



2011

Länsförsäkringar Liv
Annual Report





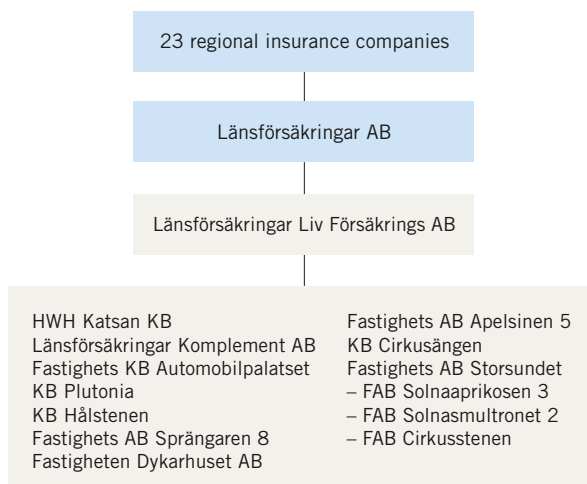


Länsförsäkringar Liv in brief

Länsförsäkringar Liv is the Länsförsäkringar Alliance's life-assurance company for traditional management, primarily for occupational and private pensions. The company also conducts non-life insurance operations in the form of direct medical and accident insurance. The company is operated in accordance with mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers.

This is Länsförsäkringar

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. Customers are provided with a complete offering of banking and insurance services through the regional insurance companies. Animal and crop insurance is offered through Agridia Djurförsäkring and total solutions for reliable mortgage transactions are offered through Länsförsäkringar Fastighetsförmedling. The basis is local presence and decision-making – experience has proven that local decision-making authority combined with joint strength create substantial added value for customers. Long-term respect for customers' money is also fundamental to Länsförsäkringar. There are no external shareholders and it is not Länsförsäkringar's money that is being managed but its customers'. This approach characterises the entire business. Länsförsäkringar has almost 3.4 million customers and approximately 5,800 employees.



Contents

2	President's comments
5	Board of Directors' Report
10	Proposed appropriation of profit
11	Five-year summary
13	Income statement
13	Statement of comprehensive income
14	Performance analysis
16	Balance sheet
18	Statement of changes in shareholders' equity
18	Cash-flow statement
19	Notes
53	Auditor's report
54	Corporate Governance Report
57	Board of Directors and auditors
58	Group management
59	Definitions
60	Addresses

2011 IN BRIEF

- Net loss for the year for the Group amounted to SEK 13,063 M (profit: 3,716).
- Investment income, net, was SEK 4,530 M (7,654).
- The solvency ratio for traditional life assurance on December 31, 2011 amounted to 111% (141) and collective consolidation to 109% (107.0).
- The total return for life-assurance customers with traditional management amounted to 6.5% (4.1), a result that compares favourably with competitors and was attributable to high fixed-income returns.
- New sales of traditional management were discontinued during the year.
- The average bonus rate in 2011 was 4% (6.2). The average bonus rate since Länsförsäkringar's life-assurance operations were started in 1985 is 8.6%.

Caution and measures safeguard savers' investments

2011 was a difficult year for Swedish life-assurance companies. The European debt crisis and its impact on stock-market and interest-rate trends throughout the world were substantial. The effect on Länsförsäkringar Liv was highly significant and meant that we were forced to take robust action to safeguard our savers' investments. Our interest-rate sensitive guarantee products combined with sharply falling long-term interest rates led to Länsförsäkringar Liv discontinuing sales in September. We value our pension liability with the policyholders using the long-term Swedish government bond rate, meaning that the liability increases when long-term interest rates fall. The ten-year Swedish government bond rate fell dramatically from slightly more than 3.5% in January to a low of 1.54%. Consequently, our pension liability increased substantially in a very short space of time and had an adverse impact on our key figures. However, with a cautious approach and firm action, we could end the year on a successful note.

New sales declined slightly in 2011 compared with 2010. Primarily independent brokers performed below expectations. Total premium income remained unchanged, which is a strength.

Our administration gains, which reflect the earnings of the company's operations, were positive. Our delivery times of various insurance cases were highly satisfactory.

As in the preceding year, we were the best company for corporate customers, according to the Swedish Quality Index.

Management earnings

The total return in the traditional management portfolio was 6.5% – a strong and competitive return level in this market con-

text. There are two main reasons for the 2011 return being so positive. As early as mid-June we deemed the stock-market outlook to be uncertain and took measures to reduce exposure. Equities were gradually sold to reduce the risk in investments. Accordingly, our result for equities was a relatively small loss, despite the sharp decline in the stock market. At the same time, we increased the duration of the fixed-income portfolio to better match the long-term liability and the value of these investments rose in line with falling interest rates. Our property and private equity portfolios also posted positive returns.

Our traditional-management savers had an average bonus rate in 2011 of 4.1%. We reduced the bonus rate gradually during the year, from 7% to a low of 0%. Our strained key figures in the autumn promoted us to adopt a cautious approach and we therefore chose a bonus rate of 0% despite our favourable collective consolidation, given the economic climate.

The Nya världen management form, which is a statistically allocated product with 70% invested in various equities market, generated a return of negative 3.8%.

Market

Major changes are taking place in the Swedish life-assurance market. The large procurement rounds taking place in collective-agreement occupational pensions have changed the playing field for the industry. Market shares have shifted considerably towards the companies that manage the funds for those not making an active choice of pension agreement. To date, the own companies of the parties in the labour market have become the fund-manager companies of those not making an active choice.

More than 50% of people are not active in their choice of pension agreement, which transfers large amounts of capital to such companies.

The procurement processes were characterised by intense price pressure, marginal advisory services, few potential suppliers for savers and short agreement periods. There is, however, a trend towards changing the procurement rules and making the process more flexible. For example, in some agreement areas we would like to see that many more companies are able to be included in the process as long as certain fundamental requirements were accepted. This is a step in the right direction.

The deferred income that a pension comprises is an essential part of the population's and savers' future quality of life. Accordingly, it is important that focus is not targeted to only the fees involved. The potential for high returns, the option of selecting the best alternatives in the market and having access to advisory services in these complicated issues are equally as important. This overall approach and flexibility should feature heavily in future procurement processes.

There are two other key issues being discussed that may have a significant effect on the various parties in the industry.

The first issue involves the statutory transfer option. In this matter we are awaiting the results of the Life Assurance Inquiry, which was appointed by the Swedish government and are expected in the summer of 2012. The transfer option is positive if market players are treated equally, the regulations combat irresponsible marketing and the interests of customers who choose not to transfer are protected. It will increase flexibility and security for customers.

The second issue that is receiving attention is the debate surrounding the prohibition on commission for brokers. An independent broker should not receive remuneration included in the products via the insurance company but from the customer who the broker represents. That would be the normal practice for advisors and consultants.

