that efficient systems are in place for internal control and risk management.

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

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

Chairman

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

Work of the board

In its formal work plan, the Board has established a standard for its agenda, annually recurring items of business and a stan-

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

The Board has established a Finance Committee, an Audit Committee and a Remuneration Committee. In June 2013, the Board of Directors decided to establish a Risk and Capital Committee and simultaneously phase out the Finance Committee (for more see to the sections on the Finance Committee and Risk and Capital Committee below). The duties of the Committees are determined by the Board in its formal work plan or in separate instructions. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

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

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

During 2013, the Board devoted particular attention to such issues as the new capital adequacy rules for insurance companies, Solvency II, the financial situation in the business world and subsequent effects on the operations, capital and liquidity issues, and IT efficiency enhancements. During the year, the Board of Directors has undergone several educational programs on Solvency II and new regulatory frameworks for banking.

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

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

Audit Committee

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

- Oversee the financial reporting of the company.
- With regards to the financial reporting, oversee the effectiveness of the company's internal control, internal audit and risk management.
- Keep informed of the audit of the annual report and consolidated financial statement.
- Examine and oversee the auditor's impartiality and independence and thereto especially note if the auditor provides the company with other services than auditory services.
- Assist in the preparation of the suggestion to the Annual General Meeting's decision of selection of auditor.

In addition, the Audit Committee shall be responsible for the preparation of the Board of Directors' work regarding oversight of the effectiveness of the company's

- corporate governance system, which includes internal steering and control, as well as
- internal control of the operational risks.

At the statutory Board meeting immediately following the 2013 Annual General Meeting, Gösta af Petersens (Chairman), Jan Fock and Lars Hallkvist were appointed members of the Audit Committee.

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

Finance Committee

The Finance Committee is designed as a forum for financial analysis of the business environment and macroeconomics, as well as to prepare and coordinate asset management issues to be presented to each Board for decision. It is also the duty of the Finance Committee to monitor compliance with established objectives, investment orientation, chains of command, etc.

The Board meeting immediately following the 2013 Annual General Meeting appointed Jan Fock (Chairman), Sune Nilsson and Christer Villard to members of the Finance Committee.

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

AB decided in June 2013 to implement a Risk and Capital Committee and simultaneously phase out the Finance Committee.

Risk and Capital Committee

The Risk and Capital Committee shall support the Board of Directors in risk and capital questions and form a forum for analysis of and deepened discussion around Länsförsäkringar AB's risk taking and capital requirements. The committee shall, before the Board of Director's decision, prepare and process questions regarding, among others:

- Risk policy
- The company's internal partial model with regards to methods, models and valuation.
- Internal risk and capital evaluation
- Follow up of risk development and potential deviances in relation to risk limits.

The Risk and Capital Committee was established through a board decision in June 2013. The Board of directors appointed Jan Fock (chairman), Sune Nilsson and Christer Villard as members of the committee. Number of meetings within the Risk and Capital Committee is reported in the table below.

Remuneration Committee

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

At the Board meeting immediately following the 2013 Annual General Meeting, Jan Fock (Chairman), Sune Nilsson and Gösta af Petersens were appointed members of the Remuneration Committee.

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

President/CEO and corporate management

Sten Dunér has served as the President of Länsförsäkringar AB since October 2009. Dunér was born in 1951 and has worked at Länsförsäkringar AB since 1982. To ensure that the operations of each subsidiary com-

Meetings and attendance

The table below shows the number of meetings held by each body from the 2013 Annual General Meeting until January 2014, and the attendance by each Board member:

	Board of Directors	Finance Committee	Audit Committee	Remuneration Committee	Risk and Capital Committee
Total number of meetings	9	2	5	1	1
Gösta af Petersens	9	–	5	1	–
Fredrik Daveby	9	–	–	–	–
Christer Ekehov, deputy	0	–	–	–	–
Mats Fabricius	9	–	–	–	–
Jan Fock	9	2	4	1	1
Lars Hallkvist	8	–	4	–	–
Henrietta Hansson	9	–	–	–	–
Åsa Jansson	7	–	–	–	–
Tomas Jönsson	8	–	–	–	–
Susanne Lindberg	8	–	–	–	–
Linnea Niklasson, deputy	1	–	–	–	–
Sune Nilsson	7	0	–	1	1
Pia Sandvik	8	–	–	–	–
Christer Villard	6	1	–	–	1
Lars-Eric Åström	9	–	–	–	–

ply with the overall objectives for the Länsförsäkringar AB, the President of Länsförsäkringar AB, as a general rule, also serves as the Chairman of the Board of each subsidiary.

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

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

The President established a Capital Committee to address issues regarding risk-taking, risk management and the balance between risk-taking and use of capital in the Länsförsäkringar AB Group. The members of this Committee are appointed by the President of Länsförsäkringar AB. The Committee is governed by a separate formal work plan.

Control functions

Internal Audit

Internal Audit is an independent review function that constitutes the Board's support in the evaluation of the organisation's risk management, governance and controls. Based on its reviews and advice, Internal Audit evaluates and ensures the quality and the efficient execution of the operations' overall internal governance and control systems, that the overall

reporting to the Board provides a true and fair view of the operations, that operations are being conducted in accordance with applicable internal and external regulations, and compliance with the Board's decisions and intentions. Internal Audit reports to the Länsförsäkringar AB Group's Board of Directors and to the boards of each subsidiary, but is organisationally subordinated to the Chairman of the Audit Committee.

Compliance

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

Risk Control

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

Deviations from the Code

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

Notice

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

Nomination Committee

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

Composition of Board

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

Mandat for Board members

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

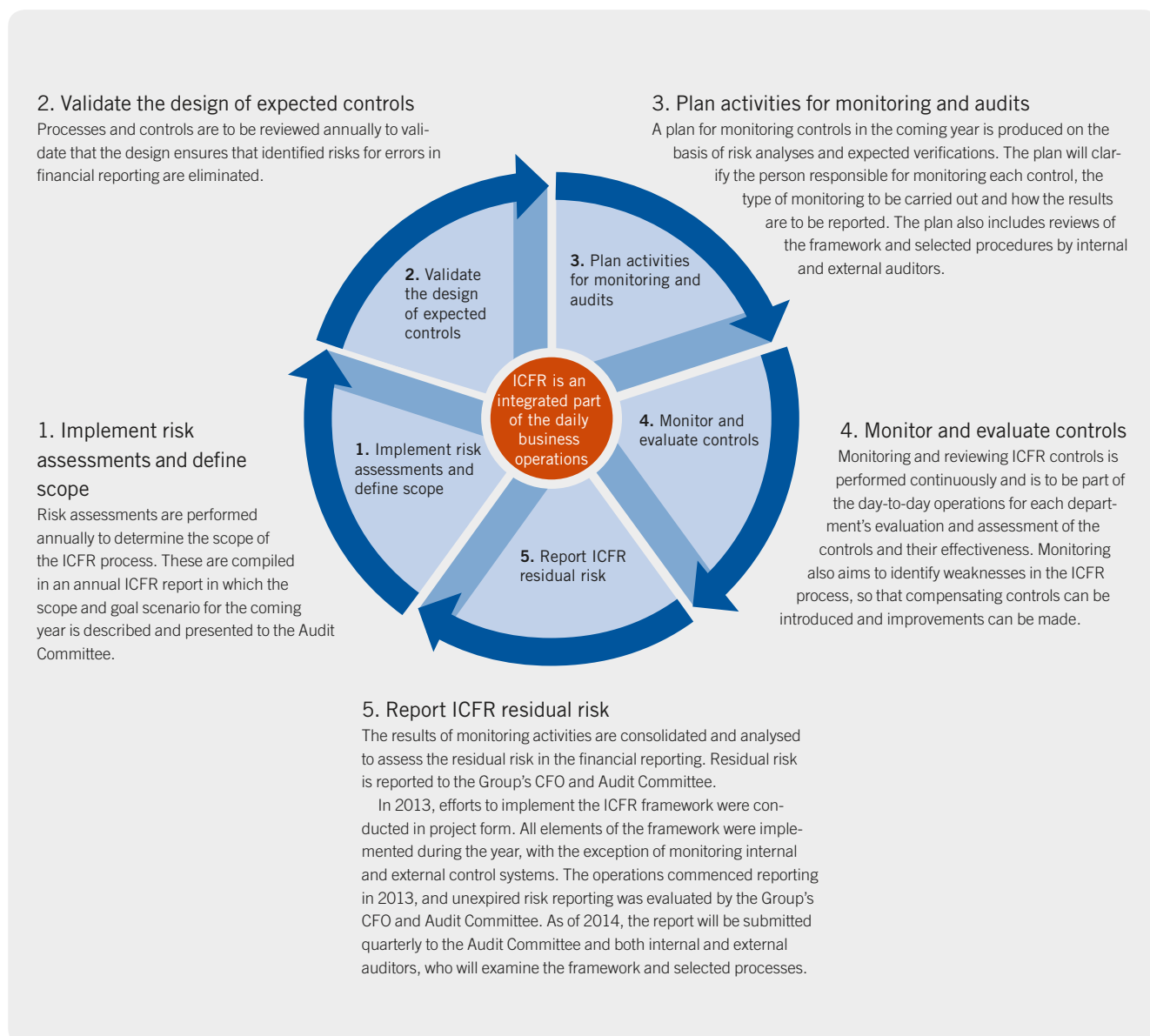
Board's report on internal control over financial reporting

Internal control over financial reporting (ICFR) is part of the Group's governance process. ICFR is defined as a process carried out by the Board, management and operations. The process is designed to provide reasonable assurance of the reliability of the financial reporting and ensure that the financial reports comply with applicable laws and regulations and generally accepted accounting principles. The process ensures

the Group's ability to identify, measure, monitor and manage risks. The internal control process encompasses all parts of the organisation, including outsourced activities, and is to be an integral part of each of the Group's operations.

A project is ongoing to strengthen the internal governance and control of financial reporting. The method is based on the established COSO model (Internal Control

– Integrated Framework, by the Committee of Sponsoring Organizations of the Treadway Commission) and its five framework components: control environment, risk assessment, control activities, information and communication, and monitoring. The diagram below illustrates the Group's ICFR structure.



Five-year summary

Amounts in SEK M unless otherwise stated

Länsförsäkringar AB Group	2013	2012	2011	2010	2009
GROUP					
Operating profit	923	819	287	536	693
Net profit for the year	682	684	208	418	509
Return on equity, % ¹¹⁾	5	5	2	6	7
Total assets, SEK billion	323	291	254	174	157
Number of shares, 000s	9,750	9,407	9,407	7,251	6,298
Equity per share, SEK	1,557	1,479	1,403	1,356	1,279
Solvency capital					
Equity	15,183	13,915	13,198	9,831	8,058
Subordinated debt	2,000	900	900	114	114
Deferred tax	848	776	701	668	538
Total solvency capital	18,031	15,590	14,800	10,613	8,710
Solvency margin, % ²⁾	434	388	369	278	228
Capital base for the financial conglomerate ³⁾	16,391	14,590	13,665	13,480	12,147
Necessary capital requirement for the financial conglomerate	12,754	12,661	11,620	9,970	9,303
Average number of employees	1,503	1,432	1,376	1,341	1,433
INSURANCE OPERATIONS⁴⁾					
<i>Non-life insurance operations</i>					
Premiums earned (after ceded reinsurance)	3,905	3,795	3,754	3,549	3,285
Investment income transferred from financial operations	152	162	189	201	435
Claims payments (after ceded reinsurance) ⁵⁾	-2,613	-2,557	-2,713	-2,495	-2,211
Technical result, non-life insurance operations²³⁾	351	263	121	192	429
<i>Premium income, non-life insurance</i>					
Premium income before ceded reinsurance	5,949	5,703	5,768	5,671	5,888
Premium income after ceded reinsurance	4,009	3,771	3,764	3,605	3,575
<i>Life-assurance operations</i>					
Premium income after ceded reinsurance	279	249	251	219	240
Fees pertaining to financial agreements	501	402	61	–	–
Investment income, net	62	18	8	1	5
Claims payments (after ceded reinsurance)	-91	-140	-157	-179	-140
Technical result, life assurance operations²³⁾	484	378	92	1	-3
Operating profit for insurance operations⁶⁾	675	613	147	323	505
<i>Key figures</i>					
Cost ratio ⁷⁾	28	30	30	31	33
Expense ratio ⁸⁾	21	24	23	23	26
Claims ratio ⁹⁾ 20)	73	73	79	78	75
Combined ratio ²⁰⁾	95	97	102	101	100
Management cost ratio, life-assurance operations ¹⁰⁾ 21)	1	1	2	12	14
Direct yield, % ¹¹⁾	0.8	1.2	2.7	1.9	1.7
Total return, % ¹²⁾	-0.6	3.5	6.0	4.3	6.2
<i>Financial position</i>					
Investment assets, SEK billion ¹³⁾	17	17	15	16	17
Unit-linked insurance assets for which the policyholder bears the risk, SEK billion	76	62	52	–	–
Technical provisions (after ceded reinsurance), SEK billion	14	14	14	14	14

Länsförsäkringar AB Group	2013	2012	2011	2010	2009
BANKING OPERATIONS					
Net interest income	2,230	2,071	1,728	1,363	1,148
Operating profit	647	555	385	345	258
Net profit for the year	479	433	298	245	178
Return on equity, % ¹⁴⁾	7	6	5	5	4
Total assets, SEK billion	213	197	170	149	131
Equity	8,288	7,171	6,332	5,529	4,694
Cost/income ratio before loan losses ¹⁵⁾	0.63	0.66	0.71	0.72	0.76
Investment margin, % ¹⁶⁾	1.06	1.11	1.07	0.93	0.96
Tier 1 ratio according to Basel II, % ¹⁷⁾	14.7	13.7	12.1	11.8	12.5
Capital adequacy ratio according to Basel II, %	18.7	15.6	14.0	13.5	14.8
Loan losses in relation to lending, % ¹⁹⁾ 22)	0.08	0.06	0.04	0.03	0.04

¹⁾ Operating profit plus change in value of owner-occupied property less standard tax at 22.0% (26.3) in relation to average equity adjusted for new share issue and dividends.

²⁾ Solvency capital as a percentage of premium income after ceded reinsurance.

³⁾ The financial conglomerate comprise the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. The financial conglomerate also includes Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. The capital base is calculated in accordance with the aggregation method. In accordance with the Swedish Financial Conglomerates (Special Supervision) Act (2006:531).

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

⁵⁾ Excluding claims adjustment costs.

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

⁷⁾ Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.

⁸⁾ Operating expenses as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Excluding claims adjustment costs in accordance with the regulations of the Swedish Financial Supervisory Authority.

⁹⁾ Claims payments as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Includes claims adjustment costs in accordance with the regulation of the Swedish Financial Supervisory Authority.

¹⁰⁾ Operating expenses and claims adjustment costs in relation to the average value of investment assets, investment assets for which the policyholder bears the investment risk and cash and cash equivalents.

¹¹⁾ Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administrative expenses for asset management and operating expenses for properties in relation to the average value of the investment assets during the year.

¹²⁾ Total return is calculated as the sum of all direct yields and changes in the value of the investment portfolio in relation to the average value of the investment assets during the year.

¹³⁾ Investment assets comprise owner-occupied property, shares and participations in associated companies, investment property, loans to Group companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and cash equivalents, and interest-bearing liabilities.

¹⁴⁾ Operating profit less standard tax at 22.0 (26.3) in relation to average equity, adjusted for changes in value of financial assets recognised in equity.

¹⁵⁾ Total expenses before loan losses in relation to total income.

¹⁶⁾ Net interest in relation to average total assets.

¹⁷⁾ Tier 1 capital at year-end in relation to the closing risk-weighted amount.

¹⁸⁾ Closing capital base as a percentage of the closing risk-weighted amount.

¹⁹⁾ Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

²⁰⁾ After recalculation in 2010 in accordance with new accounting policy for indexation of claims annuities.

²¹⁾ Includes Länsförsäkringar Fondliv from 2011.

²²⁾ After recalculation in accordance with the new accounting policy for loan losses.

²³⁾ The Länsförsäkringar Sak Group's technical result amounted to SEK 434 M in 2013. The Länsförsäkringar Sak Group includes Länsförsäkringar Gruppliv Försäkrings AB, which is recognised in the life-assurance operations. The technical result for Länsförsäkringar Gruppliv Försäkrings AB amounted to SEK 83 M in 2013.

Financial statements Group

Consolidated income statement	39	Note 27 Financial leasing	71
Consolidated statement of comprehensive income.....	39	Note 28 Shares and participations.....	72
Consolidated statement of financial position	39	Note 29 Bonds and other interest-bearing securities	72
Consolidated statement of changes in shareholders' equity ..	40	Note 30 Treasury bills and other eligible bills	72
Consolidated statement of cash flows.....	40	Note 31 Derivatives	72
Note 1 Accounting policies	41	Note 32 Fair value adjustment of interest-rate-risk hedged items in portfolio hedge	72
Note 2 Risks and risk management	53	Note 33 Other receivables	72
Note 3 Earnings per operating segment	65	Note 34 Prepaid expenses and accrued income	72
Note 4 Acquisitions of operations	66	Note 35 Cash and cash equivalents	72
Note 5 Premiums earned after ceded reinsurance	66	Note 36 Equity	73
Note 6 Interest income	66	Note 37 Subordinated liabilities.....	74
Note 7 Interest expense.....	66	Note 38 Technical provisions	74
Note 8 Investment income, net.....	66	Note 39 Provisions for life assurance for which the policyholder bears the risk	75
Note 9 Commission income	66	Note 40 Deferred tax assets and liabilities	75
Note 10 Other operating income.....	67	Note 41 Other provisions	76
Note 11 Claims payments	67	Note 42 Debt securities in issue	76
Note 12 Commission expense	67	Note 43 Deposits from the public	76
Note 13 Employees, staff costs and remuneration to senior executives	67	Note 44 Due to credit institutions	80
Note 14 Fees and remuneration to auditors.....	68	Note 45 Other liabilities	77
Note 15 Other administration expenses	68	Note 46 Accrued expenses and deferred income.....	77
Note 16 Loan losses, net.....	68	Note 47 Pledged assets and contingent liabilities.....	77
Note 17 Tax	69	Note 48 Anticipated recovery and settlement periods for assets and liabilities	77
Note 18 Earnings per share.....	69	Note 49 Assets and liabilities by category.....	78
Note 19 Goodwill.....	69	Note 50 Fair value valuation techniques	80
Note 20 Other intangible assets.....	69	Note 51 Information about offsetting.....	81
Note 21 Property and equipment	70	Note 52 Disclosures on related parties.....	81
Note 22 Owner-occupied property	70	Note 53 Group companies	82
Note 23 Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ)	70	Note 54 Supplementary information to statement of cash flows	82
Note 24 Shares and participations in associated companies	71	Note 55 Events after balance-sheet date	82
Note 25 Loans to the public	71	Note 56 Information regarding the Parent Company	82
Note 26 Unit-linked insurance assets policyholder bears the risk	71		

Consolidated income statement

SEK M	Note	2013	2012
Premiums before ceded reinsurance		6,105	6,012
Reinsurers' portion of premiums		-1,949	-1,969
Premiums earned after ceded reinsurance	5	4,156	4,043
Interest income	6	9,488	10,429
Interest expense	7	-7,187	-8,278
Net interest income		2,301	2,151
Change in unit-linked insurance assets policyholder bears the risk		8,251	3,659
Dividends in unit-linked insurance assets policyholder bears the risk		4	1,085
Investment income, net	8	-203	59
Commission income	9	2,014	1,745
Other operating income	10	2,036	2,036
Total operating income		18,558	14,778
Claims payments before ceded reinsurance		-4,084	-3,986
Reinsurers' portion of claims payments		1,381	1,290
Claims payments after ceded reinsurance	11	-2,704	-2,697
Change in life assurance provision		-1	-2
Change in unit-linked insurance liabilities policyholder bears the risk		-8,308	-4,846
Commission expense	12	-2,074	-2,029
Staff costs	13	-1,657	-1,588
Other administration expenses	14, 15	-2,765	-2,706
Loan losses	16	-126	-91
Total expenses		-17,635	-13,958
Operating profit		923	819
Tax	17	-242	-135
Net profit for the year		682	684
Earnings per share before and after dilution, SEK	18	70	73

Consolidated statement of comprehensive income

SEK M	Note	2013	2012
Net profit for the year		682	684
Other comprehensive income	36		
Items that may subsequently be transferred to profit and loss			
Translation differences for the year from foreign operations		-0	-2
Cash-flow hedges		15	0
Change for the year in fair value of available-for-sale financial assets		16	-58
Tax attributable to items that may subsequently be transferred to profit and loss		-7	15
Total		24	-45
Items that cannot be transferred to profit and loss			
Revaluation of owner-occupied property		53	49
Revaluation of defined-benefit pension plans		7	-7
Tax attributable to items that cannot be reversed to profit and loss		2	25
Total		62	67
Total other comprehensive income for the year, net after tax		87	22
Comprehensive income for the year		768	706

Consolidated statement of financial position

SEK M	Note	Dec 31, 2013	Dec 31, 2012
ASSETS			
Goodwill	19	711	710
Other intangible assets	20	3,804	3,952
Deferred tax assets	40	13	22
Property and equipment	21	58	80
Owner-occupied property	22	2,423	2,448
Shares in Länsförsäkringar Liv Försäkrings AB	23	208	308
Shares and participations in associated companies	24	31	24
Reinsurers' portion of technical provisions	38	7,208	6,731
Loans to the public	25, 27	162,003	149,942
Unit-linked insurance assets policyholder bears the risk	26	76,207	62,384
Shares and participations	28	1,148	948
Bonds and other interest-bearing securities	29	47,979	44,669
Treasury bills and other eligible bills	30	4,881	5,222
Derivatives	31	1,101	1,900
Change in value of hedge portfolios	32	551	878
Other receivables	33	2,807	2,397
Prepaid expenses and accrued income	34	3,933	3,948
Cash and cash equivalents	35	7,484	4,429
Total assets		322,550	290,994
EQUITY AND LIABILITIES			
Equity	36		
Share capital		975	941
Other capital contributed		9,240	8,774
Reserves		496	410
Retained earnings, including net profit for the year		4,472	3,790
Total equity		15,183	13,915
Subordinated liabilities	37	2,000	900
Technical provisions	38	20,753	20,582
Unit-linked insurance liabilities policyholder bears the risk	39	76,712	62,580
Deferred tax liabilities	40	861	799
Other provisions	41	132	172
Debt securities in issue	42	124,866	115,476
Deposits from the public	43	68,752	61,901
Due to credit institutions	44	1,600	1,063
Derivatives	31	2,801	3,111
Change in value of hedge portfolios	32	646	2,177
Other liabilities	45	3,284	3,421
Accrued expenses and deferred income	46	4,961	4,897
Total equity and liabilities		322,550	290,994

For information about pledged assets and contingent liabilities, see note 47.

Consolidated statement of changes in shareholders' equity

SEK M	Share capital	Other capital contributed	Translation reserve	Revaluation reserve	Fair value reserve	Hedging reserve	Retained earnings including net profit for the year	Total
Opening equity, January 1, 2012	941	8,774	-68	286	168	-	3,097	13,198
Adjustment for retrospective application							9	9
Adjusted opening equity, January 1, 2012	941	8,774	-68	286	168	-	3,106	13,208
Comprehensive income for the year								
Net profit for the year							684	684
Other comprehensive income			-2	67	-43	0		22
Comprehensive income for the year			-2	67	-43		684	706
Closing equity, December 31, 2012	941	8,774	-69	353	126	0	3,790	13,915
Opening equity, January 1, 2013	941	8,774	-69	353	126	0	3,790	13,915
Comprehensive income for the year								
Net profit for the year							682	682
Other comprehensive income			-0	62	13	12		87
Comprehensive income for the year			-0	62	13	12	682	768
Shareholders' contribution								
New share issue	34	466						500
Closing equity, December 31, 2013	975	9,240	-70	416	138	12	4,472	15,183

Consolidated statement of cash flows

SEK M	Note	2013	2012
Operating activities			
Profit before tax		923	819
Adjustment for non-cash items	54	6,883	7,292
Tax paid		-98	-25
Cash flow from operating activities before changes in working capital		7,708	8,086
Cash flow from changes in working capital			
Change in investment property		-	8
Change in shares and participations, bonds and other interest-bearing securities and derivatives		-8,924	-15,977
Increase(-)/Decrease(+) in operating receivables		-13,738	-16,538
Increase(+)/Decrease(-) in operating liabilities		7,223	12,601
Cash flow from operating activities		-7,731	-11,821
Investing activities			
Acquisition of subsidiaries		-1	-
Purchase of intangible assets		-193	-145
Purchase of property and equipment		-18	-91
Divestment of property and equipment		5	7
Cash flow from investing activities		-206	-229
Financing activities			
New share issue		500	-
Amortisation of loans		-	-1,800
Change in debt securities in issue		10,489	15,086
Cash flow from financing activities		10,989	13,286
Net cash flow for the year		3,053	1,236
Cash and cash equivalents, January 1		4,429	3,193
Exchange-rate differences in cash and cash equivalents		1	0
Cash and cash equivalents, December 31		7,484	4,429

Notes to the consolidated financial statements

Amounts are stated in SEK M unless specified otherwise.

1 ACCOUNTING POLICIES

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and the regulation FFFS 2008:26 of the Swedish Financial Supervisory Authority were applied. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups was applied.

