



2014

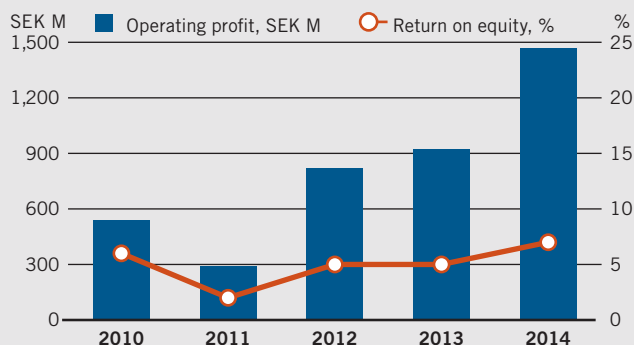
ANNUAL REPORT

Länsförsäkringar AB

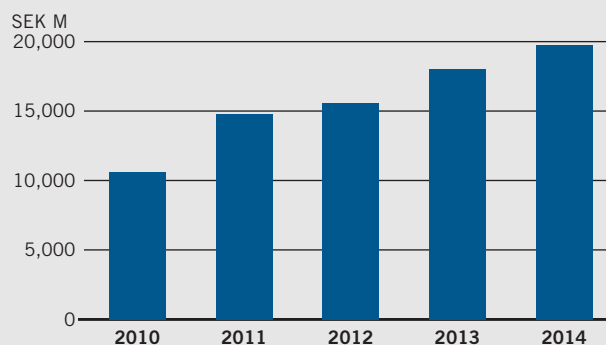
LÄNSFÖRSÄKRINGAR AB

THE 2014 FISCAL YEAR

Operating profit and return on equity Länsförsäkringar AB Group



Solvency capital Länsförsäkringar AB Group



Five-year summary

LÄNSFÖRSÄKRINGAR AB, GROUP ¹⁾	2014	2013	2012	2011	2010
Operating profit, SEK M	1,469	923	819	287	536
Solvency capital, SEK M	19,767	18,031	15,590	14,800	10,613
Equity per share, SEK	1,675	1,557	1,479	1,403	1,356
Total assets, SEK M	355,933	322,550	290,994	253,223	173,850
Return on equity, %	7	5	5	2	6 ²⁾

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

²⁾ Excluding new share issue.

LÄNSFÖRSÄKRINGAR SAK, GROUP	2014	2013	2012	2011	2010
Premiums earned after ceded reinsurance, SEK M	4,099	4,122	4,024	4,003	3,769
Technical result for the insurance operations, SEK M	611	434	306	159	193
Operating profit, SEK M	791	427	486	88	313

LÄNSFÖRSÄKRINGAR BANK, GROUP	2014	2013	2012	2011	2010
Deposits from the public, SEK M	76,790	69,220	62,396	49,610	41,590
Loans to the public, SEK M	179,424	162,003	149,942	134,011	117,910
Operating profit, SEK M	935	647	555	385	345
Return on equity, %	8	7	6	5	5
Tier 1 ratio, Bank Group, %	16	15	14	12	12

LÄNSFÖRSÄKRINGAR FONDLIV AB	2014	2013	2012	2011	2010
Premium income, SEK M ¹⁾	8,543	9,473	8,714	–	–
Operating profit, SEK M	373	247	127	–	–
Managed assets, SEK M	93,610	77,517	62,944	–	–
Solvency rate	1.6	1.7	2.2	–	–

¹⁾ In accordance with Insurance Sweden's definition.

LÄNSFÖRSÄKRINGAR LIV, GROUP	2014	2013	2012	2011	2010
Premium income, SEK M ¹⁾	2,639	3,388	4,319	13,048	12,893
Net profit/loss for the year, SEK M	1,903	5,174	4,872	–13,063	3,716
Collective consolidation, Old Trad, %	120	107	111	109	107
Solvency ratio, %	122	118	113	111	141

¹⁾ In accordance with Insurance Sweden's definition.

2014 in brief

Operating profit for the Länsförsäkringar AB Group amounted to SEK 1,469 M (923). The return on equity increased to 7% (5). The Group's equity rose SEK 1,674 M to SEK 16,857 M.

Operating profit in the non-life insurance operations strengthened to SEK 791 M (427). The improved earnings were mainly due to strong investment income and a stronger technical result for Agria Djurförsäkring.

Operating profit in the Bank Group rose 45% to SEK 935 M (647). The improvement in earnings was due to increased net interest income and higher commission income.

Profit for the life assurance and pension insurance operations in Länsförsäkringar Fondliv increased to SEK 373 M (247). Higher income due to increased managed assets contributed to the sharp improvement in earnings.

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	–

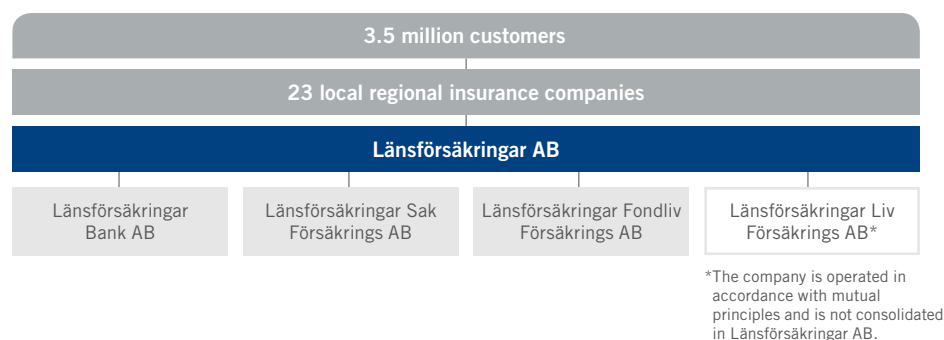
¹⁾ Pertains to the company's covered bonds.

SEK 1,469 M | **SEK 17,802 M**

Länsförsäkringar AB is the Länsförsäkringar Alliance's jointly owned company

Länsförsäkringar AB is wholly owned by the regional insurance companies, together with 16 local insurance companies. Through its distinct role in the Länsförsäkringar Alliance's value chain, Länsförsäkringar AB contributes to 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 encompasses Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv and its subsidiaries are not consolidated in the consolidated financial statements since the company is operated in accordance with mutual principles.



LÄNSFÖRSÄKRINGAR IN BRIEF

Local companies with customers who are owners and the only principal

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are owned

by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.5 million customers and approximately 5,900 employees.

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Major advances in all operations

Statement by the President. 2014 was a very strong year for all of the operations of the Länsförsäkringar AB Group, measured in both earnings and growth. The task from the regional insurance companies of simplifying customer contact with Länsförsäkringar has resulted in a number of deliveries focusing on digital customer meetings.

The driver of global growth in 2014 was the favourable performance of the US economy. However, it became increasingly clear during the year that the eurozone would not start to recover. Weak demand driven by an austere fiscal policy and debt absorption led to a very weak trend for both growth and inflation. However, in parallel with the sluggish performance of the eurozone, the Swedish economy performed positively – growth and employment trends were relatively favourable. Nevertheless, falling inflation expectations led to the Riksbank lowering its repo rate to a negative. Interest rates thus remain at record-low levels, which limits the total return on fixed-income investments.

Major improvements in earnings and healthy growth

In the financially unstable economic environment, the Länsförsäkringar AB Group can summarise a highly successful year. All lines of business showed significantly improved earnings. Operating profit was nearly SEK 1.5 billion, which is a substantial improvement in year-on-year earnings. In non-life insurance, the technical result improved 41%, mainly attributable to Agria. The bank reported very strong earnings and improved profitability, as did the unit-linked life assurance company. The bank's excellent performance is pleasing and what once began as a mortgage

provider is now a full-service bank and a real challenger to Sweden's four major banks.

The long-term work on strengthening key figures and enabling improved returns for our customers in the traditional life-assurance company continued during the year. The change in conditions to New Trad was successful and, by year-end 2014, 45,000 customers with a total capital of SEK 7.5 billion had chosen to change the conditions of their insurance to New Trad.

We also see healthy volume growth in all of our businesses. Business volumes rose 12% in non-life insurance and 13% in banking, while insurance capital rose 20% in unit-linked life assurance. In addition to favourable earnings and strong growth, we were pleased that surveys by the Swedish Quality Index (SKI) once again showed that we are the bank with the most satisfied retail customers, and also that the Swedish financial magazine Privata Affärer named us Bank of the Year. However, the SKI results in non-life insurance were a disappointment. We will look at this, analyse the results and take action.

Joint development focusing on the customer meeting

One of Länsförsäkringar AB's tasks is to pursue the Länsförsäkringar Alliance's joint development activities to strengthen

the regional insurance companies' competitiveness and increase value for customers. A number of focus areas will be prepared together with the regional insurance companies. Efforts were concentrated on the digital area during the year. We conducted a number of successful development projects, intended to develop our customer meeting places, both physical and digital. We are continuously taking major steps towards meeting our customers' new expectations of digital channels, especially in relation to the mobile interface. We will continue to stay on the cutting edge.

Stronger customer protection and stability

The adjustments to new regulations are continuing and require immense resources. I essentially have a positive view of measures that will result in an even healthier financial market, with well-consolidated banks and insurance companies. A more long-term approach is needed in order for us to have a clear understanding of which rules apply. This will allow us to conduct structured change activities and take the measures for achieving what the rules are ultimately intended for - greater stability and thus increased customer value. It is absolutely essential that the rules are well thought-out and well-prepared when they are introduced and that the rules for different business operations in the financial systems are coordinated and harmonised with each other.

A new share issue of SEK 500 M took place in June 2014 in light of the changed rules imposing new demands on the solvency of the Parent Company in the Bank and insurance group.

Sustainability a natural part of the operations

Continuously working on sustainability issues is a natural part of the operations for us since it essentially concerns security for customers. We are a proactive player with the aim that the claims-prevention activities, our offering and the open research that we are involved in all lead to increased customer value and ultimately a better society. A Sustainability Committee comprising corporate management works continuously on business ethics issues. Priority areas going forward include our work on responsible investments, diversity and demands on suppliers and partners.

Employees play a pivotal role

In summarising a fiscal year we summarise the combined efforts of our employees. Employeehip is a central tradition at Länsförsäkringar AB. An employee profile based on our values was produced during the year and will be introduced in 2015. The aim is to increase employee commitment by clarifying everyone's responsibilities in such areas as performance, competencies and health. We can see that what we are doing well in terms of employee commitment and satisfaction in our survey, but we can see it above all in all of the tremendous employee performances.

Challenges

We have an ambitious goal profile to be the best in digital advances in the financial industry, which means surpassing already high expectations from customers. Today we are at the forefront – we have the broadest offering of all financial companies in our app. These developments in no way replace the foundation of our exis-

tence; they simply strengthen our formula for success of being local and close to customers.

Extensive future investments are being made in life-assurance and the pension area as well as in banking. In 2014, we decided on the strategic direction of the life-assurance operations for the years ahead. We will create clear customer value by being secure, understandable and close to our customers. By focusing intently on distribution and advisory services, we will develop the pension offering of the future for companies and private individuals. In addition to this, our ability to retain capital and be a winner in the transfer market will be crucial. A strong brand that includes life assurance and pension and an attractive offering will thus also be crucial.

We have similar long-term plans for the banking operations. Länsförsäkringar is

the bank with the highest growth in Sweden and the formula for success in the future is being a competitive full-service bank with the benefits of being a smaller-scale, local player. This is a challenge that we are taking on from our position of strength – with Sweden's strongest financial brand, with customers who appreciate what we do, with awards for our digital solutions and because we are once again Bank of the Year.

Stockholm, March 2015

STEN DUNÉR
President, Länsförsäkringar AB



Cooperation that creates local strength

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 develop the offering close to their customers.

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies, together with 16 local insurance compa-

nies. The regional insurance companies impose demands on effective capital use and a return on equity corresponding to

5% over the risk-free interest. In 2014, the return on equity amounted to 7%. 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.

Mission

The operations of the jointly owned company Länsförsäkringar AB are tasked with conducting profitable business activities in non-life insurance, banking, life assurance and pension insurance, developing products, concepts, meeting places and tools, and providing business service to the regional insurance companies. This ensures that the regional insurance companies can offer their customers the right range of products and enables private individuals, companies and agricultural customers in Sweden to live with a sense of security. The Länsförsäkringar Alliance's reinsurance cover is managed through a number of cover pool solutions and joint group insurance cover by Länsförsäkringar Sak.

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. Business is conducted so that the regional insurance companies can offer customers a broad range of insurance for people, animals and property.

Sound reinsurance coverage and pool solutions is created through joint group insurance cover.

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. Of the Länsförsäkringar Alliance's combined premiums earned of SEK 21.6 billion, premiums earned from the non-life insurance operations in Länsförsäkringar AB amounted to SEK 4.1 billion.

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 and via digital channels and by telephone. Deposits and certain lending operations are conducted in Länsförsäkringar Bank, 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 5% to 927,000 in 2014. Business volumes in the banking operations increased 13% till SEK 354 billion.

Life assurance and pension insurance
Länsförsäkringar offers life-assurance and pension solutions to corporate customers and private individuals. Fund management, Guarantee Management and personal insurance are offered through Länsförsäkringar Fondliv. Länsförsäkringar's fund range comprises 33 of its own funds and about 44 external funds. The former are found in Länsförsäkringar's own mutual fund company and are managed by external managers. The unit-linked life assurance company manages SEK 94 billion on behalf of life-assurance and pension-insurance customers. No new policies are underwritten in Länsförsäkringar Liv, but the company manages traditional life assurance that was taken out before it was closed in 2011. The work on inviting customers to change the conditions of their insurance product to New Trad continued during 2014. The offer was positively received. Conditions have been changed for 21% of the capital for those customers who have received the offer to date.

Governance of risk-taking and capital use

The business activities are conducted to generate a profit so that the company can pay competitive returns on equity at market levels. All capital that is not required for Länsförsäkringar AB's operations is returned over time 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.

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.

Governance of risk-taking and capital use is a priority for the Group. Assessing the risk level of different operations forms part of this work, taking into account current and future legal requirements and the view of rating agencies. Additional steps are being planned for more systematically governing risk taking in the various business activities based on how it affects the Group's capital use. The aim is to safeguard shareholders' capital and ensure effective use and earnings on the Group's capital.

Together we create security

Länsförsäkringar AB has worked for many years on vision and value-based planning of the operations. The vision and values serve as guiding principles for all operations in the Group. The vision is a description of how Länsförsäkringar AB wants things to be in the world in which it operates. The vision is "together we create security." With almost 5,900 employees, the Länsförsäkringar Alliance works to provide financial security for 3.5 million customers. Länsförsäkringar exists to create a sense of security for our customers

no matter what needs they have – from buying a home, non-life insurance, pension banking services and mortgages to different types of savings.

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

Economies of scale creating added value for customers

Cooperation in the Länsförsäkringar Alliance has gradually emerged. The local companies decided to cooperate together to achieve economies of scale and to concentrate on the most important issue: meetings with customers. Instead of developing these resources at local level, the regional insurance companies can share expenses in such areas as product and concept development, IT operations and management and brand communication. The separation of duties among the regional insurance companies and Länsförsäkringar AB creates a clear focus for each party. Länsförsäkringar AB is to create the conditions for the regional insurance companies to be more effective in their roles. Economic efficiency is a basic prerequisite for this to work. That is why certain non-life insurance operations are considered best suited to a joint concession. This interface does not affect customer relationships, which are managed by the respective regional insurance com-

pany 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 at hand with local decision-making. The basis is local presence and decision-making powers: – experience shows that local decision-making authority, combined with shared strengths, creates substantial added value for customers.

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 less distance in a relationship with Länsförsäkringar is the guiding principle for everything – from product development to a personal customer meeting. The principle of closeness is based on a number of types of closeness, for example, geographic proximity, closeness of attitude and closeness in terms of decision-making. 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 understanding since the mission is to create conditions for the regional insurance companies to succeed in their local customer meetings.

Vision, values and targets



Länsförsäkringar AB's vision is **together we create security.**

Our values can be summarised in four words: **Commitment, Trust, Openness and Professionalism.**

Länsförsäkringar AB's target is **we create the best customer value.** To achieve this, we need to follow and improve in a number of areas, in parallel with the regional insurance companies and by ourselves at Länsförsäkringar AB.

Owner control increasingly in focus

Owner control. Internal owner control in the Länsförsäkringar Alliance is part of the multi-faceted interaction between the regional insurance companies. The regional insurance companies are simultaneously members of a federation, 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 part of the responsibility for the development of the operations in which they have jointly invested. The development of joint business and the growth plans in recent years have led to the owner control of the regional insurance companies vis-à-vis Länsförsäkringar AB a greater focal point. Owner control has become an increasingly important element of the interaction between the regional insurance companies.

take into account the federal conditions of the cooperation between the companies.

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

Owner-control logic

The logic behind owner control centres mainly on the relationship between the

Boards of the regional insurance companies, Länsförsäkringar AB's General Meeting, the regional insurance companies' owner consortium and Länsförsäkringar AB's Board of Directors. Formal owner control takes place through the General Meeting, although 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. The Chairman of the consortium is appointed by the regional insurance companies.

Länsförsäkringar AB's Board is elected by the General Meeting, which comprises representatives of all shareholders. The Board is elected based on a process controlled by the owners through a Nomination Committee appointed by the General

Foundations of owner control

Länsförsäkringar AB is a limited liability company and also the Parent Company of a financial Group, with shares owned individually in various holdings by the 23 regional insurance companies and 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 the purpose of the ownership of Länsförsäkringar AB, the regional insurance companies have together created joint forms for owner control. Forms that comply with the requirements usually imposed on owner control and that at the same time



Meeting. The Nomination Committee's composition, mandate period and so forth are governed in the Articles of Association. The Chairman of the consortium is responsible for the process of renewing the Nomination Committee.

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

tion Committee works independently from the Board on behalf of the owners. At the same time, close interaction between the Nomination Committee and Board Chairman 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 also comprises the basis of the Nomination Committee's evaluation of the Board.

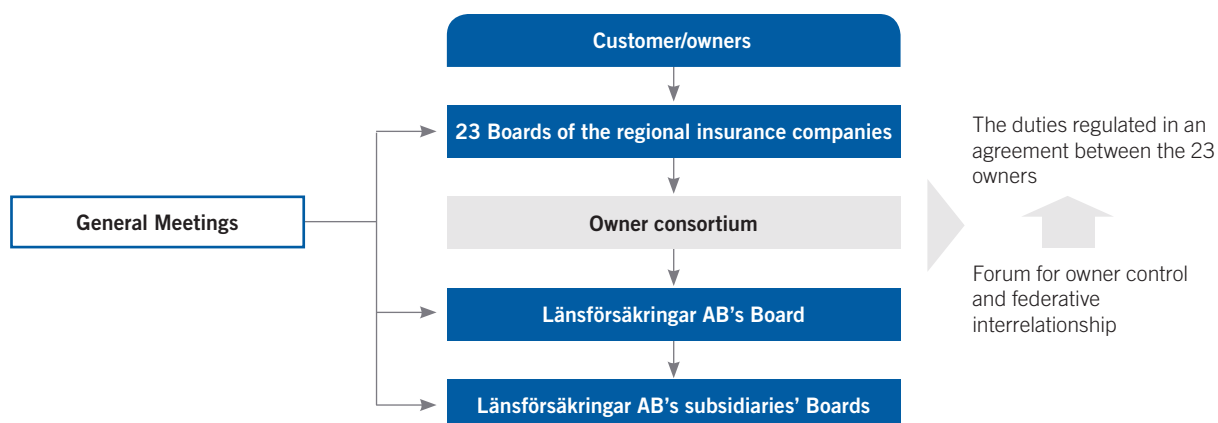
Länsförsäkringar AB's Board serves as the representative of the owners in the framework of the owners' intentions. Länsförsäkringar AB's Board pursues the strategies and targets that the owners agree on by the owners, thus performing the owners' assignments. At the same time, Länsförsäkringar AB's Board 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 in the consortium and is documented in, for example, the Länsförsäkringar Alliance's governance documents. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.



Owner control in the Länsförsäkringar Alliance

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



Sustainability for Länsförsäkringar AB

Sustainability. Länsförsäkringar AB's aim is to contribute to the sustainable development of society and generate greater value for customers.

Security for customers is inherent in Länsförsäkringar's mission since 200 years. The company values are based on a long-term approach since sustainability is not a strategy but a natural part of the operations.

Länsförsäkringar AB's sustainability work is based on the vision "Together we create security" and to generate greater value for customers.

Organisation and governance

The Sustainability Function conducts and coordinates sustainability activities. The function comprises a CSR Manager and an environmental coordinator. The Asset Management department has an individual in charge of responsible investments.

A sustainability committee comprising the Group's corporate management was formed during the year. The committee prepares decisions on strategic sustainability issues and business ethics is a fixed item on the agenda of sustainability committee meetings.

Code of conduct

Code of conduct is the fundamental governance document for sustainability. The code contains rules and guidelines that stipulate how Länsförsäkringar AB's employees are to act in their professional roles, both in relation to each other and in external contact with, for example, customers, supervisory authorities, suppliers, partners and the media. An e-learning course in the code was launched for all employees of the Group at the end of the year, and 80% of employees had completed the training by the start of 2015.

Integrity and anticorruption

Länsförsäkringar AB takes proactive action against all forms of corruption, which includes prevention of bribes, blackmail and other forms of corruption. This standpoint is also clearly stated in the code of conduct. Employees can contact their immediate manager or their manager's manager if they suspect any improprieties. A whistle-blower function has been

established as a complement to other reporting channels, and can be used for anonymous reports.

During 2014, there were no corruption incidents or other deviations from current legislation that resulted in fines or non-monetary sanctions against Länsförsäkringar AB. Neither Länsförsäkringar AB nor its subsidiaries received any government support during the year.

Manager meetings

Four meetings for all managers at Länsförsäkringar AB were arranged during the year on the following subjects: sustainability, social responsibility, environmental responsibility and economic responsibility. The aim was to enhance knowledge of sustainability and clarify managers' responsibilities for implementing sustainability in their respective operations, and to highlight that employees are also responsible for improving and developing sustainable working methods.

Länsförsäkringar AB's stakeholders

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.

Secure offering

Security for customers

Security for customers involves preventing claims, respect for customers' money and contributing to a safe and secure environment and surroundings. The product quality and advisory services of the banking, pension and insurance officering must also be adapted to customer needs.

Responsible investments

Länsförsäkringar AB invests in companies all over the world, directly and through external funds. These companies should manage risks and opportunities related to business ethics, the environment and social issues in a responsible manner in order to remain sustainable and competitive. Länsförsäkringar AB's view is that well-managed companies are a better investment in the long term.

To mark this standpoint, Länsförsäkringar Fondförvaltning signed the United Nations-supported Principles for Responsible Investment (PRI) in 2013. Länsförsäkringar AB also signed the PRI at the end of 2014.

Active ownership

Länsförsäkringar AB's ownership includes company dialogues on sustainability issues, active participation in nomination committees of portfolio companies to influence board compositions and voting at general meetings. A long-term objective is to increase diversity, in terms of gender, age and background, on the boards of the portfolio companies. Special attention is given to potential board members' skills, experience, diversity and time availability. In addition to active work on a more even gender distribution, there is to be a suitable balance between dependent and independent board members to ensure that the interests of minority owners are safeguarded. The size of the board should be a relevant number of members in relation to the complexity of the group.

During the annual general meeting season of 2014, the percentage of women board members increased from 23 to 26% in the companies in which Läns-

försäkringar participated in the nomination committee.

Länsförsäkringar AB votes at general meetings of the companies in which it has a substantial holding or where it is important to vote for other reasons. This mainly applies to companies that are part of Länsförsäkringar's own funds.

Based on international conventions Länsförsäkringar AB's work with responsible investments is based on the international conventions signed by Sweden in the areas of environment, human rights, child labour, labour rights, corruption and controversial weapons (nuclear weapons, cluster munitions and anti-personnel land mines).

Länsförsäkringar AB works together with an external service provider, GES Investment Services, to identify and analyse companies that contravene international conventions and norms. Based on these analyses, Länsförsäkringar AB seeks to use dialogue to exert an influence on companies that breach international norms. The aim with the dialogue is to stop breaches of conventions and influence the company to take preventive measure to prevent similar incidents. Dialogue is used in the first instance to influence the company, but if the desired result is not achieved, the holdings in the company can, as a last resort, be divested. Read more about Länsförsäkringar AB's owner policy, fund manager selection process, company dialogues and excluded companies on lansforsakringar.se

"Working on sustainability issues is a natural part of the operations for us since it concerns security for customers. Detailed claims and incident statistics and numerous partnerships, both in Sweden and abroad, make us a proactive player with the aim that the claims-prevention activities, our offering and the open research that we are involved in all lead to increased customer value and ultimately, a better society. Many new initiatives were taken during 2014 to coordinate and develop sustainability work moving forward."

Sten Dunér,
President of Länsförsäkringar AB



Activities in responsible investments	2014	2013
Number of reactive company dialogues on sustainability ¹⁾	26	25
Number of preventive company dialogues on sustainability ¹⁾	27	0
Number of excluded companies on 31 December	25	21
Number of votes casted on annual general meetings	14	16
Participation in number of nomination committees	18	14

¹⁾ In addition, GES Investment Services has dialogues with a large number of companies on behalf of Länsförsäkringar AB and other customers. Several of Länsförsäkringar AB's external fund managers maintain ongoing dialogue with companies on sustainability issues.

Preventive dialogue

Länsförsäkringar AB seeks to influence companies as a preventive measure. Two risk areas for further preventive dialogue were selected during the year. A dialogue was held with several cocoa companies on the risk of child labour in Ghana and Ivory Coast with the aim of eradicating child labour from the cocoa industry. Furthermore, companies in emerging markets that conduct animal breeding and food production were analysed. The purpose of the analysis was to identify the companies' strengths and weaknesses in sustainability risks compared with competitors. 14 companies were selected for continued dialogue, with the aim of encouraging these companies to strengthen their work in areas in which weaknesses were identified. Dialogues have been initiated and will continue in 2015.

Green insurance

The environmental consideration of Länsförsäkringar's offering is to provide clear value to both customers and society. For example, agricultural customers are offered a recycling insurance that is distributed in cooperation with Keep Sweden Tidy Foundation to reduce scrap and environmentally harmful waste. This service is considered to be one of the most important contributions to a cleaner Swedish countryside and was praised by Baltic 21, a regional initiative for sustainable development between the 11 countries in the Baltic Sea region.

The Claims on a Map service is a partnership with the Swedish Transport Administration and municipalities, aimed at preventing motor third-party liability claims by Länsförsäkringar providing detailed incident and accident statistics.

Responsible loan origination

Länsförsäkringar Bank grants loans exclusively in Sweden and primarily for private individuals' mortgages. Of the bank's borrowers, environmental and social risks are mainly found among agricultural customers and small businesses. Risk management activities take place in the credit scoring for these target groups. Environmental risks can affect both the repayment capacity of the borrower and the value of any collateral provided, and the loan application is rejected if the environmental risk is too high. If the borrower's operations contain risks regarding human rights, labour

law, corruption or other criminal activities, the economic risks are assessed, taking into account whether the risk should lead to the loan application being rejected.

Security and crime prevention

Länsförsäkringar AB's security activities encompass information security, IT security, physical safety and prevention of money laundering and other crime. All employees are trained in applicable laws, rules and procedures, primarily using online courses but also specialised training days. In 2014, 1,388 employees including selected consultants underwent Länsförsäkringar AB's safety training and 1,487 employees at Länsförsäkringar AB and the regional insurance companies were trained and certified in Anti Money Laundering (AML).

The Group conducts extensive efforts to minimise the risk of the operations being used or exposed to financial crime. Transactions are monitored actively to detect, for example, money laundering and financing terrorist activities. Other attempts at fraud, for example card fraud, are monitored, and a shared system for deviation reporting is in place at the Länsförsäkringar Alliance.

Uncertain insurance cases and fraud
Länsförsäkringar AB's investigation activities examine uncertain insurance cases and suspected fraud in insurance claims. The aim of these activities is that the right compensation is awarded to the right person, and that the measures are preventive. An important part of this work is training claims processors, cooperation and targeted activities. During the year, 45 claims processors in health care and accident and health insurance received training in this area.

Partnership with ECPAT

Länsförsäkringar Bank is part of the Swedish Financial Coalition Against Child Pornography. The Financial Coalition consists of organisations in the finance sector that work with ECPAT in Sweden (End Child Prostitution, Child Pornography, and Trafficking of Children for Sexual Purposes). The aims of the Financial Coalition are to prevent the Swedish payment system from being abused for the purchase of child pornography and trafficking of children for sexual purposes, and also to create opinion against such criminal activity.

Insurance with environmental consideration

Recycling service for agriculture



Agricultural customers are offered a recycling insurance that is distributed in cooperation with the Keep Sweden Tidy Foundation to reduce scrap and environmentally harmful waste in the Swedish countryside. In 2014, a total of 2,378 tonnes of scrap, 813 tonnes of plastic and 515 tonnes of hazardous waste was recycled from agricultural and rural properties.



Claims on a map

The Claims on a Map service is aimed at preventing motor third-party liability claims and is a partnership with the Transport Administration and municipalities. Using Länsförsäkringar's detailed incident and accident statistics, the results of the partnership include improved roads and car parks, road signs, roundabouts and changed speed limits in busy traffic areas across Sweden.

Environmental responsibility

Environmental consideration in the business

Environmental consideration at Länsförsäkringar AB primarily takes the form of preventing claims. Such activities also take place in cooperation with other companies, industry organisation and authorities throughout Sweden, focusing on, for example, climate impact, pro-environment lifestyle changes and increasing demands on sustainable construction. Campaigns and other ventures are regularly carried out to spread knowledge of risks and claims prevention. Länsförsäkringar AB's environmental management system has ISO 14001 certification and the environmental efficiency of the operations is continuously enhanced.

International partnerships

Länsförsäkringar AB signed the new Kyoto Statement of the Geneva Association in 2014 to emphasise its commitment to the environment. The Geneva Association, which has existed for 40 years, has a global partnership on economic, political and social issues in the insurance industry. The statement encourages the world's insurance companies to work together with customers, policy-makers and industry colleagues to help reduce environmental impact. Read more at genevaassociation.org.

Digitisation for customers and the environment

Digitisation simplifies communication with customers and reduces the impact on the environment from paper and the distribution of customer information. Digital distribution for retail customers was simplified during the year, e-invoices were introduced for corporate customers and car-insurance customers can receive their documents via online customer meetings. Video meetings are already a popular supplement to personal customer meetings.

The target for 2014 was that 30% of documents to customers are to be distributed digitally. The outcome was 27%, primarily due to the gradual development in technology. Paper print-outs internally declined 10% compared with 2013, and thus the target was achieved.

Requirements on suppliers

Länsförsäkringar AB's most important suppliers are found in the areas of IT, telephony, consultancy, facility management and communication services. The purchasing policy stipulates that goods and services are to be procured with the right quality, with the least possible environmental impact and at a cost that is financially advantageous. Environmental requirements include eco-labelled products, minimal environmental impact from transportation and proactive environmental efforts from suppliers. An assessment of compliance with these requirements by the 20 largest suppliers was commenced at the end of the year. In addition to environmental demands, the assessment included evaluating suppliers' work on internal governance and control, human rights, labour law and anticorruption. The assessment showed compliance with these requirements and that sustainability activities are a high priority among suppliers.

Internal decline in emissions

Länsförsäkringar AB's largest source of carbon emissions internally is electricity and heating at properties and business travel. Efforts are made to use renewable sources of energy and district heating is used for heating, 75% of which is entirely renewable and 11% is recycled fuel. The

electricity that is used has the Good Environmental Choice label and is thus entirely renewable. The office properties have Green Building certification since they consume at least 25% less energy than the current standard for new builds according to the Swedish National Board of Housing, Building and Planning's standards. One of the properties holds the Silver rating under the Sweden Green Building Council's standard, due to the choice of energy, construction materials and indoor environment.

The aims of the long-term environmental activities of property management are to improve the environmental performance of office premises, reduce energy and water consumption, and reduce the amount of residual waste.

Länsförsäkringar AB always endeavours to reuse office equipment as far as possible whenever it is to be scrapped or replaced. A full 80% of more than 2,400 pieces of scrapped office equipment could be reused in other operations during the year, for example, schools and associations, corresponding to a 220-tonne reduction in carbon emissions.

Employees are encouraged to use video, online and telephone conferences as an alternative and supplement to business travel. Employees are also offered bicycles and public transport travel cards for local travel during working hours.

One claim less benefits the environment

Claims are not only costly but also affect the environment. Every claim that is avoided is a benefit to the environment since it means less energy, materials and resources are used. Transportation and waste also decline or are completely avoided.

Water and fire damage claims and motor hull insurance claims have the greatest impact on the environment. Accordingly, Länsförsäkringar informs all policyholders, when they take out insurance, in continuous communication and in connection with claims, about claims risks and how they can be avoided and prevented. Some examples of claims-prevention projects in 2014:

- a driving force in producing an industry-wide strategy for increasing the safety of quad bikes
- campaign and raising awareness about the importance of using a helmet when involved in road activities



Quad bike strategy

At the Transportforum in Linköping in January 2015, Länsförsäkringar could present its work on producing an industry-wide strategy for increasing the safety of quad bikes.