The debate is intense and various stakeholders have made their strong opinions known. The situation is not black or white in the sense that the current situation is bad and unclear for customers and it would be much better with a new model. The most important aspect, regardless of the changes made, is that customers understand what they receive for the fees they pay, be it commission or other fees included in the products. It is not as simple as all advisory services or sales are commission-based. However, it is vital that transparency and customer understanding increase and this places demand on all players in the market.

Economic environment

We are increasingly affected by regulatory changes. The new capital adequacy system, Solvency II, is currently the main framework in the spotlight. The authorities, often backed up by the EU, have a clear opinion that the insurance industry needs to strengthen its control levels and reporting structure, have better control of its risks and increase its capital to safeguard commitments with customers.

We welcome this standpoint since it will enhance security for customers. We are working intensively on the preparations for Solvency II. However, it is worth noting that producing and maintaining these structures involves major expenses, which customers have to pay. On the other hand, customer requirements and expectations entails that excessive limitations cannot be made on risk taking to generate high returns. Despite this, I believe that in many respects we already have a satisfactory control environment in place and a detailed risk analysis process, and that customers can feel secure. But the conclusion is that yield requirements and customer yield expectations must be lower in the forthcoming solvency regulations.

JÖRGEN SVENSSON, PRESIDENT LÄNSFÖRSÄKRINGAR LIV



Solvency II will lead to improvements and greater clarity in both the governance of the operations and in the reporting structure, as well as its quality. The ultimate objective of Solvency II is to enhance security for customers and thereby clear customer value.

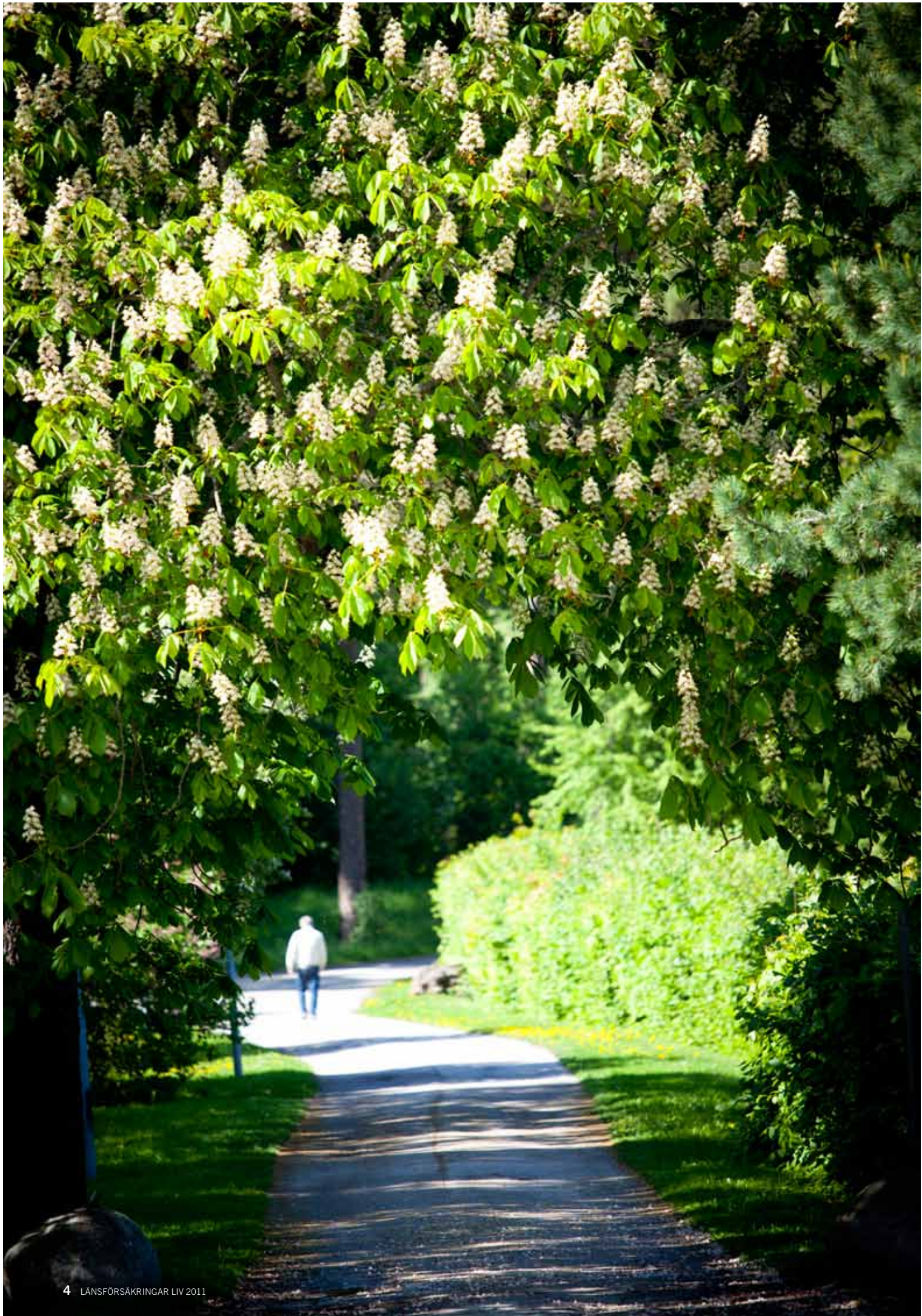
The financial markets and the trends in these markets going forward are, of course, highly important to the company. Today we have a situation whereby 80% of our assets are in interest-bearing investments with long terms to match our commitments. The guarantee product for which the underwriting of new sales was discontinued remains interest-rate sensitive and with a long duration. Accordingly, the liabilities must be matched with the right mix of assets in this relatively strained situation. As a result, the very high interest-rate sensitivity of the investments will remain for the foreseeable future.

With a low percentage of equities, which was excellent for 2011, this means that we cannot expect full leverage in the stock-market upswings that may occur after pro-

longed and sharp falls. Nevertheless, we maintain our opinion that situation is uncertain and the European debt crisis will continue to influence the financial markets in 2012. Consequently, we will continue to pursue our cautious approach.

Strengthening the company's key figures is a long-term effort. The measures we undertook in 2011 had positive effects on our financial strength. We will remain cautious about taking risks that may jeopardise our solvency and thus our customers' assets or guarantees. Customers can and should feel secure in their investments with us.

Jörgen Svensson
President of Länsförsäkringar Liv



Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corporate Registration Number 516401-6627, hereby submit the Annual Report and consolidated financial statements for the 2011 fiscal year.