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

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

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

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

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

Judgements and estimates in the financial statements

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

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

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

The mutual funds that were established by and are more than 50% owned by the Länsförsäkringar AB Group are included in the consolidated financial statements in accordance with IFRS. A non-controlling interest's share of such a fund is added to the company's own fund holding with the same amount recognised as other liabilities. Länsförsäkringar AB's holding in Länsförsäkringar Liv Försäkringsaktiebolag (publ) (referred to below as "Länsförsäkringar Liv") is not classified as a holding in a subsidiary in accordance with the definition in IAS 27 Consolidated and Separate Financial Statements and, accordingly, is not consolidated. Instead, Länsförsäkringar Liv is recognised and valued as unlisted shares in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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

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

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

Significant sources of estimation uncertainty

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

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

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

Changed accounting policies

The amendments applied by the Group since January 1, 2013 are described below.

IAS 1 Presentation of Financial Statements. This amendment pertains to the presentation of items in other comprehensive income. The items are divided into two categories: items that can be reclassified to net profit for the period and items that cannot be reversed in net profit for the period. Comparative figures are presented according to the new presentation format.

Effective January 1, 2013, the Group changed from recognising actuarial gains and losses according to the corridor method to recognising them in their entirety in other comprehensive income in the period in which they arise, according to amended IAS 19 Employee Benefits. Expected returns on plan assets are not recognised. Returns on plan assets are to be recognised in profit and loss calculated based on the interest rate utilised for discounting pension commitments. The difference between the calculated and actual return on plan assets is to be recognised in other comprehensive income. The changes were applied retrospectively in accordance

with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and impacted the financial statements for the preceding year and accumulated at the start of the comparative period as follows:

SEK M	2012
Change in net profit for the year	-1.0
Change in actuarial gains/loss in other comprehensive income	-7.3
Change in tax attributable to items recognised in other comprehensive income	1.6
Total change in other comprehensive income	-5.7
Change in comprehensive income for the year	-6.7

SEK M	Dec 31, 2012	Jan 31, 2012
Change in pension commitments	-2.9	-12.4
Change in deferred tax assets	-0.6	-3.3
Change in retained earnings	2.2	9.1

According to the amendments in IAS 36 Impairment of Assets, information about the recoverable amount is to be provided for each cash-generating unit for which the carrying amounts of goodwill and intangible assets are significant in relation to total carrying amount. The IASB has issued an amendment to IAS 36 that states that disclosures regarding the recoverable amount are required only in conjunction with impairment testing. The amendment is to be applied to fiscal years beginning on or after January 1, 2014, and can be applied in advance. The Group has chosen to apply the amendment to IAS 36 in advance to the 2013 accounts.

According to the amended IFRS 7 Financial Instruments: Disclosures, disclosure is to be provided for financial assets and liabilities that have been offset in statement of financial position. Information about offsetting has been provided in the Group's note 51 Information about offsetting.

From January 1, 2013, the Group applies IFRS 13 Fair Value Measurement. This framework contains a fair value hierarchy comprising three levels of inputs for valuation techniques. The Group has previously applied this method for calculating fair value, which meaning that IFRS 13 did not significantly impact the accounts. The introduction of IFRS 13 has entailed additional disclosure requirements.

The Group's segment reporting was changed on January 1, 2013. Asset management was previously recognised as a separate operating segment. The investment income recognised in the Asset management segment is now recognised in the Non-life Insurance and Parent Company segments, respectively. The Other operations operating segment has changed name to Parent Company.

New IFRSs and interpretations that have not yet been applied

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

The IASB has published the first parts of what will jointly comprise the final version of IFRS 9. The first part addresses the classification and measurement of financial assets. The categories of financial assets under IAS 39 will be replaced by two categories: measured at fair value or amortised cost. Amortised cost is to be utilised for instruments held as part of a business model the goal of which is to collect the contractual cash flows. These cash flows are to comprise payments of principal and interest on the principal outstanding on specified dates. Other financial assets are to be measured at fair value and the fair value option under IAS 39 will be retained. Changes in fair value are to be recognised in profit, except for changes in the value of equity instruments that are not held for trading and for which a decision has been made to initially recognise the changes in value in other comprehensive income. In November 2012, the IASB published a proposal for changes to the adopted rules for the classification and measurement of financial assets. According to these proposed amendments, which have not yet been adopted, a company is to measure its financial instruments at fair value via other comprehensive income under certain

conditions. The IASB has also published the parts of IFRS 9 that pertain to the classification and measurement of financial liabilities.

In November 2013, the IASB published the section of IFRS 9 that addresses hedge accounting.

The purpose of this section is to increase the usability of financial statements by relaxing the current hedge accounting requirements provided in IAS 39. The effectiveness requirement of 80-125% currently prescribed by IAS 39 has been removed, as has the requirement for retrospective effectiveness testing, although the prospective effectiveness testing remains in place. Effectiveness testing can be either quantitative or qualitative. IFRS 9 also provides the option of hedging an aggregated exposure (a combination of a derivative and another exposure that may be designated as a hedged item), which was not possible under IAS 39. Certain ineffectiveness, called "cost of hedging," can be recognised in other comprehensive income and includes: change in foreign-currency basis spread, the time value component of options and the forward element of forwards.

The IASB plans to complete the work on correcting the adopted rules for classification and measurement of financial assets, and the ongoing work on new rules for the recognition of expected loan losses during the first half of 2014. The effective date has not yet been decided, but the IASB has announced that it will not be until at least January 1, 2017. The EU has not yet approved IFRS 9 and, accordingly, advance application of this standard is not permitted. The impact of IFRS 9 on the consolidated financial statements has not yet been evaluated.

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

IFRS 12 Disclosure of Interests in Other Entities includes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The purpose of the recommendation is to provide the reader with a description of the types of companies to which the investment pertains and the risks linked to this type of investment. Disclosures are also required about the effect of the investment on the Group's earnings, financial position and cash flow. This change will not affect the consolidated financial statements, except regarding the additional disclosure requirements. The standard is to be applied to fiscal years beginning on or after January 1, 2014.

Amended IAS 39 entails that companies can continued hedge accounting despite the counterparty of the derivative contract having changed due to legislation. The reason for this amendment of OTC derivatives is that the rules have been changed in many countries making it necessary to "novate" certain OTC derivatives to a central counterparty. The amendment is to be applied to fiscal years beginning on or after January 1, 2014 with retrospective application.

Amended IAS 32 Financial Instruments: Presentation clarifies the principles for when financial assets and liabilities can be offset. Assets and liabilities may only be offset in the balance sheet when a legally enforceable right to set off the amounts exists and the intention is to settle the item on a net basis, or to realise the asset and settle the liability simultaneously. The amendment is to be applied to fiscal years beginning on or after January 1, 2014 with retrospective application.

The IFRIC 21 interpretation contains rules on how to recognise a liability for different forms of levies imposed by government agencies and when an obligating event for the recognition of a liability arises. The amendment is to be applied to fiscal years beginning on or after January 1, 2014 with retrospective application.

Consolidated financial statements

Consolidation principles

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

Shares that potentially carry voting rights that can be utilised or converted without delay are taken into account in assessing the existence of a controlling influence. If on the acquisition date a subsidiary meets the conditions for classification as held for sale in accordance with IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations, it is recognised in accordance with this reporting standard.

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

Subsidiaries

Acquisitions on January 1, 2010 or later

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

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

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

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

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

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

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

Acquisitions between January 1, 2006 and December 31, 2009

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

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

Acquisitions prior to January 1, 2006

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

Financial statements of subsidiaries in the consolidated financial statements

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

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

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

Special purpose enterprises

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

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

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

Accounting of associated companies

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

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

When the Group's share of recognised losses in the associated company exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also deducted against long-term financial balances without collateral, which in their financial significance comprise the portion of the owner company's net investment in the associated company. Continued losses are not recognised unless a company in the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied until the date on which the significant influence ceases. Unrealised gains arising from transactions with associated companies are eliminated to the extent corresponding to the participation in the company owned by the

Group. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that no impairment requirement exists.

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

Related parties

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

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

The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 23 regional insurance companies, with subsidiaries, and 16 local insurance companies, which together own 100% of Länsförsäkringar AB. Länsförsäkringar AB has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, are to be produced and provided jointly within Länsförsäkringar.

Operating segments

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

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

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

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

Foreign currency

Transactions in foreign currency

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

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

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

Translation of the financial statements of foreign operations

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

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

Impairment

The carrying amounts of the Group's assets are assessed at the end of every accounting period to determine whether there are any indications of impairment. IAS 36 Impairment of Assets is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39 Financial Instruments: Recognition and Measurement, and deferred tax assets tested in accordance with IAS 12 Income Taxes. The carrying amounts of the exempted assets above are tested according to the respective standard.

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

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

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

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

Impairment tests for financial assets

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

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

Reversal of impairment losses

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

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

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

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

Income

Income is recognised when:

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

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

Other income

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

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

Premiums

Premium income

Premium income in the non-life insurance operations is recognised as the total gross premium for direct insurance and assumed reinsurance deposited or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year. Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums that are not confirmed by the policyholder and premiums for recently signed insurance contracts are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premiums for insurance periods commencing after the end of the fiscal year are also recognised as premium income, if according to contract they fall due for payment during the fiscal year. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

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

Premiums earned

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

Interest income and interest expense

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

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

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

Investment income, net

Both the impact on earnings that has arisen from investment activities, the insurance operations and the Bank Group's net gains/loss from financial items are recognised in the item Investment income, net. The investment

activities includes interest income on bank funds, interest-bearing securities and receivables, dividend income, exchange-rate gains/losses, interest expense on loans, realised and unrealised gains/losses on financial investment assets and derivative instruments, profit shares in associated companies, depreciation/amortisation and impairment of shares and participations as well as external expenses for asset management.

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

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

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

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

Commission income and commission expense

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

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

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

Claims payments

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

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. The Group recognises the anticipated cost of variable remuneration when there

is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration after termination of employment

Pension plans

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

Defined-benefit pension plans

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

Actuarial gains and losses may arise in conjunction with the determination of the present value and fair value of the plan assets.

These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions are changed.

Net interest expense/income on the defined-benefit commitments is recognised in profit and loss. Net interest income is based on the interest rate arising when discounting the commitment, meaning the interest on the commitment, plan assets and interest on the effect of asset limitations.

Revaluation effects comprise actuarial gains and losses, the difference between the actual return on plan assets and the total included in net interest income, and changes in the effects of asset limitations. Revaluation effects are recognised in other comprehensive income.

The carrying amount of pensions and similar commitments recognised in the statement of financial position corresponds to the present value of the commitments at year-end, less the fair value of plan assets.

When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during earlier periods is recognised directly as a cost in profit and loss.

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

Yield tax recognised is continuously recognised in the period to which the tax pertains and is thus not included in the liability reporting. For funded plans, tax is charged on returns on plan assets and is recognised in other comprehensive income. For unfunded or partly unfunded plans, tax is charged on net profit for the year.

Defined-contribution pension plans

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

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

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK), is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for

employees born in 1972 or after. According to IAS 19 Employee Benefits, this pension plan entails that a company is, as a rule, to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide the necessary information on this, which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Remuneration for termination of employment

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

Loan losses

The item Loan losses in the income statement comprises confirmed and probable loan losses. Confirmed loan losses pertain to the entire receivable when there is no realistic possibility of recovery. Probable loan losses pertain to impairment for the year for the loan losses based on a calculated recoverable amount when there is an indication that impairment is required. Recoveries comprise reversed amounts of loan losses that were previously recognised as confirmed. Probable loan losses are reversed when no impairment requirement is no longer deemed to exist. Only the Bank Group's share of confirmed loan losses is recognised. The regional insurance companies' share of confirmed loan losses is settled through remuneration to the regional insurance companies and is recognised against Loan losses.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in net profit for the year, except when the underlying transaction is recognised in other comprehensive income or against equity with the related tax effect recognised in other comprehensive income or equity. Current tax is tax that is to be paid or received in the current year, with the application of the tax rates that are decided or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

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

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

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

Yield tax

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

Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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

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

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

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

Property and equipment

Equipment

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

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

Owner-occupied property

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

Land and buildings owned by the Länsförsäkringar AB Group and that are used for administrative purposes are recognised at their revalued amounts, which corresponds to fair value less accumulated depreciation

and adjustments due to revaluations on the date of revaluation. Fair value is based on the prevailing prices in an active market for similar properties in the same location and of the same standard, supplemented by a cash-flow statement. The valuation is performed twice a year by an external independent appraiser. Increases in value are recognised against other comprehensive income and accumulated after tax in the revaluation reserve in equity. If the increase comprises a reversal of a previously recognised decrease in value of the same asset, the increase is recognised as a reduced cost in profit and loss. If revaluation results in a reduction in the carrying amount, the reduction is recognised in profit and loss. However, the reduction is recognised in other comprehensive income to the extent that any existing balance in the revaluation reserve is attributable to the asset.

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

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

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

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

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

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

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

Financial assets and liabilities

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

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

Business transactions in the monetary, bond and equities markets are recognised in the statement of financial position on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date. Loan receivables are recognised in the statement of financial position when the loan amount is paid to the borrower. Loan commitments are not recognised in the statement of financial position.

Instead, they are valid for three months and are recognised as a commitment in the note entitled Pledged assets, contingent liabilities and contingent assets.

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

Measurement

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

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

Methods for determining fair value

Financial instruments listed on an active market

For financial instruments listed on an active market, fair value is determined based on the listed buying-rate of the asset on the balance-sheet date with no additions for transaction costs (for example, brokerage commission) on the acquisition date. A financial instrument is considered to be listed on an active market if listed prices are readily available on an exchange, from a trader, broker, industry organisation, company providing up-to-date price information or and regulatory authority and these prices represent actual and regularly occurring market transactions based on commercial terms. Any future transaction costs arising in conjunction with divestments are not taken into account. The fair value of financial liabilities is determined based on the selling rate.

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

Financial instruments not listed on an active market

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

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

Unlisted shares are recognised at fair value according to the valuation principles applied by industry organisations in Europe and the US. The item Shares and participations also includes the asset class Alternative investments, which comprise units in funds that buy, develop and sell unlisted companies (private equity) and hedge funds. Valuation data is obtained from the various funds and valuation complies with the guidelines of the European Private Equity and Venture Capital Association. The unlisted financial assets measured at fair value are recognised at Level 3 of the valuation hierarchy in the note on fair value valuation techniques. Holdings of unlisted equities are recognised at a fair value that is equal to cost for cases in which it is not possible to determine a fair value reliably.

The reason that it may not be possible to measure the fair value of these holdings reliably is that Group management believes that uncertainty surrounding future cash flows and the risk adjustment required to the discount rate is too great. The company does not intend to divest its unlisted equities in the near future. The carrying amount of unlisted equities whose fair values could not be reliably measured totals SEK 10.2 M (10.2).

Classification

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

Financial assets measured at fair value in profit and loss

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

Loan receivables and accounts receivable

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

Derivatives

All derivatives are recognised at fair value and measured individually. The principle for recognising a gain or loss depends on whether the deriv-

ative is specified as a hedging instrument and, if this is the case, the nature of the item that is hedged.

Financial liabilities measured at fair value in profit and loss

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

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

Other financial liabilities

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

Hedge accounting

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

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

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

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

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

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

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

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

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

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

Financial management risk

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

Loans

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

Impaired loans

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

Impairment of loan losses

An assessment is made on each balance-sheet date as to whether objective circumstances exist suggesting that a financial asset or group of financial assets requires impairment. Loans identified on an individual basis as impaired, and accordingly on which impairment losses are to be recognised, are measured at the present value of expected future cash flows including the fair value of the collateral, less any selling expenses discounted by the original effective rate. Any impairment requirements on loans that are not deemed to require individual impairment loss recognition are identified and valued collectively.

Impairment is conducted as an allocation to the reserve for loan losses. When a financial asset is impaired due to loan losses, a provision account is used. If the impairment requirement declines in subsequent periods, the maximum impairment carried out is reversed. Individual reserves are reversed when a loan receivable is derecognised from the statement of financial position. Impairment for losses on guarantees is recognised as a provision.

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

Reserve methods

Individual reserves:

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

Collective reserves:

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

Takeover of collateral

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

Confirmed losses

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

Leasing

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

The Bank Group's assets that are leased under financial lease agreements are not recognised as property and equipment since the risks associated with ownership are transferred to the lessee. Instead, the lease agreements are recognised as loans to the lessee regarding future leasing fees. Initially, an amount corresponding to the present value of all minimum

lease payments to be paid by the lessee is recognised and any guaranteed residual value accrues to the lessor. Payments received from these agreements are recognised in part as repayment of lease receivables and in part as interest income.

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

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

Prepaid acquisition costs

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

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

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

Insurance contracts

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

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

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

Financial agreements

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

Premiums for the financial component are recognised as deposits in the insurance operations in the statement of financial position. Corre-

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

Reinsurance

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

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

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

Technical provisions

Technical provisions comprise Provision for unearned premiums and unexpired risk, Provision for claims outstanding and Life-assurance reserves.

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

Provision for unearned premiums and unexpired risks

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

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

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

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

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

Provision for claims outstanding

The provision for claims outstanding comprises three different balance-sheet items. These are: provision for disability annuities, established claims and non-established claims. These provisions should cover antici-

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

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

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

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

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

Life-assurance reserve

The life-assurance reverse correspond to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction of the anticipated capital value of future contractual premium payments. The life-assurance reserve is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity cancellations and operating expenses. In the calculation of technical provisions, a gross interest assumption was applied in accordance with the Swedish Financial Supervisory Authority's regulation FFFS 2013:23 for the choice of interest rate in calculating technical provisions. Two current yield curves are produced for the calculation on the balance-sheet date, one that is cautious for occupational pension insurance and one that is adequate for other insurance types of insurance policies. The entire yield curve is applied, meaning that each future transaction is valued taking into account the interest rate corresponding to the duration of the transaction in relation to the calculation date.

Provisions for which the policyholder bears the risk

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

Other provisions

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

Contingent liabilities

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

Loan commitments

A loan commitment can be:

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

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

Financial guarantees

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

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

Cash flows

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

2 RISKS AND RISK MANAGEMENT

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

Focus and aims of risk management

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

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

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

The Group's operations include non-life insurance, life assurance and pension insurance and banking activities. The traditional life-assurance operations are found in a wholly owned subsidiary, Länsförsäkringar Liv, which is operated in accordance with mutual principles. The company is not consolidated in the consolidated financial statements and thus the company's risks are not included in the description provided in this note. For more information, see Länsförsäkringar Liv's Annual Report.

Risk exposure

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

- The operations primarily focus on private individuals and small and medium-sized businesses, directly or mediated by the regional insurance companies, and have few major commitments entailing risk with large companies.
- The operations are conducted in Sweden. An exception is made for animal insurance where the Group strives to utilise its experience and strong position in the Swedish market to successively develop profitable operations in certain other countries in northern Europe.
- All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution throughout Sweden.
- The risks taken in non-life insurance are reinsured to a relatively high extent; retention levels are relatively low.
- Extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance. The operations involve a significantly high gross level of counterparty exposure but are not deemed to entail any major net risks.
- The risks in the investment assets managed by the Group for own account are held at a relatively low level.
- Loans in the Group's banking operations primarily pertain to households and to a smaller extent to agricultural customers and small businesses.
- Unit-linked insurance operations entail the risk of an unfavourable trend in cancellations, repurchases and transfers, with an adverse impact on profitability.

- In the Bank Group, currency risk arises on the basis of funding in foreign currency. In line with the bank's risk policy, all funding is swapped to SEK which means that the effect on the income statement and equity is 0 (0). Interest-rate risk also arises when assets, liabilities and derivatives do not have matching fixed-interest periods. The section on interest-rate risk describes how this risk is managed.
- Management of the liquidity risk arising in the Group's operations (insurance and banking operations) is described in the section on liquidity risk including financing risk. Table 13 presents the maturity structure of the Group's financial assets and liabilities.

Risk management organisation

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

Until the fourth quarter of 2013, the Länsförsäkringar AB Group had a Group-wide Finance Committee at Board level. The Finance Committee was a forum for financial business environment and macroeconomic analyses. During 2013, the Committee prepared and coordinated issues concerning asset management that were presented to the Board for decision. The Finance Committee also monitored achievements and compliance with determined targets, investment orientations and delegation instructions in 2013. During the fourth quarter, a Risk and Capital Committee was introduced for each company and took over the duties of the Finance Committee. The Risk and Capital Committee is to support the Board's work by examining and assessing risk-taking and capital requirements. The purpose of this change is to apply a stringent work method to the specific risks of each company since the risks and investment portfolios in the life-assurance and non-life insurance operations are deemed to require such different management and decisions that these risks are best managed by each individual company.

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

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

- Each individual Board in the Group's non-life insurance operations, Länsförsäkringar Sak and its subsidiaries, decides on the framework for risk-taking by taking such action as adoption investment guidelines and determining the different classes of assets that are to make up the investment portfolios. Furthermore, these Boards decided on the extent of reinsurance coverage. Länsförsäkringar Sak has a committee at management level that discusses the level and composition of risk-taking.
- Each individual Board in the Group's banking operations, Länsförsäkringar Bank and its subsidiaries, decides on such issues as credit and finan-

cial policy with guidelines for managing liquidity risks. A Risk and Capital Committee is established at Board level to support the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on the Bank Group's risk-taking and capital requirements. There is an Asset Liability Committee at management level, whose primary task is to monitor the Bank Group's capital and finance issues.

- In the Group's unit-linked insurance operations in Länsförsäkringar Fondliv, the Board establishes governance documents that regulate risk management and risk control, as well as insurance guidelines, instructions for reserve levels, reinsurance policy and investment guidelines.

Risk-management system

The Group's risk management follows the division of roles and responsibilities according to the three lines of defence:

The first line of defence pertains to all risk-management activities carried out by line managers and employees. The operations that are exposed to risk also own the risk, which means that the daily risk management takes place within the operations. All employees assume individual responsibility for working towards a well-functioning risk culture by complying with internal rules regarding the Group's risk-management system.

The second line of defence pertains to the Risk Control and Compliance functions, which establish principles and frameworks for risk management. Risk Control checks that there is adequate risk awareness and acceptance for managing risk on a daily basis. Risk Control also has a supportive function and works to ensure that the operations have all the processes, systems and tools necessary for maintaining ongoing risk management.

The third line of defence pertains to Internal Audit, which carries out independent, regular examinations of management, systems and internal controls.

The Audit Committee monitors the quality of the financial reporting including the effectiveness of the internal control over the financial reporting. Operational risks and the corporate-governance system including the systems for internal governance and control are also monitored.

Risk modelling and reporting

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

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

New capital requirements directive

Proposals for a new capital requirements directive (CRD IV) and capital requirements regulation (CRR) were adopted by the EU in the summer of 2013. CRR applied immediately in Europe when it came into effect on January 1, 2014. CRD IV includes additional capital adequacy rules that must be introduced on the basis of Swedish law. In September 2013, the Swedish government presented its proposal on the necessary adjustments to Swedish law to implement CRD IV in Sweden. The purpose of the new rules is to make the banks more resilient to financial crisis by imposing

demands for a higher proportion of top-quality capital, new rules on liquidity and leverage, better control of risks and expanded supervisory and sanction options. The new rules on reporting on capital base and capital requirements for financial groups apply from 2014. Not all decisions regarding calculations of capital base and capital requirements are as yet in place.

Monitoring and governance of risk-taking and solvency

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

In 2013, the Group's insurance companies had a capital base exceeding the statutory solvency margin by a solid margin. Those insurance companies obliged to submit reports under the Swedish Financial Supervisory Authority's traffic-light model reported significant capital surpluses in relation to the requirements imposed by the test.

On December 31, 2013, the Bank Group had a capital adequacy ratio according to the transition rules of 10.6% (9.1), compared with the statutory requirement of a minimum of 8%. Excluding the supplements that are applied to the transition years according to the Basel II regulations, the capital adequacy ratio was 18.7% (15.6).

Following a decision by the Swedish Financial Supervisory Authority, the Länsförsäkringar AB Group, including Länsförsäkringar Liv, is classified as a financial conglomerate in accordance with the Swedish Financial Conglomerates (Special Supervision) Act. A special capital requirement applies to such financial conglomerates. On December 31, 2013, the conglomerate's capital base exceeded the required capital requirements by SEK 3,637 M (1,929).

Solvency II – preparations for new risk-based regulatory requirements

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, at the end of 2009. These changed Solvency II rules are extensive and affect a number of areas of the insurance companies' operations. For example, the new rules place more rigorous demands on governance and risk control. The rules also stipulate that the requirements for minimum buffer capital must be better adjusted to the individual insurance company's actual level of risk. A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Swedish Financial Supervisory Authority before it is used for reporting to the Authority. An application has been submitted for the approval of the partial internal model for the Länsförsäkringar AB Group. The Group will thus be able to work with measures of capital requirement that are better aligned with the Group's own risks than those in the standard formula. Agria Djurförsäkring, Länsförsäkringar Sak and Länsförsäkringar Fondliv have jointly applied to the Financial Supervisory Authority for a preparatory review of the partial internal model for calculating the Solvency Capital Requirement in their respective business operations.

The timeframe for the introduction of Solvency II has been successively postponed. In the spring of 2013, the European Insurance and Occupational Pensions Authority (EIOPA) concluded its analysis of certain measures to reduce the effects of short-term market valuations in the valuation of long-term insurance commitments under the Solvency II regulations (Long-Term Guarantee Assessment, LTGA). Based on the EIOPA's LTGA report, institutions in the EU succeeded in reaching an agreement in November 2013. Under this agreement, the Solvency II regulations in

their entirety are to apply from January 1, 2016. However, from as early as January 1, 2014, companies encompassed by the Solvency II rules are to begin applying the preparatory guidelines issued by EIOPA. The guidelines encompass the following areas: system of governance, including risk management system, a forward-looking assessment of the undertaking's own risks (ORSA), pre-application of internal models and reporting to supervisors.