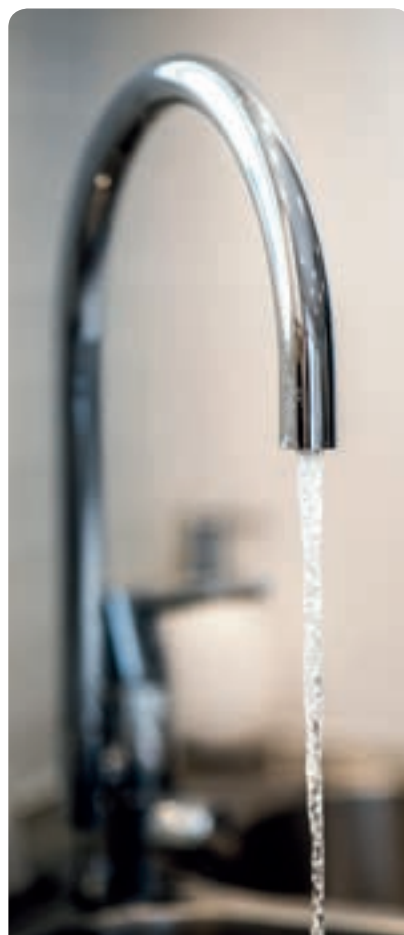
- improvements to analysis tools for the Claims on a Map service to prevent road-traffic accidents
- evaluation that partly renovating of bathrooms is a good opportunity for reducing costs and negative impact on the environment

The Länsförsäkringar Alliance hires contractors corresponding to an operation of 1,000 carpenters annually. Länsförsäkringar spreads knowledge to these contractors and conducts dialogues and imposes demands on safe construction methods and materials. Both contractors and care workshops are part of Länsförsäkringar's environmental and quality programme that was also improved during the year.

Vast resources go up in smoke

A fire at a home emits an average of no less than 25 tonnes of carbon dioxide – as much as a car emits after driving 125,000 km, equivalent to driving round the world three times. Fires also cause other emissions, for example, dust particles, hydrocarbons and nitrogen oxides. There are also chemicals running out into lakes and waterways with the firewater. Sanitising a house after a fire requires vast amount of energy and results in huge volumes of waste. Finally, there is restoration – new natural resources are used, processed, transported and put in place.

Claims-prevention advice also saves energy for customers and energy savings and claims-prevention measures can be made by carrying out regular home inspections.



Water damage – more expensive than you might think

One of the many costs incurred with average water damage is about 300 kg of carbon emissions. Manufacturing and handling of materials accounts for 210 kg, transport accounts for 80 kg and dehumidification for 10 kg. Manufacturing new materials is both energy-intensive and causes emissions of chemicals and heavy metals. New research shows that the cause of up to 90% of unhealthy indoor environments is damp. In other words, everyone stands to gain for constructing buildings without damp problems.

Water damage can be avoided by choosing the right materials and by installing indicators that show leaks at an early stage. Regular inspections of your home and maintenance of particularly the kitchen, bathroom, hot-water boiler and other places where there is water, save money and reduce the risk of water damage.

Environmental targets	Targets 31 December 2014	Target fulfilment 31 December 2014
Reduce amount of paper print-outs	10%, 85 trees	10%, 85 trees
Ensure that largest suppliers comply with sustainability and environmental requirements	20 largest	20 largest
Increase amount of digitally distributed customer information	30%	27%

Sources of carbon emissions	CO ₂ emissions, kg 2014	Consumption mWh 31 Dec 2014	CO ₂ emissions, kg 2013	Consumption mWh 31 Dec 2013
District heating – properties and offices ¹⁾	147,396	1,968	209,638	2,799
Electricity consumption – properties and offices ¹⁾	55,478	6,429	55,585	6,448

Sources of carbon emissions	CO ₂ emissions, kg 2014	Km driven 2014	CO ₂ emissions, kg 2013	Km driven 2013
Flights ²⁾	253,820	2,083,553	283,146	2,273,822
Rail journeys ²⁾	2	480,880	3	452,425
Car journey ²⁾	280,620	1,922,059	360,000	2,067,451

Sorted scrap for materials recycling ²⁾	Recycled, kg 2014	Recycled, kg 2013
Corrugated cardboard	12,075	24,147
Office mixed paper	23,400	25,860
Metal	2,912	3,040
Fluorescent tubes	520	460
Low-energy bulbs	1,130	464
Glass containers	2,430	3,512
Electronic waste	7,323	3,651

Key figures, kg	2014	2013
CO ₂ per employee	434	592
Waste per employee	78	84

¹⁾ Scope 2 under the GHG Protocol.

²⁾ Scope 3 under the GHG Protocol.

Social responsibility

Länsförsäkringar has a great commitment to society with the goal to reduce risks and create security for customers and in the environments where they live and work. This commitment is also expressed in active work on human rights, good working conditions and equality. Länsförsäkringar also conducts research to minimise claims and improve the offering. Claims-prevention activities have positive effects for both people and animals.

Claims-prevention activities

Health promotion services

Länsförsäkringar is one of Sweden's leading institutions in health care, accident and health insurance. Health care insurance includes health promotion and illness-prevention services, such as personal counselling, manager support via telephone and health profiles for employees and entire organisations. The insurance also includes work-oriented rehabilitation and treatment for substance abuse. The website lansforsakringar.se provides support for lifestyle changes, such as reducing stress or establishing healthy habits.

Claims prevention in animal insurance



Agria, Sweden's animal-insurance market leader, has several claims-prevention industry partnerships. Customers receive information and advice through training courses and other efforts. One of the services is the Telephone Vet, a health care information service that is open evenings

and weekends when veterinary clinics are often closed. Agria also awards grants and prizes to customers.

Research

Länsförsäkringar AB and the regional insurance companies support scientific research into security for people through the Foundation for Regional Insurance Companies' Research Fund. The research is to contribute to greater financial and physical security in society and the results are available to the public. The research prioritises two themes, secure homes and unprotected road-users. In 2014, financing was granted for two major research programmes focusing on adjustments to future climate changes and a secure home, and a programme on wheel-bound unprotected road-users.

Agria's Research Fund supports research into the types of animals that Agria insures. Research grants, which are based on a portion of premiums earned, are targeted to animal health and the importance of animals to people and society. Agria has unique, extensive claims statistics that are of high importance to animal care in Sweden.

Other social commitment

Other forms of social commitment exist alongside Länsförsäkringar AB and the regional insurance companies' investments in society that are most closely related to the business. Some examples are:

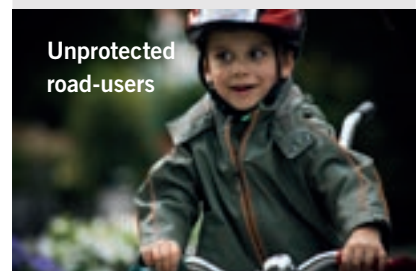
- Länsförsäkringar AB often provides support in connection with major natural disasters, particularly when most of the assets are uninsured and there is a widespread need for relief efforts to combat disease or assist with destruction.
- Every Christmas, Länsförsäkringar AB supports an organisation that employees vote for. In 2014 the employees chose ECPAT.
- Agria supports My Big Day and Agria's Pony Club works together with the Swedish Childhood Cancer Founda-

Projects financed by the Research Fund



In 2014, the Centre for Climate and Safety at Karlstad University was awarded SEK 8 M for its research programme "Lower climate risk in the buildings and homes of the future – lessons from past events and urban planning."

Mid Sweden University received SEK 4 M for studies into people's attitudes and behaviours towards climate risks in the research project "Secure homes, climate change and future insurance: knowledge generation for future planning." The project is a partnership between three research environments at Mid Sweden University: the Centre for research on Economic Relations, the Risk and Crisis Research Centre and the Forum for Gender Studies and Equality.



The Swedish National Road and Transport Research Institute was awarded SEK 12 M for the interdisciplinary research programme entitled "Safer cyclists on the road – greater safety for wheel-bound, unprotected road-users." The programme is to help increase safety on the road and contribute to national road safety targets of fewer fatalities and casualties on the road.

tion. In 2014, Agria organised for four young people and their families to visit Falsterbo Horse Show.

- Länsförsäkringar AB decided in January 2015 to become a regional partner of My Dream Now, a class coaching programme for employees of Länsförsäkringar AB. The aim of the programme is to help young people in areas with high unemployment to believe in the future and to prevent social exclusion.

International partnerships

Länsförsäkringar AB is a member of AMICE (Association of Mutual Insurers and Insurance Cooperatives in Europe) among others. The AMICE partnership has a CSR working group to facilitate the exchange of information and experience between members.

EMPLOYEES

Länsförsäkringar AB has 1,630 employees (1,535), of whom women numbered 948 (876) and men 682 (659).

Competent leadership, active change management, a positive work environment and dedicated employees are important prerequisites and focus areas. The 2014 employee survey revealed that employees believe that these ambitions have also been achieved.

Attracting talent

For the twelfth consecutive year, Länsförsäkringar was awarded “The Insurance Industry’s Most Attractive Employer” from economics students who took part in Universum’s Corporate Barometer survey. In the survey’s financial companies category, Länsförsäkringar Bank came fifth and real-estate broker students ranked Länsförsäkringar Fastighetsförmedling third.

The Summer Graduates programme has the aim of introducing Länsförsäkringar AB as an attractive employer for students. Students gain an insight of the operations and the range of different roles and duties that are on offer.

Health and working environment

Investments in health and the working environment are based on the approach that physical activity at work increases

efficiency, reduces sickness absence and improves social cohesion. Many opportunities for preventive health care are available to promote employee health, social cohesion and performance. Employees at the Stockholm office can make use of the company’s own fitness facility during working hours once a week, while employees at other locations are offered a health care grant.

All employees have health care insurance that provides rapid access to private health care. This insurance includes medical consultations, personal counselling and preventive health services. Both health and performance are continuously followed up in talks between managers and employees and in the annual employee survey. A clear rehabilitation process is implemented in the operations. The responsibility involves supporting employees in cooperation with occupational health care services to help them return to work as soon as possible. Sickness absence of 2.8% (2.7) remains at a very low level.

Employeeeship

Employeeeship at Länsförsäkringar AB involves employees assuming responsibility for their own health, competencies and performance. This responsibility is described in the personnel policy and the performance management work model. An employee profile based on the values was produced during the year and will be introduced in 2015. The aim of the profile is to clarify employees’ responsibilities in relation to managers’ responsibilities.

Every employee receives feedback at monthly follow-up talks with their immediate manager. Employeeeship also involves actively contributing to improvements to the operations, for example, through Länsförsäkringar AB’s lean process, which is to develop the company’s overall work on continuous improvements.

Leadership

During the year, Länsförsäkringar AB’s managers took part in a two-day course to develop their leadership skills and practice particularly in challenging situations. The course was part of the introduction of the recently produced leader profile.

The manager and leader supply process

was developed during the year to better identify successors to managerial and key positions in the short term, as well as employees who have potential to take senior or key roles in the longer term. The process was also aimed at increasing equality, with both a man and a woman sought for each position.

Furthermore, a review of internal manager training courses was initiated for the purpose of linking modern managerial training to the operations, performance management, manager supply and identified development requirements.

Recruitment and skills

The business planning includes a continuous review of skills requirements and recruitment. The internal training activities offer courses in the areas of life assurance, banking, non-life insurance and leadership training commissioned by the Länsförsäkringar Alliance. A total of 5,300 training courses were held for employees from the Länsförsäkringar Alliance during the year, of which 980 from Länsförsäkringar AB. The leadership course attaches great importance to learning and development in daily work duties, for example via mentoring or reality based projects in day-to-day activities.

Internal mobility is another opportunity for employees to broaden their skills and for Länsförsäkringar AB to leverage the experience and skills found among its employees. In 2014, about 550 positions at the Länsförsäkringar Alliance were recruited from internal candidates.

Equality and diversity

The equality and diversity plan is established by corporate management. The HR function is responsible for overall activities, coordination, follow-ups and managerial support based on the targets and action plans set. Managers are responsible for equality and diversity in their groups.

During the year, Nyckeltalsinstitutet (Institute of Human Resource Indicators) analysed Länsförsäkringar AB’s equality work. The conclusion was that Länsförsäkringar AB is ahead of other companies in the finance industry with an equality index of 124 (119). A salary survey is performed every three years according to law. The most recent salary survey was

carried out in 2013 and showed that there are no salary differences between the genders in similar job positions. No cases of discrimination were reported in 2014.

Qnet, a network for future women in management at Länsförsäkringar AB, seeks to expand the contact network for its members and prepare them for a managerial role.

Wasa Kredit works together with Glada Hudik Theatre to inspire and inform customers and employees about diversity and skills. Wasa Kredit also has a partnership with Peritos that offers recruitment of young people who attended upper secondary school for pupils with learning disabilities.

Targets for greater equality

The overall target for all employees is to perceive Länsförsäkringar AB as an equal opportunity workplace. This is monitored in the annual employee survey. The target for 2014 was for 80% of female employees to perceive Länsförsäkringar AB as an equal opportunity workplace. The outcome was 73% (70), which is an improvement and activities are continuously taking place in this area.

Another target is an even gender distribution among managers at all levels, meaning 50/50 in corporate management, at head of department level and at group management level. The target was achieved at corporate and head of department level. See also the table.

EMPLOYEE STATISTICS LÄNSFÖRSÄKRINGAR AB GROUP INCLUDING LÄNSFÖRSÄKRINGAR LIV

Employees	2014	2013
Permanent employees, total	1,630	1,535
of whom, men	682	659
of whom, women	948	876
Permanent employees recruited externally during the year	165	140
Permanent employees who have left and now work at another company in the Länsförsäkringar Alliance	4	8
Permanent employees who left during the year	98	102

All employees, except for corporate management, have collective agreements. The minimum period of notice for changes in the operations is not regulated in the collective agreements. Länsförsäkringar AB complies with the Swedish Employment (Co-determination in the Workplace) Act.

	2014	
Permanent employees recruited externally during the year	Women	Men
0–30 years of age	24	24
31–40 years of age	33	27
41–50 years of age	26	14
51–60 years of age	8	7
61–	–	2

New figures for 2014. No comparative figures are available for 2013.

Age range, all employees	2014	2013
0–30 years of age	164	126
31–40 years of age	454	423
41–50 years of age	547	545
51–60 years of age	373	383
61–	92	58
Average age, women	44	44
Average age, men	45	45

Sickness absence, %	2014	2013
Total sickness absence as a percentage of ordinary working hours	2.8	2.7
Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more (long-term sickness absence)	40.9	34.5

	2014		2013	
Age range, managers	Female managers	Male managers	Female managers	Male managers
0–30 years of age	2	5	1	3
31–40 years of age	25	25	21	27
41–50 years of age	44	49	38	48
51–60 years of age	22	32	15	32
61–	2	9	3	3
Total	95	120	78	113
Total	215		191	

Average age, managers	2014	2013
Women	46	45
Men	47	46

	2014 ¹⁾	
Gender distribution among managers, change in %	Women	Men
Corporate management	50 %	50 %
Heads of department	50 %	50 %
Group managers and team leaders	40 %	60 %
Total managers	42 %	58 %

¹⁾ Distribution based on Jämix statistics from May 2014.

	2014		2013	
Gender distribution among management and Board, number	Women	Men	Women	Men
President	3	6	3	7
Management teams ²⁾	26	41	21	42
Board members ³⁾	42	50	24	50

²⁾ Includes union representatives

³⁾ Regular members including union representatives

More information about Länsförsäkringar AB's sustainability work is available from the website lansforsakringar.se

GRI

Länsförsäkringar AB's 2014 Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI), which is a voluntary framework for reporting sustainability information. GRI Sustainability Reporting Guidelines, version 3.0 were applied. Länsförsäkringar AB's self-assessment is that its Sustainability Report meets the requirements of Application Level C. The report has not been audited by a third party. The most recent Sustainability Report was published in March 2014.

Unless otherwise stated, the information pertains to the Länsförsäkringar AB Group. The Sustainability Report, together with the Annual Report, are to provide a fair indication of Länsförsäkringar AB's economic, environmental and social performance and earnings. The content has been defined based on an analysis of the most important issues to the operations and Länsförsäkringar AB's ability to provide disclosures.

No corrections were made to previously collected data. The measurement

methods, scope and boundary were the same as in previous years.

The table below includes standard disclosures and the core indicators, additional indicators, sector supplements reported by Länsförsäkringar AB.

For more information about the Sustainability Report and its content, contact Anna-Lena Löfvenberg, CSR Manager at Länsförsäkringar AB by e-mail anna-lena.lofvenberg@lansforsakringar.se or telephone +46 73 96 415 16.

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Legend:

■ Fully reported

■ Partially reported

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 2014 fiscal year.

Ownership and Group structure

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies and 16 local insurance companies.

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 Försäkrings AB 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 is primarily based on the owners' yield requirements and risk tolerance. The business activities are conducted to generate a profit so that the company can pay competitive returns on equity. Business service and Länsförsäkringar's joint development activities are conducted in the support functions of the Business Support unit. The accounting, capital planning and Group controller functions are part of the Finance unit. The Asset Management unit manages the Parent Company's and insurance operations' investment portfolios.

Significant events during the year

A new share issue of SEK 500 M took place in June to strengthen the Länsförsäkringar AB Group's financial position.

On 30 December 2014, Länsförsäkringar Sak transferred and reinsured a portfolio of run-off motor third-party liability insurance to the regional insurance companies. New sales of motor third-

party liability insurance, with the exception of some commercial automotive business, were transferred to the regional insurance companies in 2004 and the recently transferred portfolio pertains to claims reported in 2004 or earlier. The transfer comprises outstanding motor third-party liability claims and the annuities associated with the transferred portfolio. In total, commitments corresponding to SEK 7,214 M were transferred, of which SEK 4,647 M pertained to annuities.

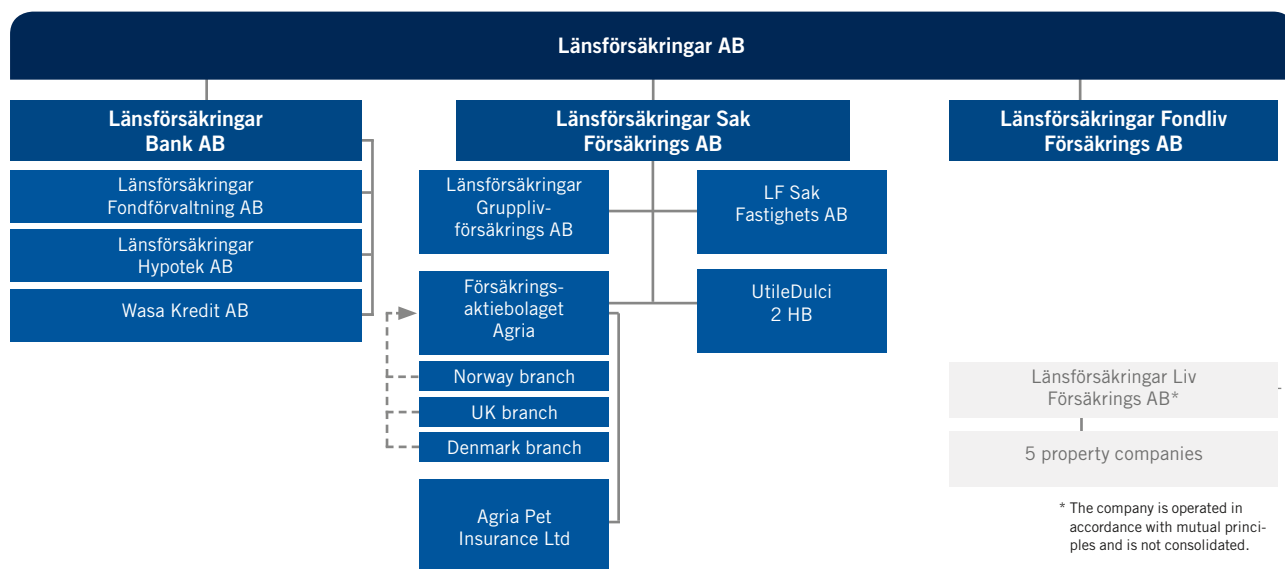
Significant events after balance-sheet date

The Extraordinary General Meeting held on 3 March 2015 resolved on a new share issue of SEK 600 M in Länsförsäkringar AB in order to strengthen the capital situation of the consolidated bank situation.

Expectations regarding future development

Technological advances are driving the change work of the financial industry at a fast rate. Such developments both facilitate and obligate change. Customer demand for availability and flexibility is increasing in line with digitisation and a financial company needs to be available around the clock, every day of the week. Being available also means following the strong consumer-driven trend for digital services. It is important to understand the rapid changes

Länsförsäkringar AB Group structure, 31 December 2014



that are taking place and be able to meet new requirements and behaviour patterns. Customers value digital services more highly and are prepared to choose a supplier based on the company's ability to understand and adapt. Packaging products and services in digital services will be crucial to remaining competitive. Länsförsäkringar has an ambitious goal profile to be at the forefront and be the best in digital advances.

The macroeconomic conditions are of great importance to continued developments in the banking and insurance industry, and politicians' efforts to protect consumers and increase stability in the financial system will continue to feature in the industry. This will lead to continued pressure on regulating companies and a need for rapidly adapting the operations and converting regulatory requirements into business advantages.

Earnings and financial position

The Group

The Group's operating profit strengthened on the basis of volume increases and cost controls, and amounted to SEK 1,469 M (923). The return on equity improved to 7% (5). The earnings trend was positive in all business units and the non-life insurance operations accounted for the largest increase with operating profit rising to SEK 791 M (427). The increase was primarily due to very high earnings in Agria and stronger investment income. The bank's operating profit strengthened to SEK 935 M (647), primarily attributable to increased net interest income, higher commission income and lower loan losses. The managed assets of unit-linked insurance operations increased 21% to SEK 94 billion (77), which contributed to Länsförsäkringar Fondliv's operating profit strengthening to SEK 373 M (247).

The Group's earnings were charged with amortisation and impairment totalling SEK 656 M (492). The increase was mainly attributable to impairment of intangible assets as a result of adjusted calculation conditions. Amortisation of intangible assets of SEK 138 M (135) from the acquisition of Länsförsäkringar Fondliv was charged to earnings.

The total return for 2014 was 4.8% (neg: 0.4). The fixed-income portfolio contributed 0.9 percentage points, properties 0.6 percentage points, equities 0.6 percentage points and investments in hedge funds 0.3 percentage points, while currencies impacted the total return by a negative 0.1 percentage points. The largest positive con-

tribution was from the liability hedge of 2.5 percentage points and liability hedge was the main reason for the improved return in 2014.

Länsförsäkringar Sak managed the entire annuities operations for the Länsförsäkringar Alliance until 30 December 2014, when large parts of these operations were divested to the regional insurance companies. 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 positive result from the liability hedge was offset by a negative change in the effect of interest-rate revaluations on the annuity reserve. In conjunction with the portfolio transfer, the liability hedge was discontinued. Excluding the liability hedge, the total return amounted to 3.1% (3.1).

The Länsförsäkringar AB Group's total assets increased to SEK 355,933 M (322,550).

The Group's capital situation

The Länsförsäkringar AB Group is a financial conglomerate and consolidated reporting requirements were introduced during the year under the regulations for banks and insurance companies. Consolidated regulations for insurance mean that the solvency situation will be tested for a single group comprising Länsförsäkringar AB Group's insurance subsidiaries – Länsförsäkringar Sak, Länsförsäkringar Fondliv and Länsförsäkringar Liv – together with Länsförsäkringar AB. Net capital surplus in the insurance group amounted to SEK 1,343 M.

Due to introduction of the Capital Requirement Regulation (CRR) (575/2013), Länsförsäkringar Bank will be subject to a change of rules regarding the reporting of capital adequacy concerning the bank's consolidation level. Under the CRR, the consolidated situation is to also include the Parent Company Länsförsäkringar AB, in addition to the Bank Group. The capital base of the consolidated situation amounted to SEK 10,514 M, the capital adequacy ratio to 17.5% and the Core Tier 1 ratio to 13.9%. Core Tier 1 capital and Tier 1 capital amounted to SEK 8,369 M.

Group equity rose SEK 1,674 M during the year, primarily due to high earnings and

the regional insurance companies and local insurance companies signing a new share issue in the amount of SEK 500 M in June. Solvency capital totalled SEK 19,767 M (18,031) and the solvency margin amounted to 455% (420).

Capital surplus, net in the financial conglomerate, applying the new rules on transferability of surpluses, amounted to SEK 2,814 M.

Parent Company

Profit after financial items for the Parent Company amounted to SEK 767 M (249). Dividends and Group contributions from subsidiaries amounting to SEK 1,254 M (521) contributed to financial earnings. Operating income amounted to SEK 2,491 M (2,503) and primarily comprised service income from consultancy activities in the support functions of IT and development and service. An impairment loss on the holdings in Länsförsäkringar Liv Försäkrings AB had a negative impact of SEK 200 M (100) on earnings. This impairment loss is the result of reduced synergy effects following the discontinuation of underwriting new insurance policies in Länsförsäkringar Liv. Administration expenses amounted to SEK 2,714 M (2,590), of which the largest items were staff costs and IT expenses.

Total assets amounted to SEK 19,165 M (18,477), of which equity accounted for SEK 15,476 M (14,228).

Proposed appropriation of profit

Consolidated non-restricted equity amounted to SEK 11,054 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 9,699,461,009 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	4,906,737,105
Retained earnings, SEK	4,000,970,599
Net profit for the year, SEK	791,753,305
Non-restricted equity, 31 December 2014, SEK	9,699 461,009

The Board of Directors proposes that SEK 9,699,461,009 of the unappropriated earnings in the Parent Company be carried forward, of which SEK 4,906,737,105 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 regional insurance 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 health care, accident and health and commercial special insurance and international reinsurance, and manages the Länsförsäkringar Alliance's overall reinsurance cover. Länsförsäkringar Sak also conducts claims annuities operations and certain run-off transactions. On 30 December 2014, Länsförsäkringar Sak transferred and reinsured a portfolio of run-off motor third-party liability insurance to the regional insurance companies. New sales of motor third-party liability insurance, with the exception of some commercial automotive business, were transferred to the regional insurance companies in 2004 and the recently transferred portfolio pertains to claims reported in 2004 or earlier. The transfer comprises motor third-party liability claims that are outstanding and the annuities associated with the transferred portfolio. Länsförsäkringar Sak's subsidiary Länsförsäkringar Gruppliv underwrites group life assurance and employment group life assurance. The subsidiary Agria Djurförsäkring is specialised in animal and crop insurance. This specialisation involves a streamlined focus on and involvement with animals and their owners. Agria Djurförsäkring's subsidiary Agria International, which has the task of establishing and conducting the

Agria concept in foreign markets, was merged with Agria Djurförsäkring during the year. The merger creates better conditions for a more efficient company with lower operating expenses.

Agria's international operations are conducted in branches in the UK, Norway, Denmark and in an administration company in the UK, Agria Pet Insurance Ltd.

Earnings and profitability

Operating profit amounted to SEK 791 M (427), attributable to both a stronger technical result and higher investment income. The technical result for insurance operations amounted to SEK 611 M (434).

The earnings improvement was attributable to a stabilised claims-cost trend in animal insurance, combined with a higher premium level. Lower expenses for depreciation and for Solvency II adjustments also contributed to the earnings improvement.

The portfolio transfer that took place with the regional insurance companies corresponding to commitments of SEK 7,214 M, of which SEK 4,647 M pertain to annuities, had a positive effect of SEK 20 M on the technical result. The portfolio transfer generated nonrecurring effects on both premiums earned and claims payments, which affected key figures. Premiums earned after ceded reinsurance amounted to SEK 4,099 M (4,122), with the decline due to the nonrecurring effect of the portfolio transfer of SEK 500 M. Adjusted for the nonrecurring effect, premiums earned rose 12%. Portfolio growth and a higher premium level in Agria's pet insurance and accident and health insurance were the main drivers of the volume increase.

Claims payments after ceded reinsurance amounted to SEK 2,670 M (2,940), resulting in a claims ratio of 65% (71). Adjusted for nonrecurring effects generated by the portfolio transfer, the claims ratio was 70%. The improved claims ratio was attributable to stabilised claims costs in animal insurance and positive run-off

results. In animal insurance, the average claims cost for veterinary care was at the same level as in the preceding year, although the number of veterinary visits is continuing to increase. This run-off profit was primarily attributable to accident and health insurance and marine and cargo insurance.

The expense ratio was 23% (22). The decrease was due to transfer of the motor third-party liability insurance portfolio. All insurance classes reported a profit, except for the motor hull business which was impacted by large individual claims during the year. Commercial insurance was impacted by higher reserves in casualty insurance due to the uncertain legal situation regarding life-assurance brokerage operations.

The combined ratio improved primarily due to increased premiums earned combined with a stable claims costs trend and amounted to 88% (93). Adjusted for non-recurring effects of the portfolio transfer, the combined ratio was 90%. Investment income transferred from financial operations amounted to SEK 132 M (156).

Market

The non-life insurance market is mature but increased slightly more than 4% during the year, measured in premiums paid. Growth is taking place in, for example, animal and accident and health insurance.

The animal-insurance market grew during the year. The high level of insurance in Sweden entails limited growth potential and, accordingly, Agria Djurförsäkring has worked for several years towards establishments in other markets. Operations are currently conducted in Denmark, Norway and the UK. The restructuring of veterinary care, which characterised the Swedish market in 2013, has now stabilised and the rapid rate of increase in costs for veterinary care has levelled out.

The market for accident and health insurance increased about 3% during the

year. Growing concern that social insurance in Sweden will be insufficient and greater household indebtedness impacted market performance. A rising number of people are buying private insurance to increased their financial security in the event of illness, accident, unemployment, pensions and death. 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 and keep a business healthy. The health care insurance market is growing and more than 600,000 people currently have health care insurance. Competition in the market is fierce, particularly in the market for medium-sized and large companies. Profitability in the market is also generally weak and most competitors have introduced various deductible options and raised premiums. Part of the growth in the market in recent years has been in insurance with limited content, for example, policies that only provide coverage for accidents. Some competitors have introduced similar claims prevention services in their health care insurance to those presented by Länsförsäkringar in 2013.

The number of players in the corporate market is continuing to increase, which is resulting in further price pressure in several segments. Portfolio procurements from larger insurance brokers are more and more common and Länsförsäkringar Sak signed a large motor hull insurance portfolio during the year. The price pressure in marine and cargo insurance stagnated slightly, although there are no indications that premiums are starting to rise. Competition in casualty insurance has further intensified through new establishments and with insurance companies that previously focused only on large companies now also cultivating the same market segments (small and medium-sized businesses) as Länsförsäkringar Sak.

In the reinsurance market, the world's reinsurance capacity is greater than ever due to robust earnings. Record low inter-

est rates have attracted new investors to the industry, to established companies, Lloyd's syndicate and various mutual funds, resulting in pressed prices.

Agria Djurförsäkring

Agria Djurförsäkring is a market leader in Sweden, with a market share of 59%.

Premiums earned amounted to SEK 2,395 M (2,043) and the technical result was SEK 309 M (178). Operating profit amounted to SEK 306 M (177).

In the Swedish operations, the pet-insurance business reported sharp increases in business volumes. Despite the already high market share, more and more animal owners are choosing Agria as their insurance company.

The livestock business delivered firm, positive earnings due to the stable health levels among production animals. Insured crop areas remained stable, while the 2014 crop season was affected by severe regional rain-spells and heavy hailstone showers. The operations in Norway offset challenges in the form of higher veterinary costs by adjusting premiums and deductibles, meaning that the business could post positive earnings. Growth was very positive in Denmark. Agria is one of the dominating players in animal insurance in Denmark. Agria in the UK consolidated its product range and earnings are continuing to perform well at a stable, positive level.

Business Area Health

Premiums earned in Business Area Health amounted to SEK 1,108 M (1,043) and profit amounted to SEK 130 M (162).

The lower profit was primarily due to a lower run-off result in group life assurance. Claims costs in health care insurance remained high during the year and a number of measures were taken to turn around the trend, for example, increasing premiums and deductibles. Other parts of accident and health insurance delivered stable, positive earnings. Brokered sales performed positively. Business Area

Health both renewed existing and underwrote new brokered agreements during the year, resulting in an increase in the portfolio of brokered insurance. In 2014, sales of the new, more comprehensive health care insurance continued and health care insurance packaged with claims prevention services and rehabilitation, occupational pensions and commercial insurance displayed a favourable trend. This health care insurance supports employees in their efforts to achieve better health and helps companies reduce sickness absence rates. With highly satisfied health care insurance customers and a large market share in commercial insurance, Länsförsäkringar is well-positioned for growth.

A new insurance policy, Bo Kvar, was launched during the year in cooperation with Länsförsäkringar Bank. This policy provides financial protection for the bank's mortgage customers in the event of death, illness or unemployment. Accident insurance was developed and modernised during 2014. Trends towards increased digitisation of the operations are continuing and a large number of insurance policies are now taken out digitally.