Ownership and Group structure

Länsförsäkringar Liv Försäkringsaktiebolag is a wholly owned subsidiary of Länsförsäkringar AB (Corporate Registration Number 556549-7020), which is owned by 23 customer-owned regional insurance companies and 14 local insurance companies. The company is operated in accordance with mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers. The company is not consolidated in the Länsförsäkringar AB Group. The Länsförsäkringar Liv Group (referred to below as the Länsförsäkringar Liv Group) comprises the Parent Company (Länsförsäkringar Liv), and a number of property management subsidiaries. The subsidiary Länsförsäkringar Fondliv Försäkringsaktiebolag (Länsförsäkringar Fondliv) (Corporate Registration Number 516401-8219), which conducts unit-linked insurance operations, is included in the earnings until the date of divestment on October 31, 2011.

Focus of operations

Länsförsäkringar Liv is licensed to conduct life assurance and medical insurance operations, as well as non-life insurance operations in the form of direct medical and accident insurance. Länsförsäkringar Liv manages pension savings with traditional management, Nya världen management and Försäkrad pension valued at SEK 114 billion.

Market

The financial markets experienced extensive turmoil in 2011 and interest-rate falls in Sweden were extreme. Long-term market interest rates declined to historically low levels at the end of 2011. The trend in interest rates affected the traditional life assurance industry as companies' technical liabilities were discounted by the market interest rate. Liabilities increase when the rate falls. The effect of the discounting increases if the duration of the company's technical reserves is long, which is the particular case for Länsförsäkringar Liv.

In parallel with the decline in Swedish long-term market interest rates, the trend on the stock market was also negative. The stock-market decline was an additional burden on earnings and key figures with assets falling in value and thereby a weaker ratio between

assets and liabilities. Due to the low percentage of equities during major parts of 2011, the negative stock-market trend had a relatively minor impact on Länsförsäkringar Liv.

Trends in the financial markets led to the company undertaking a series of steps to limit the negative consequences on the company's financial strength caused by these trends. Länsförsäkringar Liv followed a predetermined action plan for such situations. This involved gradual sales of the liquid portions of the company's equity portfolio, and increasing the duration of the assets side by purchasing long-term bonds and through derivative contracts. At year-end 2011, the investment assets in Länsförsäkringar Liv largely comprised long-term interest-bearing assets.

Total premium income in 2011 amounted to SEK 6,514 M, compared with SEK 6,700 M in 2010. Most premium income is derived from occupational pensions and savings in endowment insurance. The occupational pension market increased 1.2%, while savings in endowment insurance fell 22%. The positive trend in the occupational pension market is largely attributable to the stable economic situation for Swedish businesses during most of the year. However, the endowment insurance market was negatively impacted by turmoil in the financial markets during the second half of 2011. There was also a great deal of uncertainty surrounding future taxation rules for savings in endowment insurance. In late autumn, 2011, the Riksdag (the Swedish Parliament) made a decision concerning a new form of savings, an investment savings account, of which the product properties largely complied with those of endowment insurance. A decision was also made to raise the yield tax for savings in endowment insurance. Combined, the changes are expected to have a negative impact on the endowment insurance market.

Länsförsäkringar Liv's market share of new sales amounted to 10% (6.1). In 2010, many people selected the SAF-LO collective agreement pension, which substantially increased the market share for AMF as a company that manages funds for savers who do not make an active choice. This led to downward pressure on market shares for Länsförsäkringar Liv in 2010. This is because Länsförsäkringar Liv can only be selected in traditional insurance in occupational pension agreements for ITP and SAF-LO. In the market for non-collectively agreed occupational pensions, the market share of new sales for Länsförsäkringar Liv increased 11% (13.6).

Significant events during the year

Discontinuation of underwriting new policies under traditional management

On September 6, Länsförsäkringar Liv discontinued the underwriting of new insurance policies under traditional management in a bid to improve its strained key figures. Existing traditional-man-

agement customers can continue their savings on the same terms as previously. One of the reasons for these changes was to safeguard savings for those people who currently save with traditional management. The company's traditional insurance has provided a favourable return over time, but when market interest rates lie at record-low levels, new sales of products with long guarantees has a negative impact on management.

Sale of subsidiary

In conjunction with the discontinuation of traditional management, a decision was made to sell the unit-linked life assurance company from Länsförsäkringar Liv to Länsförsäkringar AB. The date of divestment was October 31, and the sale strengthened the company's key figures.

Life Assurance Inquiry

The Swedish government appointed a Life Assurance Inquiry in the autumn of 2010. The Inquiry focuses on four issues: the transfer option, surplus management in mutual insurance companies, the influence of policyholders in hybrid companies and the conditions for restructuring into profit-distributing operations, and has been extended to the spring of 2012.

Change to advance ruling from Swedish Board of Advance Tax Rulings

On June 10, 2011, the Supreme Administrative Court announced its judgment entailing that it had changed the advance ruling from the Swedish Board of Advance Tax Rulings, and stated that the unit-linked life assurance company was not to recognise income in the form of portfolio commission for taxation in accordance with the Swedish Income Tax Act.

New reporting standard for insurance contracts

The insurance industry had been promised a new accounting standard for insurance contracts, IFRS 4, by June 2011. Due to the many objections made to the IASB's proposal, the standard was not completed in 2011. The new time schedule does not include a date for when the new reporting standard will be completed. Instead, the IASB plans to present a revised draft in the spring of 2012, with earliest application from 2015. The proposal, presented in 2010, is a comprehensive accounting model for insurance contracts and is expected to have a significant impact on companies issuing insurance contracts. In addition to changes to accounting policies, the proposals may also affect systems, data, processes and broader business aspects.

Solvency II – risk-based regulatory requirements from 2014

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, in 2009. These new rules place more rigorous demands on companies' risk management. Also, the rules stipulate that the requirements for minimum buffer capital placed on insurance companies will be significantly more closely linked to the size of the company's risks. Regulatory changes are extensive, affect a number of areas and, in

many respects, are manifested as substantially more detailed rules than the currently applicable provisions. The timeframe for Solvency II has been postponed by the EU body. The most recent proposals entail that the insurance companies must submit certain information according to the Solvency II regulations during 2013, but that the new material regulations are not expected to apply until 2014.

Key events after the end of the fiscal year

Underwriting of Nya världen discontinued

As of February 2012, it will no longer be possible for corporate customers with occupational pensions under the Friplan to begin saving in the Nya världen management form. On April 1, 2012, the company will also discontinue new savings in the other products where Nya världen management has been available. Discontinuing Nya världen for new pension customers will entail lower costs, which improves circumstances for Länsförsäkringar Liv and thus for savers.

Expectations regarding future development

The discontinuation of new sales of traditionally managed products reduces the company's administrative expenses, while sales of unit-linked life assurance strengthen the company's financial position and enhance return opportunities. Reducing the bonus rate will also have a positive effect on key figures in the long term. All measures generated the expected and positive effects on both earnings and key figures, although key figures for remained weak, which is why the company is continuing to focus on efficiency enhancements and risk.

A cautious investment portfolio with a low proportion of equities and a high proportion of interest-bearing instruments is expected in the near future.