The Länsförsäkringar AB Group has made significant progress in the Solvency II preparations. The preparatory work has been initially focused on ensuring compliance with the regulations. This means that Länsförsäkringar AB and its subsidiaries essentially meets the requirements of the EIOPA's guidelines as per January 1, 2014. This work was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and generating improved calculation tools for balancing risk limitation with opportunities for yielding returns. The following section describes the Länsförsäkringar AB Group's (excluding the traditional life-assurance operations) total risks and how they are controlled and managed. Information is provided on the size of the exposure for specific risks. The table shows the classification of risk determined for application at Group level and in the insurance companies. The Bank Group uses classifications that deviate from this in certain minor points.

Non-life insurance risk

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

Table 1 shows how changed premiums earned, increased claims costs and higher claims inflation impact the Länsförsäkringar AB Group's earnings and table 2 shows the Group's reinsurance cover and retention per claims incident.

Table 1. SENSITIVITY ANALYSIS, INSURANCE RISK

Impact on earnings before tax, SEK M	2013	2012 ¹⁾
10% lower premium level	-409	-404
10% increased claims frequency or higher average claim	-271	-266
1% higher annual claims inflation	-617	-683

¹⁾ Only non-life insurance.

Table 2. REINSURANCE PER CLAIM INCIDENT

SEK M	2013		2012	
	Retention	Cover	Retention	Cover
Motor third-party liability insurance	40	300	40	300
Liability insurance	30	300	30	300
Cargo insurance	5	1,000	5	1,000
Accident insurance	20	600	20	600

Reinsurance cover pertains to external counterparties. The external retention for motor third-party liability amounts to SEK 40 M, although the retention is reduced to SEK 2 M on the basis of reinsurance of SEK 38 M in the Länsförsäkringar Alliance.

Premium risk

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

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

CLASSIFICATION OF RISK IN THE LÄNSFÖRSÄKRINGAR AB GROUP INCLUDING LÄNSFÖRSÄKRINGAR LIV

Non-life insurance risk Premium risk Reserve risk Catastrophe risk	Life-assurance risk Mortality risk Longevity risk Disability and morbidity risk Expenses risk Cancellation risk Disaster risk	Market risk Interest-rate risk Equities risk Property risk Spread risk Currency risk Concentration risk in investment assets	Counterparty risk Counterparty risk in ceded reinsurance Counterparty risk in financial derivatives Other counterparty risk	Credit risk in lending
Operational risk Internal fraud External crime Labour practices and work environment Business conditions Compliance risk Damage to physical assets Interruptions and disturbances to operations and systems Transaction management and process control Errors in the financial reporting	Business risk Strategic risk Earnings risk Reputation risk	Concentration risk excluding investment assets	Liquidity risk including financing risk	

incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product.

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

Reserve risk

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

The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 19.9 billion (20.7), gross. An estimate of the cost of claims outstanding – about SEK 18.3 billion (18.5) – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in motor third-party liability insurance, which accounts for a large portion of the Group's undertaking. In this case, there is considerable uncertainty concerning the future cost trend, due to the fact that legislation and official decisions can affect the distribution of costs for motor third-party liability claims between the insurance companies and society, and that the prospects for rehabilitation are difficult to assess in many cases.

The trend in reserves is tracked continuously by means of various key figures and using comparisons with other insurance companies. The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. A significant element in the follow-up work is also the regular reviews of individual claims outstanding that are performed. The average duration of the Group's insurance portfolio is 7.9 years (8.4). The large percentage of motor third-party liability insurance business and changes in claims inflation have a significant impact on reserve requirements.

Table 13 shows the distribution of terms of the technical provisions.

Catastrophe risk

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

Life-assurance risk

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

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

Länsförsäkringar Fondliv's fund range has two different investment orientations for customers to choose between: unit-linked insurance,

Table 3. ESTIMATED CLAIMS COSTS BEFORE REINSURANCE FOR THE LÄNSFÖRSÄKRINGAR SAK GROUP, PER CLAIM YEAR

SEK M	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
At end of claim year	2,129	1,371	1,514	1,709	1,799	2,116	2,404	2,454	2,396	2,446	–
One year later	2,084	1,373	1,605	1,658	1,783	2,126	2,545	2,483	2,401	–	–
Two years later	2,011	1,403	1,579	1,564	1,781	2,090	2,502	2,419	–	–	–
Three years later	2,063	1,363	1,534	1,552	1,770	2,087	2,454	–	–	–	–
Four years later	1,930	1,338	1,520	1,545	1,776	2,090	–	–	–	–	–
Five years later	1,891	1,333	1,519	1,546	1,788	–	–	–	–	–	–
Six years later	1,883	1,322	1,507	1,544	–	–	–	–	–	–	–
Seven years later	1,870	1,315	1,512	–	–	–	–	–	–	–	–
Eight years later	1,869	1,276	–	–	–	–	–	–	–	–	–
Nine years later	1,860	–	–	–	–	–	–	–	–	–	–
Estimated claims costs	1,860	1,275	1,512	1,554	1,786	2,089	2,453	2,418	2,400	2,446	–
Accumulated claims payments	1,618	1,196	1,382	1,415	1,606	1,925	2,168	2,144	2,067	1,633	–
Provision for claims payments	242	79	131	139	180	164	285	273	332	812	2,639
Provision for claims payments, older year classes	–	–	–	–	–	–	–	–	–	–	3,269
Provision for claims payments for assumed reinsurance	–	–	–	–	–	–	–	–	–	–	7,742
Total provision for claims payments, gross	–	–	–	–	–	–	–	–	–	–	13,651
Annuities reserve, gross	–	–	–	–	–	–	–	–	–	–	4,340
Claims adjustment reserve, gross	–	–	–	–	–	–	–	–	–	–	263
Provision for claims outstanding, gross	–	–	–	–	–	–	–	–	–	–	18,254
Provision for claims payments, reinsurers' portion	–	–	–	–	–	–	–	–	–	–	–7,187
Annuities reserve, reinsurers' portion	–	–	–	–	–	–	–	–	–	–	–0
Claims adjustment reserve, reinsurers' portion	–	–	–	–	–	–	–	–	–	–	–4
Provision for claims outstanding, reinsurers' portion	–	–	–	–	–	–	–	–	–	–	–7,191
Provision for claims outstanding, for own account	–	–	–	–	–	–	–	–	–	–	11,063

where customers themselves choose the investment orientation and risk level and thus assume the financial risk, and guarantee management, where customers have a guaranteed component of their savings. Provisions for the company's guaranteed commitments are calculated following current regulations which are intended to ensure that the company is always able to meet its undertakings. The provision for guarantee management and claims outstanding on December 31, 2013 amounted to SEK 806 M (369) and total managed assets amounted to SEK 1,269 M (559).

Market risk

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

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

In the management of the non-life insurance companies' assets, assessments are made of the potential for a favourable return and the risk level involved in the creation of investment strategies and for investment decisions of a more operational nature. The main asset classes in portfolio management are equities, interest-bearing securities, alternative investments and property.

A portfolio composition is defined to serve as the starting point for distributing investments among asset classes and regions. The anticipated future returns and the risk level for the asset classes are continuously analysed.

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

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

Table 4. SENSITIVITY ANALYSIS, MARKET RISKS

Impact on earnings before tax, SEK M	2013	2012
1% higher interest rate, nominal interest rates	-48	-37
1% higher real interest rate (including impact on annuities)	-50	-55
10% lower share prices ¹⁾	-96	-117

¹⁾ Includes 10% lower prices on hedge funds.

Changed property prices affect the fair value of the office property utilised by the Group. The change in value is recognised in other comprehensive income. A 10% decline in the value of the property results in a decrease in equity of approximately SEK 189 M (180).

Currency risk

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

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

Table 5. IMPACT ON EARNINGS OF A 10% CHANGE IN THE EXCHANGE RATE WITH SEK AT YEAR-END

Currency	Impact on earnings before tax SEK M	
	2013	2012
USD	+/- 12	+/- 5
CNY	+/- 3	+/- 0
NOK	+/- 2	+/- 3
GBP	+/- 2	+/- 4
NZD	+/- 2	+/- 2
INR	+/- 2	+/- 1
EUR	+/- 1	+/- 1
KRW	+/- 1	+/- 1
DKK	+/- 1	+/- 0
CHF	+/- 1	+/- 1
JPY	+/- 0	+/- 5
PLN	+/- 0	+/- 1
RUB	+/- 0	+/- 0

Table 6. THE GROUP'S NET EXPOSURE IN FOREIGN CURRENCY

Local currency in millions	2013					2012				
	Assets	Liabilities	Effect of derivatives	Net after taking into account effect of derivatives	Equivalent in SEK M	Assets	Liabilities	Effect of derivatives	Net after taking into account effect of derivatives	Equivalent in SEK M
USD	174	13	-143	18	118	65	15	-42	8	49
NOK	217	223	24	19	20	155	179	-	-24	-28
DKK	41	56	21	6	7	36	34	-	2	3
JPY	92	405	328	15	1	67	725	-	-657	-49
PLN	0	3	3	0	1	0	3	-	-3	-7
RUB	8	30	26	3	1	2	27	-	-25	-5
CHF	1	3	1	-1	-6	1	2	-	-1	-7
KRW	1,000	2,580	-	-1,581	-10	871	2,070	-	-1,199	-7
EUR	170	65	-106	-2	-14	224	60	-166	-1	-12
INR	19	178	-	-159	-16	12	107	-	-95	-11
GBP	34	15	-21	-2	-20	37	19	-22	-4	-42
NZD	1	5	-	-4	-20	1	4	-	-3	-18
CNY	8	35	-	-27	-28	7	12	-	-4	-5
Other currency	-	-	-	-	10	-	-	-	-	-10
Total	-	-	-	-	43	-	-	-	-	-149

The total net currency exposure on December 31, 2013 amounted to approximately 0.3% (0.9) of the total investment assets in the non-life insurance companies and the Parent Company jointly. The Group's currency exposure also included the Bank Group's assets and liabilities in foreign currency. In line with the risk policy, all funding is converted to SEK by using currency interest-rate swaps, which reduces currency risk in funding and in assets to zero.

Interest-rate risk

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

With the exception of annuities, the value of insurance undertakings according to applicable accounting policies for non-life insurance is not determined based on the market interest rate. Länsförsäkringar AB Group's insurance companies govern their own risk-taking by taking into account the sensitivity of the insurance undertakings to changes in interest rates. Conscious decisions are made regarding the extent to which undertakings are matched to assets with corresponding properties. The interest-rate risk reported in the sensitivity analysis in table 4 pertains to assets, liabilities and annuities.

The desired interest-rate risk in the investment assets of the non-life insurance companies is described and a desired target decided for the duration with a permitted deviation interval. Derivative instruments, such as interest-bearing swaps, are used to manage interest-rate risk. The Bank Group has established a limit for the highest permissible interest-rate risk, which is relatively low compared with the normal total interest-rate risk in the entire Group. Whenever possible, fixed funding should be matched by means of corresponding funding or through interest-rate swaps. In principle, this means that no time differences should exist. In practice, this is impossible, so the Board has established interest-rate risk limits. However, these limits are so conservative that the basic principle for matching still applies. The Financial Policy defines interest-rate risk as a parallel shift in the yield curve of 100 points. On December 31, 2013, an increase in market interest rates of 1 percentage point would have increased the net value of interest-bearing assets and liabilities, including derivatives, by SEK 42 M (70).

Equities risk

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

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

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

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

Property risk

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

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

Credit-spread risk

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

Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions and the desired level of risk-taking in the investment portfolio. Table 7 below shows that most of the interest-bearing investments have an AAA rating.

Counterparty risk

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

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

Table 7. CREDIT QUALITY OF FULLY FUNCTIONING FINANCIAL ASSETS

SEK M	Dec 31, 2013	Dec 31, 2012
Cash and balances with the Riksbank	109	109
Treasury bills and other eligible bills		
AAA	4,881	5,222
Loans to credit institutions		
AA	11	–
A	1,358	1,451
Total	1,369	1,451
Bonds and other interest-bearing securities – Insurance		
AAA – Swedish government	6,005	6,354
AAA – Other	5,150	4,303
AA	32	125
A	520	454
BBB or lower	625	619
No rating available	76	372
Total	12,408	12,227
Bonds and other interest-bearing securities – Bank		
AAA – Swedish government	3,887	4,751
AAA – Other	36,195	33,156
Total	40,082	37,907
Financial derivatives (exposure according to market values) Insurance		
AA	7	9
A	4	4
Total	11	13
Financial derivatives (exposure according to market values) Bank		
AA	112	–
A	404	707
Total	516	707

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

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

Credit risk in the lending operations

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

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

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

The Bank Group calculates all retail exposures in accordance with the advanced Internal Ratings-Based Approach (IRB), which corresponds to predominant proportion of the Bank Group's loan portfolio. This means that a considerable portion of its credit exposure is calculated using a method that aims to identify and classify risk for each individual counterparty. The bank received permission in December 2009 to use the foundation Internal Ratings-Based Approach for the portion of the loan portfolio pertaining to agricultural operations. The Standardised Approach is used for other exposures. The distribution of the Bank Group's loans is shown in table 8.

Table 8. BANK GROUP LOANS BY SECTOR

Loan receivables, SEK M	Dec 31, 2013			Dec 31, 2012		
	Gross	Impairment	Net	Gross	Impairment	Net
Retail sector	147,350	-300	147,050	136,531	-224	136,307
Corporate sector	14,200	-122	14,078	12,755	-101	12,653
Public sector	874	-	874	982	-	982
Total	162,425	-422	162,003	150,267	-325	149,942
Loans approved but not disbursed			5,608			6,437
Overdraft facilities approved but not utilised			1,984			2,098
Unutilised card loans and financial guarantees			1,196			961
Total credit risk exposure in the Bank Group's lending			170,790			159,438

Table 9. BANK GROUP LOANS BY SEGMENT

Loan receivables, SEK M	Dec 31, 2013	Dec 31, 2012
Retail mortgages	115,251	106,667
Agricultural loans	20,657	19,257
Unsecured loans	6,811	6,313
Leasing	6,276	6,256
Hire purchase	5,470	5,277
Multi-family housing	5,788	4,382
Other	2,172	2,115
Total	162,425	150,267

The average commitment amounted to SEK 1.0 M (1.0). Only 9% (8) of customers had a commitment of more than SEK 3 M.

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

Table 10. BANK GROUP'S IMPAIRED LOANS

SEK M	Dec 31, 2013	Dec 31, 2012
Retail sector	185	165
Corporate sector	208	133
Total	393	298

Table 11. BANK GROUP'S NON-PERFORMING LOAN RECEIVABLES NOT INCLUDED IN IMPAIRED LOANS

SEK M	2013	2012
Receivables overdue by 10-19 days	1	1
Receivables overdue by 20-39 days	344	473
Receivables overdue by 40-59 days	10	30
Total	355	504

A loan receivable is considered impaired if a payment is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking. A loan receivable, whose capital is covered by collateral, is not considered an impaired loan. A defaulted loan receivable is a receivable on which the borrower has defaulted by more than ten days. This analysis pertains exclusively to loans to the public. Impairment of the Bank Group's receivables during the year is presented in table 12.

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

Table 12. IMPAIRMENT OF BANK GROUP'S RECEIVABLES

SEK M	Individually assessed receivables		Collectively assessed receivables		Total	
	2013	2012	2013	2012	2013	2012
Retail sector	220	135	80	89	300	224
Corporate sector	97	69	24	32	121	101
Total	317	204	104	121	421	325

Operational risk

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

Operational risk analyses are performed annually in the operations. A joint method and reporting format are predominantly used in these

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

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

Business risk

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

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

Concentration risk

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

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

Most of Länsförsäkringar's motor third-party liability insurance has been underwritten by the local regional insurance companies since 2004. Claims incurred for insurance underwritten up to and including 2003 are run-off within Länsförsäkringar Sak.

The reserve risk in the Group's non-life insurance operations remains relatively heavily concentrated to the motor third-party liability insurance business. Of the total provisions for claims outstanding of SEK 18.4 billion (18.8), 42% (45) refers to the motor third-party liability insurance class of insurance.

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

The Group's investment assets in the non-life insurance companies, the unit-linked life assurance company and the Parent Company are very highly diversified. As of December 31, 2013, the office property utilised by the Group in Stockholm comprised a major investment asset. The value of this property represented approximately 15% (17) of the value of the non-life insurance companies' and the Parent Company's total investment assets. The largest exposures in other respects pertain to the four largest Swedish Bank Groups and primarily derive from investments in covered bonds such as current investments of the Bank Group's liquidity and investments in the insurance companies' investment portfolios.

Liquidity risk including financing risk

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

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

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

The Bank Group's liquidity portfolio totalled SEK 45.9 billion (40.6) on December 31, 2013, according to the Swedish Bankers' Association's definition. The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. A total of 76% (77) of the liquidity reserve comprises Swedish covered bonds, 11% (4) other Swedish bonds with a credit rating of AAA/Aaa, 8% (18) Swedish government bonds, 4% Finnish government bonds in EUR and USD and German bonds guaranteed by the government and 1% deposits with the Swedish National Debt Office. On December 31, 2012, the liquidity reserve also comprised 1% German treasury bills.

The Länsförsäkringar Sak Group's liquidity was highly favourable at year-end. Liquid assets in the form of cash and bank balances and securities with high liquidity totalled approximately SEK 13.1 billion (11.4), while short-term liabilities and payments of insurance contracts, gross before reinsurance, where claims are expected to be paid within one year amounted to SEK 4.6 billion (5.3).

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

The Parent Company's liquidity is mainly affected by dividends and Group contributions from subsidiaries, any requirements for contributions to be made to subsidiaries, dividends to owners and interest payments on loans. The Parent Company's liquidity was sufficient at year-end, with short-term, interest-bearing investments and cash and cash equivalents totalling SEK 1,608 M (1,392).

Länsförsäkringar AB (publ) established a Swedish MTN programme with a loan framework of SEK 2.5 billion in 2012. The MTN programme gives the company the option of issuing bonds in EUR and SEK with accruing and fixed interest in the capital market. On December 31, 2013, SEK 2.2 billion (2.2) had been subscribed for by various players. The 2012 issue took place in SEK and SEK 500 M was issued at a fixed interest rate and SEK 1,700 M at a variable rate. However, the interest-rate risk is limited since the interest rate in the variable bonds has been replaced with a fixed rate using interest-rate swaps.

The fixed-interest periods for the Länsförsäkringar AB Group's assets and liabilities are presented in table 14 at the end of this note.

Table 13. MATURITY STRUCTURE OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES

The table presents undiscounted nominal values.

Dec 31, 2013 SEK M	On demand	Not more than 3 months	More than 3 months but less than 1 year	1–5 years	More than 5 years	Without maturity	Total nominal value	Carrying amount
Insurance								
Bonds and other interest-bearing securities	5,384	329	1,035	3,232	791	1,580	12,352	11,276
Other assets	280	67	0	1	4	1,434	1,786	1,799
Total assets, Insurance	5,664	396	1,035	3,233	795	3,014	14,137	13,075
Technical provisions	–	–	2,670	3,532	7,946	1,390	15,538	19,078
Other liabilities	5	18	2	–	–	1,047	1,072	1,072
Total liabilities, Insurance	5	18	2,672	3,532	7,946	2,437	16,610	20,150
Net assets and liabilities, Insurance	5,659	377	–1,637	–299	–7,151	577	–2,473	–7,075
Derivatives, nominal value, net, Insurance	–	–14	–2	–	–	–	–16	–
Net exposure, Insurance	5,659	363	–1,639	–299	–7,151	577	–2,490	–
Bank								
Loans	1	6,861	5,006	10,964	146,905	–	169,736	167,961
Bonds and other interest-bearing securities	–	–	13,900	19,638	250	–	33,788	35,201
Other assets	108	–	574	4,096	–	5,307	10,086	10,297
Total assets, Bank	109	6,861	19,481	34,698	147,155	5,307	213,611	213,459
Customer deposits	–	60,874	7,474	993	–	–	69,341	69,220
Debt securities in issue	–	5,348	22,633	76,680	17,954	–	122,616	123,635
Other liabilities	1,397	92	282	2,595	–	8,416	12,781	12,316
Total liabilities, Bank	1,397	66,313	30,389	80,268	17,954	8,416	204,738	205,170
Net assets and liabilities, Bank	–1,287	–59,452	–10,908	–45,570	129,200	–3,109	8,873	8,288
Loans approved but not disbursed	–	5,608	–	–	–	–	5,608	–
Derivatives, nominal value, net, Bank	–	214	–437	1,253	259	–	1,290	–
Net exposure, Bank	–1,287	–64,846	–11,345	–44,317	129,459	–3,109	4,555	–
Unit-linked life assurance								
Bonds and other interest-bearing securities	–	–	–	–	–	977	977	977
Other assets	27	0	–	–	–	2	3	3
Total assets, Unit-linked Life Assurance	27	0	–	–	–	979	1,006	1,006
Technical provisions	–	–	–	–	–	875	875	875
Other liabilities	0	–	–	–	–	14	14	14
Total liabilities, Unit-linked Life Assurance	0	0	–	–	–	889	889	889
Net assets and liabilities, Unit-linked Life Assurance	26	0	–	–	–	90	117	117
Other								
Bonds and other interest-bearing securities	–	–	–	–	–	513	513	513
Other assets	141	–	–	–	–	35	176	176
Total assets, Other	141	–	–	–	–	548	689	689
Debt securities in issue	–	–	56	2,377	–	–	2,433	2,196
Other liabilities	24	–	–	679	–	0	703	617
Total liabilities, Other	24	–	56	3,055	–	548	3,135	3,502
Net exposure, Other	117	–	–56	–3,055	–	0	–2,446	–2,813
Derivatives, nominal flows, net, Other	–	–	–20	–21	–	–	–41	–
Net exposure, Other	117	–	–76	–3,076	–	0	–2,487	–
Total								
Intra-Group eliminations	–	4	–49	239	–1,120	–13	–939	–1,382
Net assets and liabilities, Total	4,515	–59,071	–12,650	–48,685	120,930	–1,907	3,132	–3,665
Loans approved but not disbursed, Total	–	5,608	–	–	–	–	5,608	–
Derivatives, nominal value, net, Total	–	200	–459	1,232	259	–	1,233	–
Net exposure, Total	4,515	–64,479	–13,109	–47,453	121,189	–1,907	1,243	–

Technical provisions are recognised gross, before ceded reinsurance. Annuities are not included in the nominal value of the technical provisions.

The table presents undiscounted nominal values.

Dec 31, 2012 SEK M	On demand	Not more than 3 months	More than 3 months but less than 1 year	1–5 years	More than 5 years	Without maturity	Total nominal value	Carrying amount
Insurance								
Bonds and other interest-bearing securities	3,678	127	1,077	2,933	308	1,330	9,452	11,338
Other assets	260	45	173	879	1,219	4,298	6,873	5,564
Total assets, Insurance	3,938	172	1,250	3,812	1,527	5,627	16,326	16,902
Technical provisions	–	–	3,861	2,869	7,271	–	14,001	18,781
Other liabilities	7	38	3	–	915	–	962	42
Total liabilities, Insurance	7	38	3,861	2,869	8,186	–	14,963	18,823
Net assets and liabilities, Insurance	3,931	134	–2,614	943	–6,659	5,627	1,363	16,860
Derivatives, nominal value, net, Insurance	–	–911	–	–	–	–	–911	–
Net exposure, Insurance	3,931	–777	–2,614	943	–6,659	5,627	452	–
Bank								
Loans	113	4,252	5,051	10,693	134,082	–	154,191	152,795
Bonds and other interest-bearing securities	–	–	6,250	24,700	–	–	30,950	32,685
Other assets	109	472	–	4,350	–	6,284	11,215	11,680
Total assets, Bank	223	4,723	11,301	39,743	134,082	6,284	196,356	197,159
Customer deposits	–	55,407	8,156	922	–	–	64,484	62,396
Debt securities in issue	–	5,766	15,223	86,482	5,399	–	112,869	114,263
Other liabilities	881	80	222	52	1,520	10,885	13,640	13,328
Total liabilities, Bank	881	61,252	23,601	87,456	6,919	10,885	190,993	189,987
Net assets and liabilities, Bank	–659	–56,528	–12,300	–47,713	127,163	–4,601	5,363	7,172
Loans approved but not disbursed, Bank	–	6,437	–	–	–	–	6,437	–
Derivatives, nominal value, net, Bank	–	142	–508	1,038	25	–	697	–
Net exposure, Bank	–659	–62,823	–12,808	–46,675	127,189	–4,601	–377	–
Unit-linked life assurance								
Bonds and other interest-bearing securities	–	–	–	–	–	454	454	454
Other assets	14	0	–	–	–	139	153	153
Total assets, Unit-linked Life Assurance	14	0	–	–	–	593	607	607
Technical provisions	–	–	–	–	–	426	426	426
Other liabilities	250	2	–	–	–	555	807	807
Total liabilities, Unit-linked Life Assurance	250	2	–	–	–	981	1,233	1,233
Net assets and liabilities, Unit-linked Life Assurance	–236	–2	–	–	–	–388	–626	–626
Other								
Bonds and other interest-bearing securities	–	–	–	–	–	163	163	163
Other assets	41	13	–	–	290	15,309	15,653	15,653
Total assets, Other	41	13	–	–	290	15,471	15,815	15,815
Debt securities in issue	–	–	–	2,200	–	–	2,200	2,195
Other liabilities	–	17	–	695	–	–	712	712
Total liabilities, Other	–	17	–	2,895	–	–	2,912	2,907
Net exposure, Other	41	–4	–	–2,895	290	15,471	12,904	12,908
Total								
Intra-Group eliminations	2,740	–2,242	100	858	1,267	–1,312	1,410	1,410
Net assets and liabilities, Total	5,817	–58,643	–14,813	–48,807	–122,061	14,797	20,414	18,943
Loans approved but not disbursed, Bank	–	6,437	–	–	–	–	6,437	–
Derivatives, nominal value, net, Total	–	–769	–508	1,038	25	–	–214	–
Net exposure, Total	5,817	–65,849	–15,321	–47,769	–122,086	14,797	13,763	–

Information regarding issued loan commitments is presented in note 47 Pledged assets and contingent liabilities. No loan commitments have a term of more than three months. For further information, see Länsförsäkringar Bank's 2013 Annual Report.