Business Area Commercial Special Insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers with specialised casualty, marine and cargo, motor hull and property insurance solutions. Länsförsäkringar increased premium volumes in its motor hull, marine and cargo and casualty business despite intense competition in the market.

Premiums earned amounted to SEK 611 M (548) and earnings to SEK 67 M (69).

The portfolio in marine and cargo insurance has gradually grown over a number of years. The business has steadily reported positive earnings despite premiums remaining at a low level. Länsförsäkringar Sak stopped underwriting new and renewing casualty insurance for the

life-assurance brokerage operations in September due to the uncertain legal situation. The reason for the stop is that there are differing opinions on whether investment advice is included in insurance brokerage. Combined with the product range in the life-assurance market becoming increasingly complex, this makes it more difficult to gain an overview of the types of products and insurance that are included in the life-assurance broker's operations.

Reinsurance

Länsförsäkringar Sak manages the Länsförsäkringar Alliance's joint reinsurance cover and internal Alliance reinsurance with a number of pool solutions. The internal reinsurance and the reinsurance jointly procured for the Länsförsäkringar 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. Länsförsäkringar Sak also underwrites a highly diversified portfolio in internationally assumed reinsurance.

Premiums earned amounted to SEK 487 M (488), a decline due to fiercer competition and pressed prices. Profit amounted to SEK 47 M (45).

The Länsförsäkringar Alliance was affected by a number of natural catastrophes during the year. The largest was the forest fire in Västmanland, which is estimated to cost about SEK 370 M, although there were also major claims from torrential rains and flooding damage. Torrential rain in Malmö led to the largest claim that is estimated to cost approximately SEK 160 M. These claims were internal reinsurance within the Länsförsäkringar Alliance. Some of the costs for the forest fire were recouped from the Alliance's catastrophe insurance and some of these claims were also recouped from external annual aggregate cover. The Länsförsäkringar Alliance's reinsurance cover was renewed for 2015 without any major changes and at a slightly lower price.

In terms of claims, 2014 was a very good year for the international reinsurance

market, without any major natural disaster claims. Länsförsäkringar Sak's internationally assumed reinsurance business posted healthy earnings, but was negatively affected by the claims trend for flooding, hailstone and storm-related claims in 2013. The assumed, international reinsurance business was also renewed without any major changes. Claims-free contracts were often given price reductions.

Investment income

The Länsförsäkringar Sak Group's total return amounted to 5.7% (neg: 0.9). Länsförsäkringar Sak applies liability hedging to hedge interest-rate risk in the discounted annuity reserve. The higher return in 2014 was largely due to the liability hedge, which accounted for the largest positive contribution to the total return during the year, 3.2 percentage points. The liability hedge consisted of nominal and real fixed-income assets and comprised about 30% of the investment assets during the year. Due to falling interest rates in 2014, the total return on fixed-income assets was positive. However, the positive result from the liability hedge was offset by a correspondingly negative interest-rate revaluation effect on the annuity reserve. In conjunction with transferring the annuity reserve portfolio, the liability hedge was discontinued. Properties, which at year-end amounted to about 28% of the investment assets, represented the largest positive contribution of 0.8 percentage points. The fixed-income portfolio contributed 0.6 percentage points, investments in hedge funds 0.3% percentage points, and currencies 0.2 percentage points.

Excluding liability hedging, the total return amounted to 2.8% (3.1). The lower total return compared with the preceding year was largely attributable to a lower contribution from properties, while credits in the fixed-income portfolio, investments in hedge funds and currencies generated higher contributions year-on-year.

NON-LIFE INSURANCE

Technical result

PROFIT SEK **611 M**
an increase of 41%

Business volumes increased

VOLUMES **12%**

Combined ratio improved to

PERCENT **88%**

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. Länsförsäkringar Bank is the fifth largest retail bank in Sweden with business volumes of SEK 354 billion and 927,000 customers. The strategy is to offer the Länsförsäkringar Alliance's customers attractive banking services. Close customer relationships are created during personal meetings at 128 of the regional insurance companies' branches throughout Sweden and via digital services and telephone. The aim is to create the best customer value, maintain healthy growth in volumes and profitability at low risk, and to increase the share of customers who have both banking and insurance with Länsförsäkringar. Länsförsäkringar has Sweden's most satisfied retail bank customers according to the Swedish Quality Index, and in 2014 was named Bank of the Year by Swedish financial magazine *Privata Affärer* for the third time. The number of Länsförsäkringar Bank customers rose 5% to 927,000 (879,000). The number of customers with Länsförsäkringar as their primary bank increased 10% to 350,000 (319,000) and of these customers 93% (94) are already insurance customers. The number of products per customer amounted to 5.0 (4.9).

Earnings and profitability

Profit before loan losses increased 20% to SEK 927 M (773) and operating profit rose 45% to SEK 935 M (647) due to higher net interest income, increased commission income, improved net gains from financial items and lower loan losses. Return on equity strengthened to 8.3% (6.7).

Operating income rose 17% to SEK 2,454 M (2,104), due to higher net interest income, improved net gains from financial items and increased commission income. Net interest income increased 16% to SEK

2,580 M (2,230), mainly attributable to higher volumes and improved margins. The investment margin strengthened to 1.15% (1.06).

Net gains from financial items improved to SEK 98 M (loss: 86), primarily as a result of negative effects of changes in fair value being recognised in the preceding year, combined with the repurchase of own bonds. Commission income increased 15% to SEK 1,312 M (1,140) due to higher income in the card and fund business. The number of bank cards rose 10% to 425,000 (388,000). Net commission amounted to an expense of SEK 424 M (253), attributable to higher remuneration to the regional insurance companies related to higher business volumes and increased profitability, and increased administration costs in the securities business.

Operating expenses rose 15% to SEK 1,526 M (1,331), primarily due to impairment of SEK 123 M resulting from changed calculation conditions for certain intangible assets. The increase was also related to the fund company's higher administration costs related to increased volumes. The cost/income ratio was 0.62 (0.63) before loan losses and 0.62 (0.69) after loan losses.

The settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to the business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission. The transition means that the Bank Group's credit reserves attributable to the regional insurance companies' business on the date of introduction will gradually reduce by SEK 158 M over a period of two years, and SEK 67 M was reversed during the year. Loan losses are low at SEK -7 M (126), net, corresponding to loan losses of 0.00% (0.08). Reserves totalled SEK 344 M (422), corresponding to a reserve ratio

in relation to loans of 0.19% (0.25).

Impaired loans, gross, amounted to SEK 316 M (393), corresponding to a percentage of impaired loans, gross, of 0.17% (0.23).

Market and business volumes

Deposits from the public rose 11% to SEK 77 billion (69). Deposits from small businesses amounted to SEK 9.5 billion (8.6) and the number of deposit accounts rose 8%. On 31 December 2014, the market share strengthened to 4.7% (4.5) according to Statistics Sweden. The volume of managed funds increased 20%, or SEK 17 billion, to SEK 100 billion (83). The increase was primarily due to the positive growth in market value and positive inflows.

Loans to the public rose 11% to SEK 179 billion (162). All loans are granted in Sweden and in SEK and have a well-diversified geographic distribution. Retail mortgages in Länsförsäkringar Hypotek increased 12% to SEK 126 billion (112). On 31 December 2014, the market share of household lending was 5.2% (5.0), according to data from Statistics Sweden. The market share for retail mortgages on 31 December 2014 was 5.1% (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 20.3 billion (18.3) and agricultural lending increased 9% to a total of SEK 22.4 billion (20.7). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 90% (89) of agricultural loans. Loans to small businesses totalled SEK 1.5 billion (1.7) on 31 December 2014.

Funding

Debt securities in issue rose 4% to SEK 129 billion (124), of which senior funding accounted for SEK 23 billion (22) and covered bonds for SEK 101 billion (99). The Bank Group has a 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. Also, the bonds issued by the bank in 2014 have longer average maturities than other maturities in recent years. Funding is diversified by issuances in SEK, EUR, CHF and NOK.

Issued covered bonds amounted to a nominal SEK 23.9 billion (23.5), repurchased covered bonds to a nominal SEK 7.8 billion (7.2) and matured covered bonds to a nominal SEK 16.6 billion (8.4) for the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 8.7 billion (10.7).

Liquidity

The liquidity reserve totalled a nominal amount of SEK 45.2 billion (45.9) at 31 December 2014, 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 72% of the liquidity reserve comprises Swedish covered bonds, 6% other Swedish bonds with a credit rating of AAA/Aaa, 11% Swedish government bonds, 3% AAA/Aaa-rated bonds issued or guaranteed by European governments and multinational development banks, 3% other Nordic AAA/Aaa-rated covered bonds and 4% 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), according to the Swedish Financial Supervisory Authority's definition, amounted to 192% (230) at 31 December 2014. The LCR in EUR amounted to 535,297% (1,847) on 31 December 2014.

Capital adequacy, Bank Group¹⁾

CRR (Regulation (EU) No 575/2013) and CRD IV (Directive 2013/36/EU) were implemented during year. The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposures and to most of the counterparty expo-

sure to corporates and the agricultural sector. The foundation IRB Approach is used for other counterparty exposures to corporates and the agricultural sector, and the Standardised Approach for other exposures. The Risk Exposure Amount (REA) in the Bank Group on 31 December 2014 amounted to SEK 52,882 M (50,465). The total REA for 2014 was primarily driven by the CVA (Credit Value Adjustment) introduced through Basel III. REA for CVA amounted to SEK 1,921 M. The increase in exposures under the IRB Approach was related to the continued growth in lending. REA related to households in the form of mortgages increased SEK 839 M during the period, while REA for smaller companies fell SEK 140 M. REA under the Standardised Approach declined SEK 380 M, which was largely due to lower exposure in covered bonds. Core Tier 1 capital amounted to SEK 8,564 (7,441). The increase in Core Tier 1 capital primarily comprised generated profit of SEK 712 M and a capital contribution of SEK 550 M during the first six months of the year. Tier 1 capital amounted to SEK 8,564 M (7,441). The Core Tier 1 ratio and Tier 1 ratio amounted to 16.2% (14.7) at the end of the period. The capital base amounted to SEK 10,869 M (9,436) and the capital adequacy ratio was 20.6% (18.7) at the end of the period. With the introduction of Basel III, most of the discounts that could previously be made in Tier 2 capital have been moved to Core Tier 1 capital. The greatest impact on Länsförsäkringar is the IRB deficit, which was previously a 50% deduction in Tier 2 capital but is now deducted in its entirety in Core Tier 1 capital. A deduction of SEK 49 M was added during the year due to regulatory requirements for prudent valuation of items in the fair value category. The deduction is made against Core Tier 1 capital.

Capital adequacy, consolidated situation¹⁾

With the CRR (575/2013) coming into effect, the consolidated situation also includes the parent mixed financial hold-

ing company Länsförsäkringar AB, in addition to the Bank Group. Since Länsförsäkringar maintains the opinion that the actual risk and capital situation is best presented in the Bank Group's capital ratios, the actual risk and capital situation are published in parallel with the capital ratios according to the new consolidated situation. As previously stated in the company's reports, the bank has submitted a new application to the Financial Supervisory Authority for an exemption from the provision under the Swedish Special Supervision of Credit Institutions and Investment Firms Act. The application was submitted in October 2014 following the introduction of slightly delayed Swedish legislation in August and the availability of information about application of the regulations in other EU countries.

REA in the consolidated situation on 31 December 2014 amounted to SEK 60,250 M (59,729). The increase in REA for the quarter under the IRB Approach remained related to the continued growth in lending, primarily to households in the form of mortgages which rose SEK 473 M during the period. Under the Standardised Approach, REA increased a total of SEK 587 M during the period, primarily due to increases in the exposure classes of covered bonds and other assets.

Core Tier 1 capital and Tier 1 capital amounted to SEK 8,369 M (8,128). The Core Tier 1 ratio and the Tier 1 ratio amounted to 13.9% (13.6) on 31 December 2014. The capital base was SEK 10,514 M (10,274) and the capital adequacy ratio amounted to 17.5% (17.2). The increase in Core Tier 1 capital primarily comprised profit generated in the Bank Group. A deduction of SEK 51 M was added during the year due to the prudent valuation. The deduction is made against Core Tier 1 capital.

The Board of Directors of Länsförsäkringar AB decided at a Board meeting on 10 February 2015 to pay a shareholders' contribution of SEK 500 M to Länsförsäkringar Bank during the first quarter of 2015. Calculated proforma as if the contri-

¹⁾ Comparative figures as at 30 October 2014.

bution had been paid on 31 December 2014, the shareholders' contribution entails that the Bank Group's Core Tier 1 ratio is raised from 16.2% to 17.2%. In addition, the Tier 1 ratio, calculated proforma, increases from 16.2% to 17.2% and the capital adequacy ratio is raised proforma from 20.6% to 21.5%. According to the Swedish Financial Supervisory Authority's regulations on prudential requirements and capital buffers decided in June 2014, the capital conservation buffer is to amount to 2.5% of the company's total risk-weighted exposure amount and be covered by Core Tier 1 capital. This corresponds to SEK 1,506 M in the consolidated situation. In Pillar II, the risk weight floor for mortgages was raised to 25% from September 2014. To attain this risk weight floor, the capital requirement was increased by SEK 1,132 M.

BANK

Operating profit

PROFIT **SEK 935 M**
an increase of 45%.

Loan losses

remained very low

PERCENT **0.00%**

Business volumes

VOLUMES **SEK 354 bn**
growth of 13%.

Number customers

CUSTOMERS **927,000**
increased 5%.

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 personal-risk insurance are offered through 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 2011.

Earnings and profitability

Operating profit for Länsförsäkringar Fondliv improved to SEK 373 M (247), as a result of the strong stock-market performance and increased premium income. Income from customer fees rose 14% to SEK 570 M (501). Management remuneration rose to SEK 598 M (493). Operating expenses totalled SEK 867 M (790). The increase in operating expenses was primarily explained by organisational changes. Personnel were employed at Länsförsäkringar Fondliv in conjunction the formation of a shared life-assurance service for Länsförsäkringar Alliance.

Most of Länsförsäkringar Fondliv's premium flows are recognised in the balance sheet. Premium income in the income statement amounted to SEK 107 M (61). Premium income increased due to a larger portfolio of risk insurance. The portion of premiums that contain a material insurance risk are recognised as premium income.

Market and business volumes

Länsförsäkringar has Sweden's most satisfied customers in private pension insurance. This was the result of the 2014 Swedish Quality Index Insurance customer survey. Such praise is due to the broad offering combined with Länsförsäkringar's unique closeness with its customers. For customer-owned operations, it is particularly important that customers clearly show their positivity in this way.

Customer satisfaction in the occupational pensions business, corporate customers, improved its ranking from third to second place. The quality index rose from

67.2 to 73.6, the sharpest increase of all of the companies in this year's occupational pensions survey.

A 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. Länsförsäkringar sells proprietary insurance solutions through its in-house sales force and insurance brokers.

New sales in the life-assurance market increased during the year. The Swedish life-assurance market in unit-linked insurance increased 2% to SEK 76 billion. Premium income rose 23% to SEK 84 billion. Länsförsäkringar's market share in unit-linked insurance, measured in sales value, amounted to 11.5% (10.8) in 2014. The market share measured in premium income amounted to 9.3% (12.8).

Both the proprietary sales channels and brokered channel performed positively compared with the year-earlier period and increased 6% and 13%, respectively.

Occupational pensions the largest market

The sales value of the occupational pension market for unit-linked insurance was SEK 55 billion (56), down 2%. The occupational pension market is the largest sub-market, comprising 73% (76) of the total unit-linked insurance market. Länsförsäkringar Fondliv's sales value in unit-linked insurance in the occupational pension market was SEK 8 billion (7), up 13%. This figure corresponds to a market share of 14.2% (12.4). The sales value of the strategically important sub-market of non-collectively agreed occupational pensions for Länsförsäkringar Fondliv amounted to SEK 8 billion (7). Länsförsäkringar Fondliv's market share amounted to 18.8%. New sales in the sub-market of non-collectively agreed

occupational pensions totalled SEK 41 billion (40).

Private and savings market

The sales value of the private pension sub-market in the unit-linked insurance market declined 36%. Länsförsäkringar Fondliv's market share of unit-linked insurance amounted to 13.9%, an improvement of 3.3 percentage points. The possibility of private individuals saving for pensions with special tax advantages is being phased out. In 2015, the tax deduction amount will be reduced to SEK 1,800 and then abolished entirely in 2016.

The savings sub-market in the unit-linked insurance market rose 25%. Länsförsäkringar Fondliv's market share amounted to 2.9% (4.7).

Business volumes

Premium income as defined by Insurance Sweden amounted to SEK 8,543 M (9,473). The difference compared with the preceding year was due to a decline in capital transferred of SEK 1,704 M (2,627). The non-collectively agreed occupational pensions sub-market accounted

for 79% of total premium income. Collective agreement pensions represented 7% and the private and savings market 14% of total premiums paid.

Guarantee Management

Guarantee Management in unit-linked life-assurance 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 principle is that the customer recoups the savings payments made but with the possibility of additional returns. Full guarantee, meaning "at least your money back" applies for a minimum ten-year savings period. A sliding scale is applied to shorter savings periods, with the guarantee at 80% for periods of five to ten years until retirement, and a minimum of 70% with less than five years until retirement. The assets of Guarantee Management are divided between equity and fixed-income investments, with the fixed-income element always being at least 40% and the equities portion may be as low as zero. Premium income for Guarantee Management amounted to SEK 589 M (706). Managed assets totalled SEK 1.9 billion (1.3) at year-end, up 46%.

The return for the year was 6.0% (5.6). All components of both the fixed-income portfolio and equity portfolio performed positively during the year. The performance of US and Swedish shares was particularly positive, as was Investment Grade credits. However, the total return did not reach the level of the benchmark index. A reason for this is that the portfolio had shorter average terms than the benchmark index for parts of 2014, with an overweight in short-term Swedish fixed-income products and underweight in US Investment Grade credits.

On 31 December 2014, about 60% of the portfolio was invested in fixed-income investments and about 40% in equities. At

the start of 2014, approximately 70% was invested in fixed-income investments, mostly in Swedish government securities and mortgage bond and some in foreign loans, and about 30% in global equities. The percentage of equities was increased in the summer from 30% to 40%, while the portion of fixed-interest products was reduced by the equivalent. The equities portion largely comprises US, European and Swedish equities and a smaller percentage in emerging markets.

Fund management

Länsförsäkringar's fund range comprises 33 funds under its own brand and 44 external funds, a total of 77 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. Systematic reviews are continuously performed to ensure that the funds and managers continue to perform well. Those that fail to meet requirements, for whatever reason, are replaced. Fund management is Länsförsäkringar's first-choice option and the work on continuously evaluating and reviewing the fund range and quality is a priority. It is important that the funds offer meet customer needs. A range of carefully selected, high-quality funds helps customer choose funds and managers. Three new funds customised for pensions were launched in March, which were produced in cooperation with Länsförsäkringar's own fund company, Enter Fonder and Lan-nebo Fonder. The offering was expanded with Länsförsäkringar Tillväxtmarknad Index and Macquarie Asia New Stars during the second quarter. Macquarie became a new partner. During the year, Länsförsäkringar Teknologi was merged with Länsförsäkringar USA Aktiv and the

LÄNSFÖRSÄKRINGAR FONDLIV

Manages

CAPITAL
SEK 94 billion
(78) on behalf of life-assurance and pension-insurance customers.

Profit

PROFIT
SEK 373 M
an increase of 51%.

DNB Asian Small Cap and Fidelity Japan Advantage funds were removed from the offering.

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. The company has discontinued underwriting new insurance policies for all management forms, although it does permit conditions to be changed from Old Trad to New Trad.

In 2014, Länsförsäkringar Liv continued its work on strengthening the balance sheet and improving key figures. However, the interest-rate trend during the year with historically low interest rates reduced opportunities for strengthening key figures. The measures taken were successful and the company offset the negative effects of the interest-rate trend during the year. Overall, key figures and the capital situation were stable despite the turbulence in 2014.

Old Trad

Investments in traditional management are normally made in a mix of listed equities and interest-bearing securities, as well as properties and alternative investments. In 2014, the investment mix was relatively unchanged in all portfolios. On 31 December 2014, asset allocation in Länsförsäkringar's traditionally managed Old Trad portfolio was as follows: 91% in interest-bearing securities, 6% in alternative investments, 2% in equities and 1% in property. The return on the various asset classes was as follows: 11.1% (neg: 3.8) for interest-bearing securities, 21% (21.6) for equities, 6.1% (4.7) for alternative investments and 2.6% (neg: 4.0) for properties.

Collective consolidation in Old Trad was 120%. The bonus rate for Old Trad for 2014 was 1%.

New Trad

New Trad entails that customers are offered the opportunity to change the conditions of their traditional insurance policies. Lower guarantee levels combined with lower fees allow an investment portfolio with higher expected returns and improved opportunities for future increases in the value of savings. Additional customer groups at Länsförsäkringar were offered the option of changing the conditions of their traditional insurance to New Trad during 2014. The offer was sent to customers with a total insurance capital of SEK 35 billion, of which SEK 7.5 billion changed the conditions of their insurance to New Trad. These insurance policies had managed assets of SEK 8.6 billion at 31 December 2014.

On 31 December 2014, asset allocation in Länsförsäkringar's traditionally managed New Trad portfolio was as follows: 59% in interest-bearing securities, 30% equities, 6% in alternative investments and 5% in property. The return on the various asset classes was as follows: Interest-bearing securities 5.8% (neg: 3.8), equities 10.1% (21.6), alternative investments 6.4% (4.7) and properties 41.5% (neg: 4.0). Investment income for New Trad amounted to 9.4% (4.3). At year-end, collective consolidation for New Trad was 120% (115) and the bonus rate was 7%.

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 2014 was favourable, and particularly equities investments in mature markets contributed to the positive result. The total return was 8.7% (13.5).

Earnings and profitability

Profit for Länsförsäkringar Liv amounted to SEK 1.9 billion (5.2). Positive earnings were generated despite sharp falls in interest rates, due to high investment income and changes of conditions to New Trad. Changing insurance conditions to New Trad had a positive effect on earnings since the guaranteed commitments decline, which in turn reduces the liability. The year-on-year decrease was attributable to interest rates increasing in 2013 but falling substantially in 2014.

Falling long-term market interest rates had a negative impact on earnings. Liabilities to the policyholders are discounted by the market interest rate, which increases the liability when interest rates fall. Technical provisions increased SEK 12 billion due to the decline in interest rates. The liability rose a total of SEK 97.2 billion (91.6). The total liability increase was lower than the interest-rate effect due to a decline in the insurance portfolio and the changes of conditions to New Trade reduced the liability.

Net investment income included in profit and loss was SEK 12.0 billion (loss: 1.7).

Premium income for Länsförsäkringar Liv amounted to SEK 2.6 billion (3.4), down 22% (22). 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. Claims paid amounted to SEK 6.6 billion (7.6). Investment assets according to the balance sheet increased SEK 121.8 billion (112.8) during the year.

Key figures for Länsförsäkringar Liv
The solvency ratio shows the relation between total capital and capital guaran-

teed 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. The solvency rate was 4.2 (4.3) and the solvency ratio was 122% (118) on 31 December 2014. A new model for calculating the solvency ratio was introduced in December 2014. The change entails that conditional bonuses are taken into account in a fairer manner that reflects the differences in the capital requirements between conditional bonus and life-assurance provisions. The new model meant that the solvency ratio increased 5 percentage points.

LÄNSFÖRSÄKRINGAR LIV

Solvency ratio

SOLVENCY
122%

Total return

PERCENT
11.3%
in Old Trad.

Total return

PERCENT
9.4%
in New Trad.

Total return

PERCENT
8.7%
in 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, primarily the Länsförsäkringar Bank Group's credit risk, Länsförsäkringar Fondliv's market and cancellation risk and the Länsförsäkringar Sak Group's market and insurance risk. The risks in the banking operations are mainly credit risk in the lending operations and counterparty and market risks. Non-life insurance risks comprise premium risks, reserve risks and catastrophe risks. In addition, market risks arise in the non-life insurance operations due to investment decisions made concerning management of the non-life insurance companies' investment assets. The Group's life-assurance risks comprise longevity risk, mortality risk and morbidity. The risks that arise directly in the Parent Company were primarily attributable to the company's financing, investments in liquidity and the business-support operations conducted on behalf of the subsidiaries and the regional insurance companies.

The low risk profile that the investment portfolio for the Parent Company primarily gave rise to interest-rate risk. Counterparty risk mainly exists with banks and credit institutions inherent in investments in cash and bank balances.

The Parent Company's liquidity on 31 December 2014 comprised short-term, interest-bearing investments and cash and cash equivalents totalling SEK 1,488 M (1,608). At year-end, the predominant portion of the investment portfolio was invested in interest-bearing assets. Equity-related assets amounted to SEK 4 M (45).

A description of the Group's total risks and how they are controlled and managed is provided in the Group's note 2 Risk and capital management.

Employees

Dedicated employees, active change management, a positive work environment and

competent leadership are important prerequisites for Länsförsäkringar AB to achieve results. An employee survey is conducted once per year, with a focus on feeding back the results and a joint improvement process. The results of this year's employee survey revealed a higher index in all question areas compared with Swedish companies. The employee response rate for the survey was 91%.

Employeeship at Länsförsäkringar AB means taking responsibility for one's own performance, competencies and health, which is stated in the personnel policy and the company's performance management work model. The basis for all employee performance and development, in both the short and long term, is the values and also the business plan. Employees receive feedback on their performance at monthly follow-up talks with their immediate manager.

Employeeship also involves actively making improvements to the operations, for example, based on the Lean activities that have been introduced throughout the organisation. The purpose of introducing Lean is to develop the company's overall work on continuous improvements, which will lead to more satisfied customers, enhanced efficiency and profitability.

Länsförsäkringar AB has internal training operations that develop and arrange in-house training courses. These operations offer training courses in non-life insurance, banking, life assurance and pension insurance and leadership as commissioned by the Länsförsäkringar Alliance. A total of 5,300 employees from the Länsförsäkringar Alliance received training during the year and 980 employees from Länsförsäkringar AB.

An employee profile based on values was drawn up in 2014 with participation from both employees and managers. The aim of this profile is for it to help clarify employee responsibility in terms of performance, competencies and health. The employee profile will be introduced into the operations in 2015. A clearly defined

leader profile provides guidance for the company's leaders. The leader profile was produced in 2013 and introduced in the operations during the year by arranging training camps for all managers.

Another key issue followed up in the employee survey is that Länsförsäkringar AB is perceived to be an equal opportunity workplace by both women and men. The target for 2014 was for 80% of female employees to perceive Länsförsäkringar AB as an equal opportunity workplace. Opinion on this issue is displaying an upward trend but the target has not been fully reached.

Information regarding the average number of employees, salaries and remuneration, as well as details of salaries and other remuneration of 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

Länsförsäkringar AB takes an environmental approach through the organisation by reducing its impact on the environment and ensuring that its operating activities are environmentally compatible. This approach is applied to the company's internal office operations and to coordinating environmental activities for the regional insurance companies. Länsförsäkringar AB's environmental management system has held ISO 14001 certification since 2004. Certification is verified every year by an external company. Qualify AB has audited the company's environmental management system for three years. Internal environmental audits help to further environmentally adapt the operations by reviewing environmental efforts every year based on internal guidelines. All regional insurance companies also hold ISO 14001 certification. This certification means that, for example, the company has a structure and sustainable method for working in environmental issues integrated into the operating activities.

In accordance with the company's environmental policy, Länsförsäkringar AB assumes its responsibility for the negative impact on the environment that arises in the operations. The areas in which the company has the greatest direct impact on the environment is business travel, paper print-outs produced in the offices and information and documentation sent to customers. Business travel results in, for example, emissions of the greenhouse gas, carbon dioxide. To reduce the environmental impact, train travel is increasingly used for business trips according to the travel guidelines that apply for the entire company. To reduce the amount of business travel, investments were also made in technical equipment that will allow meetings to be held through digital channels. Company cars meet the company's definition of green cars, and 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. Opportunities to borrow bikes and public transport travel cards for journeys throughout the day also provide an incentive for environmentally friendly travel.

To reduce the consumption of paper, digital solutions are being developed. Development of the online channel provides major opportunities for reducing paper-based communication, while simultaneously improving the information quality. Increasingly transferring to digital customer documents is a long-term effort. In addition to reducing the environmental impact of paper manufacturing and transportation of paper-based communication, information is more accessible to customers.

Work is being conducted as part of continuously enhancing environmental performance and reducing electricity consumption to analyse when workplaces are used and how much electricity is used by computers and screens. The analysis resulted in measures to ensure that equipment is used more energy efficiently. A another key function that also has an envi-

ronmental impact is the purchasing of products and services. According to the company's purchasing policy, the environmental impact of purchasing processes will be minimised. Continuous efforts are thus taking place to develop environmental standards for all categories of purchasing and procurement.

Each claim incurred entails some form of environmental impact. Länsförsäkringar AB conducts standardised claims prevention work throughout the Länsförsäkringar Alliance to reduce the environmental effects of, for example, fire, water and motor hull insurance claims. The regional insurance companies carry out many different activities every year, such as inspecting chimneys, installing fire alarms and inspecting water installations.

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 GreenBuilding system. The properties are managed by Humlegården Fastigheter AB which also holds ISO 14001 certification. The electricity used in the properties is Good Environmental Choice electricity and the properties are connected to the district heating network, in which heat is largely produced using renewable fuels.

The results of the year's operations and the financial position of the Länsförsäkringar AB Group and the Parent Company at 31 December 2014 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 16 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 Stockholm since November 2012. Länsförsäkringar AB complies, where applicable, with the Swedish Corporate Governance Code (the Code), which became effective on 1 February 2010. The main reason for deviations is that 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 upon which the control and management is to be based. Because both insurance and banking operations are conducted in the Group, the Länsförsäkringar AB Group is a financial conglomerate and the Parent Company Länsförsäkringar AB is a mixed financial holding company. In this capacity, Länsförsäk-

ringar AB is encompassed by the group rules for banking and insurance as well as the rules on special supervision of financial conglomerates. The corporate governance system is continuously adapted to ongoing changes in these regulations.

The corporate governance system is regulated in the Group's 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 framework 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 regulatory frameworks. 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 entails that Länsförsäkringar AB's operations are to be conducted with conscientious risk-taking but without ever 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 for bearing 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 the 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 operations' 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. The role of compliance is to provide support and control for ensuring that the operations comply with regulatory requirements. Risk Control is responsible for independent risk control 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, monitor, manage and report risks and the 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 surveyable and easily available, the Länsförsäkringar AB Group's internal regulatory framework is to be simple and clear. The aim is to limit the

number of internal regulatory documents as far as possible. The internal regulatory framework in the Länsförsäkringar AB Group comprising the following governance documents:

- Policy – communicates a position of principle
- Guidelines – general regulations that set frameworks
- Instruction – detailed instructions in a specific area

The governance documents can either be joint or company specific, that is to say they apply either to all companies within the Länsförsäkringar AB Group or for only one of the companies. The joint governance documents are adopted by the Länsförsäkringar AB Board or decided by the President. The joint governance documents are also to be approved by and incorporated in the other companies in the organisation. The company-specific governance documents are adopted by either the Board of each company or by the President of the subsidiaries.

Principles for outsourcing activities

The distribution of work in the Länsförsäkringar AB Group is a key tool for achieving economies of scale in terms of both finance and expertise. It is also a method of implementing effective and proactive governance within the Group. The operational organisation with the business activities in the business units and Group-wide functions in the Parent Company was established based on this approach. Outsourcing operations to external parties is also a key tool for achieving economies of scale in terms of both finance and expertise. Outsourcing takes place in both Länsförsäkringar AB and in the subsidiaries. For this reason, the Board of Länsförsäkringar AB has established a Group-wide policy for outsourcing operations that stipulates the overall principles for internally and externally outsourced operations. Based on this policy, the subsidiaries have established guidelines for outsourcing operations.

Suitability requirements

Employees and Board members are subject to suitability requirements according to established governance documents.

Business continuity planning

Länsförsäkringar AB has prepared a business continuity plan 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 page 33.

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 a 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. Decisions are made at the Annual General Meeting pertaining to: the Annual Report, the election of members of the Board and auditors, remuneration of 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 is specified for the Chairman, Deputy Chairman, other Board members and fees for committee work. The 2014 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 the duty of presenting proposals for members of the Board of Directors and auditors of Länsförsäkringar AB and its directly owned subsidiaries and certain other companies, and fees and other remuneration of 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. New Board members are recruited in accordance with the Nomination Committee's instructions and established procedures and processes. When recruiting new Board members prior to the 2015 Annual General Meeting, the Nomination Committee is also to apply the established diversity policy, according to which as a minimum age, gender, geographic origin, educational and professional background are to be considered in order to promote independent views and a critical and questioning attitude in the Boardroom. See also the section on Suitability assessment of the Board of Directors and the President below.