Risks and risk management

Ensuring that Länsförsäkringar Liv can meet its customer undertakings with a satisfactory margin is essential. The management of risk-taking shall contribute to the provision of financial products at a controlled risk level with a reasonable return. This forms the basis of Länsförsäkringar Liv's overall risk management process, see also Note 2 Risks and risk management.

Employees

The company's vision and values, combined with the task from the regional insurance companies, serve as a guide for the entire business operations. Motivated and competent employees are vital to having satisfied customers and achieving overall objectives. Structured HR activities are necessary for this and for ensuring access to competencies in the short and long term. Consequently, the joint HR processes also safeguard opportunities for positively developing the Group's companies in line with the owners' ambitions. Employees participate in a structural business control process, which includes an established business planning model. A performance management model that links the targets for short and long-term employee performance to the objectives of the business plans

is in place to connect the business planning process to employee performance. Long-term management supply is ensured by identifying individuals with the drive and capacity to attain senior managerial positions within three years.

Individual targets for employees are identified in discussions between employees and their managers. Coupled with expected behaviour and based on shared values, these targets comprise the overall performance expectations that are documented in the employee's target contract. Future work duties, career aspirations and professional roles are discussed every year in a bid to make employees more active in the planning of their own skills development and career planning.

An employee survey, which measures employee perceptions of performance conditions, is carried out annually. The results of the survey are used both as a benchmark and to further improve performance conditions.

Employees at Länsförsäkringar Liv are to have market-based terms of employment. The structure and level of remuneration should correspond to the Group'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.

The base of the remuneration model comprises fixed remuneration, meaning a fixed cash monthly salary. Target-based remuneration is a supplement to fixed remuneration and may be paid to employees who are not managers, and is currently maximised at SEK 12,000 per year per employee. A basic prerequisite for target-based remuneration is that Länsförsäkringar AB posts positive financial results. At least one third of the target-based remuneration is based on exceeding the overall targets of the business plans and a maximum of two thirds on exceeding individual targets. Only fixed salaries are paid to the members of company management and managers.

Personnel, salaries and remuneration

Information regarding the average number of employees, salaries and remuneration, as well as details concerning salary and other remuneration to senior executives, are provided in Note 10 Employees, staff costs and remuneration to senior executives. In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2011:2) regarding remuneration policies in insurance companies, stock exchanges, clearing organisations and institutes for issuing electronic money, the Board of Directors adopted a remuneration policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

Environment

Environmental considerations are a part of sustainable enterprising for the Länsförsäkringar Liv Group. The company works continuously to reduce its environmental impact in line with its environmental policy and has identified areas that have a negative effect on the environment. Business travel contributes to emissions of the greenhouse gas, carbon dioxide. To reduce the environmental

impact, train travel is increasingly used for business trips according to applicable travel guidelines. Company cars are 100% environmentally friendly cars according to the company's definition of environmentally friendly cars. The company has also installed charging stations for electric cars in its own car parks to stimulate the transition to cars that do not operate on fossil fuels. Another priority area is paper dispatches. Digital solutions are being developed to reduce paper consumption and the development of the Internet channel provides many opportunities to reduce paper dispatches while simultaneously improving information quality.

Two environmental audits are performed every year to ensure constant improvements to environmental activities. Länsförsäkringar Sak holds ISO 14001:2004 certification.

Earnings and financial position

Net loss in the Group amounted to SEK 13,063 M (profit: 3,716) and the loss in the Parent Company amounted to SEK 16 012 M (profit: 4,044). The negative outcome for 2011 was due to sharp falls in long-term interest rates. Interest-rate changes impacted earnings due to the technical liabilities in traditional management being discounted by the market interest rate. Long-term market interest rates fell sharply in mainly the third quarter, thus increasing liabilities and weakening earnings. Positive investment income and risk and administration gains also had a counteracting effect.

The target of achieving an administration gain in Länsförsäkringar Liv was attained in 2011. Income on par with the preceding year and costs in line with set targets have led to an administration gain of SEK 40 M (95).

Risk-related transactions in Länsförsäkringar Liv continue to generate a positive result, amounting to slightly more than SEK 1 billion, measured in premium income. The majority of risk-related transactions comprise medical and premium exceptions while the remainder comprise mortality risk.

The risk-cover capacity that provides suitable protection for customers is ensured by Länsförsäkringar's own retention and an extensive reinsurance programme. The reinsurance programme comprises an obligatory component whereby a certain quota of transactions is automatically reinsured, and a voluntary component whereby individual risks are reinsured, and catastrophe insurance in the event of a unique major event. Part of the reinsurance programme is managed internally within the Länsförsäkringar Alliance.

Länsförsäkringar Fondliv contributed SEK 137 M (132) to earnings until the date of divestment on October 31.

Premium income

The Group's premium income for own account including income from investment agreements amounted to SEK 6,514 M (6,700). Business volumes declined slightly due to the sale of Länsförsäkringar Fondliv and the discontinuation of new sales.

The Länsförsäkringar Liv Group also had a positive net inflow in the contract areas for which customers have the option of transferring their insurance capital. Total premium income as defined by the Swedish Insurance Federation amounted to SEK 13,048 M (12,893). This represents a 1% (9) increase compared with the

same period in the preceding year. The increase is attributable to higher premiums paid in the Occupational pension product group.

Claims payments

Disbursed claims payments after ceded reinsurance in the Länsförsäkringar Liv Group amounted to SEK 5,363 M (4,595). The change was attributable to higher pension payments.

Change in technical reserves

Technical reserves amounted to SEK 104,572 M (81,700). This substantial increase was mainly the result of a significantly lower discount rate since the market interest rates on Swedish government bonds have fallen to historically low levels. In other respects, some significant changes were implemented whereby future costs and tax are now accounted for in projected cash flows rather than as a reduction of the discount rate, and cancellation assumptions have been included in the calculation of provisions. Over time, both of these changes lead to a fairer determination of the technical reserves, particularly in periods with extremely low interest rates. Surpluses in the Nya världen management form are now reserved in the form of conditional bonus. This had an adverse impact of SEK 4,020 M on equity.

Operating expenses

Operating expenses are higher compared with the preceding year and amounted to SEK 1,462 M (1,350). Expenses for efficiency projects in Länsförsäkringar AB and costs for adjustments to forthcoming regulations arose during the year. A non-recurring cost in the form of compensation to the regional insurance companies for the discontinuation of traditional management also had an adverse impact on operating expenses. Long-term measures to optimise the organisation and enhance the efficiency of processes have already and are expected to continue lowering operating expenses.

Tax

Deferred tax on unutilised loss carryforwards, which were previously capitalised in Länsförsäkringar Fondliv, have been dissolved for the period since it will not be possible to utilise them within the foreseeable future, according to a new forecast based on new circumstances arising from a decision by the Supreme Administrative Court. Reserved tax on income from portfolio commission has also been dissolved, as a direct result of the Supreme Administrative Court's decision. The net effect of the Group's total tax comprises income of SEK 19 M.