Table 14. FIXED-INTEREST PERIODS FOR ASSETS AND LIABILITIES – INTEREST-RATE EXPOSURE

The table presents the interest maturity structure at carrying amount.

Dec 31, 2013 SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total carrying amount ¹⁾
Insurance									
Bonds and other interest-bearing securities	200	1,096	664	–	1,933	911	4,895	1,577	11,276
Other assets	411	0	0	–	–	–	–	1,437	1,849
Total assets, Insurance	612	1,096	665	–	1,933	911	4,895	3,014	13,125
Other liabilities	2	0	–	–	–	–	–	2,046	2,048
Total liabilities, Insurance	2	0	–	–	–	–	–	2,046	2,048
Net assets and liabilities, Insurance	609	1,096	665	–	1,933	911	4,895	968	11,077
Interest-rate derivatives, nominal value, net, Insurance	–	–	–	–	–1,725	–802	–610	4	
Net exposure, Insurance	609	1,096	665	–	208	110	4,284	972	
Bank									
Loans to the public	78,924	28,225	5,245	5,629	36,187	6,855	937	–	162,003
Bonds and other interest-bearing securities	–	–	14,138	–	11,539	9,254	270	–	35,201
Other assets	5,132	161	994	267	3,202	1,193	–	5,307	16,255
Total assets, Bank	84,056	28,386	20,377	5,896	50,928	17,302	1,207	5,307	213,459
Deposits from the public	45,263	15,489	3,450	4,025	619	374	–	–	69,220
Debt securities in issue	7,077	15,777	17,880	1,817	39,759	25,005	16,247	73	123,635
Other liabilities	710	1,545	–	–	–	–	755	9,306	12,316
Total liabilities, Bank	53,050	32,811	21,330	5,842	40,378	25,379	17,002	9,379	205,170
Net assets and liabilities, Bank	31,005	–4,425	–953	54	10,550	–8,076	–15,794	–4,072	8,289
Interest-rate derivatives, nominal value, net, Bank	–2,520	–25,470	1,686	–2,540	–12,923	–13,969	27,798	–	
Net exposure, Bank	28,485	–29,895	733	–2,486	–2,374	5,893	12,004	–4,072	
Unit-linked life assurance									
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	977	977
Other assets	27	0	–	–	–	–	–	2	29
Total assets, Unit-linked Life Assurance	27	0	–	–	–	–	–	979	1,006
Other liabilities	0	–	–	–	–	–	–	14	14
Total liabilities, Unit-linked Life Assurance	0	–	–	–	–	–	–	14	14
Net exposure, Unit-linked Life Assurance	27	0	–	–	–	–	–	965	992
Other									
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	513	513
Other assets	141	–	–	–	–	–	–	35	176
Total assets, Other	141	–	–	–	–	–	–	548	689
Debt securities in issue	1,698	–	–	–	–	498	–	–	2,196
Other liabilities	24	–	–	–	593	–	–	0	617
Total liabilities, Other	1,722	–	–	–	593	498	–	0	2,813
Net assets and liabilities, Other	–1,581	–	–	–	–593	–498	–	548	–2,124
Interest-rate derivatives, nominal value, net, Other	507	1,289	–	–	–507	–1,274	–	–	15
Net assets and liabilities, Other	–1,074	1,289	–	–	–1,100	–1,773	–	548	–2,109
Total									
Loans to the public	78,924	28,225	5,245	5,629	36,187	6,855	937	–	162,003
Bonds and other interest-bearing securities	200	1,096	14,802	–	13,472	10,165	5,165	3,080	47,979
Other assets	5,711	161	994	267	3,202	1,193	–	6,781	18,309
Total assets, Total	84,836	29,482	21,042	5,896	52,861	18,213	6,102	9,861	228,291
Deposits from the public	45,100	15,489	3,145	4,025	619	374	–	–	68,752
Debt securities in issue	8,759	15,532	17,260	1,815	39,709	25,503	16,247	60	124,866
Other liabilities	736	1,545	–	–	593	–	755	11,366	14,995
Total liabilities, Total	54,595	32,566	20,405	5,840	40,921	25,877	17,002	11,426	208,613
Net assets and liabilities, Total	30,241	–3,084	637	56	11,940	–7,664	–10,900	–1,565	19,678
Interest-rate derivatives, nominal value, net, Total	–2,013	–24,181	1,686	–2,540	–15,155	11,893	27,188	–	
Net exposure, Total	28,228	–27,265	2,323	–2,484	–3,215	4,229	16,288	–1,565	

¹⁾ Assets and liabilities in each of the business areas of Non-life Insurance, Bank, Unit-linked Insurance and Other are not as large due to Group adjustments between these business areas.

The table presents the interest maturity structure at carrying amount.

Dec 31, 2012 SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total carrying amount ¹⁾
Insurance									
Bonds and other interest-bearing securities	15	1071	818	187	1,858	772	5,287	1,329	11,338
Other assets	238	1,200	297	7	641	18	4	11,723	14,129
Total assets, Insurance	253	2,272	1,115	194	2,499	790	5,291	13,053	25,467
Other liabilities	35	–	–	–	–	–	–	22,578	22,614
Total liabilities, Insurance	35	–	–	–	–	–	–	22,578	22,614
Net assets and liabilities, Insurance	218	2,272	1,115	194	2,499	790	5,291	–9,525	2,853
Interest-rate derivatives, nominal value, net, Insurance	–	–	–	–	–182	–354	–511	–	–
Net exposure, Insurance	218	2,272	1,115	194	2,316	436	4,780	–9,525	
Bank									
Loans to the public	72,897	25,464	5,333	11,136	29,435	4,884	821	–28	149,942
Bonds and other interest-bearing securities	–	–	3,142	3,226	21,164	5,153	–	–	32,685
Other assets	2,622	642	–	–	3,817	933	–	6,518	14,533
Total assets, Bank	75,519	26,106	8,475	14,362	54,416	10,971	821	6,490	197,159
Deposits from the public	39,545	13,774	2,153	6,003	543	379	–	–	62,396
Debt securities in issue	1,997	3,921	4,100	11,630	54,058	33,497	4,984	76	114,263
Other liabilities	1,063	735	–	–	–	–	755	10,775	13,328
Total liabilities, Bank	42,604	18,430	6,253	17,634	54,601	33,875	5,739	10,851	189,987
Net assets and liabilities, Bank	32,915	7,676	2,221	–3,272	–185	–22,905	–4,918	–4,361	7,172
Interest-rate derivatives, nominal value, net, Bank	–1,195	–3,955	–6,897	–2,530	–32,799	23,965	3,283	–	–
Net exposure, Bank	31,719	3,721	–4,676	–5,802	–32,984	1,060	–1,635	–4,361	
Unit-linked life assurance									
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	454	454
Other assets	14	–	–	–	–	–	–	2,653	2,667
Total assets, Unit-linked Life Assurance	14	–	–	–	–	–	–	3,107	3,121
Other liabilities	252	–	–	–	–	–	–	838	1,090
Total liabilities, Unit-linked Life Assurance	252	–	–	–	–	–	–	838	1,090
Net exposure, Unit-linked Life Assurance	–237	–	–	–	–	–	–	2,269	2,031
Other									
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	163	163
Other assets	41	–	290	–	–	–	–	17,528	17,859
Total assets, Other	41	–	290	–	–	–	–	17,691	18,022
Debt securities in issue	1,697	–	–	–	–	498	–	–	2,195
Other liabilities	–	–	–	–	–	695	–	1,664	2,359
Total liabilities, Other	1,697	–	–	–	–	1,193	–	1,664	4,554
Net assets and liabilities, Other	–1,656	–	290	–	–	–1,193	–	16,027	13,468
Interest-rate derivatives, nominal value, net, Other	513	1,312	–	–	–512	–1,312	–	–	–
Net assets and liabilities, Other	–1,143	1,312	290	–	–512	–2,505	–	16,027	
Total									
Loans to the public	72,897	25,464	5,333	11,136	29,435	4,884	821	–28	149,942
Bonds and other interest-bearing securities	15	1,071	3,990	3,413	23,022	5,926	5,287	1,946	44,669
Other assets	3,271	1,200	587	7	1,735	468	4	26,726	34,000
Total assets, Total	75,828	27,906	9,910	14,556	54,192	11,278	6,112	28,829	228,611
Deposits from the public	39,049	13,774	2,153	6,003	543	379	–	–	61,901
Debt securities in issue	3,694	3,921	3,137	11,630	54,058	33,995	4,984	57	115,476
Other liabilities	1,351	145	–	–	–	695	755	34,180	37,125
Total liabilities, Total	44,094	17,840	5,290	17,634	54,601	35,068	5,739	34,237	214,502
Net assets and liabilities, Total	31,735	10,066	4,620	–3,078	–409	–23,790	373	–5,408	14,109
Interest-rate derivatives, nominal value, net, Total	–682	–2,644	–6,897	–2,530	–33,493	22,299	2,772	–	–
Net exposure, Total	31,052	7,422	–2,277	–5,608	–33,902	–1,491	3,145	–5,408	

¹⁾ Assets and liabilities in each of the business areas of Non-life Insurance, Bank, Unit-linked Life Assurance and Other are not as large due to Group adjustments between these business areas.

2013	Non-life insurance	Unit-linked insurance	Bank	Parent company	Eliminations and adjustments	Total
Premiums after ceded reinsurance	4,122	61	–	–	–27	4,156
Net interest income	–	–	2,230	–	71	2,301
Increase in value of investment assets for which the policyholder bears the risk	–	8,251	–	–	–	8,251
Dividends in investment assets for which the policyholder bears the risk	–	4	–	–	–	4
Interest income, net	155	53	–86	336	–662	–203
Commission income	119	994	1,140	–	–240	2,013
Other operating income	299	61	212	2,502	–1,038	2,036
Total operating income	4,696	9,423	3,497	2,839	–1,897	18,558
Claims payments before ceded reinsurance	–2,940	–36	–	–	272	–2,704
Change in life-assurance reserve	–1	–	–	–	–	–1
Change in life-assurance reserve for which the policyholder bears the risk	–	–8,307	–	–	–	–8,307
Commission expense	–360	–572	–1,393	–	250	–2,074
Staff costs	–324	–53	–427	–875	22	–1,657
Other administration expenses	–637	–206	–904	–1,714	697	–2,765
Loan losses	–	–	–126	–	–	–126
Total expenses	–4,261	–9,175	–2,850	–2,590	1,241	–17,635
Technical result	434	248	–	–	–683	–
Non-technical income/expenses	–7	–1	–	–	8	–
Operating profit /loss	427	247	647	249	–647	923
Tax	–	–	–	–	–	–242
Net profit for the year	–	–	–	–	–	682
Income distribution						
External income	4,419	9,184	3,525	1,913	–482	18,558
Internal income	206	244	–28	926	–1,347	–
Total operating income	4,625	9,428	3,497	2,839	–1,830	18,558
2012	Non-life insurance	Unit-linked insurance	Bank	Parent company	Eliminations and adjustments	Total
Premiums after ceded reinsurance	4,024	19	–	–	–	4,043
Net interest income	–	–	2,071	–	80	2,151
Increase in value of investment assets for which the policyholder bears the risk	–	3,659	–	–	–	3,659
Dividends in investment assets for which the policyholder bears the risk	–	1,085	–	–	–	1,085
Interest income, net	169	8	5	271	–395	59
Commission income	119	955	984	–	–314	1,745
Other operating income	298	41	190	2,462	–955	2,036
Total operating income	4,609	5,768	3,251	2,733	–1,583	14,778
Claims payments before ceded reinsurance	–2,923	–16	–	–	243	–2,697
Change in life-assurance reserve	–2	–	–	–	–	–2
Change in life-assurance reserve for which the policyholder bears the risk	–	–4,846	–	–	–	–4,846
Commission expense	–366	–522	–1,369	–	229	–2,029
Staff costs	–330	–46	–397	–850	34	–1,588
Other administration expenses	–684	–207	–838	–1,685	708	–2,706
Loan losses	–	–	–91	–	–	–91
Total expenses	–4,305	–5,637	–2,695	–2,535	1,214	–13,958
Technical result	304	130	–	–	–435	–
Non-technical income/expenses	182	–4	–	–	–178	–
Operating profit/loss	486	127	555	198	–548	819
Tax	–	–	–	–	–	–135
Net profit for year	–	–	–	–	–	684
Income distribution						
External income	4,550	5,450	3,279	1,442	57	14,778
Internal income	192	217	–28	1,292	–1,673	–
Total operating income	4,742	5,667	3,251	2,733	–1,616	14,778

The distribution into operating segments matches how the Group is organised and is monitored by Group Management. The technical result is presented for Non-life Insurance and Unit-linked Life Assurance since the result is followed up by Group management.

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

The Non-life Insurance operating segment pertains to non-life and group life assurance; group life assurance comprises a minor portion only. The Länsförsäkringar Alliance's internal and external reinsurance are also included. The Non-life Insurance operating segment comprises non-life insurance with income from external customers totalling SEK 4,203 M (4,312) and group life assurance with income from external customers totalling SEK 216 M (238).

The Unit-linked Life Assurance operating segment pertains to life assurance with links to mutual funds. The Unit-linked Life Assurance operating segment comprises life assurance linked to mutual funds with income from external customers totalling SEK 9,184 M (5,450).

The Banking operating segment pertains to deposits and lending operations. For the Banking operating segment, the product offering to external customers is in line with the legal structure within the Länsförsäkringar Bank Group. Income from external customers pertains to bank products totalling SEK 626 M (240), for mortgage products totalling SEK 1,083 M (1,343), for leasing and instalment totalling SEK 1,048 M (1,021) and for fund products totalling SEK 768 M (674).

The Parent Company operating segment pertains to service, IT and development for the Länsförsäkringar Alliance, administration of mutual funds and costs for shared functions.

Depreciation of property and equipment and amortisation of intangible assets is included in Other administration expenses in Non-Life Insurance. Amortisation pertaining to acquired intangible assets under Unit-linked Life Assurance is included in eliminations and adjustments of administration expenses. The impairment of the holdings in Länsförsäkringar Liv Försäkrings AB is included in net investment income under the Parent Company.

4 ACQUISITIONS OF OPERATIONS

Acquisitions of operations 2013

During 2013, the Länsförsäkringar AB Group did not acquire any operations.

Change in additional purchase price 2013

In 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv Försäkrings AB from Länsförsäkringar Liv Försäkrings AB. The acquisition agreement states that an additional purchase price of SEK 950 M is to be paid in seven annual part payments to Länsförsäkringar Liv Försäkrings AB. The adopted acquisition analysis was recognised in the 2012 Annual Report.

In 2013, an instalment of the additional purchase price was paid to Länsförsäkringar Liv Försäkrings AB. The instalment totalled SEK 136 M (136). The value of the additional purchase price was SEK 593 M (715) on December 31, 2013.

5 PREMIUMS EARNED AFTER CEDED REINSURANCE

	2013	2012
Non-life insurance		
Premium income, direct insurance, Sweden	3,112	2,901
Premium income, direct insurance, other EEA	480	485
Premium income, assumed reinsurance	2,357	2,318
Change in provision for unearned premiums	-136	37
Change in premium for unexpired risks	4	13
Total premiums earned before ceded reinsurance	5,817	5,754
Premiums for ceded reinsurance	-1,940	-1,932
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	0	-27
Total reinsurers' portion of premiums earned	-1,940	-1,959
Total premiums earned after ceded reinsurance	3,877	3,795
Life assurance		
Premium income, group insurance, direct life assurance in Sweden	288	258
Total premium income before ceded reinsurance	288	258
Premiums for ceded reinsurance	-9	-10
Total premiums after ceded reinsurance	279	248
Total premiums after ceded reinsurance	4,156	4,043

6 INTEREST INCOME

	2013	2012
Loans to credit institutions	47	40
Loans to the public	5,734	6,021
Interest-bearing securities	878	917
Derivatives		
– Hedge accounting	2,829	3,451
Other interest income	0	0
Total interest income	9,488	10,429
of which interest income on impaired loans	19	13
of which interest income from financial items not measured at fair value	5,781	6,061
Average interest rate on loans to the public during the year, %	3,7	4,3

7 INTEREST EXPENSE

	2013	2012
Due to credit institutions	-31	-6
Deposits and borrowing from the public	-921	-1,122
Interest-bearing securities	-3,218	-3,419
Subordinated liabilities	-94	-89
Derivatives		
– Hedge accounting	-2,812	-3,521
– Non-hedge accounting	-7	-26
Other interest expense	-105	-95
Total interest expense	-7,187	-8,278
of which interest expense from financial items not measured at fair value	-4,368	-4,749
Average interest rate on deposits from the public during the year, %	1,4	2,0

8 INVESTMENT INCOME, NET

	2013	2012
Interest income	247	354
Dividends	7	20
Realised profit, net		
Investment property	-	-2
Interest compensation	56	52
Shares and participations	132	30
Interest-bearing securities	-108	701
Derivatives	56	-130
Change in claims annuities reserve	438	-66
Other financial assets	-2	-328
Total realised profit, net	572	256
Unrealised profit, net		
Investment property	-	4
Shares and participations	-38	-27
Interest-bearing securities	-790	-289
Derivatives	601	-538
Other financial liabilities	-502	646
Total unrealised profit, net	-729	-204
Exchange-rate gains/losses, net	5	11
Interest expense	-118	-182
Participations in associated companies	6	0
Impairment Länsförsäkringar Liv Försäkringsaktiebolag (publ)	-100	-100
Asset management expenses	-94	-98
Investment income, net	-203	59
Profit/loss by valuation category		
Derivative assets intended for risk management, non-hedge accounting	47	32
Other financial assets measured at fair value in profit and loss	-426	215
Derivatives in hedge accounting	46	-107
Derivatives not in hedge accounting	-	0
Other financial liabilities measured at fair value in profit and loss	-21	-69
Available-for-sale financial assets ¹⁾	-49	296
Loan receivables and accounts receivable	64	79
Financial liabilities at amortised cost	-144	-337
Change in fair value of derivatives that are hedging instruments in a hedge of fair value	595	-539
Change in fair value of hedged items with regard to the hedged risk in hedges of fair value	-699	516
Non-financial items not included in investment income, net		
Translation, non-life annuity reserve	474	-31
Value-preserving interest rates claims annuities reserve	-36	-35
Asset management expenses	-94	-98
Other non-financial items	40	136
Total investment income, net	-203	59

¹⁾ Total net losses on available-for-sale financial assets amounted to SEK 42 M (gain: 238), of which a gain of SEK 7 M (loss: 58) M was recognised in other comprehensive income.

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

9 COMMISSION INCOME

	2013	2012
Payment mediation commission	94	63
Lending commission	91	85
Deposit commission	10	9
Financial guarantees	1	1
Securities commission	816	697
Card operations	123	125
Commission and profit shares in ceded reinsurance	119	119
Fees pertaining to financial agreements unit-linked insurance	501	431
Other commission	258	214
Total commission income	2,014	1,745
of which commission income from financial items not measured at fair value	230	223

10 OTHER OPERATING INCOME

	2013	2012
Service income, regional insurance companies	1,267	1,258
Other service income	467	490
Other income	302	288
Total other operating income	2,036	2,036

11 CLAIMS PAYMENTS

	2013			2012		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
Non-life insurance						
Claims paid	-3,568	906	-2,662	-3,989	901	-3,087
Claims annuities paid	-261	-	-261	49	-	49
Change in provision for claims incurred and reported	-84	365	281	2,137	39	2,177
Change in provision for claims incurred and not reported	-77	106	29	-2,038	343	-1,695
Total	-3,990	1,377	-2,613	-3,841	1,284	-2,557
Life assurance						
Claims paid	-196	4	-192	-181	6	-175
Change in provision for claims outstanding	101	-1	100	36	-1	35
Total	-94	3	-91	-145	5	-140
Total non-life insurance and life assurance	-4,084	1,381	-2,704	-3,986	1,289	-2,697

12 COMMISSION EXPENSE

	2013	2012
Payment mediation commission	-113	-94
Securities commission	-189	-143
Card operations	-82	-88
Compensation to the regional insurance companies	-1,335	-1,326
Commission, direct insurance	-149	-173
Commission, assumed reinsurance	-162	-153
Other commission	-45	-52
Total commission expense	-2,074	-2,029
of which commission expense from financial items not measured at fair value	-408	-799

13 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Average number of employees	2013	2012
Sweden		
Men	654	638
Women	751	712
Total Sweden	1,405	1,350
Denmark		
Men	1	1
Women	4	4
Total Denmark	5	5
Norway		
Men	1	1
Women	13	11
Total Norway	14	12
UK		
Men	27	19
Women	52	46
Total UK	79	65
Total number of employees		
Men	683	659
Women	820	773
Total	1,503	1,432

Salaries, other remuneration and social security expenses

Other employees	2013	2012
Salaries and remuneration	925	862
of which variable remuneration	13	10
Social security expenses	575	584
of which pension costs	240	258
Total	1,500	1,445

Board of Directors and senior executives, 34 (31)	2013	2012
Salaries and remuneration	52	47
of which variable remuneration	-	-
Social security expenses	43	39
of which pension costs	22	20
Total	96	86

Total salaries, other remuneration and social security expenses	2013	2012
Salaries and remuneration	978	908
of which variable remuneration	13	10
Social security expenses	618	623
of which pension costs	261	278
Total	1,596	1,531

Länsförsäkringar Bank has about 1,050 individuals who are also employed at Länsförsäkringar Bank and the regional insurance companies. The regional insurance companies pay the entire remuneration of their respective employees.

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

Variable remuneration

Variable remuneration is a rarely utilised form of remuneration at the Länsförsäkringar AB Group and, accordingly, comprises an extremely minor part of total salaries. Commission-based remuneration is used by some functions. Commission-based remuneration is proportionate to sales efforts and is regulated by local collective agreements.

The variable remuneration above pertains to the recognised expense for the year. The amount includes estimated variable remuneration for 2013, and deviations pertaining to estimated costs for 2012.

Of the above amount pertaining to variable remuneration, SEK 3 M (3) is attributable to the insurance operations and the remaining SEK 10 M (7) is attributable to the other operations.

Remuneration of senior executives

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

Severance pay

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

Pensions

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

The retirement age for other senior executives is 60, 62 or 65. If the retirement age is 65, the pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. If the retirement age is 60 or 62, the pensions between 60, 62 and 65, respectively, are defined-contribution pensions and are expected to be paid at approximately 70% of the pensionable salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The company has taken out endowment insurance over four to five years for several senior executives in addition to their pension agreements. For 2013, the premium is between SEK 0.1 M and SEK 0.5 M.

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

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

Composition and mandate of Remuneration Committee

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

Policies for remuneration of corporate management

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

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

The pension solution shall be solely premium-based with a premium provision of 35% of the monthly salary. A transition to this policy is to be carried out successively and in conjunction with the signing of new agreements.

Other benefits

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

Loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	Dec 31, 2013	Dec 31, 2012
Board members	57	50
President and Executive Vice President	17	18
Other senior executives	34	36
Total loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	107	104

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

	Dec 31, 2013	Dec 31, 2012
Number of women among senior executives, %		
Board members	35	32
Other senior executives	33	44

14 FEES AND REMUNERATION TO AUDITORS

	2013	2012
KPMG AB		
– Audit assignments	–13	–8
– audit operations in addition to the audit assignment	–2	–2
– tax consulting	–1	–0
– other assignments	–0	–5
Total fees and cost reimbursements to auditors	–16	–15

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

15 OTHER ADMINISTRATION EXPENSES

	2013	2012
Other administration expenses		
Costs for premises	–65	–102
Depreciation	–492	–498
IT costs	–1,143	–1,241
Consultant costs	–332	–356
Marketing	–130	–109
Telephone and postage	–101	–100
Other administration expenses	–502	–300
Total other administration expenses	–2,765	–2,706

16 LOAN LOSSES, NET

	2013	2012
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–140	–136
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	131	103
Impairment of loan losses during the year	–308	–147
Payment received for prior confirmed loan losses	109	85
Reversed impairment of loan losses no longer required	64	22
Net expense for the year for individually assessed receivables	–143	–73
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
Provision/reversal of impairment for loan losses	17	–19
Net expense for the year for collectively assessed receivables	17	–19
Net expense for the year for fulfilment of guarantees	0	1
Net expense of loan losses for the year	–126	–91

All information pertains to receivables from the public.