Nomination Committee prior to 2015 Annual General Meeting

The Nomination Committee has comprised Otto Ramel (Chairman) (Länsförsäkringar Skåne), Ulf W Eriksson (Länsförsäkringar Värmland), Per-Åke Holgersson (Länsförsäkring Kronoberg), Conny Sandström (Länsförsäkringar Västertotten) and Örian Söderberg (Länsförsäkringar Jönköping) since the 2014 Annual General Meeting.

Prior to the 2015 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 2015 Annual General Meeting, the Nomination Committee will

- Evaluate the independence of candidates,
- Nominate Board members, including the Chairman of the Board and in certain cases, a Deputy Chairman and auditors,
- Carry out suitability assessments of Board members, and
- Propose fees and other remuneration of 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 is to have 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 Holm-

ström has served as the company's auditor since 2000. Alongside Länsförsäkringar AB, his major audit assignment is Handelsbanken AB (publ).

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 auditor presented his audit results and observations to the Board once during 2014. The auditors also participate in meetings of the Audit Committee.

Board of Directors

The Board of Directors of Länsförsäkringar AB are appointed by the Annual General Meeting and, in accordance with the Articles of Association, is to comprise between eight and twelve Board members elected by the General Meeting, with or without deputies. In accordance with the Articles of Association, Board members are elected for a mandate period of two years by the Annual General Meeting. In addition, members and deputies appointed by the trade-union organisations 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 Director 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 12 regular members and two deputies. Nine of the members were elected by the Annual General Meeting. Three members and two deputies were appointed by the trade unions. The Board members are presented on pages 99–100.

Board responsibilities and allocation of duties

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

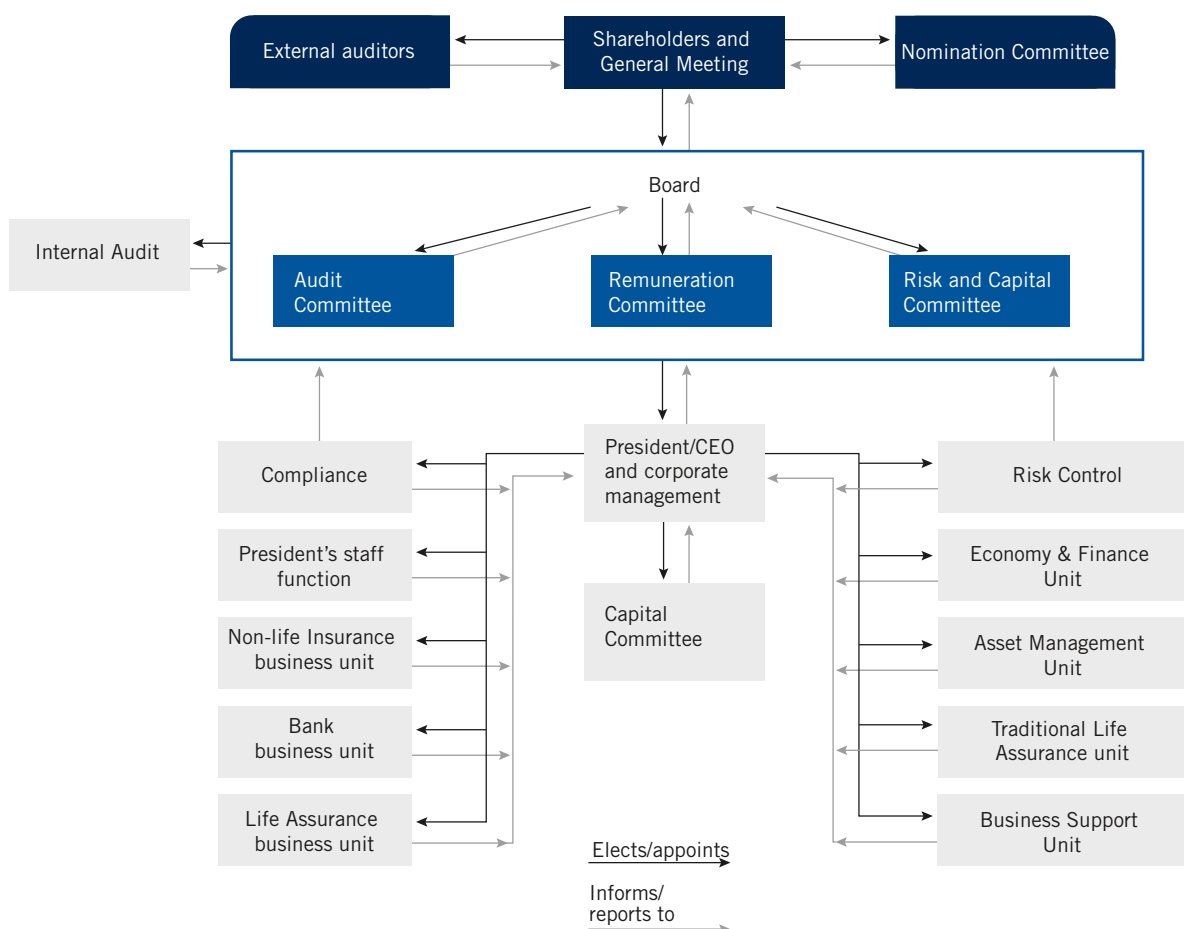
The Board is to continuously remain informed about the performance of the company to be able to continuously assess the company's financial situation and position. Through its formal work plan and a reporting manual, the Board has established that financial reporting is to take place regularly at Board meetings. The Board also regularly manages and evaluates the company's and the Group's risk development and risk management. During the year, the Board regularly reviews the earnings and sales trends,

investment income, financial position, risk trends 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 is to lead the Board's work and ensure that the Board fulfils its duties. The Chairman shall also ensure that the Board meets as required, is provided with the opportunity to participate in meetings and receives satisfactory information and documentation for decision-making, and applies an appropriate working methodology. On the basis of ongoing contact with

Länsförsäkringar AB's governance structure



the President, the Chairman is to remain informed of significant events and developments within the company, also 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 standard 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 formal work plan, directive for 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 of Directors has established an Audit Committee, a Risk and Capital Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in its formal work plan or in separate instructions. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

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

The Board held 15 meetings in 2014. The Board devoted particular attention to such issues as the new solvency rules for

insurance companies, Solvency II, the new rules for banking operations, risk and capital issues, the financial situation in the business world and subsequent effects on the operations and IT efficiency enhancements. During the year, the Board underwent several training courses in Solvency II and the new rules for banking operations.

The number of Board meetings and members' attendance at these meetings are presented in the table on page 35.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. In 2014, 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:

- Overseeing the company's financial reporting.
- Regarding the financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management.
- Remaining informed of the audit of the Annual Report and consolidated financial statements.
- Examining and monitoring auditors' impartiality and independence and, in this respect, particularly noting whether the auditors provide the company with any other services than auditing services.
- Assisting in the preparation of proposals to the Annual General Meeting's motions on election of auditors.

In addition, the Audit Committee is responsible for preparing the Board's work on monitoring the effectiveness of the company's:

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

At the statutory Board meeting immediately following the 2014 Annual General

Meeting, Göran Lindell (Chairman), Lars Hallkvist and Jonas Rosman were appointed members of the Audit Committee.

The number of Audit Committee meetings and members' attendance at these meetings are presented in the table on page 35.

Risk and Capital Committee

The Risk and Capital Committee is to support the Board in risk and capital issues and serve as a forum for analysing and holding in-depth discussions on Länsförsäkringar AB's and the Länsförsäkringar AB Group's risk-taking and capital requirements. Prior to Board meetings, the Committee is to discuss and address issues relating to the following:

- Risk policy and capital policy.
- The Group's internal models and validation.
- Internal risk and capital planning for the Länsförsäkringar AB Group.
- Risk capital distributed internally to subsidiaries and targets for risk-adjusted returns and evaluations of earnings.
- Follow-up of risk trends and potential deviations from risk limits.

At the statutory Board meeting immediately following the 2014 Annual General Meeting, Jan Fock (Chairman), Mats Fabricius and Christer Villard were appointed members of the Risk and Capital Committee.

The number of Risk and Capital Committee meetings and members' attendance at these meetings are presented in the table on page 35.

Remuneration Committee

The Remuneration Committee prepares issues on remuneration of corporate management, remuneration of employees with overall responsibility for any of the company's control functions, and prepares decisions for measures to monitor application of the remuneration policy.

At the statutory Board meeting immediately following the 2014 Annual Gen-

eral Meeting, Jan Fock (Chairman), Göran Lindell and Jonas Rosman were appointed members of the Remuneration Committee.

The number of Remuneration Committee meetings and members' attendance at these meetings are presented in the table on page 35.

President/CEO and corporate management

Sten Dunér has served as the President of Länsförsäkringar AB since October 2009. Sten Dunér was born in 1951 and has worked at Länsförsäkringar AB since 1982. To ensure that the operations of each subsidiary comply 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 the 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 the Traditional Life Assurance unit, President's staff function 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 the directly owned subsidiaries.

Länsförsäkringar AB's corporate management comprises the Presidents and heads of the business units and support functions. The head of President's staff function Legal Affairs, HR Director and the Director 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 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 comprises the Board's support in the evaluation of the c, including the organisation's risk management, governance and controls. Based on its reviews and advice, Internal Audit evaluates and ensure the quality of the efficient execution of the operations' overall internal governance and control systems, that the overall reporting to the Board provide a true and fair view of the operations, that the operations are 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 affiliated under the Chairman of the Audit Committee.

Compliance

The role of compliance is to provide support and control for ensuring that the operations comply with regulatory requirements. The function identifies and provides information about such issues as risks that may arise due to non-compliance with regulations, assists in formulating internal rules, monitoring regulatory compliance and ensures that the operations are informed about new and amended regulations. Compliance risks and action taken are to be regularly reported to the President and Board of Länsförsäkringar AB and its licensable subsidiaries, and to the Group's Audit Committee. Compliance also has the Länsförsäkringar AB Group's function for counteracting money laundering.

Risk Control

Risk Control is responsible for independent risk control and provides support for 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 com-

Meetings and attendance

The table below shows the number of meetings held in each body since the 2014 Annual General Meeting until 10 February 2015, and the attendance by each Board member:

	Board of Directors	Audit Committee	Risk and Capital Committee	Remuneration Committee
Total number of meetings	10	7	5	1
Christer Ekehov, (deputy)	1	–	–	–
Henrietta Hansson	8	–	–	–
Mats Fabricius	9	–	5	–
Jan Fock	10	6	5	1
Lars Hallkvist	10	7	–	–
Susanne Lindberg	7	–	–	–
Göran Lindell	10	7	–	1
Linnéa Niklasson	10	–	–	–
Thomas Norrman, deputy	0	–	–	–
Jonas Rosman	10	5	–	1
Anna Sandqvist	7	–	–	–
Pia Sandvik	10	–	–	–
Mikael Sundquist	10	–	–	–
Christer Villard	9	–	5	–

pany and to the Risk and Capital Committee. Risk Control is also responsible for the independent risk control of the operations of the Asset Management unit. Risk Control reports this work to the President and Board of Länsförsäkringar AB. The Bank business unit has a separate risk control function that is 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 both the Board and President.

Suitability assessment of Board and President

A suitability assessment is conducted in conjunction with the appointment of Board members and the President. An assessment is also conducted annually, and when necessary, to ensure that the individuals in the above-mentioned positions are, at any given time, suitable for their assignments. The suitability assessment is conducted in accordance with an established directive for Länsförsäkringar AB's Nomination Committee and guidelines for suitability assessments. The suitability assessment is conducted with regard to the person's qualifications, knowledge and experience as well as reputation and integrity.

Board members are assessed on the basis of material received from the person to whom the suitability assessment pertains. Based on the company's operations, stage of development and other circumstances, the assessment also considers relevant training and experience, as well as professional experience in senior positions. In addition to the qualifications, knowledge and experience of individual members, the Board is assessed in its entirety to ensure that it possesses the competence required for leading and managing the company.

A person considered unsuitable according to an assessment will not be appointed

or employed. If an already appointed person is considered no longer suitable for his or her duties according to a suitability assessment, the company is to adopt measures to ensure that the person in question either meets the suitability requirements or is replaced.

The assessment is that all Board members and the President fully satisfy the requirements for qualifications, knowledge and experience, as well as reputation and integrity.

Deviations from the Code

Länsförsäkringar AB complies with the Code, where applicable. The main reason for deviations is that Länsförsäkringar AB is not a stock-market company. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Notice

Deviation regarding the 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 regards the independence of a majority of the members of the Nomination Committee in relation to the company. Another deviation from the provisions of the Code is 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 provisions of the Code exists regarding 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 large shareholders. According to the instruction for the Nomination Committee, the Board of Directors is to be appropriately composed, with respect to the company's operations, stage of development and other circumstances, and characterised by diversity and breadth in terms of the members' competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.

Mandate period for Board members
The mandate period for Board members is two years. The company deviates from the Code's provision of a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a Board member irrespective of their term. A mandate period of more than one year contributes to ensuring continuity and establishing competence within the Board.

Composition of Audit Committee

A deviation from the provisions of the Code regards the independence of a majority of the members of the Committee in relation to the company and corporate management due to the structure, governance and working methods of the Länsförsäkringar Alliance. Refer also to the comments above on the deviation from the Code's provision on composition of the Board.

Internal control over financial reporting

The Board of Directors is ultimately responsible for the reliability of the financial reporting. Internal control over financial reporting (ICFR) is a process for eval-

uating the reliability of financial reporting. ICFR is defined as a process carried out by the Board, management and operations. Work with this process began in

2013 and the Group works continuously to develop the methodology. The ICFR process is performed in an annual cycle as shown in the diagram below.

2. Validate the design of expected controls

Internal control over financial reporting includes Group-wide controls, as well as process and IT controls. The purpose of the controls is to reduce the risk of misstatement in financial reporting.

The control structure is regularly communicated to the relevant individuals in the organisation to clarify the division of responsibilities.

1. Perform risk assessments and define limitations/scope

Risk assessments are performed annually at Group and legal unit level to identify the risk of material misstatement in financial reporting. The risk assessment provides the basis for determining the units, processes and systems that are to be covered by the ICFR process. The conclusions from the risk assessments are compiled in an annual scoping report in which the scope and goal scenario for the coming year is described and presented to the Audit Committee.



3. Plan activities for monitoring and audits

A plan for the quarterly self-assessment is produced and communicated with the operations. The plan sets out when the assessment will take place, the controls that will be assessed and the person responsible for the assessment. ICFR will be subject to review by both an internal and external audit. The first annual meeting to coordinate the reviews of both internal and external auditors was held in 2014.

4. Monitor and evaluate controls

Monitoring includes, for example, quarterly self-assessment of the completed controls. The monitoring process can identify weaknesses in the ICFR process, implement compensating controls and introduce improvement measures. The process also includes evaluating the controls and their effectiveness. The objective is for the Group to reach a monitored level.

5. Report ICFR residual risk

The results of the self-assessment are compiled and analysed to determine the risk of misstatement in financial reporting. These are summarised in a report to the Group's CFO and the Audit Committee. The report describes the residual risk after the self-assessment, and the compensating controls adopted by the operations to reduce risk in financial reporting. The report contributes to transparency in the organisation and shows how the implementation of ICFR is progressing. The report also provides an important basis for prioritisation in the continuing process.

In addition to the process described above, Internal Audit also performs an independent review of selected ICFR risks and controls, in accordance with the plan adopted by the Audit Committee. The results of Internal Audit's review, and recommendations, are reported regularly to the Audit Committee.

Five-year summary

Amounts in SEK M unless otherwise stated.

Länsförsäkringar AB Group	2014	2013	2012	2011	2010
GROUP					
Operating profit	1,469	923	819	287	536
Net profit for the year	1,159	682	684	208	418
Return on equity, % ¹⁾	7	5	5	2	6
Total assets, SEK billion	356	323	291	254	174
Number of shares, 000s	10,066	9,750	9,407	9,407	7,251
Equity per share, SEK	1,675	1,557	1,479	1,403	1,356
Solvency capital					
Equity	16,857	15,183	13,915	13,198	9,831
Subordinated debt	2,000	2,000	900	900	114
Deferred tax	910	848	776	701	668
Total solvency capital	19,767	18,031	15,590	14,800	10,613
Solvency margin, % ²⁾	455	420	388	369	278
Capital base for the financial conglomerate ³⁾	17,802	16,391	14,590	13,665	13,480
Necessary capital requirement for the financial conglomerate	14,988	12,754	12,661	11,620	9,970
Average number of employees	1,596	1,503	1,432	1,376	1,341
INSURANCE OPERATIONS⁴⁾					
<i>Non-life insurance operations</i>					
Premiums earned (after ceded reinsurance)	3,880	3,905	3,795	3,754	3,549
Investment income transferred from financial operations	130	152	162	189	201
Claims payments (after ceded reinsurance) ⁵⁾	-2,251	-2,613	-2,557	-2,713	-2,495
Technical result for non-life insurance operations⁶⁾	604	351	263	121	192
<i>Premium income, non-life insurance</i>					
Premium income before ceded reinsurance	8,444	5,949	5,703	5,768	5,671
Premium income after ceded reinsurance	4,050	4,009	3,771	3,764	3,605
<i>Life-assurance operations</i>					
Premium income after ceded reinsurance	329	279	249	251	219
Fees pertaining to financial agreements	570	501	402	61	-
Investment income, net	108	62	18	8	1
Claims payments (after ceded reinsurance)	-206	-91	-140	-157	-179
Technical result, life-assurance operations⁷⁾	621	484	378	92	1
Operating profit for insurance operations⁸⁾	1,164	675	613	147	323
<i>Key figures</i>					
Cost ratio ¹⁰⁾	29	28	30	30	31
Expense ratio ¹²⁾	22	21	24	23	23
Claims ratio ^{11) 23)}	65	73	73	79	78
Combined ratio ²³⁾	87	95	97	102	101
Management cost ratio, life-assurance operations ^{7) 12)}	1	1	1	2	12
Direct yield, % ¹³⁾	2.0	0.8	1.2	2.7	1.9
Total return, % ¹⁴⁾	4.9	-0.6	3.5	6.0	4.3
<i>Financial position</i>					
Investment assets, SEK billion ¹⁵⁾	12	17	17	15	16
Unit-linked insurance assets for which the policyholder bears the risk, SEK billion	91	76	62	52	-
Technical provisions (after ceded reinsurance), SEK billion	7	14	14	14	14
Capital base for the insurance group ¹⁶⁾	7,618	-	-	-	-

Länsförsäkringar AB Group	2014	2013	2012	2011	2010
Solvency margin for the insurance group ¹⁶⁾	6,275	-	-	-	-
BANKING OPERATIONS					
Net interest income	2,580	2,230	2,071	1,728	1,363
Operating profit	935	647	555	385	345
Net profit for the year	712	479	433	298	245
Return on equity, % ¹⁷⁾	8	7	6	5	5
Total assets, SEK billion	232	213	197	170	149
Equity	9,597	8,288	7,171	6,332	5,529
Cost/income ratio before loan losses ¹⁸⁾	0.62	0.63	0.66	0.71	0.72
Investment margin, % ¹⁹⁾	1.15	1.06	1.11	1.07	0.93
Core Tier 1 ratio, Bank Group	16.2	14.7	13.1	11.5	11.1
Tier 1 ratio, Bank Group, % ²⁰⁾	16.2	14.7	13.7	12.1	11.8
Capital adequacy ratio, Bank Group, % ²¹⁾	20.6	18.7	15.6	14.0	13.5
Core Tier 1 ratio, consolidated situation	13.9	-	-	-	-
Tier 1 ratio, consolidated situation	13.9	-	-	-	-
Capital adequacy ratio, consolidated situation	17.5	-	-	-	-
Loan losses in relation to loans, % ^{22) 24)}	0.00	0.08	0.06	0.04	0.03

¹⁾ Operating profit plus change in value of owner-occupied property less standard tax at 22.0% 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 deduction and aggregation method. Effective 2014, an EU Regulation (342/2014) applies to methods of calculation for solvency testing. This means that special consideration is to be made of whether there is any practical or legal impediment to transferring the surplus in a company. Given this, the companies of the Bank Group have been included by company in the calculations in order to support consideration of the transferability of surpluses per company. The capital requirement is affected since the transition rules under Basel I are taken into account for each company individually instead of for the Bank Group as a whole. In this report, the new rules have been applied in this report to the calculation of the capital base for all quarters in 2014. Figures for 2013 have not been restated.

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 Länsförsäkringar Sak Group's technical result amounted to SEK 611 M in 2014. 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 7 M in 2014.

⁷⁾ Includes Länsförsäkringar Fondliv Försäkringsaktiebolag from 2011.

⁸⁾ Operating profit for the insurance operations includes the Länsförsäkringar Sak Group and Länsförsäkringar Fondliv's investment income and other non-technical income and expenses.

⁹⁾ Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.

¹⁰⁾ 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.

¹¹⁾ 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.

¹²⁾ 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.

¹³⁾ Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administration costs for asset management and operating expenses for properties in relation to the average value of the investment assets during the year.

¹⁴⁾ 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.

¹⁵⁾ 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.

¹⁶⁾ The financial conglomerate comprises the Parent Company Länsförsäkringar AB and all insurance companies in the Group. The insurance group also includes Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. According to the Swedish Insurance Business Act (2010:2043).

¹⁷⁾ Operating profit less standard tax at 22.0% in relation to average equity, adjusted for changes in value of financial assets recognised in equity.

¹⁸⁾ Total expenses before loan losses in relation to total income.

¹⁹⁾ Net interest income in relation to average total assets.

²⁰⁾ Tier 1 capital at year-end in relation to the closing risk-weighted amount. Comparative figures according to Basel II

²¹⁾ Closing capital base as a percentage of the closing risk-weighted amount. Comparative figures according to Basel II

²²⁾ Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

²³⁾ After recalculation in 2010 in accordance with new accounting policy for indexation of annuities.

²⁴⁾ After recalculation in accordance with the new accounting policy for loan losses.

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Consolidated income statement

SEK M	Note	2014	2013
Premiums before ceded reinsurance		8,587	6,105
Reinsurers' portion of premiums		-4,409	-1,949
Premiums after ceded reinsurance	5	4,178	4,156
Interest income	6	8,523	9,488
Interest expense	7	-5,913	-7,187
Net interest income		2,610	2,301
Change in unit-linked insurance assets policyholder bears the risk		11,506	8,251
Dividends in investment assets for which the policyholder bears the risk		3	4
Investment income, net	8	146	-203
Commission income	9	2,292	2,014
Other operating income	10	2,045	2,036
Total operating income		22,780	18,558
Claims payments before ceded reinsurance		-8,067	-4,084
Reinsurers' portion of claims payments		5,627	1,381
Claims payments after ceded reinsurance	11	-2,440	-2,704
Change in life-assurance reserve		-3	-1
Change in unit-linked insurance liabilities policyholder bears the risk		-11,608	-8,308
Commission expense	12	-2,401	-2,074
Staff costs	13	-1,735	-1,657
Other administration expenses	14, 15	-3,132	-2,765
Loan losses	16	7	-126
Total expenses		-21,311	-17,635
Operating profit		1,469	923
Tax	17	-310	-242
Net profit for the year		1,159	682
Earnings per share before and after dilution, SEK	18	117	70

Consolidated statement of comprehensive income

SEK M	Note	2014	2013
Net profit for the year		1 159	682
Other comprehensive income	36		
Items that may subsequently be transferred to profit and loss			
Translation differences for the year from foreign operations		34	-0
Cash-flow hedges		4	15
Change for the year in fair value of available-for-sale financial assets		-0	16
Tax attributable to items that may subsequently be transferred to profit and loss		-1	-7
Total		37	24
Items that cannot be transferred to profit and loss			
Revaluation of owner-occupied property		-22	53
Revaluation of defined-benefit pension plans		-7	7
Tax attributable to items that cannot be reversed to profit and loss		6	2
Total		-22	62
Total other comprehensive income for the year, net after tax		15	87
Comprehensive income for the year		1,174	768

Consolidated statement of financial position

SEK M	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Goodwill	19	735	711
Other intangible assets	20	3,610	3,804
Deferred tax assets	40	38	13
Property and equipment	21	51	58
Owner-occupied property	22	2,265	2,423
Shares in Länsförsäkringar Liv Försäkrings AB	23	8	208
Shares and participations in associated companies	24	66	31
Reinsurers' portion of technical provisions	38	11,529	7,208
Loans to the public	25, 27	179,424	162,003
Unit-linked insurance assets for which the policyholder bears the risk	26	91,359	76,207
Shares and participations	28	1,487	1,148
Bonds and other interest-bearing securities	29	43,733	47,979
Treasury bills and other eligible bills	30	5,409	4,881
Derivatives	31	5,276	1,101
Change in value of hedge portfolios	32	1,147	551
Other receivables	33	4,516	8,146
Prepaid expenses and accrued income	34	3,621	3,933
Cash and cash equivalents	35	1,657	2,145
Total assets		355,933	322,550
EQUITY AND LIABILITIES			
Equity	36		
Share capital		1,007	975
Other capital contributed		9,708	9,240
Reserves		511	496
Retained earnings, including net profit for the year		5,631	4,472
Total equity		16,857	15,183
Subordinated liabilities	37	2,000	2,000
Technical provisions	38	18,664	20,753
Unit-linked insurance liabilities policyholder bears the risk	39	92,250	76,712
Deferred tax liabilities	40	948	861
Other provisions	41	179	132
Debt securities in issue	42	130,514	124,866
Deposits from the public	43	75,845	68,752
Due to credit institutions	44	3,390	1,600
Derivatives	31	2,756	2,801
Change in value of hedge portfolios	32	3,824	646
Other liabilities	45	3,640	3,284
Accrued expenses and deferred income	46	5,066	4,961
Total equity and liabilities		355,933	322,550

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 equity
Opening equity, 1 January 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, 31 December 2013	975	9,240	-70	416	138	12	4,472	15,183
Opening equity, 1 January 2014	975	9,240	-70	416	138	12	4,472	15,183
Comprehensive income for the year								
Net profit for the year	-	-	-	-	-	-	1,159	1,159
Other comprehensive income	-	-	34	-22	-	3	-	15
Comprehensive income for the year	-	-	34	-22	-	3	1,159	1,174
Shareholders' contribution								
New share issue	32	468	-	-	-	-	-	500
Closing equity, 31 December 2014	1,007	9,708	-36	394	138	15	5,631	16,857

Consolidated statement of cash flows

SEK M	Note	2014	2013
Operating activities			
Profit before tax		1,469	923
Adjustment for non-cash items	54	-1,923	6,883
Tax paid		-83	-98
Cash flow from operating activities before changes in working capital		-537	7,708
Cash flow from changes in working capital			
Change in shares and participations, bonds and other interest-bearing securities and derivatives		-4,073	-8,924
Increase (-)/Decrease (+) in operating receivables		-11,019	-17,327
Increase (+)/Decrease (-) in operating liabilities		9,235	7,223
Cash flow from operating activities		-6,394	-11,320
Investing activities			
Acquisitions of associated companies		-27	-1
Purchase of intangible assets		-209	-193
Purchase of property and equipment		-20	-18
Divestment of property and equipment		5	5
Cash flow from investing activities		-251	-206
Financing activities			
New share issue		500	500
Change in debt securities in issue		5,648	10,489
Cash flow from financing activities		6,148	10,989
Net cash flow for the year		-497	-536
Cash and cash equivalents, 1 January		2,145	2,680
Exchange-rate differences in cash and cash equivalents		10	1
Cash and cash equivalents, 31 December		1,657	2,145

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 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

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 IFRS 10 Consolidated Financial Statements and, accordingly, is not consolidated. The company is wholly owned by the Länsförsäkringar AB. The life-assurance operations, which are conducted according to mutual principles through Länsförsäkringar Liv and whose earnings accrue in their entirety to the policyholders, are not recognised in accordance with the purchase method since Länsförsäkringar AB does not have control of the company or the right to variable returns and cannot influence returns. Instead, Länsförsäkringar Liv is recognised and valued as unlisted shares in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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

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 claims incurred 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.

Amended accounting policies

The amendments applied by the Group since 1 January 2014 are described below. Other amendments to or new IFRS applicable from 2014 did not have any significant effect on the consolidated financial statements.

IFRS 10 Consolidated Financial Statements replaced 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 did not result in any changes to the consolidated financial statements.

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. IFRS 12 has entailed expanded disclosure requirements for the Group, see the Group's note 24 Shares and participations in associated companies.

Amendment in IAS 32 Financial Instruments: Presentation to clarify the principles for when financial assets and liabilities may be offset. Assets and liabilities may only be offset in the statement of financial position when a legally enforceable right to set off the amounts exists and the intention is to settle them on a net basis, or to realise the asset and settle the lia-

bility simultaneously. The amendment did not have any impact on the consolidated financial statements.

New IFRSs and interpretations that have not yet been applied

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

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The ISAB has finalised IFRS 9, which contains new requirements for recognition and measurement of financial instruments, an expected loss impairment model and simplified requirements for hedge accounting. IFRS 9 will take effect in 2018 and early adoption is permitted provided that the EU adopts the standard. The EU plans to approve the standard in 2015.

The categories of financial assets under IAS 39 will be replaced by three categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification into these three categories is based on the company's business model for the various holdings and the cash flow characteristics that the assets give rise to. The fair value option may be applied to debt instruments if doing so eliminates or significantly reduces an "accounting mismatch." Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value not held for trading in other comprehensive income instead.

The rules regarding financial liabilities are largely consistent with the IAS 39 rules, except for financial liabilities that are voluntarily measured at fair value according to the fair value option. The change in value for these liabilities is to be divided into changes attributable to own creditworthiness and changes in reference interest rate.

The impairment model requires recognition of the 12-month expected credit losses on initial recognition and, in the event of a significant increase in the credit risk, the loss allowance is to correspond to the full lifetime expected credit losses. The hedge accounting rules include simplified effectiveness testing and an expansion of eligible hedging instruments and eligible hedged items.

The company has not yet completed its evaluation of the effects of IFRS 9. Neither has the company decided whether to apply early adoption of the new principles since IFRS 9 has not yet been approved by the EU.

IFRS 15 Revenue from Contracts with Customers. The purpose of a new revenue standard is to have a single, principles based model for all industries that is to replace existing standards and statements on revenue. IFRS 15 is not expected to have any significant effect on the consolidated financial statements, although disclosure requirements will be expanded. The new standard will take effect in 2017 and early adoption is permitted provided that the EU adopts the standard. The EU is expected to approve IFRS 15 in 2015.

Consolidated financial statements

Consolidation principles

The consolidated financial statements encompass the accounts for the Parent Company and the companies in which the Parent Company has a controlling influence. All of the following criteria must be fulfilled in order for a controlling influence in a company to exist and thus for consolidation to be relevant. The company has power over the investee, the company is exposed to or has rights to variable returns from its involvement, and the company has the ability to use its power over the investee to affect the amount of the investor's returns.

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 1 January 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 acquired 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 measured 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 measuring 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 1 January 2006 and 31 December 2009

For acquisitions that took place between 1 January 2006 and 31 December 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 1 January 2006

For acquisitions that took place prior to 1 January 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 1 January 2006 were not restated in accordance with IFRS 3 when the Group's opening IFRS balance sheet was prepared at 1 January 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.

Accounting of associated companies

Associated companies are companies in which the Group has a significant, 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 carrying amount 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 operating segments 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 regional 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 translations 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 in 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 financial assets or deferred tax assets.

Impairment of financial assets is tested in accordance with IAS 39 Financial Instruments: Recognition and Measurement, and deferred tax assets are tested in accordance with IAS 12 Income Taxes.

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, future cash flows are discounted at 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 assesses whether a financial asset is in need of impairment by evaluating objective evidence of impairment of a financial asset. Objective evidence comprises observable circumstances that have occurred and have a negative effect on the possibility to recover the cost, and for equity instruments classified as available-for-sale financial assets a significant or extended reduction in the fair value of an investment.

The recoverable amount for assets belonging to the category of loans and receivables, 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 or a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount.

Reversal of impairment tests for property and equipment and intangible assets and participations in subsidiaries and associated companies

Impairment losses on goodwill are not reversed. Other recognised impairments are reversed if there is no longer an indication that the impairment requirement still exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. 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/amortisation, if no impairment had been applied.

Impairment of property and equipment and intangible assets is charged to profit and loss as Other administration expenses, and impairment of subsidiaries and associated companies is charged to profit and loss as Investment income, net.

Reversal of impairment on financial assets

Impairment of loans and receivables 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 in 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.

Impairment of financial assets is charged to profit and loss as Investment income, net.

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 financial assets. 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.

Interest income on assets and interest expense on liabilities are calculated and recognised through application of the effective interest method or by calculating a reasonable estimated based on a calculation under the effective interest method.

Interest income and interest expense include, where appropriate, allocated 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 asset or liability and the amount settled at maturity. Allocated issue expenses and direct transaction costs paid when loans are raised are included in interest expense.

Investment income, net

The following items are recognised under Investment income, net: realised and unrealised gains/losses from investing activities, the Bank Group's net gains from financial items and effect of interest-rate revaluations on annuities in insurance operations.