Asset management

Net investment income amounted to SEK 4,530 M (7,654) including change in value of investment assets for which the life-assurance policy holder bears the investment risk, which amounted to a decrease of SEK 6,539 M (increase: 2,874). During the year, investment assets in the Länsförsäkringar Liv Group increased to SEK 113,920 M (105,872). The total return of the traditionally managed portfolio was 6.5% (4.1), a result that compares favourably with other traditional life-assurance companies. This result

was attributable to high fixed-income returns in terms of both the company's strategies to hedge interest and investments in loans. The holdings in unlisted shares and property also made a positive contribution to returns. Holdings in listed shares made a negative contribution to returns during the first six months of the year, and this risk was subsequently reduced by selling listed shares.

Management model focusing on risk

The aim of management is to generate high returns on policyholders' money based on an acceptable risk level. Accordingly, Länsförsäkringar's traditional life-assurance works continuously on developing its model to ensure that efficient management. This applies to the choice of investment assets and the methodology and approach applied. The portfolio structure for market exposure focuses on dynamically selecting the asset allocation desired in the portfolios according to risk-assumption capacity.

The strategy involves reducing active management mandates in markets that are broad, transparent and efficient and instead implementing simple and inexpensive passive solutions for capturing market exposure. Due to the volatile asset allocation, the portfolios were rapidly adapted to market changes.

The principle of a long-term approach to the life-assurance company's management is supplemented with a high level of market-risk control applicable to the entire balance sheet. Safeguarding current key figures must be continuously balanced against ensuring the long-term perspective of management. In the short term, this has impacted opportunities for Länsförsäkringar Liv to invest in assets that are not tradeable in the short term, known as alternative investments. During the year, the investment operations had to adjust the risk level to the terms dictated by the balance sheet.

The derivative strategies are a way of protecting certain key figures. Derivative solutions are also actively utilised to hedge the portfolios against different types of risks, such as the risk of unfavourable interest-rate changes. Such hedging is a common element in the management of traditional life assurance and is undertaken to render the balance sheet less susceptible to rising liabilities due to falling interest rates.

Traditional life assurance

Traditional management provides a guaranteed annual return on saved capital. Returns that exceed the guaranteed return are preliminarily allocated to customers' insurance policies in the form of bonuses. In the event that the bonuses are lower than the guaranteed return, the preliminary distribution of the bonus is reallocated.

The total return in the traditional life assurance operations amounted to 6.5% (4.1). The average bonus rate on traditional-management insurance policies was 4% in 2011. The bonus rate was lowered to 0% on November 1. The average bonus rate since the life-assurance operations were started in 1985 is 8.6%.

Investments in traditional life assurance are primarily made in listed shares and interest-bearing securities, as well as properties and alternative investments. On December 31, 2011, 9% (33) of pension savers' money was invested in equities, 79% (47) in interest-bearing securities, 6% (6) in properties and 4% (7) in alterna-

tive investments. In addition, 0% (6) of the portfolio comprised investments in Länsförsäkringar Fondliv. In 2011, the return for the various asset classes was as follows: equities negative 7.6% (pos: 8.9), interest-bearing securities 11.2% (4.2), properties 5.7% (4.5) and alternative investments 0.5% (8.1).

Nya världen

The Nya världen management form is suitable for those customers who want to combine security with opportunities for high returns in the equities market. One portion of returns is guaranteed and another portion is based on trends in the equities and fixed-income market. After five years, or death, there is always the guarantee that the saver will recover the money they invested, with a deduction for calculated expenses and tax. Nya världen is usually structured as follows: 70% equities and 30% interest-bearing securities. The relatively large share of equities increases opportunities for high returns in the long term. Nya världen shareholdings are spread throughout the world to have as little dependence on individual markets as possible. The total return for Nya världen amounted to negative 3.8% (8.9).

Försäkrad pension

Försäkrad pension is Länsförsäkringar Liv's product for private pension savings. Försäkrad pension provides opportunities to profit from stock-market upswings, while protecting from stock-market slumps. Savings comprise a bond that extends until the year in which the saver plans to retire and a fund for which the return level depends on the trends of global stock exchanges. As a result, the savings perform differently depending on the saver's age.

Unit-linked insurance

The Länsförsäkringar Fondliv subsidiary was divested in October to Länsförsäkringar AB, after which the Länsförsäkringar Liv Group no longer offered unit-linked insurance. Länsförsäkringar Fondliv's fund range comprised 30 funds under Länsförsäkringar's own brand and about 40 external funds, totalling approximately 70 funds. Funds under the own brand are found in Länsförsäkringar's own mutual fund company and are administered by carefully selected external managers.

TOTAL RETURN TABLE

Investment assets in traditional management, SEK M	Total return, %	Market value, Dec. 31, 2011		Market value, Dec. 31, 2010	
			%		%
Interest-bearing	11.2	87,681	80.7	51,402	49.1
Equities	-7.6	10,468	9.6	34,796	33.2
Alternative investments ¹⁾	0.5	4,004	3.7	7,745	7.4
Property	5.7	6,496	6	6,262	6.0
Other (incl. Fondliv)	-23.8	0	0	6,652	6.3
Liability protection ²⁾	-	-	-	-2,101	-2.0
Total	6.5	108,649	100	104,756	100

RECONCILIATION TOTAL RETURN TABLE WITH BALANCE SHEET

	Dec. 31, 2011	Dec. 31, 2010
Land and buildings	1,480	1,442
Interest-bearing securities issued by Group companies and loans to Group companies	8,466	6,396
Shares and participations	18,900	36,664
Bonds and other interest-bearing securities	79,291	56,921
Derivatives	4,563	2,874
Other financial investment assets	-	904
Assets for conditional bonus	4,003	
Cash and bank balances	7,279	7,322
Accrued interest and rental income	1,036	589
Derivatives, liabilities	-2,118	-3,406
Total	122,901	109,706
Adjustments		
Market value, subsidiary	1,210	7,721
Market value, associated property company	338	341
Assets in Nya världen management	-12,564	-13,065
Group account balance	-394	-1,118
Trading book	-608	-325
Other	-2,234	1,496
Total	108,649	104,756

¹⁾ The valuation of alternative investments on December 31 is based on the most recent information from fund managers.

²⁾ Contribution to total return.

Optimised organisation

The modern management method is supported by a suitably adapted organisation. By outsourcing all operating management to external managers, resources can be focused on the central areas of asset allocation, risk management, alternative investments and increasing the number of managers. The investment organisation is supplemented with efficient administration and, naturally, efficient control, monitoring and reporting.