17 TAX

	2013	2012
Current tax		
Tax expenses for the period	-145	40
Adjustment of tax expense pertaining to prior years	-23	3
Total current tax	-169	-37
Deferred tax		
Deferred tax pertaining to temporary differences	-72	59
Deferred tax expense as a result of utilisation of previously capitalised tax value in loss carryforwards	0	-158
Total deferred tax	-73	-98
Total recognised tax expense	-242	-135
Reconciliation of effective tax rate		
Profit before tax	923	819
Tax in accordance with applicable tax rate for Parent Company	-203	-215
Effect of other tax rates for foreign companies	0	0
Tax on non-deductible costs	-119	-75
Tax on non-taxable income	104	37
Utilisation of non-capitalised loss carryforwards	0	-
Reversal of deferred tax liabilities	-	15
Tax attributable to earlier years	-23	3
Changed tax rates	-	96
Other	0	4
Recognised effective tax on profit for the year	-242	-135
Applicable tax rate	22.0%	26.3%
Effective tax rate	26.2%	16.5%
Tax attributable to other comprehensive income		
Cash-flow hedges	-3	0
Available-for-sale financial assets	-4	15
Revaluation of owner-occupied property	3	24
Revaluation of defined-benefit pension plans	-2	1
Total tax attributable to other comprehensive income	-5	40

20 OTHER INTANGIBLE ASSETS

Capitalised expenditure for development and acquired intangible assets

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Cost				
Opening cost, January 1, 2012	1,183	243	3,894	5,320
Exchange-rate differences for the year	0	0	-1	-1
Divestments/scrapping for the year	-63	-7	-1	-71
Acquisitions during the year	139	4	101	244
Closing cost, December 31, 2012	1,259	240	3,993	5,492
Opening cost, January 1, 2013	1,259	240	3,993	5,492
Reclassification	-13	13	-	-
Exchange-rate differences for the year	0	0	0	0
Divestments/scrapping for the year	-	-2	-	-2
Acquisitions during the year	91	2	100	193
Closing cost, December 31, 2013	1,337	253	4,093	5,683
Amortisation				
Opening accumulated amortisation, January 1, 2012	-599	-67	-453	-1,119
Divestments/scrapping for the year	58	-	1	59
Exchange-rate differences for the year	0	0	0	0
Amortisation for the year	-107	-17	-225	-350
Closing accumulated amortisation, December 31, 2012	-648	-84	-677	-1,409
Opening accumulated amortisation, January 1, 2013	-648	-84	-677	-1,409
Reclassification	-9	22	-	13
Divestments/scrapping for the year	-	1	-	1
Exchange-rate differences for the year	0	0	0	0
Amortisation for the year	-112	-16	-200	-327
Closing accumulated amortisation, December 31, 2013	-770	-76	-876	-1,722

18 EARNINGS PER SHARE

	2013	2012
Net profit/loss attributable to Parent Company's shareholders, SEK M	682	684
Number of shares with a quotient value of SEK 100	9,749,715	9,407,249
Earnings per share before and after dilution, SEK	70	73

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

19 GOODWILL

	2013	2012
Cost		
Opening cost, January 1	710	711
Exchange-rate differences	1	-1
Closing cost, December 31	711	710
	2013	2012
Acquisition of Länsförsäkringar Fondliv Försäkrings AB	372	372
Acquisition of Länsförsäkringar Gruppliv Försäkrings AB	35	35
Acquisition of insurance portfolio	144	144
Acquisition of Agria Pet Insurance Ltd	160	159
Closing cost, December 31	711	710
Assumptions for testing of value	2013	2012
Long-term growth, %	2.0	2.0
Discount rate, %	7.5	7.5
Exchange rate SEK/GBP	10.6	10.6

Testing is based on the value in use. A cash-flow estimate was made for the period 2014 and ahead and based on a forecast period of 3 years. After that, cash flows are extrapolated with a 2% growth rate. The growth assumption is based on experience and discount rates corresponding to the yield requirement on equity. A market value is calculated for Länsförsäkringar Fondliv according to market consistent embedded value (MCEV). The calculation is performed based on the present value of future gains in the insurance portfolio. These future gains are measured and discounted using a market-based, risk-free yield curve.

20 OTHER INTANGIBLE ASSETS, cont.

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Impairment				
Opening accumulated impairment, January 1, 2012	-108	-29	-	-137
Impairment for the year	5	-	-	5
Closing accumulated impairment, December 31, 2012	-103	-29	-	-132
Opening accumulated impairment, January 1, 2013	-103	-29	-	-132
Reclassification	-	-13	-	-13
Impairment reversed during the year	-11	-	-	-11
Closing accumulated impairment, December 31, 2013	-114	-42	-	-156
Carrying amount, December 31				
2012	507	128	3,317	3,952
2013	452	135	3,217	3,804

The periods of amortisation for internally developed and acquired IT systems are determined based on a useful life that varies between three and 15 years. Acquired customer-based assets are depreciated over a period of 8 or 25 years. Straight-line depreciation is applied consistently and all amortisation and impairment losses are recognised in profit and loss as Other administration expenses.

21 PROPERTY AND EQUIPMENT

	2013	2012
Cost		
Opening cost, January 1	334	379
Divestments/scrapping	-86	-67
Acquisitions during the year	18	22
Exchange-rate differences	0	-0
Closing cost, December 31	266	334
Depreciation		
Opening accumulated depreciation, January 1	-254	-274
Accumulated depreciation for divestments/scrapping	73	61
Depreciation for the year	-27	-41
Exchange-rate differences	-0	0
Closing accumulated depreciation, December 31	-208	-254
Carrying amount, December 31	58	80

22 OWNER-OCCUPIED PROPERTY

	After revaluation Dec 31, 2013	Before revaluation Dec 31, 2013	After revaluation Dec 31, 2012	Before revaluation Dec 31, 2012
Cost, reclassified	2,934	2,870	2,879	2,821
Accumulated amortisation	-512	-500	-430	-422
Carrying amount	2,423	2,370	2,448	2,399
Fair value	2,423	2,448		
Reclassification to amortised cost			2013	2012
Opening balance, January 1			2,448	2,444
Capitalised improvements			0	31
Depreciation for the year according to plan before revaluation			-78	-76
Revaluation of owner-occupied property			53	49
Closing balance, December 31			2,423	2,448
Historical cost reduced by depreciation according to plan			1,864	1,943
Revaluation effect against revaluation reserve			42	38
Assumption on valuation at fair value			2013	2012
Current rental income/market rent, SEK M			150/158	150/158
Computed interest in discounting, %			7.9	7.9
Direct yield requirement, %			5.8	5.8

The Group applies the revaluation technique to the Group's owner-occupied property. The properties were assessed externally by valuation company CB Richard Ellis. Fair value was calculated by applying the location-price method, based on reported purchases of comparable properties, and a return-based cash-flow method. The cash-flow method is based on 10 year calculation of the present value of future cash flows in the form of operating net, which has been successively adjusted to market. The residual value was estimated by performing a constant capitalisation of an estimated market-adjusted operating net year 11. The Group has no borrowing costs for owner-occupied property. For information on classification of fair value, see Note 50.

23 SHARES IN LÄNSFÖRSÄKRINGAR LIV FÖRSÄKRINGSAKTIEBOLAG (PUBL)

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Equity	Earnings	Carrying amount, Dec 31, 2013	Carrying amount, Dec 31, 2012
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	17,118	5,174	208	308

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

Shares in Länsförsäkringar Liv Försäkrings AB are classified as holdings available for sale. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing. The holding is thus measured at cost. The value is tested annually to determine whether impairment is required. Due to the lower synergy effects following the stop on underwriting new policies in Länsförsäkringar Liv, the shares were impaired by SEK 100 M in 2013. The impairment was recognised under Investment income, net in profit and loss.

Equity and earnings pertain to the Länsförsäkringar Liv Group.

24 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	Dec 31, 2013	Dec 31, 2012
Carrying amount at beginning of the year	24	24
Profit shares in the associated company	6	4
Other changes in the associated company's equity	1	-4
Total shares and participations in associated companies	31	24

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

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Carrying amount, Dec 31, 2013	Carrying amount, Dec 31, 2012
Getswish AB	556913-7382	Stockholm	5,000	10.0	1	0
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0	0
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	18	13
European Alliance Partners Company AG	CH-0203026423-1	Zürich, Switzerland	10,570	14.3	8	8
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	1	1
Trofäst Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	44.6	3	3
Total					31	24

Summary of financial information pertaining to associated companies

	2013	2012
Income	56	52
Earnings	6	4
Assets	60	36
Liabilities	29	12
Equity	31	24

The amounts presented above refer only to the Group's participating interests in associated companies. The shares and participations are unlisted. All associated companies apply the calendar year as the fiscal year. The share of profit in all associated companies is included in the Non-life Insurance and Bank operating segments.

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

25 LOANS TO THE PUBLIC

	Dec 31, 2013	Dec 31, 2012
Loan receivables, gross	162,425	150,267
Impairment	-422	-325
Loan receivables, net	162,003	149,942
Impaired loans	393	298
Reconciliation of impairment of loan losses	2013	2012
Opening balance, January 1	-325	-284
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	131	103
Reversed impairment of loan losses no longer required	80	3
Impairment of loan losses during the year	-308	-147
Closing balance, December 31	-422	-325

Loan receivables are geographically attributable in their entirety to Sweden.

26 UNIT-LINKED INSURANCE ASSETS – POLICYHOLDER BEARS THE RISK

	Dec 31, 2013	Dec 31, 2012
Equity funds	66,727	53,160
Fixed-income funds	9,480	9,224
Total unit-linked insurance assets	76,207	62,384
Amortised cost	67,961	73,725

27 FINANCIAL LEASING

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

Dec 31, 2013	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,313	3,476	401	6,190
Unearned financial income ¹⁾	369	413	21	803
Gross investment	2,682	3,889	422	6,993
Dec 31, 2012	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,259	3,529	394	6,182
Unearned financial income ¹⁾	364	399	18	781
Gross investment	2,622	3,928	412	6,963

¹⁾ Attributable to present value calculation.

	2013	2012
Provision for impaired loans pertaining to minimum lease fees	81	73
Variable portion of leasing fees included in net profit for the year	–	-2

Financial leasing is included in loans to the public.

There are also a few leasing agreements for office equipment and cars where the Group is the lessee, but for which the amounts are not deemed to be significant.

28 SHARES AND PARTICIPATIONS

Carrying amount	Dec 31, 2013	Dec 31, 2012
Listed shares and participations	667	238
Unlisted shares and participations	481	710
Total shares and participations	1,148	948
	Dec 31, 2013	Dec 31, 2012
Fair value	1,148	948
Cost	727	621

29 BONDS AND OTHER INTEREST-BEARING SECURITIES

Carrying amount	Dec 31, 2013	Dec 31, 2012
Treasury bills	5,930	6,134
Mortgage institutions	34,443	33,800
Other issuers	7,606	4,735
Total bonds and other interest-bearing securities	47,979	44,669
	Dec 31, 2013	Dec 31, 2012
Fair value	47,979	44,669
Amortised cost	47,591	43,438
Nominal value	33,710	40,325

All securities are listed.

30 TREASURY BILLS AND OTHER ELIGIBLE BILLS

Carrying amount	Dec 31, 2013	Dec 31, 2012
Swedish government	3,887	4,750
German government	994	472
Fair value	4,881	5,222
Amortised cost	4,862	5,181
Nominal value	3,675	4,405

31 DERIVATIVES

	Nominal amounts		Fair values	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Derivative instruments with positive values or valued at zero				
<i>Derivatives in hedge accounting</i>				
Interest	68,685	73,625	924	1,624
Currency	5,394	8,651	371	421
Collateral received, CSA	3,971	–	–260	–193
<i>Other</i>				
Interest	3,971	3,691	45	19
Currency	532	1,722	21	29
Total derivatives with positive values	78,582	87,689	1,101	1,900
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest	97,932	88,930	913	1,403
Currency	24,394	26,066	1,502	1,619
<i>Other</i>				
Interest	9,222	4,960	94	73
Currency	9,413	872	292	15
Total derivatives with negative values	140,960	120,828	2,801	3,111

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

	2013	2012
Assets		
Carrying amount, January 1	878	710
Changes during the year pertaining to lending	–327	168
Carrying amount, December 31	551	878
Liabilities		
Carrying amount, January 1	2,177	1,837
Changes during the year pertaining to lending	–4	25
Changes during the year pertaining to borrowing	–1,527	315
Carrying amount, December 31	646	2,177

33 OTHER RECEIVABLES

	Dec 31, 2013	Dec 31, 2012
Receivables pertaining to direct insurance	1,159	1,126
Receivables, reinsurance	177	156
Deposits with companies that have ceded reinsurance	54	63
Accounts receivable	316	347
Other receivables	1,101	705
Total other receivables	2,807	2,397

34 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2013	Dec 31, 2012
Accrued interest and rental income	2,507	2,575
Prepaid acquisition costs	1,125	1,067
Other accrued income	130	65
Other prepaid expenses	171	241
Total prepaid expenses and accrued income	3,933	3,948

35 CASH AND CASH EQUIVALENTS

	Dec 31, 2013	Dec 31, 2012
Cash and balances with central banks	109	109
Balances with other banks	7,375	4,320
Total cash and cash equivalents	7,484	4,429

	Restricted equity		Non-restricted equity	Total equity
	Share capital	Restricted reserves	including comprehensive income for the year	
Opening equity, January 1, 2012	941	4,795	7,462	13,198
Adjustment for retrospective application	–	–	9	9
Adjusted opening equity, January 1, 2012	941	4,795	7,471	13,208
Net profit/loss for the year	–	–	684	684
Change in translation reserve	–	–2	0	–2
Change in revaluation reserve	–	–	42	42
Change in fair value reserve	–	–	–58	–58
Tax on items recognised in other comprehensive income	–	–	40	40
Total other comprehensive income	–	–2	24	22
Comprehensive income for the year	–	–2	708	706
Transfer between restricted and non-restricted equity	–	2	–2	–
Closing equity, December 31, 2012	941	4,795	8,177	13,915
Opening equity, January 1, 2012	941	4,795	8,177	13,915
Net profit for the year	–	–	682	682
Change in translation reserve	–	2	–2	–0
Change in revaluation reserve	–	–	61	61
Change in fair value reserve	–	–	16	16
Change in hedging reserve	–	–	15	15
Tax on items recognised in other comprehensive income	–	–	–5	–5
Total other comprehensive income	–	2	85	87
Comprehensive income for the year	–	2	766	768
Transfer between restricted and non-restricted equity	–	–2	2	–
New share issue	34	–	466	500
Closing equity, December 31, 2012	975	4,795	9,412	15,183

Number of shares	2013	2012
Issued January 1	9,407,249	9,407,249
Cash issue, Series B shares	342,271	–
Cash issue, Series C shares	195	–
Issued December 31	9,749,715	9,407,249

The quotient value per share is SEK 100. All shares are ordinary shares. Of the shares issued on December 31, 2013, 1,532,678 were Series A shares (carrying ten votes each), 8,211,469 were Series B shares and 5,568 were Series C shares (carrying one vote each).

Specification of the capital item Reserves in the statement of financial position

Changes in these reserves are included in comprehensive income for the year

	2013	2012
Translation reserve		
Opening translation reserve, January 1	–69	–68
Translation differences for the year	–0	–2
Closing translation reserve, December 31	–70	–69
Revaluation reserve		
Opening revaluation reserve, January 1	353	286
Revaluation of owner-occupied property	53	49
Revaluation of defined-benefit pension plans	7	–7
Tax attributable to revaluation for the year	2	–12
Tax due to changed tax rate	–	37
Closing revaluation reserve, December 31	416	353
Fair value reserve		
Opening fair value reserve, January 1	125	168
Change for the year in fair value of available-for-sale financial assets	16	–58
Tax attributable to change for the year	–4	15
Closing fair value reserve, December 31	138	125
Hedging reserve		
Opening hedging reserve, January 1	0	–
Change for the year in cash-flow hedges	15	0
Tax attributable to change for the year	–3	0
Closing hedging reserve, December 31	12	0

Translation reserve

The translation reserve includes all exchange-rate differences arising on the translation of the financial statements from foreign operations that have prepared their financial statements in a different currency to the currency in which the consolidated financial statements are presented. The Parent Company and Group present their financial statements in Swedish kronor (SEK).

Revaluation reserve

The revaluation reserve includes changes in value attributable to owner-occupied property and a provision for defined-benefit pensions.

Fair value reserve

The fair value reserve comprises the accumulated net change in fair value of available-for-sale financial assets until the asset is derecognised from the statement of financial position.

Hedging reserve

The hedging reserve comprises hedges of variable interest rates against fixed interest rates pertaining to the Parent Company's debt securities in issue.

Other capital contributed

Refers to equity that has been provided by the owners. The item includes surpluses paid in conjunction with issues.

Restricted reserves

Restricted reserves may not be reduced through profit distribution. The statement of changes in equity for the Group includes some restricted reserves in other contributed equity and the remainder in retained earnings.

Retained earnings, including net profit for the year

Retained earnings, including net profit for the year, includes profits in the Parent Company, subsidiaries and associated companies.

Dividends

It is proposed that no dividends be paid in 2013.

All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back to the shareholders in the form of dividends. 30% of the Group's net profit for the year after tax is distributed if the balance between capital strength and risk-taking can be maintained. A prerequisite for the payment of dividends is that a credit rating of A can be justified for the Group's credit-rated companies.

37 SUBORDINATED LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Subordinated debts with three-month floating interest rates	1,245	145
Subordinated debts with a fixed interest rate	755	755
Total subordinated liabilities	2,000	900

All subordinated debts at December 31, 2013 are listed and due on June 30, 2021 and March 28, 2023. On December 31, 2013, interest on the variable loans was 3.4%. The interest rate on fixed loans is 5.6%.

38 TECHNICAL PROVISIONS

	2013			2012		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance, January 1	1,367	14	1,353	1,415	40	1,374
Provisions during the period	136	0	136	-37	-26	-11
Exchange-rate changes	-14	0	-14	-10	-0	-10
Closing balance, December 31	1,490	14	1,475	1,367	14	1,353
of which non-life insurance	1,490	14	1,475	1,367	14	1,353
Unexpired risk						
Opening balance, January 1	11	-	11	24	1	23
Provisions during the period	-4	-	-4	-13	-1	-12
Exchange-rate changes	-	-	-	0	-	0
Closing balance, December 31	7	-	7	11	-	11
of which non-life insurance	7	-	7	11	-	11
Life-assurance provision						
Opening balance, January 1	375	-	375	5	-	5
Provisions during the period	1	-	1	2	-	2
Deposits	714	-	714	559	-	559
Payments	-15	-	-15	-1	-	-1
Costs withdrawn	-8	-	-8	-15	-	-15
Investment income contributed to life-assurance provisions	18	-	18	1	-	1
Change in provision due to change interest-rate assumption	-52	-	-52	27	-	27
Other changes	-220	-	-220	-203	-	-203
Closing balance, December 31	814	-	814	375	-	375
of which life assurance	814	-	814	375	-	375
Claims outstanding						
Claims incurred and reported	6,161	2,348	3,812	8,239	2,308	5,931
Claims incurred and not reported	7,560	4,361	3,199	5,695	4,026	1,670
Claims annuities	4,820	3	4,817	4,678	4	4,674
Claims adjustment costs	287	5	283	313	6	307
Total opening balance, January 1	18,828	6,717	12,111	18,925	6,344	12,582
Provisions for the period	59	470	-411	-133	382	-514
Interest-rate translation of provision for claim annuities	-474	-	-474	31	-	31
Enumeration of provision for claim annuities	36	-	36	35	-	35
Exchange-rate changes	-7	6	-13	-30	-8	-22
Closing balance, December 31	18,442	7,194	11,249	18,828	6,717	12,111
of which non-life insurance	18,254	7,191	11,063	18,538	6,713	11,824
of which life assurance	188	3	186	290	4	287
Specification of closing balance claims outstanding						
Claims incurred and reported	6,319	2,714	3,605	6,161	2,348	3,812
Claims incurred and not reported	7,481	4,473	3,007	7,560	4,361	3,199
Claims annuities	4,379	2	4,376	4,820	3	4,817
Claims adjustment costs	263	4	259	287	5	283
Total closing balance, December 31	18,442	7,194	11,249	18,828	6,717	12,111
Carrying amount at year-end	20,753	7,208	13,545	20,582	6,731	13,851
of which non-life insurance	19,751	7,205	12,546	19,916	6,727	13,188
of which life assurance	1,002	3	999	666	4	662
Run-off profit/loss, non-life insurance	372	-262	110	169	-14	155

39 PROVISIONS FOR LIFE ASSURANCE FOR WHICH THE POLICYHOLDER BEARS THE INVESTMENTS RISK

	Dec 31, 2013	Dec 31, 2012
Unit-linked insurance commitments		
Opening balance	62,390	52,168
Payments	8,694	8,135
Cancellations and repurchases	-1,240	-962
Paid remuneration	-1,230	-1,061
Costs withdrawn	-497	-441
Change in value	8,251	4,746
Yield tax	-151	-206
Other changes	-3	11
Closed balance, unit-linked insurance commitments	76,214	62,390
Conditional bonus	497	190
Total	76,712	62,580

40 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and tax liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Intangible assets	-9	-9	24	30	15	22
Property	-	-	232	247	232	247
Financial assets	0	-2	81	71	81	69
Receivables	-3	-8	15	20	12	12
Other assets	0	0	0	-	0	0
Liabilities	-26	-29	3	1	-23	-28
Loss carryforwards	-	0	-	-	-	0
Untaxed reserves	-	-	532	455	532	455
Deferred tax asset (-) /deferred tax liability (+)	-38	-48	886	825	848	776
Offset	25	26	-25	-26	-	-
Net deferred tax asset (-) /deferred tax liability (+)	-13	-22	861	799	848	776

The Group has no temporary differences with tax effects in Group or associated companies. Deferred tax assets have been recognised for tax loss carryforwards. It is anticipated that the loss will be utilised within one year.

Change in deferred tax in temporary differences and loss carryforwards

	Amount at January 1	Currency translation	Recognised in profit and loss	Recognised in other compre- hensive income	Amount at December 31
2013					
Intangible assets	22	0	-7	-	15
Property	247	-	-12	-3	232
Financial assets	69	-	12	-	81
Receivables	12	-	0	-	12
Other assets	0	0	0	-	0
Liabilities	-28	-	3	2	-23
Loss carryforwards	0	-	0	-	-
Untaxed reserves	455	-	77	-	532
Deferred tax assets (-) /deferred tax liabilities (+)	776	0	73	-2	848

	Amount at January 1	Currency translation	Recognised in profit and loss	Recognised in other compre- hensive income	Amount at December 31
2012					
Intangible assets	42	0	-20	-	22
Property	280	-	-8	-24	247
Financial assets	77	-	-8	-	69
Receivables	2	-	10	-	12
Other assets	-1	0	0	-	0
Liabilities	-31	-	3	-	-28
Loss carryforwards	-158	-	158	-	0
Untaxed reserves	491	-	-36	-	455
Deferred tax assets (-) /deferred tax liabilities (+)	701	0	99	-24	776

41 OTHER PROVISIONS

	Dec 31, 2013	Dec 31, 2012
Provision for pensions being paid	37	47
Provisions for early retirement in accordance with pension agreement	52	58
Provision for contractual obligations	1	22
Other provisions	43	45
Total other provisions	132	172
Provision for contractual obligations	2013	2012
Carrying amount, January 1	22	89
Provisions made during the period	76	83
Amounts utilised during the year	-97	-150
Unutilised amount reversed during the year	-	-1
Carrying amount, December 31	1	22

Defined-benefit pension plans

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that upward adjustment of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

Defined-benefit pension plans	Dec 31, 2013	Dec 31, 2012
Present value of wholly or partly funded commitments	5	5
Fair value of plan assets	-5	-5
Present value of unfunded commitments	65	73
Total deficit in defined-benefit pension plans	65	73
Liability in statement of financial position	65	73

Change in defined-benefit obligation	2013	2012
Obligation, January 1	73	71

Pension costs		
Costs for service during current year	2	2
Interest expense	2	1
Costs for service during prior years and gains and losses from settlement	19	21
Special employer's contribution	1	1
Total pension costs	24	24

Revaluations		
Return on plan assets	0	0
Gain/loss as a result of changed financial assumptions	-1	11
Experience-based gains	-5	-6
Special employer's contribution related to revaluations	-1	2
Total revaluations	-7	7
Paid remuneration	-4	-7
Payments in conjunction with settlement	-19	-23
Paid special employer's contribution	-1	-1
Assumed pension commitments	-	2
Obligation, December 31	65	73

Significant calculation assumptions	2013	2012
Discount rate	2.4%	2.3%
Expected rate of salary increase	2.5%	2.5%
Percentage expected to retire voluntarily at the age of 62	30%	30%

Population	2013	2012
Active	141	162
Old age pensioner	24	28
Total	165	190

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments to defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, the main rule under this pension plan entails that a company recognises its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosures are also presented in the accounts pursuant to the requirements for defined-benefit pension plans. FPK is unable to provide necessary information which is why the pension plans above are recognised as defined-contribution plans in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

FTP plan contributions for 2014 are expected to total SEK 111 M.

	2013	2012
Expenses for defined-contribution plans	219	199

42 DEBT SECURITIES IN ISSUE

	Dec 31, 2013	Dec 31, 2012
Commercial papers	2,003	5,004
Bond loans ¹⁾	122,790	110,396
Cashier's cheques issued	73	76
Total debt securities in issue	124,866	115,476
Remaining term of not more than 1 year	25,962	19,797
Remaining term of more than 1 year	98,904	95,679

¹⁾ Covered bonds in the Group amount to SEK 98,989 M (90,962).

43 DEPOSITS FROM THE PUBLIC

	Dec 31, 2013	Dec 31, 2012
Deposits from insurance companies	3,553	3,710
Deposits from households	58,666	53,221
Deposits from other Swedish public	6,532	4,970
Total deposits from the public	68,752	61,901

44 DUE TO CREDIT INSTITUTIONS

	Dec 31, 2013	Dec 31, 2012
Swedish banks	–	11
Other Swedish credit institutions	1,600	1,052
Total liabilities due to credit institutions	1,600	1,063

Genuine repurchase transactions amounted to SEK 531 M (576).