Realised profit and loss is calculated as the difference between the purchase consideration received and the cost of the asset. 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 are reversed as unrealised profit and loss.

Gains/losses from investing activities include interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, derivative not included in hedge accounting, cash and cash equivalents and loans. Realised and unrealised gains/losses on investment assets and derivative not included in hedge accounting are included in the item, as well as dividends, impairment of financial assets and external costs for asset management.

Net gains from financial items from the Bank Group includes interest compensation, realised and unrealised changes in value of derivatives that are financial hedging instruments, but to which hedge accounting is not applied. Furthermore, unrealised changes in 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 in cash-flow hedging and exchange-rate changes is also included.

In the insurance operations, provision for claims outstanding is discounted on annuities; the effect of interest-rate revaluations on annuities is recognised in Investment income, net.

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 from 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 unit-linked life assurance and in the banking operations. 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 provision for claims outstanding. Claims recoveries are recognised as a reduction of claims costs.

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 pension 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 commitment's 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 inter-

est 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 in a plan improves, the share of the increased remuneration attributable to the employee's service in previous periods is recognised directly as an expense 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 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

Loan losses 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 deemed to exist. Only the Bank Group's share of probable and confirmed loan losses are recognised. The regional insurance companies' share of probable and confirmed loan losses is settled against accrued commission. The settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to the business they have originated entails that the

regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, 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

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. Tax objects comprise the market value of the net assets managed on behalf of the policyholders at the start of the fiscal year. The yield tax attributable to the period is recognised in profit and loss under Current tax. Fees charged for yield tax are recognised in changes in unit-linked insurance liabilities policyholder bears the risk.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition of operations and the net of 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 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 three 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 technique.

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 on 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 in other comprehensive income and accumulated after tax in the revaluation reserve in equity. If the increase comprises a reversal of a previously recognised decrease in value of the same asset, the increase is recognised as a reduced cost in profit and loss. If revaluation results in a reduction in the carrying amount, the reduction is recognised in profit and loss. However, the reduction is recognised in other comprehensive income to the extent that any existing balance in the revaluation reserve is attributable to the asset.

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

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

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

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

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

The key factor in the assessment of whether an additional expense is to be added to the cost is whether the expense pertains to the replacement of

identified components, or parts thereof, in which case such expenses are capitalised. The expense is also added to the cost in the case of the creation of 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 the agreement in accordance with the conditions of the instrument. 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 the asset. A financial liability is derecognised from the statement of financial position when the obligation in the contract is met or extinguished in another manner.

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 recognised as a commitment, see note on Pledges assets and contingent liabilities.

Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and reported 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 simultaneously realise the asset and settle the liability or to settle the item in a net amount.

Recognition of genuine repurchase transactions

In genuine repurchase transactions, the asset remains in the statement of financial position of the selling party. Payment received is recognised as liabilities; sold securities remain in the statement of financial position and are recognised as Collateral paid due to repurchase agreement in the note on Pledged assets and contingent liabilities.

Classification and measurement

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument and on the options contained in IAS 39. IAS 39 requires that all financial instruments be measured at fair value when recognised in the statement of financial position. Following initial recognition, the classification determines how the financial instrument is measured. Financial instruments that are not derivatives are initially recognised at fair value, which corresponds to the cost with additions for transaction costs, although no addition for transaction costs is made for instruments classified as Financial assets measured at fair value in profit and loss.

Financial instruments are continuously measured at fair value, cost or amortised costs depending on the category that the instrument belongs to.

Financial assets measured at fair value in profit and loss

This category comprises two sub-groups: Held for trading and Financial assets measured according to fair value option. The "Held for trading category" comprises derivatives that are not included in a hedge relationship and that have a positive market value.

The "Financial assets measured according to fair value option" category includes assets that are managed and valued based on the fair values of the assets. The fair value which also forms the basis of internal monitoring and reporting to senior executives. Since these assets are managed and valued at fair value, the Group has chosen to classify these instruments as financial assets measured at fair value in profit and loss. In the statement of financial

position, Financial assets measured according to fair value option comprises the items of Unit-linked insurance assets policyholder bears the risk, Shares and participations and Bonds and other interest-bearing securities. Changes in fair value of these assets are recognised in profit and loss as Investment income, net

Derivatives used in hedge accounting

The Group's derivatives, 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. Changes in value are recognised depending on whether the derivative is designated as a hedging instrument and, if this is the case, the type of hedge relationship that the derivative is included in. The Group applies both cash-flow hedges and fair-value hedges. 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 monthly. Each identified hedge relationship is expected to be effective over the entire lifetime of the relationship. Effectiveness is tested by applying a forward-looking (prospective) assessment and a retrospective evaluation. Ineffectiveness is recognised in profit and loss.

Cash-flow hedges

Cash-flow hedging means a hedge of the risk of changed cash flows, for example, the risk of changed interest expenses from a loan bearing variable interest. When cash-flow hedges are applied, the effective portion of the derivative's (the hedging instrument's) changes in value are recognised in Other comprehensive income and accumulated in Equity. Changes in value recognised in Equity impacted profit and loss at the same time as the hedged item impacts profit and loss.

The Group applies cash-flow hedges for hedging interest-rate risk in Länsförsäkringar AB's debt securities in issue bearing variable interest and for hedging currency risk in Länsförsäkringar Bank's debt securities in issue in foreign currency.

Fair-value hedges

Fair-value hedges entail hedging the risk of changes in fair value of a financial asset or a financial liability, for example, the change in fair value of a loan at a fixed interest rate. When applying fair-value hedges, the hedged item is measured at fair value regarding its hedged risk. The changes in value that arise are recognised in profit and loss and are counterbalanced by the changes in value arising on the derivative (the hedging instrument).

Länsförsäkringar Bank applies the fair-value hedge method to specific portfolios of funding, deposits and loans bearing fixed interest rates. Länsförsäkringar Bank also applies the fair-value hedge method to assets in the liquidity portfolio that are classified in the category of Available-for-sale financial assets. The portfolio method that is applied implies that the hedged item and the hedging instruments are distributed to various time pockets based on the contractual timing of interest renegotiation or maturity. 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 in the item Investment income, net. 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.

Financial hedges

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 bearing fixed interest rates. The Group also includes hedges with interest caps for interest-rate risk associated with funding at floating interest rates. The loans are recognised at amortised cost and the interest caps are measured at fair value in profit and loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Group has chosen to classify the Bank Group's liquidity surplus and holdings in Länsförsäkringar Liv Försäkrings AB in this category.

Assets in the Available-for-sale financial assets category are continuously measured at fair value. Unrealised changes in value are 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.

The shares in Länsförsäkringar Liv Försäkrings AB are measured at fair value corresponding to cost adjusted for impairment since the shares cannot be reliably measured at fair value. An assessment of whether the shares of Länsförsäkringar Liv Försäkrings AB require impairment takes place prior to the end of each reporting period.

Loans and receivables

Loans and receivables are financial assets that have fixed or fixable payments and that are not derivatives are not or listed in an active market. Assets in this category are measured at amortised cost. Loans and receivables in the statement of financial position comprise the items of Loans to the public, Other receivables, Prepaid expenses and accrued income and Cash and cash equivalents.

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. The Group has no assets classified in this category.

Financial liabilities measured at fair value in profit and loss

This category comprises two sub-groups: Held for trading and Financial liabilities measured according to fair value option. A financial liability held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The Group has chosen to classify derivatives not used for hedge accounting and that have a negative market value in the category of Held for trading. Unit-linked insurance liabilities policyholder bears the risk are classified as Financial liabilities measured according to fair value option. Since Unit-linked insurance assets policyholder bears the risk are measured at fair value under the fair value option and Unit-linked insurance liabilities policyholder bears the risk are to match these assets, the assets are also measured at fair value in profit and loss. Changes in fair value of financial liabilities measured at fair value in profit and loss are recognised as Investment income, net.

Other financial liabilities

Other financial liabilities in the statement of financial position comprise Subordinated liabilities, Debt securities in issue, Deposits from the public, due to credit institutions, Other liabilities and Accrued expenses and deferred income. The liabilities in this category are measured at cost

which, when hedge accounting is applied, is adjusted for changes regarding the hedged risk.

Methods for determining fair value

The Group's holdings of financial instruments measured at fair value and the level of the valuation hierarchy from which inputs are used for determining the fair value are stated in the note on Fair value valuation techniques.

Financial instruments listed on an active market

The largest portion of the Group's financial instruments are measured at fair value using prices listed on an active market. No additions for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment are made. A financial instrument is considered to be listed on an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy.

Instruments listed on an active market and found in Level 1 of the fair value hierarchy are found in the statement of financial position as Unit-linked insurance assets policyholder bears the risk, Shares and participations, Bonds and other interest-bearing securities, Treasury bills and other eligible bills and Derivatives.

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 Group has OTC derivatives, for example, that are not traded on an active market. The valuation techniques applied are based on market data as far as possible, while company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the statement of financial position as: Shares and participations, Derivatives and Unit-linked insurance liabilities policyholder bears the risk.

If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the statement of financial position as: Owner-occupied property, Shares and participations and Bonds and other interest-bearing securities.

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

Individual impairments

For loans for which an individual impairment requirement has been identified, the recoverable amount is valued at the present value of expected future cash flows discounted by the effective interest rate of the receivable according to the latest interest-adjustment date.

An individual impairment loss is recognised according to either an individual assessment or a statistical model when the counterparty has a payment that is more than 60 days past due or if the counterparty, for other reasons such as bankruptcy, a decline in the value of the collateral or reduced repayment capacity, cannot fully meet its undertaking. Accordingly, the assessment of the impairment requirement for these individually identified loans is based on historical experience about cash flows from other borrowers with similar credit-risk characteristics. For leasing and hire purchase, an individual assessment is made of the future cash flows of all customer contracts terminated due to lack of solvency and of non-performing receivables for which an impairment requirement exists.

Collective impairments

Impairment requirements are identified and valued collectively for loans that are not deemed to have any individual impairment requirements for cases in which a measureable decline of expected future cash flows has occurred. Information collected from the framework of the Group's statistical model and historical data on loan loss levels is used to support assessments of expected future cash flows and collective impairment requirements.

For loan receivables in leasing and hire purchase whereby the counterparty has a payment that is more than 20 days past due but where the counterparty is deemed to be able to fulfil the conditions of the contract, the collective impairment requirement is assessed based on historical experience about loan losses from other borrowers with similar credit characteristics.

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 and after all of the collateral has been realised and where the assessment is that the possibility of receiving additional payments is very small. The receivable is then derecognised from the balance sheet and recognised as a confirmed loss in profit and loss on this date.

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 leasing 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. A review of all contracts in the insurance companies was performed focusing on the insurance risk in these contracts and the financial impact of an insurance event on the financial statements. The financial impact must be significant to be considered an insurance contract. The Group's non-life insurance companies have classified all insurance contracts as with contracts containing insurance risk. Some insurance contracts of minor financial impact 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 flows.

Financial agreements

Insurance contracts that contain limited insurance risk are classified as financial agreements in Länsförsäkringar Fondliv Försäkrings AB. 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. Correspondingly, payments of claims payments for insurance contracts with limited risk are recognised as withdrawals from the insurance operations in the statement of financial position. The fees paid by customers are recognised as income and the costs 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 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 risks, 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 provisions to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under Investment income, net.

Provision for unearned premiums and unexpired risks

Provision for unearned premiums is designed to cover the expected claims and operating expenses during the remaining time to maturity of insurance contracts already in force. The calculation includes an estimate of the expected costs for claims that may occur during the remaining term of the insurance policies and the administration 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 Change in provision for unearned premiums and unexpired risks is recognised in profit and loss.

Provision for claims outstanding

The provision for claims outstanding in the unit-linked life-assurance operations comprises provision for annuities and disability annuities, established claims and non-established claims. The provision for annuities and disability annuities corresponds to the discounted capital value of commitments in accordance with the insurance contract. The provision for established claims corresponds to the discounted, expected capital value of future expenses due to the incurred health claim. It includes reported and approved claims that have not yet been paid and future operating expenses. It also includes the fixed-income operations. The discount rate is determined based on current market interest rates in accordance with satisfactory practice.

The provision for non-established claims pertains to claims that have not yet been reported but which have been made using statistical methods based on previous experience for the respective products. For disability

annuities at fixed amounts, the nominal interest-rate assumption was determined based on the interest-rate curve used for life-assurance reserves.

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

With the exception of annuities, the provision for claims outstanding is not discounted. The provision for annuities is estimated in line with customary life-assurance methods and discounted to market interest rates. The effect of interest-rate revaluations is recognised as a financial expense or income.

For motor third-party liability insurance, provisions are made for claims adjustment costs according to the unit cost principle. Provisions for claims adjustment costs for other lines of insurance are made proportionally against the provision for claims incurred.

The provision for claims incurred but not reported (IBNR) encompasses costs for claims that have been incurred but are unknown to the company. The amount is an estimate based on historical experience and claims outcomes.

The change in claims outstanding for the period is recognised in profit and loss. Changes attributable to the translation of the provisions to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under Investment income, net.

Life-assurance reserve

The life-assurance reserve corresponds to the anticipated capital value of 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 interest-rate 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 in the unit-linked life-assurance operations 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.

The unit-linked life-assurance operations have chosen to attribute unit-linked insurance commitments to the measurement category of Financial liabilities measured at fair value in profit and loss, since it provides a favourable match to the associated assets measured at fair value.

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 by discounting 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 commitments are valid for three months and are recognised as a commitment under the note entitled Pledged assets and contingent liabilities.

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 RISK AND CAPITAL MANAGEMENT

Conducting insurance and banking operations 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.

Risks and risk management

The Länsförsäkringar AB 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. Länsförsäkringar's 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. Risk management contains strategies, processes and reporting procedures necessary for continuously identifying, measuring, monitoring, managing and reporting the risks associated with the business activities.

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 Länsförsäkringar AB Group's risk work is based on the risk policy decided by the Board that stipulates the company's risk strategy and overall risk tolerance and risk appetite. Furthermore, the Board decides on additional governance documents, such as the business plan, policy and guidelines for asset management and debt coverage.

The 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 the future Solvency II rules, which are calibrated to indicate the risk of insolvency occurring within 12 months with a maximum of 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 III (CRR and CRD IV) capital requirement rules.

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.

The risk-management process comprises continuous work and annual activities, and can differ between the various types of risk. Continuous risk-management work includes handling known risks and also identifying new risks. An own risk and solvency assessment is performed every year and in conjunction with major changes in the operations or economic environment. Following applicable regulations, the Board establishes the frameworks for the companies' risk management and risk control based on

internal rules in various governance documents. The companies' Presidents are responsible for incorporating all governance documents into the operations and for establishing more detailed regulations for risk management within the framework determined by the Board. The governance documents are updated and approved annually. Each of the Group's companies has a Risk and Capital Committee to support the Boards' work by examining and assessing risk-taking and capital requirements.

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. An aggregated risk profile for the Group is reported to the Parent Company's Board of Directors every quarter.

The Risk Control function, which is separate from the business operations and reports to the Presidents and Boards, is responsible for the independent risk control. The Risk Control function is also responsible for keeping the company's President and Board continuously informed of the companies' overall risk situation by submitting risk reports at least four times a year. Furthermore, the function conducts annual risk analyses for business risks and operational risks in all departments and at management level in Länsförsäkringar AB.

The compliance function provides support for ensuring that the operations are in compliance with regulatory requirements. The function identifies and reports on risks that may arise as a result of non-compliance with regulatory requirements.

Internal Audit is an independent review function that comprises the Board's support in quality assurance of the organisation's risk management, governance and controls.

The management and monitoring of different risks takes place in the operating activities within the frameworks established by the Boards of each company and which are broken down into more detailed regulations regarding authorisation to take risks and obligations to monitor them. 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 financial 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.

Solvency II – preparations for new risk-based regulatory requirements

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 1 January 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. An internal model will be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Swedish Financial Supervisory Authority prior to application. Länsförsäkringar AB will apply to the Financial Supervisory Authority for approval for use of an internal model for the insurance group and also received a positive ruling on the reliability of the model during the year. The Group's insurance companies will thus be able to work with measures of capital requirement that are better aligned with the specific risks of each company than those in the standard formula.

Risk profile

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. External transfers from Länsförsäkringar Sak's reserves for motor third-party liability claims and annuities sharply reduce the company's balance sheet and thus also the reserve risk and life-assurance risk. Interest-rate risk also reduces slightly due to lower interest-rate risk in both liabilities and assets, although with a minor net effect since the liability transferred was largely hedged. The overall impact on the capital requirement is limited. 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 SEK 0 M (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 11 presents the maturity structure of the Group's financial assets and liabilities.

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.

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 Catastrophe 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	

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 claim incident.

Table 1. SENSITIVITY ANALYSIS, INSURANCE RISK¹⁾

Impact on profit before tax, net, SEK M	2014	2013
10% lower premium level	-416	-409
10% increased claims frequency or higher average claim	-270	-271
1% higher annual claims inflation	-233	-617

¹⁾ Only non-life insurance risks.

Table 2. REINSURANCE PER CLAIM INCIDENT

SEK M	2014		2013	
	Retention	Cover	Retention	Cover
Motor third-party liability insurance	40	300	40	300
Casualty insurance	30	300	30	300
Marine and 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 arising due to 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 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 arising due to a negative outcome in the settlement of provisions for claims outstanding. The reserve risk in motor third-party liability insurance is reduced due to the transfer of the motor third-party liability portfolio and annuities that took place on 30 December 2014.

The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 17.1 billion (19.8), gross. An estimate of the cost of claims outstanding – about SEK 15.5 billion (18.3) – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost.

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 3.6 years (7.9). The large percentage of motor third-party liability insurance business and changes

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	2014	Total
At end of claim year	2,129	1,371	1,514	1,708	1,798	2,134	2,456	2,511	2,443	2,471	2,648	–
One year later	2,084	1,373	1,605	1,658	1,783	2,148	2,595	2,540	2,449	2,338	–	–
Two years later	2,011	1,403	1,579	1,563	1,781	2,111	2,552	2,475	2,486	–	–	–
Three years later	2,063	1,363	1,534	1,552	1,769	2,108	2,504	2,475	–	–	–	–
Four years later	1,930	1,338	1,520	1,545	1,776	2,111	2,485	–	–	–	–	–
Five years later	1,891	1,333	1,519	1,546	1,787	2,117	–	–	–	–	–	–
Six years later	1,883	1,322	1,507	1,553	1,773	–	–	–	–	–	–	–
Seven years later	1,870	1,315	1,512	1,547	–	–	–	–	–	–	–	–
Eight years later	1,869	1,276	1,504	–	–	–	–	–	–	–	–	–
Nine years later	1,860	1,526	–	–	–	–	–	–	–	–	–	–
Ten years later	1,696	–	–	–	–	–	–	–	–	–	–	–
Estimated claims costs	1,696	1,526	1,504	1,547	1,773	2,117	2,485	2,475	2,486	2,338	2,648	–
Accumulated claims payments	1,626	1,203	1,391	1,425	1,641	1,965	2,253	2,255	2,217	2,033	1,797	–
Provision for claims payments	70	71	113	121	131	150	230	218	268	305	851	2,527
Provision for claims payments, older year classes	–	–	–	–	–	–	–	–	–	–	–	823
Provision for claims payments for assumed reinsurance	–	–	–	–	–	–	–	–	–	–	–	10,277
Total provision for claims payments, gross	–	–	–	–	–	–	–	–	–	–	–	13,628
Annuity reserve, gross	–	–	–	–	–	–	–	–	–	–	–	1,569
Claims adjustment reserve, gross	–	–	–	–	–	–	–	–	–	–	–	256
Provision for claims outstanding, gross	–	–	–	–	–	–	–	–	–	–	–	15,453
Provision for claims payments, reinsurers' portion	–	–	–	–	–	–	–	–	–	–	–	10,146
Annuity reserve, reinsurers' portion	–	–	–	–	–	–	–	–	–	–	–	1,359
Claims adjustment reserve, reinsurers' portion	–	–	–	–	–	–	–	–	–	–	–	–
Provision for claims outstanding, reinsurers' portion	–	–	–	–	–	–	–	–	–	–	–	11,506
Provision for claims outstanding, for own account	–	–	–	–	–	–	–	–	–	–	–	3,947

in claims inflation have a significant impact on reserve requirements. Table 11 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 arising due to natural catastrophes, 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 risks comprise longevity risk, mortality risk and morbidity. Life-assurance risks derive from the operations of Länsförsäkringar Grupplivförsäkrings AB, which are subject to the mortality risk and morbidity. Longevity risk, mortality risk and risk of morbidity is the risk of losses arising due to the insured living longer, the mortality of the insured being higher and the morbidity of the insured being higher than assumed. The transfer of the motor third-party liability portfolio and annuities that took place on 30 December 2014 entails a lower life-assurance risk.

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 arising due to 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 arising due to 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, 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 31 December 2014 amounted to SEK 1,327 M (806) and SEK 105 M (69), respectively. For guarantee management, a provision is made for conditional bonus, SEK 615 M (497), which comprises the overall level difference between insurance capital and the technical provisions.

Market risk

Market risk is the risk of losses arising due to 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's investment assets 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 profit before tax, SEK M	2014	2013
1% higher interest rate, nominal interest rates 1)	-96	-89
1% higher real interest rate (including impact on annuities)	-18	-50
10% lower share prices	-149	-115

¹⁾ Interest-rate sensitivity of a 1% higher interest-rate level in assets and liabilities in the Länsförsäkringar AB Group.

Changed property prices affect the fair value of the office properties utilised by the Group. The change in value is recognised in other comprehensive income. A 10% decline in the value of the properties results in a decrease in equity amounting to approximately SEK 177 M (189).

Interest-rate risk

Interest-rate risk is the risk of losses arising due to 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 interest-bearing assets and liabilities, including derivatives 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 lending 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 31 December 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 2 M (42) in the Bank Group.

Equities risk

Equities risk is the risk of losses arising due to 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 arising due to 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 2.3 billion (2.4).

Credit-spread risk

Credit-spread risk is the risk of losses arising due to 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 6 below shows that most of the interest-bearing investments have an AAA rating.

Currency risk

Currency risk is the risk of losses arising due to 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	
	2014	2013
USD	+/- 2	+/- 12
CNY	+/- 0	+/- 3
NOK	+/- 0	+/- 2
GBP	+/- 3	+/- 2
NZD	+/- 2	+/- 2
INR	+/- 1	+/- 2
AUD	+/- 0	+/- 1
EUR	+/- 2	+/- 1
KRW	+/- 1	+/- 1
DKK	+/- 0	+/- 1
CHF	+/- 0	+/- 1
JPY	+/- 0	+/- 0
PLN	+/- 0	+/- 0
RUB	+/- 0	+/- 0

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.

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to 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 6. CREDIT QUALITY OF FULLY FUNCTIONING FINANCIAL ASSETS

SEK M	31 Dec 2014	31 Dec 2013
Cash and balances with the Riksbank¹⁾	26	109
Treasury bills and other eligible bills, etc.¹⁾		
AAA	5,409	4,881
Loans to credit institutions¹⁾		
AA	12	11
A	1,778	1,358
Total	1,790	1,369
Bonds and other interest-bearing securities - Insurance (market values including accrued interest)		
AAA - Swedish Government	440	6,005
AA - Other	4,940	6,013
AA	110	32
A	658	631
BBB or lower	1,063	625
No rating available	603	382
Total	7,814	13,688
Bonds and other interest-bearing securities - Bank		
AAA - Swedish Government	-	3,887
AA - Other	36,104	36,195
Total	36,104	40,082
Financial derivatives (exposure according to market values)		
Insurance		
AA	-4	7
A	9	4
Total	5	11
Financial derivatives (exposure according to market values) Bank		
AA	1,015	112
A	302	404
Total	1,317	516

¹⁾ Only the Bank Group.

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 arising due to 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 well-diversified geographic spread 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 regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by means of an off-set against accrued commissions.

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-risk exposure is calculated using a method that aims to identify and classify risk for each individual counterparty. The distribution of the Bank Group's loans is shown in table 7.

Table 7. **BANK GROUP'S CREDIT-RISK EXPOSURE**

Maximum credit-risk exposure not taking into consideration collateral or any other credit enhancement received, SEK M	31 Dec 2014	31 Dec 2013
<i>Credit risk exposure for items recognised in the balance sheet</i>		
Cash and balances with central banks	26	108
Treasury bills and other eligible bills, etc.	5,409	4,881
Loans to credit institutions	1,790	5,958
Loans to the public	179,424	162,003
Bonds and other interest-bearing securities	36,104	35,201
Derivative instruments	5,258	1,077
Other assets	438	571
<i>Credit risk exposure for memorandum items</i>		
Guarantees	24	57
Loan commitments and other credit commitments	15,153	10,659
Total	243,625	219,175

Collateral is provided for the loan receivables reported in table 8 in the form of mortgage deeds for mortgages, agricultural lending, multi-family housing and industrial properties, and collateral in assets for leasing and hire purchase. Other loan receivables have increased due to overnight deposits with the Swedish National Debt Office.

Table 8. **BANK GROUP LOANS BY SEGMENT**

Loan receivables, SEK M	31 Dec 2014	31 Dec 2013
Retail mortgages	127,274	115,251
Agricultural loans	22,454	20,657
Unsecured loans	7,333	6,811
Leasing	6,268	6,276
Hire purchase	5,797	5,470
Multi-family housing	7,145	5,788
Industrial properties	624	589
Other	2,874	1,583
Total	179,769	162,425

The average commitment amounted to SEK 1.0 M (1.0). Only 10% (9) 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 9. **BANK GROUP'S IMPAIRED LOANS**

Impaired loans by product, SEK M	Group	
	31 Dec 2014	31 Dec 2013
Retail mortgages	9.6	25.3
Agricultural loans	34.4	71.4
Unsecured loans	124.9	113.6
Leasing	85.8	111.3
Hire purchase	39.0	46.4
Multi-family housing	–	–
Industrial properties	–	–
Other	22.3	25.4
Total	315.9	393.4

Table 10. **BANK GROUP'S NON-PERFORMING LOAN RECEIVABLES NOT INCLUDED IN IMPAIRED LOANS**

Non-performing loan receivables not included in impaired loans, SEK M	Bank Group		Länsförsäkringar Bank AB	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Receivables overdue by 10–19 days ¹⁾	0.1	1.3	0.1	0.8
Receivables overdue by 20–39 days	329.0	343.6	35.3	32.2
Receivables overdue by 40–60 days	19.6	10.0	16.6	0.0
Total	348.7	354.9	52.0	33.0

¹⁾ Excluding Wasa Kredit.

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. The loan receivable is considered impaired to the extent that its whole amount is not covered by collateral. A non-performing loan receivable has a non-performing payment that is more than nine days and up to 60 days past due. This analysis pertains exclusively to loans to the public. The Bank Group's individual impairments are made for loans in default and for loans where an individual assessment indicates a need for impairment. The main rule is that when a loss is confirmed for a loan/borrower, a corresponding separate impairment of the full amount of the confirmed loss is made for the loan/borrower. The principle for individual impairments is based on an individual assessment decided by the Central Credit Committee, the Head of Workout at Credit and/or the Credit Manager. 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.

Operational risk

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

out 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 arising due to 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 arising due to 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.

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. At 31 December 2014, the office property utilised by the

Group in Stockholm comprised a major investment asset. The value of this property represented approximately 27% (15) of the value of the Länsförsäkringar Sak Group's 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 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 44.1 billion (45.9) on 31 December 2014, 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. 72% (76) of the liquidity reserve comprises Swedish covered bonds. All deposits in the liquidity reserve are of very high credit quality.

Table 11. MATURITY ANALYSIS FOR FINANCIAL ASSETS AND LIABILITIES AND INSURANCE UNDERTAKINGS

The table below shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. The amounts presented in maturities are undiscounted cash flows.

SEK M	2014					2013				
	<3 months	3 months –1 year	1–5 years	> 5 years	Total	<3 months	3 months –1 year	1–5 years	> 5 years	Total
Assets										
Loans to the public	3,589	5,053	11,479	161,515	181,636	–	5,006	19,638	146,139	170,783
Bonds and other interest-bearing securities ¹⁾	3,401	5,809	26,897	638	36,746	5,629	15,020	3,232	1,256	25,137
Receivables, reinsurance	–	2,800	2,391	–	5,191	5,339	574	4,096	–	10,009
Treasury bills and other eligible bills	3,602	–	–	–	3,602	6,498	–	–	–	6,498
Liabilities										
Subordinated liabilities	–	–	2,000	–	2,000	–	–	2,000	–	2,000
Technical provisions ²⁾	1,740	2,082	3,892	9,382	17,095	1,488	2,293	3,951	8,372	16,104
Deposits from reinsurers	16,501	15,295	74,190	22,959	128,945	5,348	22,633	77,915	17,954	123,851
Liabilities, direct insurance										
Liabilities, reinsurance	1,092	–	–	–	1,092	92	282	295	–	668
Other liabilities	1,532	–	–	–	1,532	2,498	–	–	–	2,498
Total cash flows, net	–76,808	–11,605	–40,736	129,812	666	–52,365	–12,082	–58,188	121,069	–1,567
Loans approved but not disbursed	11,763	–	–	–	11,763	7,478	–	–	–	7,478
Derivatives, in and outflows, net	1,241	–13,236	–3,389	21,117	5,733	–25,485	–855	1,046	27,798	2,504
Total cash flows for financial assets and liabilities and insurance undertakings	–63,804	–24,841	–44,125	150,929	18,162	–70,372	–12,937	–57,142	148,867	8,415

¹⁾ Bonds and other interest-bearing securities are included in fixed-income funds, these have no contractual maturities and have been excluded from the table.

²⁾ Technical provisions are recognised gross, before ceded reinsurance.

Länsförsäkringar Sak's liquidity was highly favourable at year-end, with cash and cash equivalents amounting to SEK 651 M (175). The high liquidity was due to the transfer of the run-off motor third-party liability insurance and annuities portfolio to the regional insurance companies. The investment guidelines stipulate limits for the desired level of liquidity.

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 cash and cash equivalents was sufficient at year-end and amounted to SEK 239 M (1,095).

Länsförsäkringar AB 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 31 December 2014, SEK 2.2 billion 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.

Capital management

It is of central importance that the Länsförsäkringar AB Group and its separate licensable operations have a sufficient amount of capital in relation to the level of the Group's risks, regulatory capital requirements and stakeholder expectations.

Targets and guidelines

The business activities in the Länsförsäkringar AB Group are conducted for profit-making purposes to enable Länsförsäkringar AB to pay returns through value growth and dividends to the owners. All capital that is not required for operations that the Group is commissioned to conduct by the regional insurance companies is to be paid as a dividend over time, on the condition that a credit rating of A for the Group's credit-rated units can be justified.

The Länsförsäkringar AB Group has worked with a capital adequacy target for the Group's overall capital strength for several years, which is formulated on the future risk-based capital requirements for the Group's units. The Basel III rules were introduced during the year on the basis of the EU's CRR and CRD IV. For insurance operations, risk-based capital requirements will be introduced under Solvency II on 1 January 2016.

For the banking operations, the Länsförsäkringar Bank Group works on a large number of the Group's credit portfolios using internal risk models for measuring risk and calculating capital requirements, as approved by the Swedish Financial Supervisory Authority. For the insurance operations, the Group's insurance companies use partial internal models to measure risk. These models are undergoing a preparatory review by the Financial Supervisory Authority prior to Solvency II, and an application will be submitted for permission to utilise these models in capital requirement calculations under Solvency II.

The Group works with risk-based governance supported by the risk models of the operations. Capital is allocated internally based on plans for the business activities and forecasts for risk-based capital requirements, and risk-adjusted returns are forecast and followed up as part of the governance of the business activities.

Process

The Group's capital planning is conducted once annually and are integrated into the business planning. These plans include the current year and

three years in the future, and are prepared during the autumn. The process analyses the level of the capital requirement and the access to capital based on sales and profitability forecasts.

The purpose of the Group's capital planning is to ensure that the capital base is sufficient for bearing the risks associated with realising the business plan. The analysis is based on the business plan activities and its fundamental scenario, but also includes a demanding but realistic negative scenario and stress tests. The capital situation of the entire Länsförsäkringar AB Group can be highlighted by performing analyses of shared scenarios and stress tests. In addition, unit-specific stress tests are performed in the Group's insurance companies and in the banking operations to provide supplementary data on the capital situation of each subsidiary. The analysis is to be performed in such a manner that the Board and management gain greater joint understanding of issues relating to capital structure, capital requirement and business contingency to reduce risks and acquire new capital.

Capital planning results in a finance plan for the Länsförsäkringar AB Group and contains, for example, forecasts for the income statement and balance sheets at Group and subsidiary level, and the capital situation in relation to regulatory requirements. The finance plan also stipulates a plan for internal dividends and contributions, and a plan for capital transactions between the Group and its owners and issues of capital instruments to external investors.