Solvency ratio

Solvency is a measure of the financial position and strength of a life-assurance company. It shows the value of the company's assets compared with the company's guaranteed commitments to customers. Länsförsäkringar Liv's solvency ratio was 110.6% (141.2) on December 31, 2011. The company's interest-rate sensitive guarantee products combined with sharply falling long-term interest rates led to a significantly lower solvency ratio (refer to Note 2 Risks and risk management).

Collective consolidation

Surplus in a traditional life assurance company can arise when the assets are higher than the guaranteed interest rate. The surplus is preliminarily distributed to customers in the bonus rate. One of the key characteristics of traditional management is the balance bonus technique. This technique entails that the return on policyholders' capital does not immediately follow the return on equivalent assets. A certain portion of the surplus is combined in the form of solvency capital. The deficit is managed by redistributing the previous preliminarily distributed bonus with a bonus rate that is lower than the guaranteed rate. Collective consolidation is a measure of a traditional life assurance company's capacity to provide a bonus and describes the market value of the company's assets in relation to the guaranteed commitments and the preliminary bonus allocation. The measure is theoretical since it reflects a situation in which the company would pay out the entire capital assured during a single day. However, the shortest payment period for a traditional life assurance is five years and the average maturity is about 20 years. Collective consolidation at year-end 2011 amounted to 109.2% (106.7).

Five-year summary

The five-year summary is on page 11.

Proposed appropriation of profit

The proposed appropriations as specified below will be presented to, and the income statement and balance sheet for the Group and Parent Company will be adopted at, the Annual General Meeting in May 2012.

Group

Total equity for the Group amounted to SEK 10,851 M at year-end. No provision to restricted reserves in the subsidiaries is proposed.

Parent Company

In 2011, the recognised loss was SEK 16,012 M.

The Board of Directors and the President propose that net profit for the year be appropriated as follows, SEK M:

Net loss for the year	-16,012
Total	-16,012

Of the above net amount, withdrawals from (–) and provision to (+) the collective consolidation fund are proposed as follows, SEK M.

Defined-contribution occupational pension insurance	-8,972
Occupation-linked medical insurance and premium exemption	315
Individual traditional life assurance	-7,292
Non-cancellable medical and accident insurance and premium exemption	-62
Group life assurance and employment group life assurance	1
Cancellable group accident insurance	-2
Total	-16,012

FIVE-YEAR SUMMARY

	2011	2010	2009	2008	2007
Earnings, Group, SEK M					
Premium income for own account	6,514	6,700	6,072	5,820	6,150
Investment income, net	4,530	7,654	14,465	-17,596	8,068
Claims payments	-5,432	-4,354	-4,300	-4,245	-3,698
Disbursed and balanced bonus	-1,669	-1,591	-1,719	-1,703	-1,592
Technical result for insurance operations	-12,226	4,670	19,001	-28,905	12,505
Net profit/loss for the year	-13,063	3,716	18,106	-30,126	11,361
Financial position, SEK M					
Financial assets measured at fair value, Group	113,920	105,872	106,781	102,880	114,600
Technical reserves, net in the Group	106,316	83,446	83,115	97,200	79,924
Solvency capital, Parent Company	10,981	34,065	30,997	14,022	40,788
Of which surplus value in Group companies and associated companies	483	1,964	1,510	791	2,592
Of which deferred tax	7	107	65	40	35
Collective consolidation capital, Parent Company	8,772	6,397	6,111	5,020	13,080
Capital base, Parent Company	10,981	34,065	30,997	14,022	40,788
Required solvency margin, Parent Company	4,580	3,652	3,622	4,215	3,534
Capital base for the insurance group	10,981	33,224	25,409	9,240	34,138
Required solvency margin for the insurance group	4,582	4,203	4,093	4,491	3,955
Key figures for Parent Company, % unless otherwise specified					
Management cost ratio	0.6	0.6	0.9	0.8	0.7
Direct yield on assets in traditional management	7.7	4.1	2.3	3.6	4.2
Total return on assets in traditional management	6.5	4.1	2.3	-0.6	6.7
Total return on assets in Nya världen management	-3.8	8.9	24.3	-28.1	4.2
Collective consolidation	109	107	107	105	114
Solvency ratio	111	141	137	114	152
Solvency rate, multiple	2.4	9.3	8.6	3.3	11.5
Bonus rate before tax and expenses	4.0	6.2	0.8	3.5	9.2
Bonus rate after tax, average:					
Endowment insurances (tax rate 27%)	3.25	5.33	-0.22	2.38	8.2
Pension insurances (tax rate 15%)	3.59	5.7	0.25	2.88	8.6

Financial statements

Income statement	13	Note 19 Shares and participations in associated companies	37
Statement of comprehensive income.....	13	Note 20 Shares and participations	37
Performance analysis	14	Note 21 Bonds and other interest-bearing securities	37
Balance sheet	16	Note 22 Derivatives.....	38
Statement of changes in shareholders' equity	18	Note 23 Assets for conditional bonus	38
Cash-flow statement.....	18	Note 24 Unit-linked insurance assets	38
Note 1 Accounting policies.....	19	Note 25 Other receivables	38
Note 2 Risks and risk management	24	Note 26 Deferred acquisition costs	38
Note 3 Premium income	29	Note 27 Equity.....	39
Note 4 Investment income, revenue	29	Note 28 Life-assurance reserves.....	39
Note 5 Unrealised gains on investment assets.....	30	Note 29 Provision for claims outstanding	39
Note 6 Other technical revenue	30	Note 30 Unit-linked insurance liabilities.....	39
Note 7 Claims payments	30	Note 31 Pensions	40
Note 8 Operating expenses	30	Note 32 Other liabilities	42
Note 9 Audit expenses	30	Note 33 Memorandum items.....	42
Note 10 Employees, staff costs and remuneration to senior executives.....	31	Note 34 Assets and liabilities per measurement category.....	43
Note 11 Investment income, expenses.....	33	Note 35 Net investment income, per measurement category.....	48
Note 12 Unrealised losses on investment assets.....	33	Note 36 Recovery dates	48
Note 13 Tax	33	Note 37 Supplementary information about cash flows	49
Note 14 Goodwill	34	Note 38 Disclosures on related-party transactions	49
Note 15 Other intangible assets	34	Board's signatures.....	52
Note 16 Investment property/Land and buildings	35	Auditor's report	53
Note 17 Shares and participations in group companies	36		
Note 18 Interest-bearing securities issued by group companies and loans to group companies.....	36		