45 OTHER LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Liabilities pertaining to direct insurance	674	664
Liabilities, reinsurance	371	312
Deposits from reinsurers	33	30
Accounts payable	146	245
Due to Länsförsäkringar Liv Försäkrings AB	1,027	1,216
Other liabilities	1,034	954
Total other liabilities	3,284	3,421

46 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2013	Dec 31, 2012
Accrued interest expense	3,229	3,322
Other accrued expenses	885	843
Prepaid rent	256	260
Other deferred income	592	472
Total accrued expenses and deferred income	4,961	4,897

47 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Pledged assets		
Total registered investment assets on behalf of policyholders	93,707	79,189
Pledged securities in the Riksbank	1,900	1,900
Pledged securities in Euroclear	1,300	850
Pledged shares in subsidiaries	1,486	1,843
Loan receivables, covered bonds	104,506	95,530
Collateral paid due to repurchase agreement	530	576
Other collateral for securities	15	15
Chattel mortgages, associated companies	0	0
Total pledged assets	203,444	179,903
Contingent liabilities		
Guarantees	57	55
Part-owner of Utile Dulci 2 HB	3	5
Early retirement at age 62 in accordance with pension agreement, 80%	121	136
Total contingent liabilities	181	196
Other commitments		
Loans approved but not disbursed	5,608	6,437
Unutilised portion of overdraft facilities	1,984	2,098
Unutilised portion of credit card facilities	1,196	961
Total other commitments	8,788	9,496

Registered assets follow the regulations stipulated in the Swedish Insurance Business Act. In the event of insolvency, the policyholders have a priority right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Insurance Business Act.

Loans to the public were provided as collateral for the issuance of covered bonds and mortgage bonds. In the event of the company's insolvency, bond holders have preferential rights to the assets that are registered as cover pool.

Other pledged securities will be transferred to the pledgee in the event of bankruptcy. An assumption regarding the number of employees likely to utilise the agreement option of early retirement was made in determining the contingent liabilities for early retirement according to pension agreements. This assumption was based on historical information. The pension agreement expires in 2017.

48 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS AND LIABILITIES

Amount expected to be recovered	Dec 31, 2013			Dec 31, 2012		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Goodwill	–	711	711	–	710	710
Other intangible assets	289	3,515	3,804	309	3,643	3,952
Deferred tax assets	6	6	13	14	8	22
Property and equipment	50	8	58	67	13	80
Owner-occupied property	78	2,345	2,423	76	2,372	2,448
Shares in Länsförsäkringar Liv Försäkrings AB	–	208	208	–	308	308
Shares and participations in associated companies	–	31	31	–	24	24
Reinsurers' portion of technical provisions	1,193	6,014	7,208	549	6,182	6,731
Loans to the public	30,427	131,576	162,003	12,885	137,056	149,942
Unit-linked insurance assets – policyholder bears the risk	3,377	72,831	76,207	3,388	58,996	62,384
Shares and participations	574	574	1,148	474	474	948
Bonds and other interest-bearing securities	16,437	31,542	47,979	8,267	36,403	44,669
Treasury bills and other eligible bills	671	4,210	4,881	472	4,751	5,222
Derivatives	170	930	1,101	199	1,701	1,900
Change in value of hedge portfolios	–	551	551	–	878	878
Other receivables	2,728	78	2,807	2,326	71	2,397
Prepaid expenses and accrued income	3,062	870	3,933	3,168	780	3,948
Cash and cash equivalents	7,484	–	7,484	4,429	–	4,429
Total assets	66,548	256,002	322,550	36,623	254,372	290,994

Amount expected to be settled	Dec 31, 2013			Dec 31, 2012		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities						
Subordinated liabilities	–	2,000	2,000	–	900	900
Technical provisions	3,245	17,508	20,753	3,028	17,554	20,582
Unit-linked insurance liabilities – policyholder bears the risk	3,415	73,296	76,712	3,334	59,246	62,580
Deferred tax liabilities	3	858	861	5	794	799
Other provisions	0	132	132	1	174	175
Debt securities in issue	25,225	99,641	124,866	19,797	95,679	115,476
Deposits from the public	10,967	57,785	68,752	7,777	54,124	61,901
Due to credit institutions	1,600	–	1,600	1,063	–	1,063
Derivatives	579	2,222	2,801	225	2,885	3,111
Change in value of hedge portfolios	–	646	646	–	2,177	2,177
Other liabilities	2,680	605	3,284	2,720	701	3,421
Accrued expenses and deferred income	4,961	–	4,961	4,880	17	4,897
Total liabilities	52,675	254,693	307,367	42,380	234,252	277,082

Dec 31, 2013	Financial assets measured at fair value in profit and loss						Total	Fair value
	Loan receivables and accounts receivable	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Non-financial assets		
Assets								
Goodwill	–	–	–	–	–	711	711	–
Other intangible assets	–	–	–	–	–	3,804	3,804	–
Deferred tax assets	–	–	–	–	–	13	13	–
Property and equipment	–	–	–	–	–	58	58	–
Owner-occupied property	–	–	–	–	–	2,423	2,423	2,423
Shares in Länsförsäkringar Liv Försäkrings AB	–	–	–	–	208	–	208	–
Shares and participations in associated companies	–	–	–	–	–	31	31	–
Reinsurers' portion of technical provisions	–	–	–	–	–	7,208	7,208	–
Loans to the public	162,003	–	–	–	–	–	162,003	156,278
Unit-linked insurance assets – policyholder bears the risk	–	76,207	–	–	–	–	76,207	76,207
Shares and participations	–	1,060	–	–	88	–	1,148	1,148
Bonds and other interest-bearing securities	–	12,778	–	–	35,201	–	47,979	47,979
Treasury bills and other eligible bills	–	–	–	–	4,881	–	4,881	4,881
Derivatives	–	–	51	1,050	–	–	1,101	1,101
Change in value of hedge portfolios	–	–	–	–	–	551	551	–
Other receivables	1,159	–	–	–	–	1,648	2,807	1,159
Prepaid expenses and accrued income	117	75	–	–	–	3,741	3,933	192
Cash and cash equivalents	7,484	–	–	–	–	–	7,484	7,484
Total assets	170,763	90,121	51	1,050	40,378	20,188	322,550	

	Financial liabilities measured at fair value					Total	Fair value
	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities		
Liabilities							
Subordinated liabilities	–	–	–	2,000	–	2,000	–
Technical provisions	–	–	–	–	20,753	20,753	–
Unit-linked insurance liabilities – policyholder bears the risk	76,214	–	–	–	497	76,712	76,214
Deferred tax liabilities	–	–	–	–	861	861	–
Other provisions	–	–	–	–	132	132	–
Debt securities in issue	–	–	–	124,866	–	124,866	129,382
Deposits from the public	–	–	–	68,752	–	68,752	70,070
Due to credit institutions	–	–	–	1,600	–	1,600	1,600
Derivatives	–	386	2,415	–	–	2,801	2,801
Change in value of hedge portfolios	–	–	–	–	646	646	–
Other liabilities	1,009	–	–	1,489	787	3,284	2,498
Accrued expenses and deferred income	176	–	–	17	4,768	4,961	193
Total liabilities	77,399	386	2,415	198,724	28,444	307,368	

The fair value of other receivables, prepaid expenses and accrued income, cash and cash equivalents, due to credit institutions, other liabilities as well as deferred income comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities, since these assets and liabilities have short terms.

When calculating the fair value of deposits and lending, anticipated future cash flows have been discounted using a discount interest rate set at the current deposit and lending rates applied.

The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at year-end or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, a standard method or valuation technique based on the estimated or original issue spread is utilised.

	Financial assets measured at fair value in profit and loss					Total	Fair value
	Loan receivables and accounts receivable	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Non-financial assets	
Dec 31, 2012							
Assets							
Goodwill	–	–	–	–	–	710	710
Other intangible assets	–	–	–	–	–	3,952	3,952
Deferred tax assets	–	–	–	–	–	22	22
Property and equipment	–	–	–	–	–	80	80
Owner-occupied property	–	–	–	–	–	2,448	2,448
Shares in Länsförsäkringar Liv Försäkrings AB	–	–	–	–	308	–	308
Shares and participations in associated companies	–	–	–	–	–	24	24
Reinsurers' portion of technical provisions	–	–	–	–	–	6,731	6,731
Loans to the public	149,942	–	–	–	–	–	149,942
Unit-linked insurance assets – policyholder bears the risk	–	62,384	–	–	–	–	62,384
Shares and participations	–	937	–	–	11	0	948
Bonds and other interest-bearing securities	–	11,984	–	–	32,685	–	44,669
Treasury bills and other eligible bills	–	–	–	–	5,222	–	5,222
Derivatives	–	–	48	1,853	–	–	1,900
Change in value of hedge portfolios	–	–	–	–	–	878	878
Other receivables	967	–	–	–	–	1,430	2,397
Prepaid expenses and accrued income	285	89	–	–	–	3,574	3,948
Cash and cash equivalents	4,429	–	–	–	–	–	4,429
Total assets	155,623	75,394	48	1,853	38,226	19,850	290,994

49 ASSETS AND LIABILITIES BY CATEGORY, cont.

	Financial liabilities measured at fair value					Total	Fair value
	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities		
Liabilities							
Subordinated liabilities	–	–	–	900	–	900	–
Technical provisions	–	–	–	–	20,582	20,582	–
Unit-linked insurance liabilities – policyholder bears the risk	62,580	–	–	–	–	62,580	62,580
Deferred tax liabilities	–	–	–	–	799	799	–
Other provisions	–	–	–	–	172	172	–
Debt securities in issue	–	–	–	115,476	–	115,476	121,806
Deposits from the public	–	–	–	61,901	–	61,901	62,871
Due to credit institutions	–	–	–	1,063	–	1,063	1,063
Derivatives	–	88	3,022	–	–	3,111	3,111
Change in value of hedge portfolios	–	–	–	–	2,177	2,177	–
Other liabilities	–	–	–	1,536	1,886	3,421	1,536
Accrued expenses and deferred income	–	–	–	405	4,492	4,897	405
Total liabilities	62,580	88	3,022	181,282	30,107	277,078	

50 FAIR VALUE VALUATION TECHNIQUES

Valuation techniques applied per class of financial assets and liabilities measured at fair value.

	Instruments with published price quotations (level 1)	Valuation techniques based on observable market prices (level 2)	Valuation techniques based on unobservable market prices (level 3)	Total
Dec 31, 2013				
Assets				
Unit-linked insurance assets	–	–	2,423	2,423
Shares and participations	76,207	–	–	76,207
Bonds and other interest-bearing securities	664	11	473	1,148
Treasury bills and other eligible bills	47,979	–	–	47,979
Derivatives	4,881	–	–	4,881
Derivat	1	1,100	–	1,101
Liabilities				
Unit-linked insurance liabilities – policyholder bears the risk	–	76,712	–	76,712
Derivatives	–	2,801	–	2,801
Dec 31, 2012				
Assets				
Unit-linked insurance assets	–	–	2,448	2,448
Shares and participations	62,384	–	–	62,384
Bonds and other interest-bearing securities	239	–	700	939
Treasury bills and other eligible bills	44,669	–	–	44,669
Derivatives	5,222	–	–	5,222
Derivat	1	1,899	–	1,900
Liabilities				
Unit-linked insurance liabilities – policyholder bears the risk	–	62,580	–	62,580
Derivatives	–	3,111	–	3,111

	Shares and participations	Owner-occupied property	Total
Change level 3			
Opening balance, January 1, 2012	715	–	715
Change in opening balance	–	2,444	2,444
New opening balance, January 1, 2012	715	2,444	3,159
Acquisitions	1	31	32
Divestments	–1	–	–1
Recognised in net profit/loss for the year	–15	–76	–91
Recognised in other comprehensive income	–	49	49
Closing balance, December 31, 2012	700	2,448	3,148
Opening balance, January 1, 2012	700	2,448	3,148
Transferred from Level 2 to Level 3	3	0	3
Acquisitions	–275	–	–275
Divestments	45	–78	–33
Recognised in profit/loss for the year	–	53	53
Closing balance, December 31, 2013	473	2,423	2,896

There were no significant transfers between Level 1 and Level 2 during 2013 or during 2012. There were no transfers from Level 3 in 2013 or 2012.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. During 2013, a larger individual unlisted investment was sold that was previously measured by an independent external party. For holdings in private equity funds, measurement is received quarterly from each fund; the measurement follows guidelines from the European Private Equity & Venture Capital Association. The measurement is certified every year by each fund's external auditors.

The Group applies the revaluation technique to the Group's owner-occupied property. The properties were assessed externally by valuation company CB Richard Ellis. Fair value was calculated by applying the location-price method and a return-based cash-flow method at the end of the preceding year.

For further information about how the fair value was determined for financial instruments measured at fair value in the statement of financial position, and about valuation techniques and inputs, see note 1 Accounting policies. For information about determining the fair value of financial assets and liabilities not measured at fair value in profit and loss, see note 49, Assets and liabilities by category.

Profits and losses are recognised in profit and loss under Investment income, net and depreciation according to plan for owner-occupied property is recognised in profit and loss under other administration expenses.

51 INFORMATION ABOUT OFFSETTING

Information per type of instrument. Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the statement of financial position. The Bank Group has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by both types of agreements.

SEK M December 31, 2013	Financial assets recognised in the balance sheet, amount	Financial liabilities amount that offset in the balance sheet	Amount recognised in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
				Financial Instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	
Assets							
Derivatives	1,361	-261	1,101	-1,033	–	-16	51
Repos (included in Cash and cash equivalents)	5,339	–	5,339	–	-5,339	–	–
Liabilities							
Derivatives	-2,780	-21	-2,801	1,033	–	80	-1,688
Repos (included in Due to credit institutions)	-531	–	-531	–	531	–	–
Total	3,389	-282	3,107	–	-4,808	64	-1,637

SEK M December 31, 2012	Financial assets recognised in the balance sheet, amount	Financial liabilities amount that offset in the balance sheet	Amount recognised in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
				Financial Instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	
Assets							
Derivatives	2,093	-193	1,900	-1,660	–	-6	234
Repos (included in Cash and cash equivalents)	1,749	–	1,750	–	-1,750	–	–
Liabilities							
Derivatives	-3,104	-7	-3,111	1,660	–	496	-955
Repos (included in Due to credit institutions)	-576	–	-576	–	576	–	–
Total	162	-200	-37	–	-1,173	490	-721

52 DISCLOSURES ON RELATED PARTIES

The 23 regional insurance companies have chosen to organise joint operations in the Länsförsäkringar AB Group. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, are produced and provided jointly within the Länsförsäkringar Alliance. Legal entities closely related to the Länsförsäkringar AB Group are considered to be the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, Länsförsäkringar PE Holding AB (publ), the 23 regional insurance companies with subsidiaries and the 16 local insurance companies. Related key persons are Board members, senior executives and their close family members.

Policies for transactions

Transactions between closely related parties occur mainly as transactions of a nonrecurring nature and transactions on a continuous basis.

Transactions of a nonrecurring nature comprise the acquisitions and divestment of assets and similar transactions. They occur in limited scope. In nonrecurring transactions, the transactions are based on written agreements that comply with market standards and terms.

Transactions of a continuous nature include goods and services provided for the companies within the Länsförsäkringar AB Group and to the Länsförsäkringar Alliance for carrying out development projects and service. Transactions of this nature shall follow established routines as below.

Pricing

Pricing for business operations is on market terms. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Process and decisions

Corporate management within Länsförsäkringar AB, jointly with a service committee with representatives from the insurance companies, deals with the service levels and price lists for the sale of goods and services to related companies. Based on these discussions, the Board of Länsförsäkringar AB makes decision on the service levels and price lists to related companies.

Related-party transactions in the Group 2013

Regional insurance companies and local insurance companies

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies, together with 16 local insurance companies. A large portion of the Group's customer contact takes place through the regional insurance companies and the local insurance companies. Remuneration for the mediation of the Länsförsäkringar AB Group's insurance products is regulated in commission agreements between these parties. Commission is also paid to regional insurance companies for their work with Länsförsäkringar Bank's, Länsförsäk-

ringar Hypotek's and Länsförsäkringar Fondförvaltning's customer-related issues in the geographical area of operations of each regional insurance company. The assignment and remuneration are regulated in partnership agreements signed by the parties. This solution creates a unique local presence and market awareness.

Länsförsäkringar AB Group manages and reconciles the Länsförsäkringar Alliance's internal and external reinsurance. The Group also carries out development projects and service for the regional insurance companies in a number of areas, such as individual claims adjustment, legal affairs and actuarial services, product and concept development and the development of IT support and other IT services.

Länsförsäkringar Mäklarservice AB

Länsförsäkringar Mäklarservice AB is jointly owned by the regional insurance companies and Länsförsäkringar Sak. The company works on behalf of the 19 regional insurance companies and Länsförsäkringar Sak Försäkrings AB within non-life insurance, and on behalf of the regional insurance companies within life assurance through a number of regional broker desks.

Länsförsäkringar Liv Försäkrings AB

Länsförsäkringar Liv Försäkrings AB is wholly owned by the Länsförsäkringar AB. The operations are conducted in accordance with mutual policies and, accordingly, are not consolidated in the Länsförsäkringar AB Group.

Länsförsäkringar Liv Försäkrings AB purchases development and service from Länsförsäkringar AB. The primary task of the service operations is to provide service mainly within the areas of business analysis, accounting, office services, HR and communication.

Related-party transactions 2013

	Income	Expenses	Receiv- ables	Liabilities	Commit- ments
Associated companies	0	-5	17	–	–
Länsförsäkringar Liv Group	405	-167	504	1,696	1,472
Owners					
Regional insurance companies	1,862	-1,855	6,694	9,894	52
Other related parties					
Länsförsäkringar Mäklarservice AB	20	-13	3	26	5
Länsförsäkringar Fastighetsförmedling AB	0	-0	–	0	–
Other	–	–	–	2	–
	21	-13	3	29	5

52 DISCLOSURES ON RELATED PARTIES, cont.

Interest income and interest expense 2013

	Interest income	Interest expense
Regional insurance companies	0	-18
Länsförsäkringar Liv Group	-	-38
Other related parties	-	-0

Related-party transactions 2012

	Income	Expenses	Receivables	Liabilities	Commitments
Associated companies	3	-5	-	-	-
Länsförsäkringar Liv Group	489	-76	401	1,514	1,733

Owners

Regional insurance companies	1,761	-1,636	6,399	9,012	-
------------------------------	-------	--------	-------	-------	---

Other related parties

Länsförsäkringar Mäklarservice AB	22	-10	0	21	-
Länsförsäkringar Fastighetsförmedling AB	0	-	-	-	-
Other	3	-2	-	2	-
	25	-12	0	23	-

Interest income and interest expense 2012

	Interest income	Interest expense
Regional insurance companies	1	-22
Länsförsäkringar Liv Group	-	-162
Other related parties	-	-0

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

Agreements

Significant agreements for the Länsförsäkringar AB Group primarily comprise agreements with the Länsförsäkringar Liv Group regarding IT and development and service, with the 23 the regional insurance companies regarding commission agreements, claims adjustment agreements, and development and management agreements.

Other significant agreements for Länsförsäkringar AB Group comprise agreements with Länsförsäkringar Mäklarservice AB regarding sales, and with Humlegården Fastigheter AB regarding management of Utile Dulci 2 HB.

Transactions between the Länsförsäkringar AB Group and its Board and management

For information regarding remuneration of closely related key persons such as Board members and senior executives see note 13 Employees, staff costs and remuneration of senior executives. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

For the Länsförsäkringar Liv Group's transactions with related parties, see the Länsförsäkringar Liv Försäkringsaktiebolag's 2013 Annual Report.

53 GROUP COMPANIES

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in %	
		Dec 31, 2013	Dec 31, 2012
Agria International Försäkring AB	Sweden	100	100
Agria Pet Insurance Ltd	UK	100	100
Försäkringsaktiebolaget Agria (publ)	Sweden	100	100
LF Sak Fastighets AB	Sweden	100	100
Länsförsäkringar Bank AB (publ)	Sweden	100	100
Länsförsäkringar Fondförvaltning AB	Sweden	100	100
Länsförsäkringar Fondliv Försäkringsaktiebolag (publ)	Sweden	100	100
Länsförsäkringar Grupplivförsäkringsaktiebolag	Sweden	100	100
Länsförsäkringar Hypotek AB (publ)	Sweden	100	100
Länsförsäkringar Sak Försäkringsaktiebolag (publ)	Sweden	100	100
Utile Dulci 2 HB	Sweden	100	100
Wasa Kredit AB	Sweden	100	100

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

54 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS

	2013	2012
Interest paid and dividends received		
Dividends received	7	20
Interest received	331	401
Interest paid	-125	-73
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	492	498
Unrealised gains/losses on investment assets	-7,570	-3,522
Capital gains and losses in assets	0	0
Impairment Länsförsäkringar Liv Försäkringsaktiebolag	100	100
Technical provisions after ceded reinsurance	13,825	10,279
Pension provisions	-15	42
Other provisions	-24	-97
Other items not affecting liquidity	75	-8
Total	6,883	7,292

55 EVENTS AFTER BALANCE-SHEET DATE

No significant events took place after year-end.

56 INFORMATION REGARDING THE PARENT COMPANY

Länsförsäkringar AB (publ) is a limited liability company registered in Sweden with its registered offices in Stockholm.

Corporate Registration Number 556549-7020

The office address is Tegelluddsvägen 11-13, Stockholm, Sweden.

The postal address is SE-106 50 Stockholm.

The 2013 consolidated financial statements comprise the Parent Company and its subsidiaries. The Länsförsäkringar AB Group also included participations owned in associated companies. Länsförsäkringar AB (publ) is wholly owned by the 23 regional insurance companies and the 16 local insurance companies.

Financial statements Parent Company

Income statement for the Parent Company	84	Note 15 Loans to Group companies	91
Statement of comprehensive income for		Note 16 Other securities held as fixed assets	91
the Parent Company	84	Note 17 Deferred tax assets and liabilities	91
Balance sheet for the Parent Company	84	Note 18 Prepaid expenses and accrued income	92
Statement of changes in equity for the Parent Company	85	Note 19 Current investments	92
Parent Company Cash-flow statement	85	Note 20 Equity	92
Note 1 Accounting policies	86	Note 21 Provisions for pensions and similar commitments	93
Note 2 Risks and risk management	86	Note 22 Other provisions	93
Note 3 Net sales	86	Note 23 Debt securities in issue.....	93
Note 4 External expenses	87	Note 24 Derivatives.....	93
Note 5 Operational leasing	87	Note 25 Accrued expenses and deferred income	94
Note 6 Employees, staff costs and remuneration to senior executives	87	Note 26 Pledged assets and contingent liabilities	94
Note 7 Fees and remuneration to auditors	89	Note 27 Anticipated recovery and settlement periods for assets provisions and liabilities	94
Note 8 Profit from participations in Group companies	89	Note 28 Disclosures on related parties	95
Note 9 Interest income and similar profit/loss items	89	Note 29 Supplementary information to the cash-flow statement	95
Note 10 Interest expense and similar profit/loss items	89	Note 30 Financial transactions not recognised in the balance sheet	95
Note 11 Tax	90	Note 31 Events after balance-sheet date	95
Note 12 Intangible assets	90		
Note 13 Property and equipment	90		
Note 14 Shares and participations in Group companies ...	90		

Income statement for the Parent Company

SEK M	Note	2013	2012
Net sales	3	2,503	2,462
Operating expenses			
External expenses	4, 5, 7	-1,654	-1,619
Staff costs	6	-875	-850
Depreciation/amortisation and impairment of property and equipment and intangible assets	12,13	-61	-66
Operating loss		-87	-73
Profit/loss from financial items			
Profit from participations in Group companies	8	521	438
Interest income and similar profit/loss items	9	26	39
Interest expense and similar profit/loss items	10	-211	-206
Profit after financial items		249	198
Tax on net profit/loss for the year	11	-2	6
Net profit for the year		247	204

Statement of comprehensive income for the Parent Company

SEK M	2013	2012
Net profit for the year	247	204
Other comprehensive income		
Items that may subsequently be transferred to profit and loss		
Cash-flow hedges	15	0
Tax attributable to items that may subsequently be transferred to profit and loss	-3	0
Total other comprehensive income for the year, net after tax	12	0
Comprehensive income for the year	259	204

Balance sheet for the Parent Company

SEK M	Note	2013	2012
ASSETS			
Fixed assets			
Intangible assets	12	120	130
Property and equipment	13	206	259
Financial assets			
Shares and participations in Group companies	14	15,742	14,956
Loans to Group companies	15	-	290
Derivatives	24	15	-
Other securities held as fixed assets	16	215	314
Total financial assets		15,972	15,561
Total fixed assets		16,298	15,949
Current assets			
Current receivables			
Receivables from Group companies	28	254	232
Receivables from other related parties	28	195	314
Other receivables		35	42
Prepaid expenses and accrued income	18	43	55
Total current receivables		526	643
Current investments	19	558	201
Cash and bank balances		1,095	1,229
Total current assets		2,178	2,073
Total assets	27	18,477	18,022

Balance sheet for the Parent Company, cont.