The Länsförsäkringar AB Group's finance plan comprises a group-level report as required under the Solvency II rules on Own Risk and Solvency Assessment (ORSA). The Board adopted a Group-wide policy for such an assessment during the year. The reported prepared in 2014 was submitted to the Financial Supervisory Authority in accordance with EIO-PA's preparatory guidelines on preparations for Solvency II. The Group's insurance companies have prepared separate ORSAs based on Group-wide conditions. A corresponding assessment – an internal capital adequacy assessment (ICAAP) – is performed by Länsförsäkringar Bank and its subsidiaries under the rules for banks.

After the finance plan for the Länsförsäkringar AB Group is decided by the Board, it is continuously followed up during the year in the monthly and quarterly reports to the Board. The plan is regularly updated during the fiscal year as required.

Capital requirements and capital situation

The Länsförsäkringar AB Group and its units are subject to regulatory requirements for the minimum permitted amount of capital in accordance with rules for banks, rules for insurance companies and rules for financial conglomerates. Länsförsäkringar AB, as the holding company for operations in both the banking sector and the insurance sector – known as a mixed financial holding company – is, along with its licensable subsidiaries, encompassed by the abovementioned rules on minimum permitted capital in groups.

Of these rules, the rules on financial conglomerates are adapted to a financial group with both banking and insurance operations, insofar as the total capital base in the group is to cover the total of the capital requirement for the banking operations and the capital requirement for the insurance operations. Instead, each set of rules entails that the value of shares in companies in "the other sector" are to be deducted from the capital base and the remaining net amount is to cover the capital requirement in the first sector. However, the rules on insurance groups will change in this respect when Solvency II comes into effect.

The rules on bank groups include the option of alternative application. An application was submitted to the Financial Supervisory Authority in October 2014 to apply the rules such that the capital requirement is calculated for the value of the shares in the insurance companies instead of being deducted from the capital base. A response to this application has not yet been received. The information on the capital situation presented below under the rules on bank groups is what is to be applied without the approval requested in the application above.

The solvency rules for bank groups and insurance groups, as currently applied, can be said to discard the surplus found in “the other sector.” Accordingly, the surplus in absolute figures is lower than when it is measured for the bank group and the insurance group compared with the surplus in the conglomerate.

Capital situation under the rules on financial conglomerates

The rules on financial conglomerates have been applied for the Länsförsäkringar AB Group since they were introduced in 2006. Both the capital base and the capital requirement are calculated with guidance from the rules of each sector, the banking sector and insurance sector. The Solvency I rules are used for the insurance sector, pending the Solvency II coming into effect. For the banking sector, the most rigorous of the new capital requirement rules based on Basel III and the transition rules under Basel I are applied. The calculations for the financial conglomerate are based on the deduction and aggregation method. Länsförsäkringar Liv is included in the calculations of the solvency situation in the financial conglomerate even though the company is not consolidated in the consolidated financial statements. Since Länsförsäkringar Liv is a life-assurance company that is operated in accordance with mutual principles, none of its capital surplus is included in the calculation of the financial conglomerate's capital surplus.

Certain new rules will apply from 2014 on the basis of an EU Regulation on the calculation methods for solvency testing in financial conglomerates (Commission Delegated Regulation 342/2014). Special consideration is now to be made of whether there is any practical or legal impediment to transferring the surplus in a unit to another unit within the same conglomerate. If this is the case, the portion of the surplus in a unit that cannot be transferred may not be included in the conglomerate's capital base. Länsförsäkringar AB will submit the results of this calculation to the Financial Supervisory Authority by 31 March 2015 for its solvency situation at 31 December 2014.

The results of the calculation, including this special consideration under the new rules on transferability of surpluses, are presented in table 12.

Table 12. **FINANCIAL CONGLOMERATE: SOLVENCY SITUATION 31 DEC 2014**

SEK M	2014
Capital base, gross	18,812
of which capital base included from Länsförsäkringar Liv	4,214
Deductions, non-transferable surpluses in other units than Länsförsäkringar Liv	-1,010
Capital base, net	17,802
Capital requirement	14,988
of which capital requirement Länsförsäkringar Liv	4,214
Capital surplus, gross (before deductions for non-transferable surpluses)	3,824
Capital surplus	2,814

Capital base, gross is calculated after deductions for portions of Länsförsäkringar Bank's subordinated debt that were held by Länsförsäkringar Sak and Länsförsäkringar Liv; the amount was SEK 800 M.

Capital surplus net, after deductions for non-transferable surpluses, totalled SEK 2,814 M. Deductions for non-transferable surpluses pertain to the existence of relatively large contingency reserves in Länsförsäkringar Sak and Agria preventing all of the surpluses in the companies from being transferred.

Capital situation under the rules for bank groups

From 2014, the rules on reporting capital situations in bank groups entail that the Länsförsäkringar Bank Group is to be consolidated with Länsförsäkringar AB and the capital situation is to be tested for the combined financial group (named “consolidated situation” in table 13).

The capital requirements at group level are to be fulfilled both under the new rules as introduced in Basel III and under the Basel I transition rules.

Table 13 shows the capital adequacy at group level for the Länsförsäkringar Bank Group consolidated with Länsförsäkringar AB. In addition, capital adequacy for the Länsförsäkringar Bank Group is also presented as a separate group.

Table 13. **BANK GROUP: CAPITAL ADEQUACY 31 DEC 2014**

	Consolidated situation Basel III 2014	Länsförsäkringar Bank Group Basel III 2014	Länsförsäkringar Bank Group Basel II 2013
SEK M (unless otherwise stated)			
Core Tier 1 capital	8,369	8,564	7,441
Tier 1 capital	8,369	8,564	7,441
Capital base	10,514	10,869	9,436
Risk Exposure Amount	60,250	52,822	50,465
Core Tier 1 ratio	13.9 %	16.2 %	14.7 %
Tier 1 ratio	13.9 %	16.2 %	14.7 %
Capital adequacy ratio	17.5 %	20.6 %	18.7 %
<i>Transition rules from Basel I</i>			
Capital base according to transition rules	10,984	11,339	10,040
Capital requirement according to transition rules	8,642	8,579	7,710
Surplus according to transition rules	2,342	2,760	2,330

Comparative figures for the situation at the end of 2013 pertain to the Länsförsäkringar Bank Group under the Basel II rules. The capital situation according to the consolidated situation strengthened during the year on the basis of a capital contribution from the regional insurance companies and dividends to the Parent Company from the Group's profit-distributing insurance companies.

Capital situation under the rules for insurance groups

From 2014, the rules on insurance groups entail that the solvency situation will be tested for a single group comprising the Länsförsäkringar AB Group's insurance subsidiaries Länsförsäkringar Sak, Agria Djurförsäkring, Länsförsäkringar Gruppliv, Länsförsäkringar Fondliv and Länsförsäkringar Liv, together with Länsförsäkringar AB. The value of Länsförsäkringar AB's shares in Länsförsäkringar Bank are to be deducted from the capital base. The calculation is performed using the deduction and aggregation method. Similar to the calculation for the financial conglomerate, Länsförsäkringar Liv's surplus is not included in the insurance group's capital base.

Table 14. **INSURANCE GROUP: SOLVENCY SITUATION 31 DEC 2014**

SEK M	2014
Capital base	7,619
of which capital base included from Länsförsäkringar Liv	4,214
Capital requirement	6,293
of which capital requirement Länsförsäkringar Liv	4,214
Capital surplus	1,325

The capital situation according to the rules for insurance groups will change after the introduction of Solvency II on 1 January 2016. Under Solvency II, the group solvency calculation is to treat the holdings in Länsförsäkringar Bank in accordance with the rules on capital base and capital requirements for banks. As a result, the solvency tests under the rules for financial conglomerates and under the rules for insurance groups will provide similar results when Solvency II is introduced. The significant discrepancy that currently exists between the results will therefore not be permanent.

3 EARNINGS PER OPERATING SEGMENT

2014	Non-life insurance	Unit-linked insurance	Bank	Parent company	Eliminations and adjustments	Total
Premiums after ceded reinsurance	4,099	107	–	–	–28	4,178
Net interest income	–	–	2,580	–	30	2,610
Change in unit-linked insurance assets, policyholder bears the risk	–	11,506	–	–	–	11,506
Dividends in unit-linked insurance assets, policyholder bears the risk	–	3	–	–	–	3
Investment income, net	132	93	98	992	–1,169	146
Commission income	96	1,171	1,312	–	–287	2,292
Other operating income	321	271	199	2,489	–1,235	2,045
Total operating income	4,649	13,150	4,190	3,481	–2,690	22,780
Claims payments after ceded reinsurance	–2,670	–53	–	–	283	–2,440
Change in life assurance provision	–	–	–	–	–3	–3
Change in unit-linked insurance liabilities, policyholder bears the risk	–	–11,608	–	–	–	–11,608
Commission expense	–413	–558	–1,736	–	306	–2,401
Staff costs	–347	–153	–441	–809	15	–1,735
Other administration expenses	–607	–412	–1,085	–1,905	877	–3,132
Loan losses	–	–	7	–	–	7
Total expenses	–4,038	–12,783	–3,255	–2,714	1,479	–21,311
Technical result	611	367	–	–	–978	–
Non-technical income/expenses	180	6	–	–	–186	–
Operating profit	791	373	935	767	–1,397	1,469
Tax						–310
Net profit for the year						1,159
Income distribution						
External income	4,461	12,845	4,202	2,398	–1,126	22,780
Internal income	188	305	–12	1,083	–1,564	–
Total operating income	4,649	13,150	4,190	3,481	–2,690	22,780

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
Change in unit-linked insurance assets, policyholder bears the risk	–	8,251	–	–	–	8,251
Dividends in unit-linked insurance assets, policyholder bears the risk	–	4	–	–	–	4
Investment income, net	155	53	–86	336	–662	–203
Commission income	119	994	1,140	–	–240	2,014
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 after ceded reinsurance	–2,940	–36	–	–	272	–2,704
Change in life-assurance provision	–1	–	–	–	–	–1
Change in unit-linked insurance liabilities, policyholder bears the risk	–	–8,308	–	–	–	–8,308
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	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

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 4,239 M (4,203) and group life assurance with income from external customers totalling SEK 222 M (216).

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 12,845 M (9,184).

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 1,125 M (626), for mortgage products totalling SEK 1,107 M (1,083), for leasing and installment totalling SEK 1,053 M (1,048) and for fund products totalling SEK 917 M (768).

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 in Non-Life Insurance is included in Other administration expenses. 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 2014

During 2014, the Länsförsäkringar AB Group did not acquire any operations.

Change in additional purchase price 2014

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 2014, an installment of the additional purchase price was paid to Länsförsäkringar Liv Försäkrings AB. The installment totalled SEK 136 M (136). The value of the additional purchase price was SEK 486 M (593) on 31 December 2014.

5 PREMIUMS AFTER CEDED REINSURANCE

	2014	2013
Non-life insurance		
Premium income, direct insurance, Sweden	4,077	3,112
Premium income, direct insurance, other EEA	6	480
Premium income, received reinsurance	4,330	2,357
Change in provision for unearned premiums	-161	-136
Change in provision for unexpired risks	-3	4
Total premiums earned before ceded reinsurance	8,249	5,817
Premiums for ceded reinsurance	-4,394	-1,940
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	-6	0
Total reinsurers' portion of premiums earned	-4,400	-1,940
Total premiums earned after ceded reinsurance	3,849	3,877
Life assurance		
Premium income, group insurance, direct life assurance in Sweden	338	288
Total premium income before ceded reinsurance	338	288
Premiums for ceded reinsurance	-9	-9
Total premiums after ceded reinsurance	329	279
Total premiums after ceded reinsurance	4,178	4,156

6 INTEREST INCOME

	2014	2013
Loans to credit institutions	56	47
Loans to the public	5,458	5,734
Interest-bearing securities	733	878
Derivatives		
– Hedge accounting	2,274	2,829
Other interest income	2	0
Total interest income	8,523	9,488
of which interest income on impaired loans	10	19
of which interest income from financial items not measured at fair value	5,516	5,781
Average interest rate on loans to the public during the year, %	3.2	3.7

7 INTEREST EXPENSE

	2014	2013
Due to credit institutions	-27	-31
Deposits and borrowing from the public	-676	-921
Interest-bearing securities	-2,943	-3,218
Subordinated liabilities	-94	-94
Derivatives		
– Hedge accounting	-2,061	-2,812
– Non-hedge accounting	-0	-7
Other interest expense	-112	-105
Total interest expense	-5,913	-7,187
of which interest expense from financial items not measured at fair value	-3,852	-4,368
Average interest rate on deposits from the public during the year, %	0.9	1.4

8 INVESTMENT INCOME, NET

	2014	2013
Interest income	160	247
Dividends	3	7
Realised profit, net		
Interest compensation	74	56
Shares and participations	114	132
Interest-bearing securities	549	-108
Derivatives	-225	56
Change in claims annuities reserve	-461	438
Other financial assets	-13	-2
Total realised profit, net	38	572
Unrealised profit, net		
Shares and participations	68	-38
Interest-bearing securities	-1,850	-790
Derivatives	2,072	601
Other financial assets	24	-502
Total unrealised profit, net	314	-729
Exchange-rate gains/losses, net	-48	5
Interest expense	-108	-118
Participations in associated companies	9	6
Impairment Länsförsäkringar Liv Försäkrings AB	-200	-100
Asset management expenses	-21	-94
Investment income, net	146	-203
Investment income, net, by valuation category		
Financial assets held for trading	-226	47
Financial assets measured according to fair value option	1,006	-426
Derivatives in hedge accounting	-	46
Financial liabilities measured according to fair value option	-1	-21
Available-for-sale financial assets	-167	-49
Loan receivables and accounts receivable	79	64
Other financial liabilities	-125	-144
Change in fair value of derivatives that are hedging instruments in a hedge of fair value	2,088	595
Change in fair value of hedged items with regard to the hedged risk in hedges of fair value	-2,032	-699
Non-financial items included in investment income, net		
Translation, non-life annuity reserve	-428	474
Value-preserving interest rates claims annuities reserve	-34	-36
Dividends from group and associated companies	0	0
Asset management expenses	-20	-94
Other non-financial items	6	40
Total investment income, net	146	-203

9 COMMISSION INCOME

	2014	2013
Payment mediation commission	80	94
Lending commission	97	91
Deposit commission	11	10
Financial guarantees	-	1
Securities commission	979	816
Card operations	143	123
Commission and profit shares in ceded reinsurance	96	119
Fees pertaining to financial agreements unit-linked insurance	570	501
Other commission	316	258
Total commission income	2,292	2,014
of which commission income from financial items not measured at fair value	81	230

10 OTHER OPERATING INCOME

	2014	2013
Service income, regional insurance companies	1,173	1,267
Other service income	456	467
Other income	416	302
Total other operating income	2,045	2,036

11 CLAIMS PAYMENTS

	2014			2013		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
Non-life insurance						
Claims paid	-4,571	1,315	-3,256	-3,568	906	-2,662
Claims annuities paid	-4,538	-	-4,538	-261	-	-261
Change in provision for claims incurred and reported	1,246	3,006	4,253	-84	365	281
Change in provision for claims incurred but not reported	-2	1,293	1,291	-77	106	29
Total	-7,865	5,614	-2,251	-3,990	1,377	-2,613
Life assurance						
Claims paid	-206	0	-205	-196	4	-192
Change in provision for claims outstanding	4	12	16	101	-1	100
Total	-202	13	-189	-94	3	-91
Total non-life insurance and life assurance	-8,067	5,627	-2,440	-4,084	1,381	-2,704

12 COMMISSION EXPENSE

	2014	2013
Payment mediation commission	-88	-113
Securities commission	-249	-189
Card operations	-78	-82
Compensation to the regional insurance companies	-1,583	-1,335
Commission, direct insurance	-243	-149
Commission, received reinsurance	-155	-162
Other commission	-6	-45
Total commission expense	-2,401	-2,074
of which commission expense from financial items not measured at fair value	-431	-408

13 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Average number of employees	2014	2013
Sweden		
Men	653	654
Women	836	751
Total Sweden	1,489	1,405
Denmark		
Men	1	1
Women	5	4
Total Denmark	6	5
Norway		
Men	1	1
Women	13	13
Total Norway	14	14
UK		
Men	34	27
Women	53	52
Total UK	87	79
Total number of employees		
Men	689	683
Women	907	820
Total	1,596	1,503

Salaries, other remuneration and social security expenses

Other employees	2014	2013
Salaries and remuneration	971	925
of which variable remuneration	8	13
Social security expenses	590	575
of which pension costs	246	240
Total	1,561	1,500

Board of Directors and senior executives, 34 (31)	2014	2013
Salaries and remuneration	56	52
of which variable remuneration	-	-
Social security expenses	49	43
of which pension costs	25	22
Total	105	96

Total salaries, other remuneration and social security expenses	2014	2013
Salaries and remuneration	1,027	978
of which variable remuneration	8	13
Social security expenses	639	618
of which pension costs	271	261
Total	1,666	1,596

Länsförsäkringar Bank has about 1,350 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 for some functions. Commission-based remuneration is proportionate to sales effort 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 2014, and deviations pertaining to estimated costs for 2013.

Of the above amount pertaining to variable remuneration, SEK 2.4 M (2.7) is attributable to the insurance operations and the remaining SEK 5.3 M (10.5) 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 years. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for one 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 one 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 pension premium is to amount to 35% of the monthly salary.

The retirement age for other senior executives is 60, 62 or 65 years. 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 or 62 and 65 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 2014, 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, corporate management is offered a company car 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

	31 Dec 2014	31 Dec 2013
Board members	53	57
President and Executive Vice President	15	17
Other senior executives	52	34
Total loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	121	107

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.

Number of women among senior executives, %

	31 Dec 2014	31 Dec 2013
Board members	42	35
Other senior executives	39	33

14 FEES AND REMUNERATION TO AUDITORS

	2014	2013
KPMG AB		
– Audit assignments	–13	–13
– audit operations in addition to the audit assignment	–3	–2
– tax consulting	–2	–1
– other assignments	–1	–0
Total fees and cost reimbursements to auditors	–19	–16

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 Associations, regulations or agreements that result in reports and 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

	2014	2013
Other administration expenses		
Costs for premises	–115	–65
Depreciation/amortisation and impairment	–656	–492
IT costs	–1,236	–1,143
Consultant costs	–361	–285
Marketing	–172	–130
Telephone and postage	–92	–101
Other administration expenses	–500	–549
Total other administration expenses	–3,132	–2,765

16 LOAN LOSSES, NET

	2014	2013
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	-106	-140
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	101	131
Impairment of loan losses during the year	-123	-308
Payment received for prior confirmed loan losses	35	109
Reversed impairment of loan losses no longer required	81	64
Net expense for the year for individually assessed receivables	-12	-143
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
Provision/reversal of impairment for loan losses	18	17
Net expense for the year for collectively assessed receivables	18	17
Net expense for the year for fulfilment of guarantees	1	0
Net expense of loan losses for the year	7	-126

All information pertains to receivables from the public.

17 TAX

	2014	2013
Current tax		
Tax expenses for the period	-237	-145
Adjustment of tax expense pertaining to prior years	7	-23
Total current tax	-230	-169
Deferred tax		
Deferred tax pertaining to temporary differences	-91	-72
Deferred tax pertaining to capitalised tax value in loss carryforwards	12	-
Deferred tax expense as a result of utilisation of previously capitalised tax value in loss carryforwards	-	0
Total deferred tax	-79	-73
Total recognised tax expense	-310	-242
Reconciliation of effective tax rate		
Profit before tax	1,469	923
Tax in accordance with applicable tax rate for Parent Company	-323	-203
Effect of other tax rates for foreign companies	-1	0
Tax on non-deductible costs	-121	-119
Tax on non-taxable income	133	104
Utilisation of non-capitalised loss carryforwards	-	0
Tax attributable to earlier years	2	-23
Other	-	0
Recognised effective tax on profit for the year	-310	-242
Applicable tax rate	22.0%	22.0%
Effective tax rate	21.1%	26.2%
Tax attributable to other comprehensive income		
Cash-flow hedges	-1	-3
Available-for-sale financial assets	0	-4
Revaluation of owner-occupied property	5	3
Revaluation of defined-benefit pension plans	1	-2
Total tax attributable to other comprehensive income	5	-5

18 EARNINGS PER SHARE

	2014	2013
Net profit/loss attributable to Parent Company's shareholders, SEK M	1,159	682
Number of shares with a quotient value of SEK 100	10,066,372	9,749,715
Earnings per share before and after dilution, SEK	117	70

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 potential ordinary shares did not occur in reported periods nor were in existence on the balance-sheet date.

19 GOODWILL

	2014	2013
Cost		
Opening cost, 1 January	711	710
Exchange-rate differences	24	1
Closing cost, 31 December	735	711
	2014	2013
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	184	160
Closing cost, 31 December	735	711
Assumptions for testing of value	2014	2013
Long-term growth, %	2.0	2.0
Discount rate, %	7.5	7.5
Exchange rate SEK/GBP	12.2	10.6

Testing of value is based on the value in use. A cash-flow estimate was made for the period 2015 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 the discount rate corresponds to the yield requirement on equity. A market value for Länsförsäkringar Fondliv is calculated 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

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, 1 January 2013	1,259	240	3,993	5,492
Reclassification	-13	13	-	-
Acquisitions	91	2	100	193
Divestments/disposals	-	-2	-	-2
Exchange-rate differences	0	0	0	0
Closing cost, 31 December 2013	1,337	253	4,093	5,683
Opening cost, 1 January 2014	1,337	253	4,093	5,683
Reclassification	7	-7	-	-
Acquisitions	156	3	50	209
Divestments/disposals	-	-	-	-
Exchange-rate differences	2	0	4	6
Closing cost, 31 December 2014	1,502	249	4,147	5,898
Amortisation				
Opening accumulated amortisation, 1 January 2013	-648	-84	-677	-1,409
Reclassification	-9	22	-	13
Amortisation	-112	-16	-200	-327
Divestments/disposals	-	1	-	1
Exchange-rate differences	0	0	0	0
Closing accumulated amortisation, 31 December 2013	-770	-76	-876	-1,722
Opening accumulated amortisation, 1 January 2014	-770	-76	-876	-1,722
Reclassification	-4	4	-	-
Amortisation	-94	-13	-172	-280
Divestments/disposals	-	-	-	-
Exchange-rate differences	-2	0	-	-2
Closing accumulated amortisation, 31 December 2014	-870	-85	-1,048	-2,004
Impairment				
Opening accumulated impairment, 1 January 2013	-103	-29	-	-132
Reclassification	-	-13	-	-13
Impairment	-11	-	-	-11
Closing accumulated impairment, 31 December 2013	-114	-42	-	-156
Opening accumulated impairment, 1 January 2014	-114	-42	-	-156
Reclassification	-	-	-	-
Impairment	-128	-	-	-128
Closing accumulated impairment, 31 December 2014	-242	-42	-	-284
Carrying amount, 31 December				
2013	452	135	3,217	3,804
2014	390	121	3,099	3,610

The periods of amortisation for internally developed and acquired IT systems are determined based on a useful life that varies between 3 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.

During the year, impairment of other intangible assets amounting to SEK 128 M has been made. This is entirely attributable to the Bank Group. Each asset have been assessed and impairments are based on changed conditions, by decreased revenues than forecasted generated by certain capitalised assets and that some capitalised processes and tools have been replaced.

21 PROPERTY AND EQUIPMENT

	2014	2013
Cost		
Opening cost, 1 January	266	334
Reclassification	-5	-
Acquisitions	20	18
Divestments/disposals	-25	-86
Exchange-rate differences	3	0
Closing cost, 31 December	259	266
Depreciation		
Opening accumulated depreciation, 1 January	-208	-254
Reclassification	4	-
Depreciation	-24	-27
Divestments/disposals	22	73
Exchange-rate differences	-2	-0
Closing accumulated depreciation, 31 December	-208	-208
Carrying amount, 31 December	51	58

22 OWNER-OCCUPIED PROPERTY

	After revaluation 31 Dec 2014	Before revaluation 31 Dec 2014	After revaluation 31 Dec 2013	Before revaluation 31 Dec 2013
Cost, reclassified	2,825	2,923	2,934	2,870
Accumulated amortisation	-560	-580	-512	-500
Carrying amount	2,265	2,344	2,423	2,370
Fair value		2,265		2,423
Revalued depreciated cost			2014	2013
Opening balance, 1 January			2,423	2,448
Capitalised improvements			0	0
Depreciation for the year according to plan before revaluation			-80	-78
Impairment			-57	-
Revaluation of owner-occupied property			-22	53
Closing balance, 31 December			2,265	2,423
Historical cost reduced by depreciation according to plan			1,785	1,864
Revaluation effect against revaluation reserve			-17	42
Assumption on valuation at fair value			2014	2013
Current rental income/market rent, SEK M			151/150	150/158
Computed interest in discounting, %			7.6	7.9
Direct yield requirement, %			5.5	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. A 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 valuation method for fair value, see Note 50.

In Länsförsäkringar AB has previously capitalized improvements on an owner-occupied property within the group been impaired by SEK 57 M. The impairment is motivated by a change of usage resulting in an assessment that the asset is not anticipated to have any residual value.

23 SHARES IN LÄNSFÖRSÄKRINGAR LIV FÖRSÄKRINGSAKTIEBOLAG (PUBL)

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Equity	Earnings	Carrying amount 31 Dec 2014	Carrying amount 31 Dec 2013
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	17,537	1,903	8	208

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkrings AB (publ) but it is not consolidated in the Group. 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 200 M in 2014. The impairment was recognised in profit and loss under Investment income, net.

Equity and earnings pertain to the Länsförsäkringar Liv Group.

24 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	31 Dec 2014	31 Dec 2013
Carrying amount at beginning of the year	31	24
Acquisitions	27	-
Profit shares in the associated company	9	6
Other changes in the associated company's equity	-	1
Reclassification	-1	-
Total shares and participations in associated companies	66	31

Accumulated impairment losses amounted to SEK 4 M (4).

24 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES, cont.

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Carrying amount, 31 Dec 2014	Carrying amount, 31 Dec 2013
CAB Group AB	556131-2223	Örebro	1,582	28.8	26	18
European Alliance Partners Company AG	CH-0203026423-1	Zürich, Switzerland	10,570	14.3	9	8
FörsäkringsGiro Sverige AB	556482-4471	Solna	5,000	25.0	27	–
Getswish AB	556913-7382	Stockholm	5,000	10.0	–	1
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0	0
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	1	1
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	44.6	3	3
Total					66	31

	2014	2013
Group's share of:		
Results of continuing operations	9	6
Total profit shares in associated companies	9	6

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 in 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

	31 Dec 2014	31 Dec 2013
Loan receivables, gross	179,768	162,425
Impairment	–344	–422
Loan receivables, net	179,424	162,003
Impaired loans	316	393
Reconciliation of impairment of loan losses	2014	2013
Opening balance, 1 January	–422	–325
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	102	131
Reversed impairment of loan losses no longer required	136	80
Impairment of loan losses during the year	–160	–308
Closing balance, 31 December	–344	–422

Loan receivables are geographically attributable in their entirety to Sweden.

26 UNIT-LINKED INSURANCE ASSETS, POLICYHOLDER BEARS THE RISK

	31 Dec 2014	31 Dec 2013
Equity funds	81,139	66,727
Fixed-income funds	10,220	9,480
Total unit-linked insurance assets	91,359	76,207
Amortised cost	73,399	67,961

27 FINANCIAL LEASING

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

31 December 2014	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,274	3,484	429	6,187
Unearned financial income ¹⁾	327	368	19	714
Gross investment	2,601	3,852	448	6,901

31 December 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

¹⁾ Attributable to present value calculation.

	2014	2013
Provision for impaired loans pertaining to minimum lease fees	104	81
Variable portion of leasing fees included in net profit for the year	–4	–

Minimum lease payments are the payments, excluding variable fees, service fees and taxes, that are to be paid by the lessee to the lessor during the lease term, plus any amounts guaranteed by the lessee or his related parties.

Variable fee is the portion of the lease payment that is not fixed and that is calculated on the basis of factors other than the passage of time.

Financial leasing is included in loans to the public.

28 SHARES AND PARTICIPATIONS

Carrying amount	31 Dec 2014	31 Dec 2013
Listed shares and participations	943	667
Unlisted shares and participations	544	481
Total shares and participations	1,487	1,148

	31 Dec 2014	31 Dec 2013
Fair value	1,487	1,148
Cost	1,092	727

29 BONDS AND OTHER INTEREST-BEARING SECURITIES

Carrying amount	31 Dec 2014	31 Dec 2013
Swedish government	436	5,930
Swedish mortgage institutions	32,356	34,443
Other issuers	10,941	7,606
Total bonds and other interest-bearing securities	43,733	47,979
	31 Dec 2014	31 Dec 2013
Fair value	43,733	47,979
Amortised cost	42,364	47,591
Nominal value	36,901	33,710
	31 Dec 2014	31 Dec 2013
Listed securities	43,702	47,979
Unlisted securities	31	–

30 TREASURY BILLS AND OTHER ELIGIBLE BILLS

Carrying amount	31 Dec 2014	31 Dec 2013
Swedish government	4,926	3,887
Finnish government	483	673
German government	–	321
Fair value	5,409	4,881
Amortised cost	5,288	4,862
Nominal value	4,556	3,675

31 DERIVATIVES

	Carrying amounts		Nominal amounts	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Derivative instruments with positive values or valued at zero				
<i>Derivatives in hedge accounting</i>				
Interest	2,966	924	81,125	68,685
Currency	2,284	371	17,295	5,394
Collateral received, CSA	–	–260	–	–
<i>Derivatives not in hedge accounting</i>				
Interest	3	45	–874	3,971
Currency	24	21	–359	532
Total derivatives with positive values	5,276	1,101	97,186	78,582
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest	2,050	913	101,141	97,932
Currency	582	1,502	14,843	24,394
<i>Derivatives not in hedge accounting</i>				
Interest	0	94	35	9,222
Currency	124	292	2,829	9,413
Total derivatives with negative values	2,756	2,801	118,848	140,960

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

	2014	2013
Assets		
Carrying amount, 1 January	551	878
Changes during the year pertaining to lending	596	–327
Carrying amount, 31 December	1,147	551
Liabilities		
Carrying amount, 1 January	646	2,177
Changes during the year pertaining to lending	47	–4
Changes during the year pertaining to borrowing	3,131	–1,527
Carrying amount, 31 December	3,824	646

33 OTHER RECEIVABLES

	31 Dec 2014	31 Dec 2013
Receivables pertaining to reverse repurchase agreements	1,501	5,339
Receivables pertaining to direct insurance	1,343	1,159
Accounts receivable	387	316
Receivables pertaining to reinsurance	310	177
Deposits with companies that have ceded reinsurance	49	54
Other receivables	926	1,100
Total other receivables	4,516	8,146

34 PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2014	31 Dec 2013
Accrued interest and rental income	2,033	2,507
Prepaid acquisition costs	1,199	1,125
Other accrued income	243	130
Other prepaid expenses	146	171
Total prepaid expenses and accrued income	3,621	3,933

35 CASH AND CASH EQUIVALENTS

	31 Dec 2014	31 Dec 2013
Cash and balances with central banks	26	109
Balances with other banks	1,631	2,036
Total cash and cash equivalents	1,657	2,145

	Restricted equity		Non-restricted equity	Total equity
	Share capital	Restricted reserves	including comprehensive income for the year	
Opening equity, 1 January 2013	941	4,796	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, 31 December 2013	975	4,796	9,412	15,183
Opening equity, 1 January 2014	975	4,796	9,412	15,183
Net profit for the year	–	–	1,159	1,159
Change in translation reserve	–	29	5	34
Change in revaluation reserve	–	–	–28	–28
Change in fair value reserve	–	–	–0	–0
Change in hedging reserve	–	–	4	4
Tax on items recognised in other comprehensive income	–	–	5	5
Total other comprehensive income	–	29	–14	15
Comprehensive income for the year	–	29	1,145	1,174
Transfer between restricted and non-restricted equity	–	–29	29	–
New share issue	32	–	468	500
Closing equity, 31 December 2014	1,007	4,796	11,054	16,857

Number of shares	2014	2013
Issued 1 January	9,749,715	9,407,249
Cash issue, Series B shares	316,476	342,271
Cash issue, Series C shares	181	195
Issued 31 December	10,066,372	9,749,715

The quotient value per share is SEK 100. All shares are ordinary shares. Of the shares issued on 31 December 2014, 1,532,678 were Series A shares (carrying ten votes each), 8,527,945 were Series B shares and 5,749 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

	2014	2013
Translation reserve		
Opening translation reserve, 1 January	–70	–69
Translation differences for the year	34	–0
Closing translation reserve, 31 December	–36	–70
Revaluation reserve		
Opening revaluation reserve, 1 January	416	353
Revaluation of owner-occupied property	–22	53
Revaluation of defined-benefit pension plans	–7	7
Tax attributable to revaluation for the year	6	2
Closing revaluation reserve, 31 December	394	416
Fair value reserve		
Opening fair value reserve, 1 January	138	125
Change for the year in fair value of available-for-sale financial assets	–0	16
Tax attributable to change for the year	0	–4
Closing fair value reserve, 31 December	138	138
Hedging reserve		
Opening hedging reserve, 1 January	12	0
Change for the year in cash-flow hedges	4	15
Tax attributable to change for the year	–1	–3
Closing hedging reserve, 31 December	15	12

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 and hedges of exchange rate risks in future cash flows pertaining to the Bank Group's debt securities in issue in foreign currency.