INCOME STATEMENT

TECHNICAL RECOGNITION OF LIFE ASSURANCE OPERATIONS

SEK M	Note	Group		Parent Company	
		2011	2010	2011	2010
Premium income					
Premium income before ceded reinsurance	3	6,554	6,724	6,536	6,702
Premiums for ceded reinsurance		-376	-404	-375	-402
Total premium income after ceded reinsurance		6,178	6,320	6,161	6,300
Income from investment agreements		336	380	-	-
Investment income, revenue	4	15,610	5,703	11,991	4,992
Unrealised gains on investment assets	5	3,557	1,892	3,481	1,882
Increase in value of investment assets for which the life-assurance policyholder bears the risk					
Unit-linked insurance assets		-	2,874	-	-
Other technical revenue	6	352	389	-	-
Claims payments					
Claims payments before ceded reinsurance	7	-5,487	-4,730	-5,472	-4,713
Reinsurers' portion		124	135	123	134
Total claims payments after ceded reinsurance		-5,363	-4,595	-5,349	-4,579
Change in provision for claims outstanding before ceded reinsurance		1	290	-3	278
Reinsurers' portion		-71	-49	-70	-48
Total change in provision for claims outstanding after ceded reinsurance		-70	241	-73	230
Total claims payments after ceded reinsurance		-5,432	-4,354	-5,422	-4,349
Change in other technical reserves after ceded reinsurance:					
Life-assurance reserve		-22,872	-712	-22,872	-712
Technical reserves for life assurance for which the policyholder bears the risk:					
Conditional bonus		191	-56	191	-56
Unit-linked insurance liabilities		5,983	-3,565	-	-
Operating expenses	8,9,10	-1,462	-1,350	-917	-761
Investment income, expenses	11	-1,919	-2,435	-1,708	-2,098
Unrealised losses on investment assets	12	-6,179	-380	-6,179	-336
Decrease in value of investment assets for which the life-assurance policyholder bears the risk					
Conditional bonus		-54	-1	-54	-1
Unit-linked insurance assets		-6,485	-	-	-
Other technical expenses		-29	-37	-	-
Technical result, life assurance operations		-12,226	4,670	-15,328	4,862
NON-TECHNICAL RECOGNITION					
Technical result, life assurance operations		-12,226	4,670	-15,328	4,862
Other non-technical expenses		-731	-750	-	-
Profit/loss before tax/ Profit/loss before appropriations and tax		-12,957	3,920	-15,328	4,862
Tax allocation reserve		-	-	-100	-160
Tax	13	-106	-204	-584	-658
NET PROFIT/LOSS FOR THE YEAR		-13,063	3,716	-16,012	4,044

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Net profit/loss for the year	-13,063	3,716	-16,012	4,044
Other comprehensive income				
Translation differences transferred to net profit for the year	-	-29	-	-
Total other comprehensive loss for the year	-	-29	-	-
Comprehensive income/loss for the year	-13,063	3,687	-16,012	4,044

Direct insurance in Sweden
Occupational pension

SEK M	Total	Defined- contribution insurance	Medical insurance and premium exemption
Premium income before ceded reinsurance	6,536	3,974	547
Premiums for ceded reinsurance	-375	-49	-204
Total premium income after ceded reinsurance	6,161	3,925	343
Investment income, revenue	11,991	5,707	221
Unrealised gains on investment assets	3,481	1,653	64
Claims payments			
Claims payments before ceded reinsurance	-5,472	-1,980	-184
Reinsurers' portion	123	15	40
Total claims payments after ceded reinsurance	-5,349	-1,966	-144
Change in provision for claims outstanding before ceded reinsurance	-3	-	80
Reinsurers' portion	-70	-	-69
Total change in Provision for claims outstanding after ceded reinsurance	-73	-	11
Total claims payments after ceded reinsurance	-5,422	-1,966	-133
Change in other technical reserves before ceded reinsurance			
Life-assurance reserve	-22,872	-13,995	3
Technical reserves for life assurance for which the policyholder bears the risk			
Conditional bonus	191	176	-
Operating expenses	-917	-496	9
Investment income, expenses	-1,708	-825	-31
Unrealised losses on investment assets	-6,179	-2,934	-114
Decrease in value of investment assets for which the life-assurance policyholder bears the risk			
Conditional bonus	-54	-	-
Technical result, life assurance operations	-15,328	-8,755	362
Tax allocation reserve	-100	-4	-47
Tax	-584	-213	0
NET PROFIT/LOSS FOR THE YEAR	-16,012	-8,972	315
Run-off result	571	-	429
Technical reserves, before ceded reinsurance			
Life-assurance reserves	104,572	51,523	7
Provision for claims outstanding	2,340	8	1,060
Total	106,912	51,531	1,067
Provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	4,003	-3,700	-
Reinsurers' portion of technical reserves			
Provision for claims outstanding	597	-	144
Collective consolidation fund	25,995	12,526	788

SEK M	Direct insurance in Sweden Other life assurance				Assumed reinsurance
	Individual traditional insurance	Non-cancellable medical and accident insurance	Group life assurance and Employment group life assurance	Cancellable Group accident insurance	
Premium income before ceded reinsurance	1,839	141	1	34	0
Premiums for ceded reinsurance	-70	-53	-	-	-
Total premium income after ceded reinsurance	1,769	88	1	34	0
Investment income, revenue	5,849	196	2	15	0
Unrealised gains on investment assets	1,702	57	1	4	0
Claims payments					
Claims payments before ceded reinsurance	-3,119	-170	-2	-17	-
Reinsurers' portion	32	36	-	-	-
Total claims payments after ceded reinsurance	-3,087	-134	-2	-17	-
Change in provision for claims outstanding before ceded reinsurance	-67	-18	-	3	-
Reinsurers' portion	-	-1	-	-	-
Total change in Provision for claims outstanding after ceded reinsurance	-67	-20	-	3	-
Total claims payments after ceded reinsurance	-3,154	-154	-2	-14	-
Change in other technical reserves before ceded reinsurance					
Life-assurance reserve	-8,881	1	0	-	-
Technical reserves for life assurance for which the policyholder bears the risk					
Conditional bonus	15	-	-	-	-
Operating expenses	-413	12	0	-29	0
Investment income, expenses	-822	-28	0	-2	0
Unrealised losses on investment assets	-3,021	-101	-1	-8	0
Decrease in value of investment assets for which the life-assurance policyholder bears the risk					
Conditional bonus	-54	-	-	-	-
Technical result, life assurance operations	-7,010	72	1	1	1
Tax allocation reserve	-3	-42	-	-3	0
Tax	-279	-92	-	-	0
NET PROFIT/LOSS FOR THE YEAR	-7,292	-62	1	-	0
Run-off result	-	142	-	-	-
Technical reserves, before ceded reinsurance					
Life-assurance reserves	53,035	6	0	-	-
Provision for claims outstanding	139	1,056	-	78	-
Total	53,174	1,062	-	78	-
Provisions for life assurance for which the policyholder bears the risk					
Conditional bonus	7,703	-	-	-	-
Reinsurers' portion of technical reserves					
Provision for claims outstanding	20	433	-	-	-
Collective consolidation fund	11,632	958	19	70	2