SEK M	Note	2013	2012
EQUITY, PROVISIONS AND LIABILITIES			
Equity	20		
<i>Restricted equity</i>			
Share capital		975	941
Statutory reserve		4,801	4,801
Total restricted equity		5,776	5,742
<i>Non-restricted equity</i>			
Share premium reserve		4,450	3,973
Retained earnings		3,754	3,550
Net profit for the year		247	204
Total non-restricted equity		8,451	7,726
Total equity		14,228	13,468
Provisions			
Provisions for pensions and similar commitments	21	51	53
Other provisions	22	26	28
Total provisions		77	82
Long-term liabilities			
Debt securities in issue	23	2,196	2,195
Derivatives	24	-	0
Deferred tax liabilities	17	7	5
Liabilities to other related parties	28	424	566
Total long-term liabilities		2,626	2,765
Current liabilities			
Accounts payable		112	130
Liabilities to Group companies	28	855	1,067
Liabilities to other related parties	28	278	242
Other liabilities		29	18
Accrued expenses and deferred income	25	271	249
Total current liabilities		1,546	1,707
Total equity, provisions and liabilities	27	18,477	18,022
Pledged assets and contingent liabilities	26		
Pledged assets		1,473	1,733
Contingent liabilities		73	88
		1,546	1,821

Statement of changes in equity for the Parent Company

SEK M	Restricted equity		Non-restricted equity			Net profit/ loss for the year	Total equity
	Share capital	Statutory reserve	Share premium reserve	Share premium reserve	Retained earnings		
Opening equity, January 1, 2012	941	4,801		3,973	3,074	476	13,264
Net profit for the year						204	204
Appropriation of profit					476	-476	-
Closing equity, December 31, 2012	941	4,801		3,973	3,550	204	13,468
Opening equity, January 1, 2013	941	4,801	-	3,973	3,550	204	13,468
Net profit for the year						247	247
Other comprehensive income for the year			12				12
Comprehensive income for the year			12			247	259
Appropriation of profit					204	-204	-
New share issue	34			466			500
Closing equity, December 31, 2013	975	4,801	12	4,438	3,754	247	14,228

Cash flow statement for the Parent Company

SEK M	Note	2013	2012
Operating activities			
Profit after financial items		249	198
Adjustment for non-cash items	29	30	98
		279	296
Income tax paid		3	-0
Cash flow from operating activities before changes in working capital		282	296
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-217	714
Increase (+)/Decrease (-) in operating liabilities		-302	-491
Cash flow from operating activities		-238	519
Investing activities			
Shareholders' contribution paid		-686	-742
Acquisition of intangible assets		-2	-3
Divestment of intangible assets		-	7
Acquisition of property and equipment		-5	-35
Divestment of property and equipment		4	6
Investments in financial assets		-	-0
Repayment of loans		290	-
Cash flow from investing activities		-398	-766
Financing activities			
New share issue		500	-
Amortisation of loans		-	-1,800
Debt securities in issue		-	2,195
Cash flow from financing activities		500	395
Net cash flow for the year		-136	148
Cash and cash equivalents, January 1		1,232	1,083
Cash and cash equivalents, December 31		1,097	1,232
Parent Company's cash and cash equivalents in Länsförsäkringar Bank		-2	-2
Cash and bank balance in the Parent Company's balance sheet		1,095	1,229

Notes to the financial statements for the Parent Company

All figures in SEK M unless otherwise stated.

1 ACCOUNTING POLICIES

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) as well as recommendation RFR 2 Accounting for Legal Entities and the statements regarding listed companies by the Swedish Financial Reporting Board.

The regulations in RFR 2 stipulate that the Parent Company, in the annual accounts for the legal entity, is to apply all IFRS adopted by the EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS.

Changed accounting policies

No amendments, in addition to or differing from the amended accounting policies stated in note 1 for the Group, impacted the Parent Company during 2013.

Differences between the Group's and the Parent Company's accounting policies

The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons. The Parent Company applies the same accounting policies as the Group except in the following cases.

Classification and presentation format

For the Parent Company, the terms Balance sheet and Cash-flow Statements are used for reports that are referred to as Statement of Financial Position and Statement of Cash Flows in the Group. The income statement and the balance sheet for the Parent Company are presented following the format of the Swedish Annual Accounts Act, while the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences compared with the consolidated financial statements that apply in the Parent Company's income statement and balance sheets primarily comprise reporting of financial income and expenses, fixed assets, equity, as well as the presence of provisions as a separate heading in the balance sheet.

Subsidiaries

Shares and participations in subsidiaries are recognised at cost.

Income

Sale of goods and execution of service assignments Service assignments are recognised in the Parent Company's earnings in accordance with Chapter 2, Section 4 of the Swedish Annual Accounts Act when the service has been completed. Until that time, work in progress pertaining to service assignments is recognised at the lower of cost and the net selling price on the balance-sheet date.

Operating segment reporting

Segment reporting in the Parent Company does not correspond to that of the Group in terms of distribution and extent, instead provides information on the distribution of net sales.

Shareholders' contributions

Shareholders' contributions are recognised directly against the shareholders' equity of the recipient and are capitalised in shares and participations in Group companies of the donor.

Group contributions

Group contributions received by the company from a subsidiary are recognised according to the same policies as financial income. Group contributions paid to a subsidiary are recognised as an investment in shares and participations in Group companies.

Leased assets

In the Parent Company, all lease agreements are recognised in accordance with the rules for operational leasing.

Borrowing costs

Borrowing costs in the Parent Company are charged to earnings for the period to which they are attributable.

Remuneration of employees

Defined-benefit pension plans

The Parent Company applies different principles for the calculation of defined-benefit plans to those stipulated in IAS 19 Employee Benefits. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

2 RISKS AND RISK MANAGEMENT

In addition to shares in and receivables from Group companies, the Parent Company also has current investments. However, these investments are limited in size relative to the investment assets of the Group's insurance companies. At year-end 2013, the Parent Company's holdings of investment shares and mutual fund units amounted to SEK 45 M (38). In addition, there were current interest-bearing investments and bank balances in the Parent Company amounting to SEK 1,608 M (1,392). In addition to the aforementioned assets, the Parent Company's risks derive from the operations of the subsidiaries. See also the Board of Directors' Report and the Group's note 2 Risks and risk management.

3 NET SALES

Sales in the Parent Company comprise service income of SEK 2,293 M (2,273) and rental income of SEK 210 M (189) for premises and equipment. The company's sales are recognised in the Parent Company operating segment in the Group. A total of 37% (33) of sales comes from companies in the Länsförsäkringar AB Group, 16% (20) from the Länsförsäkringar Liv Group, 45% (46) from regional insurance companies and 2% (1) from external customers.

4 EXTERNAL EXPENSES

	2013	2012
Cost of premises, note 5	-173	-169
Marketing	-40	-39
Consultants	-593	-647
Fees to auditors, note 7	-6	-5
IT costs	-539	-509
Printed matter, telephony and postage	-107	-107
Asset management expenses	-	42
Other expenses	-196	-183
Total	-1,654	-1,619

Costs for premises refers primarily to rent for premises used by the Group for its operations. Länsförsäkringar AB in turn leases premises to Group companies and external customers.

5 OPERATIONAL LEASING

Lease agreements in which the company is the lessee

Irrevocable lease payments pertaining to rent for premises amount to:

	2013	2012
Within one year	-173	-169
Between one year and five years	-345	-507
Total	-518	-676

A rental charge of SEK -173 M (-169) was recognised in profit for 2013.

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

Lease agreements in which the company is the lessor

Irrevocable lease payments pertaining to rent for premises amount to:

	2013	2012
Within one year	115	93
Between one year and five years	169	247
Total	284	340

In 2013, rental income amounting to SEK 109 M (85) was recognised.

The company leases premises to both internal and external tenants. Internal lease contracts are valid for ten years up to and including December 2016.

For external tenants with rent of SEK 34 M (32), lease contracts are valid for three years up to and including 2015 with the possibility of extension.

6 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

	2013	2012
Average number of employees, salaried employees, Sweden		
Men	352	359
Women	372	332
Total number of employees	724	691
Salaries, other remuneration and social security expenses		
<i>Other employees</i>		
Salaries and remuneration	462	428
of which variable remuneration	-	-
Social security expenses	321	325
of which pension costs	140	150
Total	783	753
<i>Board of Directors and senior executives, 18 (16)</i>		
Salaries and remuneration	18	17
of which, fixed salary to the President and Executive Vice President	8	8
of which, variable remuneration to the President and Executive Vice President	-	-
of which fixed salary to other senior executives	7	6
of which variable salary to other senior executives	-	-
Social security expenses	14	13
of which pension costs	6	6
Total	32	30
<i>Total salaries, other remuneration and social security expenses</i>		
Salaries and remuneration	480	445
of which variable remuneration	-	-
Social security expenses	335	338
of which pension costs	146	157
Total	815	783

Variable remuneration

Variable remuneration is a rarely utilised form of remuneration at the Länsförsäkringar AB Group and, accordingly, comprises an extremely minor part of total salaries. Commission-based remuneration is used by some functions. Commission-based remuneration is proportionate to sales efforts and is regulated by local collective agreements.

Remuneration of the Board

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

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Senior executives are the individuals who, together with the President, comprise corporate management.

Remuneration for senior executives					Pension costs as a percentage of pensionable salary, %
					Defined- contribution
2013	Basic salary	Other remuneration	Pension costs	Total	
Sten Dunér, President	4.7	0.2	1.9	6.8	35
Ann Sommer, Executive Vice President	2.9	0	1.3	4.2	43
Sören Westin, Executive Vice President	3.2		1.2	4.3	35
Jan Fock, Chairman of the Board	1.0			1.0	
Sune Nilsson, Deputy Chairman of the Board	0.3			0.3	
Gösta af Petersens, Board member	0.3			0.3	
Mats Fabricius, Board member	0.2			0.2	
Fredrik Daveby, Board member	0.2			0.2	
Lars Hallkvist, Board member	0.3			0.3	
Lars-Eric Åström, Board member	0.2			0.2	
Henrietta Hansson, Board member	0.1			0.1	
Pia Sandvik, Board member	0.1			0.1	
Christer Villard, Board member	0.2			0.2	
Ann-Christin Norrström, former Board member	0.1			0.1	
Hans Benndorf, former Board member	0.1			0.1	
Christer Olander, former Board member	0.1			0.1	
Other senior executives					
Parent Company (3 people)	7.2	0	3.2	10.4	46
Subsidiaries and Länsförsäkringar Liv (3 people)	8.7	0	4.0	12.7	40
Total 2013	29.8	0.2	11.6	41.6	
Total remuneration from Parent Company	18.2	0.2	6.3	24.7	
Total remuneration from subsidiaries and Länsförsäkringar Liv	11.6	0	5.3	16.9	

Remuneration for senior executives					Pension costs as a percentage of pensionable salary, %
					Defined- contribution
2012	Basic salary	Other remuneration	Pension costs	Total	
Sten Dunér, President	4.7	0.0	2.0	6.7	35
Ann Sommer, Executive Vice President	2.7	0.0	1.2	3.9	41
Sören Westin, Executive Vice President	3.1	0.0	1.2	4.3	35
Jan Fock, Chairman of the Board	0.5			0.5	
Sune Nilsson, Deputy Chairman of the Board	0.2			0.2	
Gösta af Petersens, Board member	0.4			0.4	
Ann-Christin Norrström, Board member	0.2			0.2	
Hans Benndorf, Board member	0.2			0.2	
Mats Fabricius, Board member	0.2			0.2	
Fredrik Daveby, Board member	0.2			0.2	
Lars Hallkvist, Board member	0.2			0.2	
Christer Olander, Board member	0.3			0.3	
Lars-Eric Åström, Board member	0.4			0.4	
Anne-Marie Pålsson, former Board member	0.2			0.2	
Other senior executives					
Parent Company (3 people)	6.3		3.3	9.5	48
Subsidiaries and Länsförsäkringar Liv (3 people)	10.2	0.0	5.0	15.2	60
Total 2012	30.1	0.0	12.6	42.7	
Total remuneration from Parent Company	17.1	0.0	6.4	23.5	
Total remuneration from subsidiaries and Länsförsäkringar Liv	13.0	0.0	6.2	19.2	

Pension costs pertain to the impact on net profit for the year.

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

Pensions

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

The retirement age for other senior executives is 60, 62 or 65. If the retirement age is 65, the pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. If the retirement age is 60 or 62, the pension between the age of 60 and 65, or 62 and 65, is a defined-contribution plan. Pension amounting to about 70% of the pensionable salary will be paid. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The company has taken out endowment insurance over four years starting in 2012 for one senior executive in addition to the executive's pension agreement. For 2013, the premium amounted to SEK 0.5 M.

Severance pay

A mutual period of notice of six months applies for the President, an Executive Vice President and other senior executives. If termination of employment is issued by the company, severance pay corresponding to 18 monthly salaries will be paid, in addition to the period of notice. A mutual period of notice of three months applies to the Executive Vice President. If termination of employment is issued by the company, the President shall also be entitled to severance pay corresponding to 24 monthly salaries.

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

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

Composition and mandate of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and two Board members.

Policies for remuneration of corporate management

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

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

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

Other benefits

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

	Dec 31, 2013	Dec 31, 2012
Loans to senior executives		
Board members	11	15
President and Executive Vice Presidents	6	6
Other senior executives	5	4
Total	22	26

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

	Dec 31, 2013	Dec 31, 2012
Number of women among senior executives, %		
Board members	31	17
Other senior executives	44	45

7 FEES AND REMUNERATION TO AUDITORS

	2013	2012
KPMG AB		
– audit assignments	–5	–4
– audit operations in addition to the audit assignment	–1	–2
– tax consulting	–0	–0
– other assignments	–0	–0
Total	–6	–5

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

8 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2013	2012
Dividends from subsidiaries	387	347
Group contributions received	134	91
Share of profit in partnership	0	0
Total	521	438

9 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2013	2012
Interest income, Group companies	10	14
Interest income, other	7	13
Capital gains, shares and participations	–	4
Capital gains, interest-bearing securities Group companies	1	6
Unrealised gains, shares and participations	8	4
Dividends on shares and participations	–	0
Total	26	39

10 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2013	2012
Interest expense, other	–105	–96
Realised losses, interest-bearing securities	–3	–
Capital losses, currencies	–1	–2
Unrealised losses, interest-bearing securities	–1	–5
Unrealised losses shares and participations	–	–3
Impairment of shares and participations ¹⁾	–100	–100
Total	–211	–206

¹⁾ Impairment of shares and participations pertaining to Länsförsäkringar Liv Försäkrings AB, which is recognised in its entirety in profit and loss.

11 TAX

	2013	2012
Current tax		
Tax income for the period	0	0
Adjustment of tax expense pertaining to prior years	0	-0
Deferred tax expense (-)/tax income (+)		
Deferred tax pertaining to temporary differences	-2	6
Total recognised tax income	-2	6
Reconciliation of effective tax rate		
Profit before tax	249	198
Tax at applicable tax rate	-55	-52
Tax on non-deductible costs	-33	-32
Tax on non-taxable income	86	92
Tax attributable to earlier years	-	-0
Changes tax rates	-	-1
Recognised effective tax	-2	6
Applicable tax rate	22.0%	26.3%
Effective tax rate	0.8%	-3.1%

12 INTANGIBLE ASSETS

	Internally developed	Acquired	Total
Capitalised IT costs			
Cost			
Opening cost, January 1, 2012	2	211	213
Divestments	-	-7	-7
Acquisitions during the year	-	3	3
Closing cost, December 31, 2012	2	207	208
Opening cost, January 1, 2013	2	207	208
Scrapping	-	-2	-2
Divestments	-	-	-
Acquisitions during the year	-	2	2
Closing cost, December 31, 2013	2	206	208
Amortisation			
Opening accumulated amortisation, January 1, 2012	-2	-36	-38
Amortisation for the year	-	-11	-11
Closing accumulated amortisation, December 31, 2012	-2	-47	-49
Opening accumulated amortisation, January 1, 2013	-2	-47	-49
Scrapping	-	1	1
Reclassification of accumulated amortisation	-	13	13
Impairment for the year	-	-11	-11
Closing accumulated amortisation, December 31, 2013	-2	-45	-46
Impairment			
Opening accumulated impairment, January 1, 2012	-	-29	-29
Impairment for the year	-	-	-
Closing accumulated impairment, December 31, 2012	-	-29	-29
Opening accumulated impairment, January 1, 2013	-	-29	-29
Reclassification of accumulated impairment	-	-13	-13
Closing accumulated impairment, December 31, 2013	-	-42	-42
Carrying amount, December 31			
2012	-	130	130
2013	-	120	120

The amortisation period for an acquired accounting and monitoring system with a carrying amount of SEK 116 M (125) is 15 years based on its anticipated useful life. Other intangible assets are amortised over a period of 5 years.

13 PROPERTY AND EQUIPMENT

	Improvement to third-party properties	Equipment	Total
Cost			
Opening cost, January 1, 2012	226	233	459
Divestments	-	-17	-17
Scrapping	-	-	-
Acquisitions during the year	27	7	35
Closing cost, December 31, 2012	253	224	477
Opening cost, January 1, 2013	253	224	477
Divestments	-	-12	-12
Scrapping	-	-71	-71
Impairment	-	-3	-3
Acquisitions during the year	-	5	5
Closing cost, December 31, 2013	253	143	396
Depreciation			
Opening accumulated depreciation, January 1, 2012	-31	-141	-172
Accumulated depreciation for divestments	-	10	10
Scrapping	-	-	-
Depreciation for the year	-24	-32	-56
Closing accumulated depreciation, December 31, 2012	-55	-163	-218
Opening accumulated depreciation, January 1, 2013	-55	-163	-218
Accumulated depreciation for divestments	-	8	8
Scrapping	-	68	68
Depreciation for the year	-25	-22	-47
Closing accumulated depreciation, December 31, 2013	-81	-109	-190
Carrying amount, December 31			
2012	198	61	259
2013	172	34	206

Works of art were impaired in the amount of SEK 3 M (0). Equipment includes SEK 2 M (5) representing works of art that are not depreciated.

Länsförsäkringar AB leases equipment to Group companies. The carrying amount of leased equipment totalled SEK 7 M (23) and rental income was SEK 2 M (2). The rental income corresponded to the depreciation of the leased equipment.

14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	2013	2012
Cost		
Opening cost, January 1 according to the Annual Report	18,515	17,673
Shareholders' contributions	686	742
Capital contribution	100	100
Closing cost, December 31	19,301	18,515
Impairment		
Opening accumulated impairment, January 1	-3,559	-3,559
Closing accumulated impairment, December 31	-3,559	-3,559
Carrying amount, December 31	15,742	14,956

The capital contribution pertains to Länsförsäkringar Fondliv Försäkrings AB, see the Group's note 4 Acquisitions of operations. .

14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES, cont.

Specification of the company's holding of shares and participations in Group companies

Company name	Corporate Registration Number	Number of shares and participations	Participating interest 2013, %	Participating interest 2012, %	Carrying amount 2013	Carrying amount 2012
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	100	7,380	6,755
Länsförsäkringar Fondliv Försäkrings AB (publ)	516401-8219	10,000	100	100	5,155	5,055
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	2,000,000	100	100	3,207	3,146
Utile Dulci 2 HB	916601-0067		0.1	0.1	1	0
Shares and participations in Group companies					15,742	14,956

All subsidiaries have their registered offices in Stockholm. Länsförsäkringar Sak Försäkrings AB owns 99.9% of Utile Dulci 2 HB. Participating interest refers to the share of capital, which corresponds to the number of votes for the total number of shares.

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ). This company is operated in accordance with mutual principles and may not pay dividends according to its current Articles of Association. As a result, the majority of the

risks and rewards associated with ownership do not accrue to the owner Länsförsäkringar AB but to the life-assurance policyholders. Accordingly, this shareholding cannot be classified as a holding in a subsidiary under the definition provided in IAS 27 Consolidated and Separate Financial Statements.

15 LOANS TO GROUP COMPANIES

	Dec 31, 2013	Dec 31, 2012
Subordinated debt to Länsförsäkringar Bank AB	–	290
Carrying amount	–	290

The subordinated loan to Länsförsäkringar Bank AB was converted into a shareholders' contribution to Länsförsäkringar Bank AB in 2013.

16 OTHER SECURITIES HELD AS FIXED ASSETS

	2013	2012
Opening balance, January 1	314	423
Divestment of tenant-owned apartments	–	–9
Revaluation of tenant-owned apartments	1	0
Impairment Länsförsäkringar Liv Försäkrings AB (publ)	–100	–100
Carrying amount, December 31	215	314

Företagets namn	Number of shares and participations	Carrying amount 2013	Carrying amount 2012
Länsförsäkringar Liv Försäkrings AB (publ)	8,000	208	308
Brf Mässen	2	7	6
Total		215	314

Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) are classified as available-for-sale holdings. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing, and instead a valuation at cost was also performed after the acquisition, whereby impairment is continuously tested. An impairment of SEK 100 M (100) was implemented and recognised in profit and loss. All tenant-owned apartments are located in Stockholm.

17 DEFERRED TAX ASSETS AND LIABILITIES

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Property and equipment	–	–	19	22	19	22
Current investments	–	–3	2	–	2	–3
Pension provisions	–14	–13	–	–	–14	–13
Liabilities	–1	–1	–	–	–1	–1
Deferred tax assets (–)/deferred tax liabilities (+)	–14	–17	21	22	6	5
Offset	14	17	–14	–17	–	–
Net deferred tax asset (–)/deferred tax liability (+)	0	0	7	5	7	5

Change in deferred tax in temporary differences and loss carryforwards 2013

	Amount at January 1	Recognised in profit and loss	Amount at December 31
Property and equipment	22	–3	19
Current investments	–3	5	2
Pension provisions	–13	–1	–14
Liabilities	–1	1	–1
Deferred tax assets (–)/deferred tax liabilities (+)	5	2	7

17 DEFERRED TAX ASSETS AND LIABILITIES, cont.

Change in deferred tax in temporary differences and loss carryforwards 2012

	Amount at January 1	Recognised in profit and loss	Amount at December 31
Property and equipment	29	-8	22
Current investments	-2	-1	-3
Pension provisions	-14	2	-13
Liabilities	-2	0	-1
Deferred tax assets (-)/deferred tax liabilities (+)	11	-6	5

Länsförsäkringar AB has no deferred tax recognised directly against equity.

18 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2013	Dec 31, 2012
Accrued interest income	1	-
Prepaid expenses	42	55
Total	43	55

19 CURRENT INVESTMENTS

	Dec 31, 2013		Dec 31, 2012	
	Cost	Fair value	Cost	Fair value
Unlisted shares and participations, Swedish	3	3	3	3
Listed shares and participations, foreign	20	-	20	-
Mutual fund units, Swedish	0	0	0	0
Mutual fund units, foreign	34	41	34	35
Interest-bearing securities, Swedish	509	513	158	163
Total	566	558	215	201

	Dec 31, 2013		Dec 31, 2012	
Specification of current investments	Cost	Fair value	Cost	Fair value
Unlisted participations, Swedish				
Länsförsäkringar Fastighetsförmedling AB	3	3	3	3
Listed participations, foreign				
Kaupthing Búnadarbanki hf	20	-	20	-
Mutual fund units, Swedish				
Länsförsäkringar Fund-in-fund Low risk	0	0	0	0
Mutual fund units, foreign				
GaveKal Platform Company Fund	34	41	34	35

	Dec 31, 2013		Dec 31, 2012	
	Amortised cost	Fair value	Amortised cost	Fair value
Interest-bearing securities, Swedish				
Listed bonds issued by other Swedish issuers	509	513	158	163
Total current investments	566	558	215	201

20 EQUITY

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

	Number of votes per share	Dec 31, 2013 Number	Dec 31, 2012 Number
Shares at a quotient value of SEK 100			
Serie A	10	1,532,678	1,532,678
Serie B	1	8,211,469	7,869,198
Serie C	1	5,568	5,373
Number of shares outstanding		9,749,715	9,407,249

In 2013, 342,466 shares were issued, 342,271 Series B shares and 195 Series C shares, through a cash issue.

Restricted reserves

Restricted reserves may not be reduced through profit distribution.

Statutory reserve

The aim of the statutory reserve is to save a portion of the net profit that is not utilised to cover losses brought forward. The statutory reserve comprises restricted equity. No new transfers to the statutory reserve are required, although transfers can be made voluntarily. The statutory reserve also includes the amount of SEK 4,801 M that was included in the share premium reserve prior to January 1, 2006.

Non-restricted equity

Fair value reserve

Hedging reserve

The company applies the regulations stipulated in Chapter 4, Sections 14 a-e of the Swedish Annual Accounts Act pertaining to measuring financial instruments at fair value. Amounts are recognised directly against the fair value reserve when a change in value refers to a hedging instrument and the applied hedge accounting policies permit a portion of or the entire change in value to be recognised in equity. The hedging reserve comprises hedges of variable interest rates against fixed interest rates pertaining to the Parent Company's debt securities in issue.

Share premium reserve

When shares are issued at a premium, meaning that a higher amount than the quotient value is paid for the share, an amount corresponding to the surplus of the quotient value of the share is recognised in the share premium reserve.

Retained earnings

Retained earnings comprises profit brought forward from the preceding year after deductions for any dividends paid during the year.

21 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	Dec 31, 2013	Dec 31, 2012
Pension provisions	17	14
Provisions for early retirement in accordance with pension agreement	30	35
Other provisions	4	4
Total provisions for pensions	51	53

Pension provisions of SEK 17 M (14) are encompassed by the Pension Obligations Vesting Act.

Defined-benefit pension plans

The Parent Company has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for the insurance industry whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on the individual salaries and ages.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that upward adjustment of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

Assumptions for defined-benefit commitments	2013	2012
Discount rate	0.4%	0.4%
Expected rate of salary increase	0%	0%
Percentage expected to retire voluntarily at the age of 62	30.0%	30.0%

Defined-contribution pension plans

The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments to defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that, as a rule, a company is to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosures are also presented in the accounts pursuant to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

FTP plan contributions for 2014 are expected to total SEK 63 M.