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 profit in the Parent Company, subsidiaries and associated companies.

Dividends

It is proposed that no dividends be paid in 2014.

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. 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

	31 Dec 2014	31 Dec 2013
Subordinated debts with three-month floating interest rates	1,245	1,245
Subordinated debts with a fixed interest rate	755	755
Total subordinated liabilities	2,000	2,000

All subordinated debts at 31 December 2014 are listed and due on 30 June 2021 and 28 March 2023. On 31 December 2014, interest on the variable loans was 2.8%. The interest rate on fixed loans is 5.6%.

38 TECHNICAL PROVISIONS

	2014			2013		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance, 1 January	1,490	14	1,475	1,367	14	1,353
Provisions during the period	179	-6	185	136	0	136
Exchange-rate changes	8	0	8	-14	0	-14
Closing balance, 31 December	1,677	8	1,669	1,490	14	1,475
of which non-life insurance	1,677	8	1,669	1,490	14	1,475
Unexpired risk						
Opening balance, 1 January	7	-	7	11	-	11
Provisions during the period	3	-	3	-4	-	-4
Closing balance, 31 December	10	-	10	7	-	7
of which non-life insurance	10	-	10	7	-	7
Life-assurance provision						
Opening balance, 1 January	814	-	814	375	-	375
Change in opening balance due to changed calculation method	45	-	45	-	-	-
Provisions during the period	3	-	3	1	-	1
Deposits	605	-	605	714	-	714
Payments	-27	-	-27	-15	-	-15
Deviation from expected future cash flow	-126	-	-126	-102	-	-102
Difference between premiums paid and provisions for new operation	-141	-	-141	-115	-	-115
Costs withdrawn	-3	-	-3	-8	-	-8
Investment income contributed to life-assurance provisions	37	-	37	18	-	18
Change in provision due to change in interest-rate assumption	138	-	138	-52	-	-52
Other changes	-6	-	-6	-3	-	-3
Closing balance, 31 December	1,338	-	1,338	814	-	814
of which life assurance	1,338	-	1,338	814	-	814
Claims outstanding						
Claims incurred and reported	6,319	2,714	3,605	6,161	2,348	3,812
Claims incurred but 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 opening balance, 1 January	18,442	7,194	11,249	18,828	6,717	12,111
Provisions for the period	-1,241	4,312	-5,553	59	470	-411
Interest-rate translation of provision for claim annuities	428	-	428	-474	-	-474
Enumeration of provision for claim annuities	34	-	34	36	-	36
Assumed insurance portfolio	80	-	80	-	-	-
Transferred insurance portfolio	-2,168	-	-2,168	-	-	-
Exchange-rate changes	65	15	50	-7	6	-13
Closing balance, 31 December	15,639	11,521	4,118	18,442	7,194	11,249
of which non-life insurance	15,455	11,506	3,949	18,254	7,191	11,063
of which life assurance	184	15	169	188	3	186
Specification of closing balance claims outstanding						
Claims incurred and reported	6,334	4,376	1,958	6,319	2,714	3,605
Claims incurred but not reported	7,480	5,785	1,695	7,481	4,473	3,007
Claims annuities	1,580	1,359	221	4,379	2	4,376
Claims adjustment costs	245	-	245	263	4	259
Total closing balance, 31 December	15,639	11,521	4,118	18,442	7,194	11,249
Carrying amount at year-end	18,664	11,529	7,135	20,753	7,208	13,545
of which non-life insurance	17,142	11,514	5,628	19,751	7,205	12,546
of which life assurance	1,522	15	1,507	1,002	3	999
Run-off profit/loss, non-life insurance	-1,549	2,294	745	372	-262	110

39 UNIT-LINKED INSURANCE LIABILITIES, POLICYHOLDER BEARS THE RISK

Unit-linked insurance commitments	31 Dec 2014	31 Dec 2013
Opening balance	76,214	62,390
Payments	7,839	8,694
Migrations, repurchases and cancellations	-1,593	-1,240
Paid remuneration	-1,531	-1,230
Costs withdrawn	-555	-497
Change in value	11,515	8,251
Yield tax	-243	-151
Other changes	-12	-3
Closed balance, unit-linked insurance commitments	91,635	76,214
Conditional bonus	615	497
Total	92,250	76,712

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	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Intangible assets	-9	-9	22	24	13	15
Property	-	-	206	232	206	232
Financial assets	-9	0	91	81	83	81
Receivables	-3	-3	13	15	9	12
Other assets	-	0	0	0	0	0
Liabilities	-22	-26	3	3	-19	-23
Loss carryforwards	-12	-	-	-	-12	-
Untaxed reserves	-	-	630	532	630	532
Deferred tax asset (-) /deferred tax liability (+)	-55	-38	965	886	910	848
Offset	17	25	-17	-25	-	-
Net deferred tax asset (-) /deferred tax liability (+)	-38	-13	948	861	910	848

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

2014	Amount at 1 January	Currency translation	Recognised in profit and loss	Recognised in other comprehensive income	Amount at 31 December
Intangible assets	15	1	-3	-	13
Property	232	-	-21	-5	206
Financial assets	81	-	15	-12	83
Receivables	12	0	-3	-	9
Other assets	0	0	0	-	0
Liabilities	-23	-	5	-1	-19
Loss carryforwards	-	-	-12	-	-12
Untaxed reserves	532	-	98	-	630
Deferred tax assets (-) /deferred tax liabilities (+)	848	1	79	-19	910

2013	Amount at 1 January	Currency translation	Recognised in profit and loss	Recognised in other comprehensive income	Amount at 31 December
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

41 OTHER PROVISIONS

	31 Dec 2014	31 Dec 2013
Provision for pensions being paid	44	37
Provisions for early retirement in accordance with pension agreement	43	52
Provision for contractual obligations	–	1
Other provisions	92	43
Total other provisions	179	132
Provision for contractual obligations	2014	2013
Carrying amount, 1 January	1	22
Provisions made during the period	–	76
Amounts utilised during the year	–	–97
Unutilised amount reversed during the year	–1	–
Carrying amount, 31 December	–	1

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 from the age of 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).

Plan assets consist of investments in fixed income funds.

Defined-benefit pension plans	31 Dec 2014	31 Dec 2013
Present value of wholly or partly funded commitments	5	5
Fair value of plan assets	–5	–5
Present value of unfunded commitments	65	65
Total deficit in defined-benefit pension plans	65	65
Liability in statement of financial position	65	65

Change in defined-benefit obligation	2014	2013
Obligation, 1 January	65	73

Pension costs		
Costs for service during current year	7	2
Interest expense	2	2
Costs for service during prior years and gains and losses from settlement	15	19
Special employer's contribution	0	1
Total pension costs	24	24

Revaluations		
Return on plan assets	–1	0
Gain/loss as a result of changed financial assumptions	–2	–1
Experience-based gains	7	–5
Special employer's contribution related to revaluations	1	–1
Total revaluations	7	–7
Paid remuneration	–1	–4
Payments in conjunction with settlement	–31	–19
Paid special employer's contribution	–0	–1
Assumed pension commitments	1	–
Obligation, 31 December	65	65

Significant calculation assumptions	2014	2013
Discount rate	0.9%	2.4%
Expected rate of salary increase	2.5%	2.5%
Percentage expected to retire voluntarily at the age of 62	30%	30%

Population	2014	2013
Active	121	141
Old age pensioner	24	27
Total	145	168

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 plan. 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 2015 are expected to total SEK 115 M.

	2014	2013
Expenses for defined-contribution plans	216	219

42 DEBT SECURITIES IN ISSUE

	31 Dec 2014	31 Dec 2013
Commercial papers	4,087	2,003
Bond loans ¹⁾	126,356	122,790
Cashier's cheques issued	70	73
Total debt securities in issue	130,514	124,866
Remaining term of note up to 1 year	31,985	25,962
Remaining term of note more than 1 year	98,530	98,904

¹⁾ Covered bonds in the Group amount to SEK 100,888 (98,989) M.

43 DEPOSITS FROM THE PUBLIC

	31 Dec 2014	31 Dec 2013
Deposits from insurance companies	4,198	3,553
Deposits from households	63,925	58,666
Deposits from other Swedish public	7,722	6,532
Total deposits from the public	75,845	68,752

44 DUE TO CREDIT INSTITUTIONS

	31 Dec 2014	31 Dec 2013
Swedish banks	3,041	1,486
Other Swedish credit institutions	349	114
Total liabilities due to credit institutions	3,390	1,600

Genuine repurchase transactions amounted to SEK – M (531).

45 OTHER LIABILITIES

	31 Dec 2014	31 Dec 2013
Liabilities pertaining to direct insurance	1,634	674
Liabilities, reinsurance	203	371
Deposits from reinsurers	38	33
Accounts payable	185	146
Due to Länsförsäkringar Liv Försäkrings AB	512	1,027
Other liabilities	1,068	1,034
Total other liabilities	3,640	3,284

46 ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2014	31 Dec 2013
Accrued interest expense	2,645	3,229
Other accrued expenses	1,566	885
Prepaid rent	243	256
Other deferred income	612	592
Total accrued expenses and deferred income	5,066	4,961

47 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	31 Dec 2014	31 Dec 2013
Pledged assets		
Total registered investment assets on behalf of policyholders	101,071	93,707
Pledged securities in the Riksbank	2,500	1,900
Pledged securities in Euroclear	2,000	1,300
Pledged shares in subsidiaries	1,197	1,486
Loan receivables, covered bonds	117,267	104,506
Loan receivables, substitute collaterals	11,475	16,250
Collateral paid due to repurchase agreement	–	530
Other collateral for securities	15	15
Chattel mortgages, associated companies	0	0
Total pledged assets	235,525	219,694
Contingent liabilities		
Guarantees	27	57
Part-owner of Utile Dulci 2 HB	4	3
Early retirement at age 62 in accordance with pension agreement, 70% (70)	101	121
Total contingent liabilities	131	181
Other commitments		
Loans approved but not disbursed	11,763	5,608
Unutilised portion of overdraft facilities	2,092	1,984
Unutilised portion of credit card facilities	1,299	1,196
Total other commitments	15,153	8,788

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 liability for early retirement according to pension agreements. This assumption was based on historical information.

48 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS AND LIABILITIES

Amount expected to be recovered	31 Dec 2014			31 Dec 2013		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Goodwill	–	735	735	–	711	711
Other intangible assets	327	3,283	3,610	289	3,515	3,804
Deferred tax assets	4	34	38	6	6	13
Property and equipment	40	11	51	50	8	58
Owner-occupied property	79	2,186	2,265	78	2,345	2,423
Shares in Länsförsäkringar Liv Försäkrings AB	–	8	8	–	208	208
Shares and participations in associated companies	–	66	66	–	31	31
Reinsurers' portion of technical provisions	1,337	10,192	11,529	1,193	6,014	7,208
Loans to the public	14,389	165,035	179,424	30,427	131,576	162,003
Unit-linked insurance assets, policyholder bears the risk	3,932	87,427	91,359	3,377	72,831	76,207
Shares and participations	61	1,426	1,487	574	574	1,148
Bonds and other interest-bearing securities	11,383	32,350	43,733	16,437	31,542	47,979
Treasury bills and other eligible bills	1,727	3,682	5,409	671	4,210	4,881
Derivatives	365	4,911	5,276	170	930	1,101
Change in value of hedge portfolios	337	810	1,147	–	551	551
Other receivables	4,158	358	4,516	8,067	78	8,146
Prepaid expenses and accrued income	2,731	890	3,621	3,062	870	3,933
Cash and cash equivalents	1,657	–	1,657	2,145	–	2,145
Total assets	42,528	313,404	355,933	66,548	256,002	322,550

Amount expected to be settled	31 Dec 2014			31 Dec 2013		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities						
Subordinated liabilities	–	2,000	2,000	–	2,000	2,000
Technical provisions	3,776	14,888	18,664	3,245	17,508	20,753
Unit-linked insurance liabilities, policyholder bears the risk	3,932	88,318	92,250	3,415	73,296	76,712
Deferred tax liabilities	0	948	948	3	858	861
Other provisions	131	48	179	0	132	132
Debt securities in issue	33,468	97,046	130,514	25,225	99,641	124,866
Deposits from the public	12,390	63,455	75,845	10,967	57,785	68,752
Due to credit institutions	3,390	–	3,390	1,600	–	1,600
Derivatives	498	2,258	2,756	579	2,222	2,801
Change in value of hedge portfolios	1,123	2,701	3,824	–	646	646
Other liabilities	3,640	–	3,640	2,680	605	3,284
Accrued expenses and deferred income	5,066	–	5,066	4,961	–	4,961
Total liabilities	67,414	271,662	339,076	52,675	254,693	307,367

31 December 2014	Financial assets measured at fair value in profit and loss					Total	Fair value
	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Loan receivables and accounts receivable		
Assets							
Shares in Länsförsäkringar Liv Försäkrings AB	–	–	–	8	–	8	8
Loans to the public	–	–	–	–	179,424	179,424	180,926
Unit-linked insurance assets, policyholder bears the risk	91,359	–	–	–	–	91,359	91,359
Shares and participations	1,476	–	–	11	–	1,487	1,487
Bonds and other interest-bearing securities	7,629	–	–	36,104	–	43,733	43,733
Treasury bills and other eligible bills	–	–	–	5,409	–	5,409	5,409
Derivatives	–	18	5,258	–	–	5,276	5,276
Other receivables	–	–	–	–	3,602	3,602	–
Cash and cash equivalents	–	–	–	–	1,657	1,657	–
Total assets	100,464	18	5,258	41,532	184,683	331,956	

31 December 2014	Financial liabilities measured at fair value in profit and loss				Total	Fair value
	Financial liabilities measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Other financial liabilities		
Liabilities						
Subordinated liabilities	–	–	–	2,000	2,000	2,127
Unit-linked insurance liabilities, policyholder bears the risk	92,250	–	–	–	92,250	92,250
Debt securities in issue	–	–	–	130,514	130,514	136,690
Deposits from the public	–	–	–	75,845	75,845	77,297
Due to credit institutions	–	–	–	3,390	3,390	–
Derivatives	–	252	2,504	–	2,756	2,756
Other liabilities	–	–	–	2,901	2,901	–
Total liabilities	92,250	252	2,504	214,650	309,656	

Information on the fair value of assets and liabilities for which the carrying amount is a reasonable approximation of fair value based on the asset's and liability's cost value are not disclosed, since these assets and liabilities have short maturities.

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. When external prices are not available alternatively are deemed to deviate from market levels as well as for valuation of the fair value of subordinated loans, a standard method or valuation technique based on the estimated or original issue spread is utilised.

31 December 2013	Financial assets measured at fair value in profit and loss					Total	Fair value
	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Loan receivables and accounts receivable		
Assets							
Shares in Länsförsäkringar Liv Försäkrings AB	–	–	–	208	–	208	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
Other receivables	–	–	–	–	6,498	6,498	–
Cash and cash equivalents	–	–	–	–	2,145	2,145	–
Total assets	90,045	51	1,050	40,378	170,646	302,170	

31 December 2013	Financial liabilities measured at fair value in profit and loss				Total	Fair value
	Financial liabilities measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Other financial liabilities		
Liabilities						
Subordinated liabilities	–	–	–	2,000	2,000	2,150
Unit-linked insurance liabilities, policyholder bears the risk	76,712	–	–	–	76,712	76,712
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	–
Derivatives	–	386	2,415	–	2,801	2,801
Other liabilities	–	–	–	2,498	2,498	–
Total liabilities	76,712	386	2,415	199,716	279,229	

The table shows assets and liabilities measured at fair value in the statement of financial position based on used valuation technique, where:

Level 1 refers to instruments with published price quotations

Level 2 refers to values determined with valuation techniques based on observable market prices

Level 3 refers to values determined with valuation techniques based on unobservable market prices, assumptions and estimations

31 December 2014	Level 1	Level 2	Level 3	Total
Assets				
Owner-occupied property	–	–	2,265	2,265
Unit-linked insurance assets, policyholder bears the risk	91,359	–	–	91,359
Shares and participations	943	12	532	1,487
Bonds and other interest-bearing securities	43,702	–	31	43,733
Treasury bills and other eligible bills	5,409	–	–	5,409
Derivatives	1	5,275	–	5,276
Liabilities				
Unit-linked insurance liabilities, policyholder bears the risk	–	92,250	–	92,250
Derivatives	0	2,756	–	2,756

31 December 2013	Level 1	Level 2	Level 3	Total
Assets				
Owner-occupied property	–	–	2,423	2,423
Unit-linked insurance assets, policyholder bears the risk	76,207	–	–	76,207
Shares and participations	664	11	473	1,148
Bonds and other interest-bearing securities	47,979	–	–	47,979
Treasury bills and other eligible bills	4,881	–	–	4,881
Derivatives	1	1,100	–	1,101
Liabilities				
Unit-linked insurance liabilities, policyholder bears the risk	–	76,712	–	76,712
Derivatives	–	2,801	–	2,801

	Owner-occupied property	Shares and participations	Bonds and other interest-bearing securities	Total
Change level 3				
Opening balance, 1 January 2013	2,448	700	–	3,148
Acquisitions	0	3	–	3
Divestments	–	–275	–	–275
Recognised in net profit/loss for the year	–78	45	–	–33
Recognised in other comprehensive income	53	–	–	53
Closing balance, 31 December 2013	2,423	473	–	2,896
Opening balance, 1 January 2014	2,423	473	–	2,896
Acquisitions	0	–	30	30
Divestments	–	–6	–	–6
Recognised in net profit/loss for the year	–136	65	1	–70
Recognised in other comprehensive income	–22	–	–	–22
Closing balance, 31 December 2014	2,265	532	31	2,828

There were no significant transfers between Level 1 and Level 2 during 2014 or during 2013. There were no transfers from Level 3 in 2014 or 2013.

For owner-occupied property there are normally no active markets, why fair value is estimated with models based on discounted cash flows. These models are based on assumptions about future rents, occupancy, operating and maintenance costs, yield requirement and interest rates. The method used in calculating the fair value is the revaluation method. All valuations are made by an external, independent valuation company.

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. Holdings in private equity funds classified as Shares and participations in Level 3 are measured externally by the respective fund managers. Measurement is based on the valuation of the fund's portfolio holdings. Valuation of the underlying portfolio holdings are based on systematic comparison with publicly traded comparable companies or to a value based on a current third-party transaction. In some cases, the measurements are based on discounted cash flows or methods based on other unobservable market data. Valuation is performed in accordance with industry practice, for example International Private Equity and Venture Capital Valuation Guidelines supported by many industry associations, such as the European Venture Capital Association (EVCA).

Bonds and other interest-bearing securities which are not listed on an active market are unlisted interest-bearing loans. These are measured by using unobservable market data and are classified as Level 3 instruments. The valuation is performed by external managers on the basis of generally accepted valuation models, meaning that the underlying holdings of the issuer of the loan are measured from relevant observable market prices when existing and for holdings for which no observable market prices exist a fair value corresponding to cost amount adjusted for any impairments.

Profits and losses are recognised in profit and loss under Investment income, net. For disclosures, determination of fair value and valuation techniques and input data, see Note 1 Accounting policies.

51 INFORMATION ABOUT OFFSETTING

The table shows financial assets and liabilities covered by a legally binding master netting agreement or similar agreements, together with related collaterals. The Group has ISDA agreements and CSA agreements with all derivative counterparts and corresponding netting agreements for reverse repurchase agreements, meaning that all exposures are covered by these types of agreements. The agreements entitle the parties to offset assets and liabilities in the event of default or insolvency. The net amount is the amount that, in the event of default or insolvency, would be obtained, if the amount is an asset, or paid, if the amount is a liability.

SEK M December 31, 2014	Gross amount	Offset in the balance sheet	Amount recognised in the balance sheet	Related amounts that are not offset in the balance sheet		Net amount
				Master netting agreements	Collaterals Received (-) / Pledged (+)	
Assets						
Derivatives	5,276	–	5,276	-2,168	-2,077	1,031
Reverse repurchase agreement	1,501	–	1,501	–	-1,501	–
Liabilities						
Derivatives	-2,756	–	-2,756	2,168	178	-410
Repurchase agreements	–	–	–	–	–	–
Total	4,021	–	4,021	–	-3,400	621

SEK M December 31, 2013	Gross amount	Offset in the balance sheet	Amount recognised in the balance sheet	Related amounts that are not offset in the balance sheet		Net amount
				Master netting agreements	Collaterals Received (-) / Pledged (+)	
Assets						
Derivatives	1,362	-261	1,101	-1,033	-16	51
Reverse repurchase agreement	5,339	-	5,339	-	-5,339	-
Liabilities						
Derivatives	-2,780	-21	-2,801	1,033	80	-1,688
Repurchase agreements	-531	-	-531	-	531	-
Total	3,389	-282	3,107	-	-4,744	-1,637

52 DISCLOSURES ON RELATED PARTIES

The 23 regional insurance companies have been 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 both as transactions of a nonrecurring nature and transactions on a continuous basis.

Transactions of a nonrecurring nature comprise the acquisitions and divestments 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 services. 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, prepare 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 decides on the service levels and price lists to related parties.

Related-party transactions in the Group 2014

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, Länsförsäkringar Hypotek's and Länsförsäkringar Fondförvaltning's customer-related operations. 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 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 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.

52 DISCLOSURES ON RELATED PARTIES, cont.

Related-party transactions 2014

	Income	Expenses	Receiv-ables	Liabilities	Commit-ments
Associated companies	0	–	1	–	–
Länsförsäkringar Liv Group	426	–127	95	1,047	1,190
Owners					
Regional insurance companies	1,328	–4,495	6,896	14,027	52
Other related parties					
Länsförsäkringar Mäklarservice AB	20	–13	6	34	5
Länsförsäkringar Fastighetsförmedling AB	1	–0	–	–	–
Other	9	–11	2	8	–
Total other related parties	30	–24	8	42	5

Interest income and interest expense 2014

	Interest income	Interest expense
Regional insurance companies	1	–9
Länsförsäkringar Liv Group	–	–30
Other related parties	–	–0

Related-party transactions 2013

	Income	Expenses	Receiv-ables	Liabilities	Commit-ments
Associated companies	0	–5	17	–	–
Länsförsäkringar Liv Group	405	–167	504	1,696	1,473
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	–
Total other related parties	21	–13	3	29	5

Interest income and interest expense 2013

	Interest income	Interest expense
Regional insurance companies	0	–18
Länsförsäkringar Liv Group	–	–38
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, development and service, with the 23 regional insurance companies regarding commission agreements, claims adjustment agreements, and development and management agreement.

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 individual and their related parties apart from normal customer transactions.

For the Länsförsäkringar Liv Group's transactions with related parties, see the Länsförsäkringar Liv Försäkrings AB's 2014 Annual Report.

53 GROUP COMPANIES

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in %	
		31 Dec 2014	31 Dec 2013
Agria International Försäkring AB	Sweden	–	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.

Agria International Försäkring AB was merged with its parent company Försäkringsaktiebolaget Agria in June 2014.

54 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS

	2014	2013
Interest paid and dividends received		
Dividends received	3	7
Interest received	178	331
Interest paid	–110	–125
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	656	492
Unrealised gains/losses on investment assets	–11,914	–7,570
Capital gains and losses in assets	0	0
Impairment Länsförsäkringar Liv Försäkringsaktiebolag	200	100
Technical provisions after ceded reinsurance	9,128	13,825
Pension provisions	6	–15
Other provisions	41	–24
Other items not affecting liquidity	–39	75
Total	–1,923	6,883

55 EVENTS AFTER BALANCE-SHEET DATE

The Extraordinary General Meeting held on 3 March 2015 resolved on a new share issue of SEK 600 M in Länsförsäkringar AB in order to strengthen the capital situation of the consolidated bank situation.

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.

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Income statement for the Parent Company

SEK M	Note	2014	2013
Net sales	3	2,491	2,503
Operating expenses			
External expenses	4, 5, 7	-1,812	-1,654
Staff costs	6	-794	-875
Depreciation/amortisation and impairment of property and equipment and intangible assets	12, 13	-110	-61
Operating loss		-225	-87
Profit/loss from financial items			
Profit from participations in Group companies	8	1,254	521
Interest income and similar profit/loss items	9	52	26
Interest expense and similar profit/loss items	10	-314	-211
Profit after financial items		767	249
Tax	11	25	-2
Net profit for the year		792	247

Statement of comprehensive income for the Parent Company

SEK M	2014	2013
Net profit for the year	792	247
Other comprehensive income		
Items that have been or may be transferred to profit and loss		
Cash-flow hedges	-56	15
Tax attributable to items that have been or may be transferred to profit and loss	12	-3
Total other comprehensive income for the year, net after tax	-44	12
Comprehensive income for the year	748	259

Balance sheet for the Parent Company

SEK M	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Fixed assets			
Intangible assets	12	111	120
Property and equipment	13	112	206
Financial assets			
Shares and participations in Group companies	14	16,342	15,742
Derivatives	23	-	15
Deferred tax assets	16	26	-
Other securities held as fixed assets	15	15	215
Total financial assets		16,384	15,972
Total fixed assets		16,608	16,298
Current assets			
Current receivables			
Receivables from Group companies	30	663	254
Receivables from other related parties	30	229	195
Other receivables		96	35
Prepaid expenses and accrued income	17	89	43
Total current receivables		1,077	527
Current investments	18	1,254	558
Cash and bank balances		239	1,095
Total current assets		2,570	2,179
Total assets	27	19,177	18,477

Balance sheet for the Parent Company, cont.

SEK M	Note	31 Dec 2014	31 Dec 2013
EQUITY, PROVISIONS AND LIABILITIES			
Equity	19		
<i>Restricted equity</i>			
Share capital		1,007	975
Statutory reserve		4,801	4,801
Total restricted equity		5,808	5,776
<i>Non-restricted equity</i>			
Share premium reserve		4,907	4,439
Fair value reserve		-32	12
Retained earnings		4,001	3,754
Net profit for the year		792	247
Total non-restricted equity		9,668	8,452
Total equity		15,476	14,228
Provisions			
Provisions for pensions and similar commitments	20	48	51
Other provisions	21	74	26
Total provisions		122	77
Long-term liabilities			
Debt securities in issue	22	1,697	2,196
Derivatives	23	41	-
Deferred tax liabilities	16	-	7
Liabilities to other related parties	30	350	424
Total long-term liabilities		2,088	2,627
Current liabilities			
Accounts payable		130	112
Liabilities to Group companies	30	256	855
Liabilities to other related parties	30	302	278
Debt securities in issue	22	500	-
Other liabilities		21	29
Accrued expenses and deferred income	24	282	271
Total current liabilities		1,491	1,545
Total equity, provisions and liabilities	27	19,177	18,477
Pledged assets and contingent liabilities	25		
Pledged assets		1,190	1,473
Contingent liabilities		55	73
Total pledged assets and contingent liabilities		1,245	1,546

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	Hedging reserve	Share premium reserve	Retained earnings		
Opening equity, 1 January 2013	941	4,801	0	3,973	3,550	204	13,468
Comprehensive income for the year							
Net profit for the year	–	–	–	–	–	247	247
Other comprehensive income	–	–	12	–	–	–	12
Comprehensive income for the year	–	–	12	–	–	247	259
Appropriation of profit	–	–	–	–	204	–204	–
New share issue	34	–	–	466	–	–	500
Closing equity, 31 December 2013	975	4,801	12	4,439	3,754	247	14,228
Opening equity, 1 January 2014	975	4,801	12	4,439	3,754	247	14,228
Comprehensive income for the year							
Net profit for the year	–	–	–	–	–	792	792
Other comprehensive income	–	–	–44	–	–	–	–44
Comprehensive income for the year	–	–	–44	–	–	792	748
Appropriation of profit	–	–	–	–	247	–247	–
New share issue	32	–	–	468	–	–	500
Closing equity, 31 December 2014	1,007	4,801	–32	4,907	4,001	792	15,476

Cash flow statement for the Parent Company

SEK M	Note	2014	2013
Operating activities			
Profit after financial items		767	249
Adjustment for non-cash items	31	103	31
Income tax paid		–3	3
Cash flow from operating activities before changes in working capital		867	283
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in operating receivables		–1,027	–119
Increase (+)/Decrease (–) in operating liabilities		–597	–302
Cash flow from operating activities		–757	–138
Investing activities			
Shareholders' contribution paid		–600	–786
Acquisition of intangible assets		–3	0
Acquisition of property and equipment		–7	–5
Divestment of property and equipment		11	4
Repayment of loans		–	290
Cash flow from investing activities		–599	–497
Financing activities			
New share issue		500	500
Cash flow from financing activities		500	500
Net cash flow for the year		–856	–134
Cash and cash equivalents, 1 January		1,095	1,229
Cash and cash equivalents, 31 December		239	1,095

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, 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 changed accounting policies are applied in the Parent Company except those stated in Note 1 in the Group.

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, the Pension Obligations Vesting Act and in certain cases for tax reasons. The Parent Company applies the same accounting policies as the Group except in the following cases.

Classification and presentation format

For the Parent Company, the terms Balance sheet and Cash-flow Statements are used for reports that are referred to as Statement of Financial Position and Statement of Cash Flows in the Group. The income statement and the balance sheet for the Parent Company are presented following the format of the Swedish Annual Accounts Act, while the statement of comprehensive income, statement of changes in equity and 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 are recognised according to the general rule in RFR 2. 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 financial assets and current investments. However, these investments are limited in size relative to the investment assets of the Group's insurance companies. At year-end 2014, the Parent Company's holdings of investment shares and mutual fund units amounted to SEK 4 M (45). In addition, there were current interest-bearing investments amounting to SEK 1,250 M (513) and bank balances amounting to SEK 239 M (1,095). Also, there are cash flow hedges for hedging of interest rate risks with a net book value of SEK -43 M (15) in the Parent Company. In addition to the aforementioned assets and liabilities, 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 2,372 M (2,293) and rental income of SEK 119 M (210) for premises and equipment. The company's sales are recognised in the Parent Company operating segment in the Group. A total of 43% (37) of sales comes from companies in the Länsförsäkringar AB Group, 10% (16) from the Länsförsäkringar Liv Group, 46% (45) from regional insurance companies and 0% (2) from external customers.

4 EXTERNAL EXPENSES

	2014	2013
Cost of premises, note 5	-167	-173
Other cost of premises	-88	-21
Marketing	-35	-39
Consultants	-501	-592
Fees to auditors, note 7	-6	-6
IT costs	-726	-539
Printed matter, telephony and postage	-98	-106
Other expenses	-190	-179
Total	-1,812	-1,654

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:

	2014	2013
Within one year	-167	-173
Later than one year but within five years	-669	-690
Later than five years	-335	-518
Total	-1,171	-1,380

A rental charge of SEK -167 M (-173) was recognised in profit for 2014.

Lease contracts are valid for ten years up to and including 31 December 2021. 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:

	2014	2013
Within one year	117	115
Later than one year but within five years	388	461
Later than five years	192	346
Total	697	923

In 2014, rental income amounting to SEK 119 M (109) 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 2021.

For external tenants with rent of SEK 22 M (34), 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

	2014	2013
Average number of employees, Sweden		
Men	308	352
Women	346	372
Total number of employees	654	724
Salaries, other remuneration and social security expenses		
<i>Other employees</i>		
Salaries and remuneration	418	462
of which variable remuneration	-	-
Social security expenses	287	321
of which pension costs	125	140
Total	705	783
<i>Board of Directors and senior executives, 20 (18)</i>		
Salaries and remuneration	23	18
of which, fixed salary to the President and Executive Vice President	9	8
of which, variable remuneration to the President and Executive Vice President	-	-
of which fixed salary to other senior executives	11	7
of which variable salary to other senior executives	-	-
Social security expenses	17	14
of which pension costs	7	6
Total	40	32
<i>Total salaries, other remuneration and social security expenses</i>		
Salaries and remuneration	441	480
of which variable remuneration	-	-
Social security expenses	304	335
of which pension costs	133	146
Total	745	815

Variable remuneration

Variable remuneration is a rarely utilised form of remuneration at the Länsförsäkringar AB Group and, accordingly, comprises a 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	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
					Defined-contribution
2014					
Sten Dunér, President	5.2	0.1	1.9	7.2	35
Ann Sommer, Executive Vice President	3.2	0	1.4	4.6	44
Sören Westin, Executive Vice President	3.3	0	1.2	4.5	35
Jan Fock, Chairman of the Board	1.0	–	–	1.0	–
Göran Lindell, Deputy Chairman of the Board	0.2	–	–	0.2	–
Sune Nilsson, former Deputy Chairman of the Board	0.1	–	–	0.1	–
Mikael Sundquist, Board member	0.1	–	–	0.1	–
Jonas Rosman, Board member	0.2	–	–	0.2	–
Mats Fabricius, Board member	0.3	–	–	0.3	–
Lars Hallkvist, Board member	0.3	–	–	0.3	–
Henrietta Hansson, Board member	0.2	–	–	0.2	–
Pia Sandvik, Board member	0.2	–	–	0.2	–
Christer Villard, Board member	0.3	–	–	0.3	–
Fredrik Daveby, former Board member	0.1	–	–	0.1	–
Lars-Eric Åström, former Board member	0.1	–	–	0.1	–
Gösta af Petersens, former Board member	0.3	–	–	0.3	–
Other senior executives					
Parent Company (5 people)	11.1	0	4.3	15.4	40
Subsidiaries and Länsförsäkringar Liv (3 people)	10.8	0	4.7	15.5	45
Total 2014	36.9	0.2	13.5	50.7	
Total remuneration from Parent Company	23.0	0.1	7.4	30.5	
Total remuneration from subsidiaries and Länsförsäkringar Liv	13.9	0.1	6.1	20.1	

Remuneration for senior executives	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
					Defined-contribution
2013					
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	

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 one 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 one Executive Vice President is 65 years. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary.