	2013	2012
Expenses for defined-contribution plans	120	112

24 DERIVATIVES

	Nominal value		Fair value	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Derivative instruments with positive values				
Interest	1,700	–	15	–
Total derivative instruments with positive values	1,700	–	15	–
Derivative instruments with negative values				
<i>Derivative instruments in hedge accounting</i>				
Interest	–	1,700	–	–
Total derivative instruments with negative values	–	1,700	–	–

22 OTHER PROVISIONS

	Dec 31, 2013	Dec 31, 2012
Provision for interest subsidies for personal loans to former employees who have retired	18	17
Other provisions	8	11
Total	26	28

23 DEBT SECURITIES IN ISSUE

	Dec 31, 2013	Dec 31, 2012
Bond loans	2,196	2,195
Total	2,196	2,195

25 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2013	Dec 31, 2012
Holiday pay liability	48	46
Social security expenses	15	14
Special employer's contribution	34	31
Accrued bonuses	2	2
Provisions for staff costs	28	22
Other accrued expenses	145	134
Total	271	249

26 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Pledged assets		
Pledged shares in subsidiaries	1,473	1,733
Contingent liabilities		
Early retirement at age of 62 in accordance with pension agreement	70	83
Part-owner of Utile Dulci 2 HB	3	5
Total	73	88

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

Amount expected to be recovered	Dec 31, 2013				Dec 31, 2012			
	within 12 months	12 months –5 years	after 5 years	Total	within 12 months	12 months –5 years	after 5 years	Total
Fixed assets								
Intangible assets ¹⁾	11	109	–	120	5	125	–	130
Property and equipment ¹⁾	41	165	–	206	46	212	–	259
Participations in Group companies	–	15,742	–	15,742	–	14,956	–	14,956
Loans to Group companies	–	–	–	–	–	290	–	290
Derivatives	–	15	–	15	–	–	–	–
Other securities held as fixed assets	–	215	–	215	–	314	–	314
Total fixed assets	52	16,246	–	16,298	52	15,897	–	15,949
Current assets								
Current receivables in Group companies	254	–	–	254	232	–	–	232
Receivables from other related parties	195	–	–	195	314	–	–	314
Other receivables	35	–	–	35	42	–	–	42
Prepaid expenses and accrued income	43	–	–	43	55	–	–	55
Current investments	558	–	–	558	201	–	–	201
Cash and bank balances	1,095	–	–	1,095	1,229	–	–	1,229
Total current assets	2,178	–	–	2,178	2,073	–	–	2,073
Total assets	2,230	16,246	–	18,477	2,125	15,897	–	18,022

Amount expected to be settled	Dec 31, 2013				Dec 31, 2012			
	within 12 months	12 months –5 years	after 5 years	Total	within 12 months	12 months –5 years	after 5 years	Total
Provisions								
Provisions for pensions and similar commitments	–	51	–	51	6	47	–	53
Other provisions	–	26	–	26	–	28	–	28
Total provisions	–	77	–	77	6	76	–	82
Long-term liabilities								
Deferred tax liabilities	–	7	–	7	–	5	–	5
Bond loans	–	2,196	–	2,196	–	2,195	–	2,195
Liabilities to other related parties	–	424	–	424	–	469	96	565
Total long-term liabilities	–	2,626	–	2,626	–	2,669	96	2,765
Current liabilities								
Accounts payable	112	–	–	112	130	–	–	130
Liabilities to Group companies	855	–	–	855	1,067	–	–	1,067
Liabilities to other related parties	278	–	–	278	242	–	–	242
Other liabilities	29	–	–	29	18	–	–	18
Accrued expenses and deferred income	271	–	–	271	249	–	–	249
Total current liabilities	1,546	–	–	1,546	1,707	–	–	1,707
Total liabilities and provisions	1,546	2,703	–	4,249	1,713	2,744	96	4,554

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

28 DISCLOSURES ON RELATED PARTIES

Pricing for business operations is on market terms. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the target process. Overall, pricing is intended to distribute costs fairly

within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Related-party transactions 2013		Group companies	Liv Group	Regional insurance companies	Other related parties	Total
Income	Services sold	836	387	1,119	16	2,358
	Rent, premises	78	12	15	4	109
	Rent, equipment	2	1	–	–	3
	Financial liabilities	531	–	–	–	531
Expenses	Services purchased	–13	–7	–36	–5	–62
	Rent, premises	–163	–	–3	–	–166
	Financial costs	–	–73	–	–	–73
Receivables	Interest-bearing loans	0	–	–	–	0
	Cash and cash equivalents with Länsförsäkringar Bank	2	–	–	–	2
	Other receivables	251	79	116	–	446
Liabilities	Other liabilities	–855	–614	–88	–	–1,557
Related-party transactions 2012		Group companies	Liv Group	Regional insurance companies	Other related parties	Total
Income	Services sold	794	476	1,120	18	2,408
	Rent, premises	55	12	15	4	85
	Rent, equipment	1	1	–	–	2
	Financial liabilities	452	–	–	–	452
Expenses	Services purchased	–21	0	–41	–5	–68
	Rent, premises	–165	–	0	–	–165
	Financial costs	–	–38	–	–	–38
Receivables	Interest-bearing loans	290	–	–	–	290
	Cash and cash equivalents with Länsförsäkringar Bank	2	–	–	–	2
	Other receivables	229	199	115	0	543
Liabilities	Other liabilities	–1,067	–712	–96	–	–1,875

Länsförsäkringar AB is owned by the 23 regional insurance companies and 16 local insurance companies. In terms of operations, Länsförsäkringar AB with subsidiaries are organised into four business units: Non-life Insurance, Unit-linked Life Assurance, Traditional Life Assurance and Bank, as well as support functions Accounting and Finance, Asset Management and Business Support, which conduct development, IT and service operations. The President's staff includes the shared units of Legal Affairs, Compliance and Risk Control.

Länsförsäkringar AB purchases and owns equipment that is subsequently leased to Group companies and Länsförsäkringar Liv.

Länsförsäkringar AB leases its office premises from property owner Utile Dulci 2 HB, which is a subsidiary of Länsförsäkringar Sak.

Länsförsäkringar AB has issued a subordinated loan to Länsförsäkringar Bank amounting to SEK 0 M (290).

Länsförsäkringar Bank manages subsidised loans to employees on behalf of the Parent Company Länsförsäkringar AB, issued after the bank performs standard credit rating checks.

For information regarding remuneration of related key persons, such as Board members and senior executives, see note 6 Employees, staff costs and remuneration of senior executives.

Related subsidiaries are specified in note 14 Shares and participations in Group companies.

29 SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

	2013	2012
Interest paid and dividends received		
Dividends received from subsidiaries	387	347
Interest received	17	26
Interest paid	–105	–96
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	161	167
Unrealised gains and losses	–7	5
Provisions	–5	18
Hedging reserve	15	–
Group contributions received that are regulated in the following fiscal year	–134	–91
Total	30	98

Cash and cash equivalents comprise bank balances.

30 FINANCIAL TRANSACTIONS NOT RECOGNISED IN THE BALANCE SHEET

Länsförsäkringar AB has external suppliers of IT operations at a cost of SEK 546 M in 2014 and SEK 335 M in 2013. Additional outsourcing of application management and development is the reason for the higher figure. The costs also include machinery equipment for computer operations. Some regional insurance companies and Länsförsäkringar Liv are also included in the arrangement. Their remuneration to Länsförsäkringar AB is included in service revenue.

31 EVENTS AFTER BALANCE-SHEET DATE

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

Statement from the Board

The Board of Directors and President affirm that this Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on July 19, 2002 on the application of international accounting standards. The Annual Report and consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Stockholm, March 5, 2014

Jan Fock
Chairman

Sune Nilsson
Deputy Chairman

Fredrik Daveby
Board member

Mats Fabricius
Board member

Lars Hallkvist
Board member

Henrietta Hansson
Board member

Gösta af Petersens
Board member

Pia Sandvik
Board member

Christer Villard
Board member

Lars-Eric Åström
Board member

Åsa Jansson
Employee Representative

Tomas Jönsson
Employee Representative

Susanne Lindberg
Employee Representative

Sten Dunér
President

My audit report was submitted on March 6, 2014.

Stefan Holmström
Authorised Public Accountant

The Annual Report and the consolidated financial statements above were approved for publishing by the Board of Directors on March 5, 2014. The Group's income statement, statement of comprehensive income and statement of financial position, as well as the Parent Company's income statement and balance sheet are subject to approval by the Annual General Meeting to be held on May 16, 2014.

This Annual Report is a translation of the Swedish Annual Report that has been reviewed by the company's auditors.

Auditor's report

To the Annual General Meeting of shareholders in Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020

Report on the annual accounts and consolidated financial statements

I have audited the annual accounts and consolidated financial statements of Länsförsäkringar Aktiebolag for 2013, except for the corporate governance report on pages 30–36. The company's annual accounts and the consolidated financial statements are included in the printed version of this document on pages 20–96.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements

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

Auditor's responsibility

My responsibility is to express an opinion on the annual accounts and the consolidated financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate taking the circumstances into account, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and of their financial performance and cash flows in accordance with International Financial Reporting Stan-

dards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies. My opinions do not encompass the corporate governance report on pages 30–36. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and the consolidated financial statements.

I therefore recommend that the Annual Meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts and consolidated financial statements, I have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Länsförsäkringar AB for the 2013. I have also conducted a statutory examination of the corporate governance report.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and for ensuring that the corporate governance report on pages 30–36 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for my opinion on the Board of Directors proposed appropriations of the company's profit or loss, I examined whether the proposal complies with the Companies Act.

As a basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and consolidated financial statements, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. I also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Furthermore, I have read the corporate governance report and based on that reading and my knowledge of the company and the Group, I believe that I have a sufficient basis for my opinions. This means that my statutory review of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

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

A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated financial statements.

Stockholm, March 6, 2014

Stefan Holmström
Authorised Public Accountant

Board of Directors and auditors

Board of Directors



JAN FOCK

Born 1949. Chairman of the Board since 2012. Elected 2012. **Education:** Master of Science in Agriculture, and in Business and Economics. **Other Board appointments:** Board member of Flyinge AB. **Background:** President of Länsförsäkringar Halland and Länsförsäkringar Skåne, Board member of Halmstad University, Campus Helsingborg Lund University, Länsförsäkringar Mäklarservice, Länsförsäkringar Asset Management, Chairman of Aragon/Kaupthing Bank, Stadshypotek Halland and Stadshypotek Skåne, Deputy Chairman of Länsförsäkringar Sak and Agria Djurförsäkring.



SUNE NILSSON

Born 1953. Consultant. Elected 2008. **Education:** Business school economist. **Other Board appointment:** Chairman of Länsförsäkringar Göteborg och Bohuslän, Almi Väst AB, STS Travel School AB, Holistic AG, Vicura AB, ledamot Sigma AB and Incit AB. **Background:** CEO of Sigma AB, CEO of Mandator AB and President of PostNet AB.



FREDRIK DAVEBY

Born 1962. President of Länsförsäkring Kronoberg. Elected 2010. **Education:** Master of Science in Agriculture and in Business and Economics. **Other Board appointments:** Chairman of Hjalmar Petri Holding AB with subsidiaries and Eolus Vind AB. **Background:** Board member of Agria Djurförsäkringar, Head of Members Södra Skogsägarna, Head of Development LRF, Agricultural advisor to Swedish Government Offices.



MATS FABRICIUS

Born 1952. Elected 2010. **Education:** Master of Science in Agriculture. **Other Board appointments:** Chairman of Norrbottensgården Utveckling AB, Länsförsäkringar Norrbotten, Norrbottensgården Slakteri AB, Board member of Outinens Potatis AB. **Background:** Self-employed. Head of Business Area at HS Rådgivning Nord AB.



LARS HALLKVIST

Born 1963. Lawyer, partner at Gullack Advokatbyrå. Elected 2012. **Other Board appointments:** Chairman of Länsförsäkringar Älvsborg, Board member of Swegmark Invest AB and Pulsen AB.



HENRIETTA HANSSON

Born 1964. President of Länsförsäkringar Göinge-Kristianstad. Elected 2011. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Board member of Krinova, Swedish Fire Protection Committee of Agriculture and Chairman of Swede Horse. **Background:** President of Agria Djurförsäkring and Länsförsäkringar IT Center AB.



GÖSTA AF PETERSENS

Born 1947. Farm manager, self-employed. Elected 2004. **Education:** Chartered surveyor's degree, Swedish University of Agricultural Sciences in Alnarp. **Other Board appointments:** Chairman of Länsförsäkringar Gotland and Eskelunds hembageri AB. **Background:** President of Guteprodukter AB and Gotlands Trädgårdsprodukter, Chairman of Gotlandsägg AB.



PIA SANDVIK

Born 1964. President of Länsförsäkringar Jämtland. Elected 2013. **Education:** Master of Science in Engineering, Doctor of Philosophy in Science and associate professor. **Other Board appointments:** Chairman of Research Institutes of Sweden AB, Board member of Akademiska hus AB, Swedish Foundation for Strategic Research and the Business Executives Council of the Royal Swedish Academy of Engineering Sciences. **Background:** Vice-Chancellor of Luleå University of Technology, County Director at Jämtland County Administrative Board, Pro-Vice-Chancellor and Head of Administration at Mid Sweden University, Head of Quality at Ericsson UAB.



CHRISTER VILLARD

Born 1949. Director. Elected 2013. **Education:** Bachelor of Arts in Legal Science. **Other Board appointments:** Chairman of Länsförsäkringar Stockholm, Wallenstam AB, Aptic AB, Stockholms köpmanklubb, Segulah III - IV, Friends of Drottningholms Slottsteater and Joy AB. Board member of AB Segulah, Exerger Sweden AB, G Hamilton Family Foundation, Fagerberg Foundation in Stockholms Borgerskap, Drottningholms Slottsteater Foundation.



LARS-ERIC ÅSTRÖM

Born 1946. Forest agricultural customer. Elected 2008. **Education:** Technical college engineer. **Other Board appointments:** Chairman of Länsförsäkringar Östgöta and Bergvik Skog. **Background:** Chairman of Södra Skogsägarna and Swedish Federation of Forest Owners, Vice Chairman of Södra Cell, Board member of LRF Skogsägarna, National Board of Directors of Federation of Swedish Agricultural customers (LRF), LRF Skogsförvaltning AB, Ägarfrämjandet.



OLLE TÖRNELL

Secretary of the Board
Born 1958. Head of Legal Affairs. Employed 1992. **Education:** Bachelor of Arts in Legal Science, Uppsala University. **Background:** Head of Legal Affairs Wasa Försäkring, bank attorney Nordbanken.

Employee representatives



ÅSA JANSSON

Born 1972. Claims adjuster, employee representative Union of Insurance Employees (FTF). Elected 2009. **Education:** Upper-secondary school food engineering programme. **Background:** Deputy Chairman of Profit-sharing Association Ekorren at Agria Djurförsäkring.



TOMAS JÖNSSON

Born 1951. Employee representative Swedish Confederation of Professional Associations (SACO). Claims adjuster. Elected 2001. **Education:** Bachelor of Arts in Legal Science. **Other Board appointments:** Länsförsäkringar Sak, SACO association at Länsförsäkringar AB and Brf Åkermannen 34, Stockholm. **Background:** Bank attorney Föreningsbanken.



SUSANNE LINDBERG

Born 1967. Employee representative Union of Insurance Employees (FTF). Elected 2012. **Education:** Upper-secondary education in economics, diploma in non-life insurance and life assurance from Swedish Institute of Insurance Training (IFU), diploma in individual claims adjustment from Länsförsäkringar. **Other Board appointments:** Deputy Chairman of FTF, Chairman of the Länsförsäkringar Alliance's Staff Association, deputy Board member of Länsförsäkringar Fondliv, Deputy Chairman of Insurance Industry's Pension Fund (FPK).

Deputy:
Linnea Niklasson

Deputy:
Christer Ekehov

Auditors

Auditor elected by Annual General Meeting
Stefan Holmström,
Authorised Public Accountant, KPMG AB.

Deputy auditor elected by Annual General Meeting
Johan Bäckström,
Authorised Public Accountant, KPMG AB.

Group management



STEN DUNÉR

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



ANN SOMMER

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



RIKARD JOSEFSON

Born 1965. Employed 2011. President of Länsförsäkringar Bank. **Education:** Bachelor of Arts. **Board appointments:** Chairman of Wasa Kredit, Länsförsäkringar Hypotek, Board member of Länsförsäkringar Fondförvaltning, Länsförsäkringar Fastighetsförmedling and Livlust Foundation. **Background:** President of SEB Finans, Regional Director East SEB, Deputy Head of Retail Sweden SEB, Senior Vice President and Head of Retail Banking Business Area Latvija Unibanka in Latvia, Head of Global Transaction Services SEB Merchant Banking.



TUA HOLGERSSON

Born 1964. Employed 2013. President of Länsförsäkringar Fondliv. **Education:** Technical upper-secondary school, Communication programme. **Other Board appointments:** Länsförsäkringar Gruppliv, Länsförsäkringar Mäklarservice. **Background:** President of Länsförsäkringar Gävleborg, President of Skandia Rådgivning, Head of Sales, Head of Marketing at Skandiabanken.



JÖRGEN SVENSSON

Born 1959. Employed 2008. President of Länsförsäkringar Liv. **Education:** Studies in economics, law and marketing, Lund University. **Board appointments:** Board member of Länsförsäkringar Mäklarservice AB. **Background:** President of Länsförsäkringar Blekinge, various managerial positions at Skandia and If.



CECILIA ARDSTRÖM

Born 1965. Employed 2012. Financial Director. **Education:** Economics, University of Gothenburg School of Business, Economics and Law. **Board appointments:** Swedish Export Credit Corporation SEK. Profit-sharing Association Länsbörsen, Länsförsäkringar Fondförvaltning, Humlegården Fastigheter AB and Humlegården Holding I-III AB. **Background:** Head of Treasury Tele2 AB, Head of Asset Management Folksam Group, KPMG Management Consulting.



MALIN RYLANDER-LEIJON

Born 1970. Employed 2001. CFO. Head of Finance. **Education:** Master of Science in Business and Economics. Administration Programme, specialising in Economics, Uppsala University. **Board appointments:** Tribona AB and PFG AB. **Background:** Head of Finance & Control Länsförsäkringar Liv and auditor at SET Revisionsbyrå.



SÖREN WESTIN

Born 1953. Employed 2000. Executive Vice President of Länsförsäkringar AB. Head of Business Support. **Education:** Licentiate of Science in Business and Economics, Umeå University. **Board appointments:** Länsförsäkringar Fastighetsförmedling, Foundation for Regional Insurance Companies' Research Fund and Swedish Motor Insurers. **Background:** President of Länsförsäkringar Jämtland, President AB Länstidningen, member of Samhall AB's corporate management.

Co-opted members



Born 1958. Employed 1992. Head of Legal Affairs. **Education:** Bachelor of Arts in Legal Science, Uppsala University. **Background:** Head of Legal Affairs Wasa Försäkring and bank attorney Nordbanken.



Born 1962. Employed 2012. Head of Corporate Communications. **Education:** Bachelor of Arts in Political Science, Economics and Languages, Uppsala University. **Background:** Chief Marketing Officer at Intrum Justitia, Marketing and Sales Director at SEB Retail Banking and Marketing Director at SEB e-banking, Product Manager at Euro-card.

Definitions

After ceded reinsurance

The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company. Sometimes the term “for own account” is used.

Capital adequacy ratio, bank

Closing capital base as a percentage of the closing risk-weighted amount.

Capital base, bank

The capital base comprises the sum of Tier 1 and Tier 2 capital and the difference between expected losses and reserves established for probable loan losses.

Claims payments

The cost during the fiscal year for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result, meaning the profit and loss arising in the provision for claims outstanding made in the immediately preceding year-end accounts. Run-off profit/loss arises since some of the claims in the provision are either settled during the fiscal year at amounts differing from those allocated or are revalued pending final settlement.

Claims ratio

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

Collective consolidation, life assurance

The ratio between the market value of the total net assets and the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for insurance policies that carry bonus rights.

Combined ratio, non-life insurance

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

Core Tier 1 capital

Tier 1 capital less capital contributions and reserves that may be included in the capital base as Tier 1 capital in accordance with Chapter 3, Section 4 of the Capital Adequacy and Large Exposures Act.

Cost/income ratio, bank

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

Cost ratio, non-life insurance

The sum of operating expenses in the insurance operations and claims adjustment costs as a percentage of premiums earned after ceded reinsurance.

Direct insurance

Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Earnings per share

Profit/loss for the year attributable to the Parent Company shareholders in relation to the average number of shares during the year.

Expense ratio, non-life insurance

Operating expenses in the insurance operations as a percentage of premiums earned after ceded reinsurance.

Investment income transferred from financial operations

Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the computed interest – is transferred from investment income to the insurance operations.

Investment margin, bank

Net interest income in relation to average total assets.

Loan losses, net, bank

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

Loan losses in relation to loans

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

Management cost ratio, life assurance

Total operating expenses and claims adjustment costs as a percentage of average managed assets.

Net interest income, bank

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

Operating expenses in the insurance operations

Includes costs of sales, management and administration in the insurance operations.

Premiums earned

The proportion of premium income attributable to the fiscal year.

Premium income

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

Reinsurance

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

Return on equity

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

Solvency capital

The sum of equity, untaxed reserves (including deferred tax liabilities), subordinated debt and surpluses on assets.

Solvency margin, non-life insurance

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

Technical provisions

Provision for unearned premiums and unexpired risks, life-assurance reserve and provision for claims outstanding and comparable commitments in accordance with signed insurance contracts. For life assurance, this shall correspond to the company's guaranteed insurance commitments.

Technical result, non-life insurance operations

Premiums earned less claims payments, claims adjustment costs and operating expenses in the insurance operations plus profit/loss from ceded reinsurance and investment income transferred from financial operations.

Tier 1 capital, bank

Comprises equity, excluding fair value reserve and Tier 1 capital contributions, which following approval from the Swedish Financial Supervisory Authority may be included in Tier 1 capital. Deductions are made for intangible assets and deferred tax assets and the difference between expected losses and reserves established for probable loan losses.

Tier 2 capital, bank

Primarily comprises fixed-term subordinated debt.

Total return ratio

The sum of direct yield, realised gains and losses, and unrealised changes in the value of assets in relation to the average fair value of managed assets.

Länsförsäkringar Liv Försäkrings AB Group's income statement and balance sheet

INCOME STATEMENT

SEK M	2013	2012
Premium income, gross	3,388	4,319
Premium income, net	-1,743	7,659
Investment income, net	-7,645	-7,491
Claims payments	11,842	1,372
Other underwriting income	-347	-412
Change in technical provisions	5,495	5,447
Operating expenses	-281	-460
Technical result, life assurance operations	5,214	4,987
Non-technical items	-40	-115
Profit before tax	5,174	4,872
Tax	-1	-
Net profit for the year	5,173	4,872

BALANCE SHEET

SEK M	Dec 31, 2013	Dec 31, 2012
Assets		
Intangible assets	1	1
Investment assets	106,777	121,963
Investment assets for which the policyholder bears the investment risk	5,978	4,564
Reinsurers' portion of technical provisions	605	609
Receivables	2,003	2,370
Other assets	3,708	3,997
Prepaid expenses and accrued income	1,084	1,578
Total assets	120,155	135,083
Equity, provisions and liabilities		
Share capital	8	8
Funds plus net profit for the period	17,110	13,824
Technical provisions	91,585	104,942
Provisions for life assurance for which the policyholder bears the investment risk	5,978	4,564
Provisions for other risks and expenses	146	176
Deposits from reinsurers	605	609
Liabilities	4,344	10,542
Accrued expenses and deferred income	378	418
Total equity, provisions and liabilities	120,155	135,083

Financial calendar 2014

First quarter:

Interim report, Länsförsäkringar AB	April 29
Interim report, Länsförsäkringar Bank	April 29
Interim report, Länsförsäkringar Hypotek	April 29
Interim review, Länsförsäkringar Alliance	April 29

Second quarter:

Interim report, Länsförsäkringar AB	July 18
Interim report, Länsförsäkringar Bank	July 18
Interim report, Länsförsäkringar Hypotek	July 18
Interim review, Länsförsäkringar Alliance	July 18

Third quarter:

Interim report, Länsförsäkringar AB	October 23
Interim report, Länsförsäkringar Bank	October 23
Interim report, Länsförsäkringar Hypotek	October 23
Interim review, Länsförsäkringar Alliance	October 23

Addresses

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

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

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

Länsförsäkringar Västernorrland
Box 164
SE-871 24 Härnösand
Visit: Köpmangatan 13
Phone: +46 611-36 53 00
E-mail: info@lfy.se

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

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

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

Länsförsäkringar Uppsala
SE-753 40 Uppsala
Visit: Stationsgatan 14
Phone: +46 18-68 55 00
E-mail: info.uppsala@lansforsakringar.se

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

Länsförsäkringar Stockholm
SE-115 97 Stockholm
Visit: Tegeluddsvägen 21
Phone: +46 8-562 834 00
E-mail: info.stockholm@lansforsakringar.se

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

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

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

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

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

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

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

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

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

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

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

Länsförsäkringar Göinge-Kristianstad
Box 133
SE-291 22 Kristianstad
Visit: Tivoligatan 6
Phone: +46 44-19 62 00
E-mail: info.goinge-kristianstad@lansforsakringar.se

Länsförsäkringar Skåne
Box 4548
SE-208 20 Helsingborg
Visit: Lugna Gatan 82
Phone: +46 42-633 80 00
E-mail: info.skane@lansforsakringar.se

JOINT COMPANIES

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

Länsförsäkringar Liv
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Fondliv
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Sak
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Bank
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 8-588 416 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Hypotek
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 8-588 416 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Fondförvaltning
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 8-588 400 00
E-mail: info@lansforsakringar.se

Länsförsäkringar Fastighetsförmedling
Box 742
SE-251 07 Helsingborg
Visit: Södergatan 15
Phone: +46 42-633 98 10
E-mail: helsingborg@lansfast.se

Länsförsäkringar Mäklarservice
Box 27120
SE-102 52 Stockholm
Visit: Tegeluddsvägen 21
Phone: +46 8-588 490 00
E-mail: info.maklarservice@lansforsakringar.se

Wasa Kredit
Box 6740
SE-113 85 Stockholm
Visit: Tegeluddsvägen 21
Phone: +46 8-635 38 00
E-mail: info@wasakredit.se

Agria Djurförsäkring
Box 70306
SE-107 23 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 8-588 421 00
E-mail: info@agria.se

Humlegården Fastigheter
Box 5182
SE-102 44 Stockholm
Visit: Birger Jarlsgatan 25
Phone: +46 8-678 92 00
E-mail: info@humlegarden.se