The retirement age for 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 2014, the premium amounted to SEK 0.4 M.

Severance pay

A mutual period of notice of six months applies for the President, one 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.

Loans to senior executives	31 Dec 2014	31 Dec 2013
Board members	16	11
President and Executive Vice Presidents	6	6
Other senior executives	6	5
Total	28	22

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.

Number of women among senior executives, %	31 Dec 2014	31 Dec 2013
Board members	42	31
Other senior executives	55	44

7 FEES AND REMUNERATION TO AUDITORS

	2014	2013
KPMG AB		
– audit assignments	–4	–5
– audit operations in addition to the audit assignment	–1	–1
– tax consulting	–1	–0
– other assignments	–0	–0
Total	–6	–6

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit operations 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

	2014	2013
Dividends from subsidiaries	1,066	387
Group contributions received	188	134
Share of profit in partnership	0	0
Total	1,254	521

9 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2014	2013
Interest income, Group companies	1	10
Interest income, other	15	7
Capital gains, shares and participations	12	–
Capital gains, interest-bearing securities Group companies	8	1
Unrealised gains, shares and participations	0	8
Unrealised gains, interest-bearing securities	16	–
Total	52	26

10 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2014	2013
Interest expense, other	–93	–105
Realised losses, interest-bearing securities	–12	–3
Capital losses, currencies	–0	–1
Unrealised losses, interest-bearing securities	–	–1
Unrealised losses, shares and participations	–9	–
Impairment of shares and participations ¹⁾	–200	–100
Total	–314	–211

¹⁾ Impairment of shares and participations pertaining to Länsförsäkringar Liv Försäkrings AB, which is recognised in its entirety in profit and loss.

11 TAX

	2014	2013
Current tax		
Tax income for the period	–	0
Adjustment of tax expense pertaining to prior years	4	0
Deferred tax income (+) / tax expense (–)		
Deferred tax pertaining to temporary differences	21	–2
Total recognised tax income (+) / tax expense (–)	25	–2
Reconciliation of effective tax rate		
Profit before tax	767	249
Tax at applicable tax rate	–169	–55
Tax on non-deductible costs	–76	–33
Tax on non-taxable income	269	86
Recognised effective tax	25	–2
Applicable tax rate	22.0%	22.0%
Effective tax rate	–3.2%	0.8%

12 INTANGIBLE ASSETS

Capitalised IT costs	2014	2013
Cost		
Opening cost, 1 January	208	208
Acquisitions	3	2
Disposals	–	–2
Closing cost, 31 December	211	208
Amortisation		
Opening accumulated amortisation, 1 January	–46	–49
Reclassification	–	13
Amortisation	–11	–11
Disposals	–	1
Closing accumulated amortisation, 31 December	–57	–46
Impairment		
Opening accumulated impairment, 1 January	–42	–29
Reclassification	–	–13
Closing accumulated impairment, 31 December	–42	–42
Carrying amount, 31 December	111	120

All capitalised IT costs above pertains to acquired assets.

The amortisation period for an acquired accounting and monitoring system with a carrying amount of SEK 107 M (116) 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	2014	2013
Cost		
Opening cost, 1 January	253	253
Closing cost, 31 December	253	253
Depreciation		
Opening accumulated depreciation, 1 January	–81	–55
Depreciation	–25	–25
Closing accumulated depreciation, 31 December	–106	–81
Impairment		
Opening accumulated impairment, 1 January	–	–
Impairment	–57	–
Closing accumulated impairment, 31 December	–57	–
Carrying amount, 31 December	90	172
Equipment	2014	2013
Cost		
Opening cost, 1 January	146	224
Acquisitions	7	5
Divestments/disposals	–10	–83
Closing cost, 31 December	143	146
Depreciation		
Opening accumulated depreciation, 1 January	–109	–163
Depreciation	–16	–22
Divestments/disposals	7	76
Closing accumulated depreciation, 31 December	–118	–109
Impairment		
Opening accumulated impairment, 1 January	–3	–
Impairment	–	–3
Closing accumulated impairment, 31 December	–3	–3
Carrying amount, 31 December	22	34
	2014	2013
Total carrying amount, 31 December	112	206

Equipment includes SEK 2 M (2) representing works of art that are not depreciated. Accumulated impairment of art amounting to SEK 3 M (3) has been made.

Länsförsäkringar AB leases equipment to Group companies. The carrying amount of leased equipment totalled SEK 1 M (7) and rental income was SEK 1 M (2). The rental income corresponded to the depreciation of the leased equipment.

Previously capitalized improvements on an owner-occupied property within the Group have been impaired by SEK 57 M. The impairment is motivated because the asset is not estimated to have any residual value due to change of usage.

14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	2014	2013
Cost		
Opening cost, 1 January according to the Annual Report	19,301	18,515
Shareholders' contributions	550	686
Capital contribution	50	100
Closing cost, 31 December	19,901	19,301
Impairment		
Opening accumulated impairment, 1 January	–3,559	–3,559
Closing accumulated impairment, 31 December	–3,559	–3,559
Carrying amount, 31 December	16,342	15,742

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 2014, %	Participating interest 2013, %	Carrying amount 31 Dec 2014	Carrying amount 31 Dec 2013
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	100	7,930	7,380
Länsförsäkringar Fondliv Försäkrings AB (publ)	516401-8219	10,000	100	100	5,205	5,155
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	2,000,000	100	100	3,206	3,206
Utile Dulci 2 HB	916601-0067		0.1	0.1	1	1
Shares and participations in Group companies					16,342	15,742

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 OTHER SECURITIES HELD AS FIXED ASSETS

	2014	2013	Company name	Number of shares and participations	Carrying amount 31 Dec 2014	Carrying amount 31 Dec 2013
Opening balance, 1 January	215	314	Länsförsäkringar Liv Försäkrings AB (publ)	8,000	8	208
Revaluation of tenant-owned apartments	0	1	Brf Mässen	2	7	7
Impairment Länsförsäkringar Liv Försäkrings AB (publ)	-200	-100	Total		15	215
Carrying amount, 31 December	15	215				

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 200 M (100) was implemented and recognised in profit and loss. All tenant-owned apartments are located in Stockholm.

16 DEFERRED TAX ASSETS AND LIABILITIES

	Deferred tax assets		Deferred tax liabilities		Net	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Property and equipment	-	-	6	19	6	19
Current investments	-8	-	-	2	-8	2
Pension provisions	-11	-14	-	-	-11	-14
Liabilities	-1	-1	-	-	-1	-1
Loss carryforwards	-12	-	-	-	-12	-
Deferred tax assets (-)/deferred tax liabilities (+)	-32	-14	6	21	-26	7
Offset	6	14	-6	-14	-	-
Net deferred tax asset (-)/deferred tax liability (+)	-26	-	-	7	-26	7

Change in deferred tax in temporary differences and loss carryforwards 2014

	Amount at 1 January	Recognised in profit and loss	Recognised in other comprehensive income	Amount at 31 December
Property and equipment	19	-13	-	6
Current investments	2	2	-12	-8
Pension provisions	-14	2	-	-11
Liabilities	-1	0	-	-1
Loss carryforwards	-	-12	-	-12
Deferred tax assets (-)/deferred tax liabilities (+)	7	-21	-12	-26

Change in deferred tax in temporary differences and loss carryforwards 2013

	Amount at 1 January	Recognised in profit and loss	Amount at 31 December
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

Länsförsäkringar AB has no deferred tax recognised directly against equity.

17 PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2014	31 Dec 2013
Accrued interest income	9	1
Other accrued income	20	–
Prepaid expenses	60	42
Total	89	43

18 CURRENT INVESTMENTS

	31 Dec 2014		31 Dec 2013	
	Cost	Fair value	Cost	Fair value
Unlisted shares and participations, Swedish	3	4	3	3
Listed shares and participations, foreign	20	–	20	–
Mutual fund units, foreign	–	–	34	41
Interest-bearing securities, Swedish	1,231	1,250	509	513
Total	1,253	1,254	566	558

	31 Dec 2014		31 Dec 2013	
Specification of current investments	Cost	Fair value	Cost	Fair value
Unlisted participations, Swedish				
Länsförsäkringar Fastighetsförmedling AB	3	4	3	3
Listed participations, foreign				
Kaupthing Búnadarbanki hf	20	–	20	–
Mutual fund units, foreign				
GaveKal Platform Company Fund	–	–	34	41
Interest-bearing securities, Swedish				
Listed bonds issued by other Swedish issuers	1,231	1,250	509	513
Total current investments	1,253	1,254	566	558

19 EQUITY

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

Shares at a quotient value of SEK 100	Number of votes per share	31 Dec 2014 Number	31 Dec 2013 Number
Series A	10	1,532,678	1,532,678
Series B	1	8,527,945	8,211,469
Series C	1	5,749	5,568
Number of shares outstanding		10,066,372	9,749,715

In 2014, 316,657 shares were issued, 316,476 Series B shares and 181 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 1 January 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.

SHARE OWNERSHIP IN LÄNSFÖRSÄKRINGAR AB

Company	Number of shares			Share capital, %
	A	B	C	
Länsförsäkringar Skåne	141,849	846,863	–	9.8
Länsförsäkringar Stockholm	129,212	787,682	–	9.1
Länsförsäkringar Östgöta	114,155	631,914	–	7.4
Dalarnas Försäkringsbolag	104,708	579,559	–	6.8
Länsförsäkringar Göteborg och Bohuslän	87,010	575,998	793	6.6
Länsförsäkringar Älvsborg	100,176	557,955	–	6.5
Länsförsäkringar Bergslagen	86,351	470,605	–	5.5
Länsförsäkringar Jönköping	82,812	454,887	–	5.3
Länsförsäkringar Uppsala	73,298	407,676	–	4.8
Länsförsäkringar Västerbotten	57,195	314,575	–	3.7
Länsförsäkringar Halland	56,785	313,576	–	3.7
Länsförsäkringar Södermanland	58,117	310,038	–	3.7
Länsförsäkringar Gäinge-Kristianstad	49,982	309,553	–	3.6
Länsförsäkringar Gävleborg	60,058	281,083	–	3.4
Länsförsäkringar Kalmar län	56,717	283,762	–	3.4
Länsförsäkringar Skaraborg	64,058	242,271	–	3.0
Länsförsäkringar Västernorrland	50,186	246,562	–	2.9
Länsförsäkringar Jämtland	35,795	215,510	–	2.5
Länsförsäkring Kronoberg	36,701	194,889	–	2.3
Länsförsäkringar Värmland	31,160	194,189	–	2.2
Länsförsäkringar Norrbotten	16,960	122,732	–	1.4
Länsförsäkringar Blekinge	23,088	115,566	–	1.4
Länsförsäkringar Gotland	16,305	70,500	–	0.9
16 local insurance companies	–	–	4,956	0.0
Total number of shares	1,532,678	8,527,945	5,749	100.0

20 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	31 Dec 2014	31 Dec 2013
Pension provisions	22	17
Provisions for early retirement in accordance with pension agreement	22	30
Other provisions	4	4
Total provisions for pensions	48	51

Pension provisions of SEK 22 M (17) 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	2014	2013
Discount rate	0.5%	0.4%
Expected rate of salary increase	2.5%	2.5%
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 2015 are expected to total SEK 57 M.

	2014	2013
Expenses for defined-contribution plans	108	120

23 DERIVATIVES

	Carrying amount		Nominal value	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Derivative instruments with positive values				
<i>Derivative instruments in hedge accounting</i>				
Interest	–	15	–	1,700
Total derivative instruments with positive values	–	15	–	1,700
Derivative instruments with negative values				
<i>Derivative instruments in hedge accounting</i>				
Interest	–41	–	1,700	–
Total derivative instruments with negative values	–41	–	1,700	–

21 OTHER PROVISIONS

	31 Dec 2014	31 Dec 2013
Provision for interest subsidies for personell loans to former employees who have retired.	22	18
Other provisions	52	8
Total	74	26

22 DEBT SECURITIES IN ISSUE

	31 Dec 2014	31 Dec 2013
Bond loans	2,197	2,196
Total	2,197	2,196
Maturities of bond loans		
Within 1 year	500	–
1–5 years	1,697	2,196
Total	2,197	2,196

24 ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2014	31 Dec 2013
Holiday pay liability	48	48
Social security expenses	14	15
Special employer's contribution	31	34
Accrued bonuses	1	2
Provisions for staff costs	20	28
Other accrued expenses	169	145
Total	282	271

25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	31 Dec 2014	31 Dec 2013
Pledged assets		
Pledged shares in subsidiaries	1,190	1,473
Contingent liabilities		
Early retirement at age of 62 in accordance with pension agreement	51	70
Part-owner of Utile Dulci 2 HB	4	3
Total	55	73

26 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES

Amount expected to be recovered	31 Dec 2014				31 Dec 2013			
	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	100	–	111	11	109	–	120
Property and equipment ¹⁾	41	71	–	112	41	165	–	206
Shares and participations in Group companies	–	16,342	–	16,342	–	15,742	–	15,742
Derivatives	–	–	–	–	–	15	–	15
Deferred tax assets	–	26	–	26	–	–	–	–
Other securities held as fixed assets	–	15	–	15	–	215	–	215
Total fixed assets	52	16,555	–	16,608	52	16,246	–	16,298
Current assets								
Receivables from Group companies	663	–	–	663	254	–	–	254
Receivables from other related parties	229	–	–	229	195	–	–	195
Other receivables	96	–	–	96	35	–	–	35
Prepaid expenses and accrued income	89	–	–	89	43	–	–	43
Current investments	1,254	–	–	1,254	558	–	–	558
Cash and bank balances	239	–	–	239	1,095	–	–	1,095
Total current assets	2,570	–	–	2,570	2,179	–	–	2,179
Total assets	2,622	16,555	–	19,177	2,231	16,246	–	18,477
Amount expected to be settled	31 Dec 2014				31 Dec 2013			
	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	–	48	–	48	–	51	–	51
Other provisions	–	74	–	74	–	26	–	26
Total provisions	–	122	–	122	–	77	–	77
Long-term liabilities								
Debt securities in issue	–	1,697	–	1,697	–	2,196	–	2,196
Derivatives	1	40	–	41	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	7	–	7
Liabilities to other related parties	–	350	–	350	–	424	–	424
Total long-term liabilities	1	2,087	–	2,088	–	2,627	–	2,627
Current liabilities								
Accounts payable	130	–	–	130	112	–	–	112
Liabilities to Group companies	256	–	–	256	855	–	–	855
Liabilities to other related parties	302	–	–	302	278	–	–	278
Debt securities in issue	500	–	–	500	–	–	–	–
Other liabilities	21	–	–	21	29	–	–	29
Accrued expenses and deferred income	282	–	–	282	271	–	–	271
Total current liabilities	1,491	–	–	1,491	1,546	–	–	1,546
Total liabilities and provisions	1,492	2,209	–	3,701	1,546	2,704	–	4,249

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

31 December 2014	Financial assets measured at fair value in profit and loss		Derivatives used in hedge accounting	Available-for- sale financial assets	Loan receivables and accounts receivable	Total	Fair value
	Financial assets measured according to fair value option	Held for trading					
Assets							
Other securities held as fixed assets	7	–	–	8	–	15	15
Receivables from Group companies	–	–	–	–	644	644	644
Receivables from other related parties	–	–	–	–	228	228	228
Other receivables	–	–	–	–	96	96	96
Prepaid expenses and accrued income	–	–	–	–	29	29	29
Current investments	1,254	–	–	–	–	1,254	1,254
Cash and bank balances	–	–	–	–	239	239	239
Total	1,261	–	–	8	1,235	2,505	

31 December 2014	Financial liabilities measured at fair value in profit and loss		Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
	Financial liabilities measured according to fair value option	Held for trading				
Liabilities						
Debt securities in issue	–	–	–	2,197	2,197	2,289
Derivatives	–	–	41	–	41	41
Liabilities to Group companies	–	–	–	197	197	197
Liabilities to other related parties	–	–	–	533	533	533
Other liabilities and accounts payable	–	–	–	151	151	151
Accrued expenses and deferred income	–	–	–	279	279	279
Total	–	–	41	3,358	3,398	

31 December 2013	Financial assets measured at fair value in profit and loss		Derivatives used in hedge accounting	Available-for-sale financial assets	Loan receivables and accounts receivable	Total	Fair value
	Financial assets measured according to fair value option	Held for trading					
Assets							
Derivatives	–	–	15	–	–	15	15
Other securities held as fixed assets	7	–	–	208	–	215	215
Receivables from Group companies	–	–	–	–	215	215	215
Receivables from other related parties	–	–	–	–	194	194	194
Other receivables	–	–	–	–	34	34	34
Prepaid expenses and accrued income	–	–	–	–	1	1	1
Current investments	558	–	–	–	–	558	558
Cash and bank balances	–	–	–	–	1,095	1,095	1,095
Total	565	–	15	208	1,539	2,328	

	Financial liabilities measured at fair value in profit and loss		Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
31 December 2013	Financial liabilities measured according to fair value option	Held for trading				
Liabilities						
Debt securities in issue	–	–	–	2,196	2,196	2,268
Liabilities to Group companies	–	–	–	805	805	805
Liabilities to other related parties	–	–	–	616	616	616
Other liabilities and accounts payable	–	–	–	141	141	141
Accrued expenses and deferred income	–	–	–	271	271	271
Total	–	–	–	4,029	4,029	

The fair value of assets classified as Loan receivables and accounts receivables and liabilities classified as Other financial liabilities 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.

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.

28 FAIR VALUE VALUATION TECHNIQUES

The table shows financial assets and liabilities measured at fair value in the statement of financial position based on used valuation technique, where:

Level 1 refers to instruments with published price quotations

Level 2 refers to values determined with valuation techniques based on observable market prices

Level 3 refers to values determined with valuation techniques based on unobservable market prices, assumptions and estimations

SEK M	2014				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Shares and participations	–	7	4	11	42	7	3	52
Bonds and other interest-bearing securities	1,250	–	–	1,250	513	–	–	513
Derivatives	–	–	–	–	–	15	–	15
Liabilities								
Derivatives	–	41	–	41	–	–	–	–

There were no significant transfers between Level 1 and Level 2 during 2014 or during 2013. There were no transfers from Level 3 in 2014 or 2013.

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.

Profits and losses are recognised in Interest income and similar profit/loss items or Interest expense and similar profit/loss items. For disclosures of determination of fair value and valuation techniques and input data, see Note 1 Accounting policies.

Change level 3

	Shares and participations	Total		Shares and participations	Total
Opening balances 1 January 2013	3	3	Opening balance 1 January 2014	3	3
Acquisitions	–	–	Acquisitions	–	–
Divestments	–	–	Divestments	–	–
Recognised in net profit for the year	–	–	Recognised in net profit for the year	1	1
Recognised in other comprehensive income	–	–	Recognised in other comprehensive income	–	–
Closing balance 31 December 2013	3	3	Closing balance 31 December 2014	4	4

29 INFORMATION ABOUT OFFSETTING

The table shows financial assets and liabilities covered by a legally binding master netting agreement or similar agreements, together with related collaterals. The Group has ISDA agreements and CSA agreements with all derivative counterparts, meaning that all exposures are covered by these types of agreements. The net amount pertains to the exposure under normal operations in the event of default or insolvency. Financial assets and liabilities are offset in the balance sheet when there is a legally enforceable right to offset the transactions and there is an intention to settle the net amount or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities that are offset or are subject to netting agreements							
SEK M 31 December 2014	Gross amount	Offset in the balance sheet	Amount recognised in the balance sheet	Related amounts that are not offset in the balance sheet		Net amount	
				Master netting agreements	Collaterals Received (-) / Pledged (+)		
Assets							
Derivatives	–	–	–	–	–	–	–
Liabilities							
Derivatives	–41	–	–41	–	43	2	–
Total	–41	–	–41	–	43	2	

Financial assets and liabilities that are offset or are subject to netting agreements							
SEK M 31 December 2013	Gross amount	Offset in the balance sheet	Amount recognised in the balance sheet	Related amounts that are not offset in the balance sheet		Net amount	
				Master netting agreements	Collaterals Received (-) / Pledged (+)		
Assets							
Derivatives	15	–	15	–	–8	7	–
Liabilities							
Derivatives	–	–	–	–	–	–	–
Total	15	–	15	–	–8	7	

30 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 2014		Group companies	Liv Group	Regional insurance companies	Other related parties	Total
Income	Services sold	990	235	1,157	18	2,400
	Rent, premises	90	6	–	–	96
	Rent, equipment	1	0	–	–	1
	Financial income	1,256	–	–	–	1,256
Expenses	Services purchased	–7	–3	–27	–0	–38
	Rent, premises	–162	–	–7	–	–169
	Financial costs	–	–29	–	–	–29
Receivables	Interest-bearing loans	0	–	–	–	0
	Cash and cash equivalents with Länsförsäkringar Bank	343	–	–	–	343
	Other receivables	320	16	212	2	549
Liabilities	Other liabilities	256	497	149	6	908

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 income	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

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 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.

31 SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

	2014	2013
Interest paid and dividends received		
Dividends received from subsidiaries	1,066	387
Interest received	0	12
Interest paid	–104	–109
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	310	59
Realised gains and losses	–1	3
Unrealised gains and losses	–7	93
Provisions	46	–5
Hedging reserve	–56	15
Group contributions received that are regulated in the following fiscal year	–188	–134
Total	103	31

Cash and cash equivalents comprise bank balances.

32 FINANCIAL TRANSACTIONS NOT RECOGNISED IN THE BALANCE SHEET

Länsförsäkringar AB has external suppliers of IT operations at a cost of SEK 514 M in 2015 and SEK 530 M in 2014. 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.

33 EVENTS AFTER BALANCE-SHEET DATE

The Extraordinary General Meeting held on 3 March 2015 resolved on a new share issue of SEK 600 M in Länsförsäkringar AB in order to strengthen the capital situation of the consolidated bank situation.

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 19 July 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, 5 March 2015

Jan Fock
Chairman

Göran Lindell
Deputy Chairman

Mats Fabricius
Board member

Lars Hallkvist
Board member

Henrietta Hansson
Board member

Jonas Rosman
Board member

Pia Sandvik
Board member

Mikael Sundquist
Board member

Christer Villard
Board member

Susanne Lindberg
Employee Representative

Linnea Niklasson
Employee Representative

Anna Sandqvist
Employee Representative

Sten Dunér
President

My audit report was submitted on 12 March 2015.

Stefan Holmström
Authorised Public Accountant

The Annual Report and the consolidated financial statements above were approved for publishing by the Board of Directors on 5 March 2015. 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 22 May 2015.

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 AB (publ) for 2014, except for the corporate governance report on pages 30–37. The company's annual accounts and the consolidated financial statements are included in the printed version of this document on pages 18–96.

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 (IFRS) 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, 2014 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, 2014 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 30–37. 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 (publ) for the 2014. 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 30–37 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, 12 March 2015

Stefan Holmström
Authorised Public Accountant

Board of Directors and auditors

Board of Directors



Jan Fock

Chairman of the Board.
Born 1949. Elected 2012. **Education:** Master of Science in Agriculture, and in Business and Economics. **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, Flyinge AB.



Göran Lindell

Born 1954. Deputy Chairman since 2014. Elected 2014. **Education:** Master of Science in Business and Economics from Linköping University. **Other Board appointments:** Chairman Länsförsäkringar Jönköping. **Background:** Municipal Commissioner and member of parliament.



Mats Fabricius

Born 1952. Elected 2010. **Education:** Master of Science in Agriculture. **Other Board appointments:** Chairman of Norrbottensgården Utveckling AB, Länsförsäkringar Norrbotten and Norrbottensgården Slakteri AB, Board member of Nordchark AB and 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 2013. **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, Länsförsäkringar IT Center AB



Jonas Rosman

Born 1963. President of Agricultural Society of Skaraborg County. Elected 2014. **Education:** Business school economist, agricultural education. **Other Board appointments:** Hökensås Sportfiske AB. **Background:** Accounting consultant, Business Manager Federation of Swedish Farmers Consulting, chief economist at Federation of Swedish Farmers Consulting.



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.



Mikael Sundquist

Born 1961. President of Länsförsäkringar Bergslagen. Elected 2014. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Chamber of Commerce of Mälardalen. **Background:** Board member of 1:a Västmanlandsfonden, Länsförsäkringar Sak, Chairman of Länsförsäkringar Mäklarservice, senior positions at Länsförsäkringar and Handelsbanken.



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 köpmansklubb, Segulah III - IV, Friends of Drottningholms Slottsteater, Accvi AB and Joy AB. Board member of AB Segulah, Exerger Sweden AB, G Hamilton Family Foundation, Fagerberg Foundation in Stockholms Borgerskap, Drottningholms Slottsteater Foundation.



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



Susanne Lindberg

Born 1967. Employee representative. 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 training 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:

Thomas Norrman



Linnéa Niklasson

Born 1958. Object specialist Integration. Employee representative. Elected 2014. **Education:** Business school economist. **Other Board appointments:** Länsförsäkringar Sak, Agria Djurförsäkring, Chairman of Länsförsäkringar AB FTF club, Chairman of Profit-sharing Association Ekorren. **Background:** Test Manager/Change and Release management Länsförsäkringar AB, Systems Developer Agria, Chairman of Agria employee club FTF, Group Manager accounts receivable ledger/IT Esselte Meto.

Deputy:

Thomas Norrman



Anna Sandqvist

Born 1963. Compliance. Employee representative. Elected 2014. **Education:** Bachelor of Arts. **Other Board appointments:** Länsförsäkringar Sak, Chairman of SACO association at Länsförsäkringar AB, Bank and Insurance Section of Jusek. **Background:** AMF Pension, Wasa Försäkring.

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 and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv, Board member of Länsförsäkringar Liv, Insurance Sweden, Swedish Insurance Employers' Association (FAO) and Fastighets AB Balder. **Background:** CFO and other senior positions at Länsförsäkringar AB.



Cecilia Ardström

Born 1965. Employed 2012. Financial Director. **Education:** Economics, University of Gothenburg School of Business, Economics and Law. **Other Board appointments:** Swedish Export Credit Corporation SEK. Profit-sharing Association Länssbörser, Länsförsäkringar Fondförvaltning, Humlegården Fastigheter AB, Humlegården Holding I-III AB, Länsförsäkringar PE Holding. **Background:** Head of Treasury Tele2 AB, Head of Asset Management Folk-sam Group, KPMG Management Consulting.



Tua Holgersson

Born 1964. Employed 2013. President of Länsförsäkringar Fondliv. **Education:** 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.



Rikard Josefson

Born 1965. Employed 2011. President of Länsförsäkringar Bank. **Education:** Bachelor of Arts. **Other Board appointments:** Chairman of Wasa Kredit, Länsförsäkringar Hypotek, Board member of Länsförsäkringar Fondförvaltning, Länsförsäkringar Fastighetsförmedling, Swedish Bankers' Association, SFM Stockholm AB and Livslust 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 Latvian Unibank in Latvia, Head of Global Transaction Services SEB Merchant Banking.



Malin Rylander-Leijon

Born 1970. Employed 2001. CFO. Head of Finance. **Education:** Administration Programme, specialising in Economics, Uppsala University. **Other Board appointments:** Tribona AB. **Background:** Head of Finance & Control Länsförsäkringar Liv and auditor at SET Revisionsbyrå.



Ann Sommer

Born 1959. Employed 1988. President of Länsförsäkringar Sak. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Gruppliv and Agria Djurförsäkring, 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.



Jörgen Svensson

Born 1959. Employed 2008. President of Länsförsäkringar Liv. **Education:** Studies in economics, law and marketing, Lund University. **Other Board appointments:** Board member of Länsförsäkringar Mäklarservice AB. **Background:** President of Länsförsäkringar Blekinge, various managerial positions at Skandia and If.



Sören Westin

Född 1953. Employed 2000. Executive Vice President, Länsförsäkringar AB. Head of Business Support. **Education:** Licentiate of Science in Business and Economics, Umeå University. **Other 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



Carin Dunér

Born 1962. Employed 2012. HR Director **Education:** Bachelor Programme in Human Resource Management and Working Life, Uppsala University **Background:** Head of HR at Swedbank Large Corporates & Institutions, Head of HR at Nordea Securities, HR/senior positions at Nordea Markets, Ericsson Radio Systems, Swedish University of Agricultural Sciences.



Olle Törnell

Born 1958. Employed 1992. Head of Legal Affairs. **Education:** Bachelor of Arts in Legal Science, Uppsala University. **Background:** Head of Legal Affairs Wasa Försäkring, bank attorney Nordbanken.



Fanny Wallér

Born 1962. Employed 2012. Director 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, Marketing Director at SEB e-banking and Product Manager at Eurocard.

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 re-valued 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 total net assets and the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for the 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, bank

Total Tier 1 capital excluding Additional Tier 1 instruments.

Core Tier 1 capital ratio, bank

Core Tier 1 capital in relation to the risk-weighted amount.

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 cost of capital – 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, bank

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

Operating expenses in the insurance operations

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

Premiums earned

The proportion of premium income attributable to the fiscal year.

Premium income

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

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

Operating profit less standard tax at a rate of 22.0% in relation to average equity adjusted for capital contributions.

Risk Exposure Amount, bank

The Risk Exposure Amount is calculated by multiplying an institution's capital requirement for all assets in the balance sheet, off balance sheet items, operational risk and credit valuation adjustment risk by 12.5.

Solvency capital

The sum of equity, untaxed reserves, deferred tax liabilities, subordinated debt as well as surplus values 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 reserves 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 for 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

Tier 1 capital is part of the capital base and comprises equity and Additional Tier 1 instruments. Deductions are made for such items as deferred tax assets, goodwill and other intangible assets, investments in financial companies and the difference between expected losses and reserves established for probable loan losses.

Tier 1 capital ratio, bank

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

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	2014	2013
Premium income, net	2,639	3,388
Investment income, net	12,023	-1,743
Claims payments	-6,627	-7,645
Change in technical provisions	-5,364	11,842
Operating expenses	-423	-347
Technical result, life-assurance operations	2,248	5,495
Non-technical items	-347	-281
Profit before tax	1,901	5,214
Tax	2	-40
Net profit for the year	1,903	5,174
Items that cannot be transferred to profit and loss	-9	-1
Comprehensive income for the year	1,894	5,173

BALANCE SHEET

SEK M	31 Dec 2014	31 Dec 2013
Assets		
Property and equipment	2	1
Investment assets	115,971	106,777
Investment assets for which the life-assurance policyholder bears the investment risk	5,837	5,978
Reinsurers' portion of technical provisions	476	605
Receivables	1,574	2,003
Other assets	3,928	3,708
Prepaid expenses and accrued income	1,195	1,084
Total assets	128,983	120,155
Equity, provisions and liabilities		
Share capital	8	8
Funds plus net profit for the period	17,529	17,110
Technical provisions	97,172	91,585
Provisions for life assurance for which the policyholder bears the investment risk	5,837	5,978
Provisions for other risks and expenses	150	146
Deposits from reinsurers	476	605
Liabilities	7,428	4,344
Accrued expenses and deferred income	383	378
Total equity, provisions and liabilities	128,983	120,155

Financial calendar 2015

First quarter:

Interim report, Länsförsäkringar AB	29 April
Interim report, Länsförsäkringar Bank	29 April
Interim report, Länsförsäkringar Hypotek	29 April
Interim review, Länsförsäkringar Alliance	29 April

Second quarter:

Interim report, Länsförsäkringar AB	17 July
Interim report, Länsförsäkringar Bank	17 July
Interim report, Länsförsäkringar Hypotek	17 July
Interim review, Länsförsäkringar Alliance	17 July

Third quarter:

Interim report, Länsförsäkringar AB	22 October
Interim report, Länsförsäkringar Bank	22 October
Interim report, Länsförsäkringar Hypotek	22 October
Interim review, Länsförsäkringar Alliance	22 October

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Production: Länsförsäkringar AB in cooperation with Hallvarsson & Halvarsson.
Photos: Länsförsäkringar's image bank, Jimmy Eriksson, Johnér. Print: GöteborgsTryckeriet. We print on environmentally friendly paper.