BALANCE SHEET

ASSETS, SEK M	Note	Group		Parent Company	
		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Intangible assets					
Goodwill	14	–	1,162	–	–
Other intangible assets	15	12	24	–	–
Total intangible assets		12	1,186	–	–
Investment assets					
Investment property/Land and buildings	16	5,867	5,628	1,480	1,442
Investments in Group companies and associated companies					
Shares and participations in Group companies	17	–	–	765	5,785
Interest-bearing securities issued by Group companies and loans to Group companies	18	4,962	2,492	8,466	6,396
Shares and participations in associated companies	19	338	341	300	313
Other financial investment assets					
Shares and participations	20	18,900	36,679	18,900	36,664
Bonds and other interest-bearing securities	21	79,291	56,954	79,291	56,921
Loans with collateral in real property		–	–	–	–
Other loans		0	0	0	0
Derivatives	22	4,563	2,874	4,563	2,874
Other financial investment assets		–	904	–	904
Deposits with companies that have ceded reinsurance		–	–	–	–
Total investment assets		113,920	105,872	113,765	111,300
Investment assets for which the life-assurance policyholder bears the risk					
Assets for conditional bonus	23	4,003	174	4,003	174
Unit-linked insurance assets	24	–	54,032	–	–
Reinsurers' portion of technical reserves					
Provision for claims outstanding		597	663	597	656
Receivables					
Other receivables	25	1,495	2,901	1,435	2,740
Total receivables		1,495	2,901	1,435	2,740
Other assets					
Deferred tax assets	13	7	107	–	–
Cash and cash equivalents		7,279	7,336	7,279	7,322
Total other assets		7,286	7,443	7,279	7,322
Prepaid expenses and accrued income					
Accrued interest and rental income		1,036	589	1,036	589
Deferred acquisition costs	26	564	1,491	564	615
Other prepaid expenses and accrued income		91	78	80	51
Total prepaid expenses and accrued income		1,691	2,158	1,680	1,254
TOTAL ASSETS		129,003	174,429	128,760	123,446

BALANCE SHEET

EQUITY, PROVISIONS AND LIABILITIES, SEK M	Note	Group		Parent Company	
		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Equity					
Share capital	27	8	8	8	8
Collective consolidation fund		23,868	25,853	25,995	27,642
Other reserves					
Equity method reserve		38	28	-	-
Net profit/loss for the year		-13,063	3,716	-16,012	4,044
Total equity		10,851	29,605	9,991	31,694
Tax allocation reserve		-	-	507	407
Technical reserves before ceded reinsurance					
Life-assurance reserve	28	104,572	81,700	104,572	81,700
Provision for claims outstanding	29	2,340	2,409	2,340	2,345
Total technical reserves		106,913	84,109	106,913	84,045
Provisions for life assurance for which the policyholder bears the risk before ceded reinsurance					
Conditional bonus		4,003	174	4,003	174
Unit-linked insurance liabilities	30	-	54,034	-	-
Provisions for other risks and expenses					
Provisions for pensions and similar commitments	31	33	40	25	30
Deferred tax liabilities	13	146	122	-	-
Current tax liabilities	13	-	218	-	100
Total provisions for other risks and expenses		178	380	25	130
Deposits from reinsurers		597	663	597	656
Liabilities					
Due to credit institutions		12	13	12	13
Derivatives	22	2,118	3,406	2,118	3,406
Other liabilities	32	3,615	1,508	3,947	2,454
Total liabilities		5,745	4,927	6,076	5,873
Accrued expenses and deferred income					
Other accrued expenses and deferred income		716	537	648	467
TOTAL EQUITY, PROVISIONS AND LIABILITIES		129,003	174,429	128,760	123,446
MEMORANDUM ITEMS					
	33				
For own liabilities, pledged assets		118,384	102,652	118,384	102,223
Other pledged assets		21	20	21	20
Contingent liabilities		0	0	0	0
Commitments		3,250	5,486	3,250	5,486

For information about the Group's pledged assets and contingent liabilities, see Note 33.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Group					Parent Company			
	Share capital	Collective consolidation fund	Equity method reserve	Retained earnings incl. net profit/loss for the year	Total	Share capital	Collective consolidation fund	Retained earnings incl. net profit/loss for the year	Total
Opening equity, January 1, 2010	8	8,803	592	18,106	27,509	8	11,353	17,880	29,241
Net profit/loss for the year	-	-	-	3,716	3,716	-	-	4,044	4,044
Other comprehensive income for the year	-	-29	-	-	-29	-	-	-	-
Comprehensive income for the year	-	-29	-	3,716	3,687	-	-	-	-
Appropriation of profit	-	18,106	-	-18,106	-	-	17,880	-17,880	-
Transfer, equity method reserve	-	564	-564	-	-	-	-	-	-
Disbursed bonus	-	-1,591	-	-	-1,591	-	-1,591	-	-1,591
Closing equity, December 31, 2010	8	25,853	28	3,716	29,605	8	27,642	4,044	31,694
Opening equity, January 1, 2011	8	25,853	28	3,716	29,605	8	27,642	4,044	31,694
Net profit/loss for the year	-	-	-	-13,063	-13,063	-	-	-16,012	-16,012
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	-13,063	-13,063	-	-	-16,012	-16,012
Appropriation of profit	-	3,716	-	-3,716	-	-	4,044	-4,044	-
Transfer, equity method reserve	-	-10	10	-	-	-	-	-	-
Disbursed bonus	-	-1,669	-	-	-1,669	-	-1,669	-	-1,669
Transfer conditional bonus	-	-4,020	-	-	-4,020	-	-4,020	-	-4,020
Portfolio transfers	-	-2	-	-	-2	-	-2	-	-2
Closing equity, December 31, 2011	8	23,868	38	-13,063	10,851	8	25,995	-16,012	9,991

All equity is classified as restricted.

CASH-FLOW STATEMENT

SEK M	Note	Group		Parent Company	
		2011	2010	2011	2010
Net profit/loss before tax		-12,957	3,921	-15,428	4,702
Income and yield tax paid		-972	-872	-787	-622
Disbursed bonus and pension collective agreements from collective consolidation fund		-1,671	-1,645	-1,671	-1,591
Adjustment for non-cash items	37	23,048	5,539	23,233	-81
Total		7,448	6,943	5,347	2,408
Change in other operating receivables and liabilities					
Investment assets		-8,892	-1,077	-8,744	-1,014
Other assets		-5,113	-6,822	-74	-1,516
Liabilities		2,899	1,142	1,086	1,016
Cash flow from operating activities		-3,659	186	-2,385	894
Investing activities					
Sale of subsidiary		3,603	-	4,400	-
Divestment of associated companies		-	2,046	12	2,046
Shareholders' contributions		-	-	-	-400
Loans to Group and associated companies		-	-	-2,070	-146
Investments in intangible fixed assets		-	151	-	-
Cash flow from investing activities		3,603	2,197	2,342	1,500
Net cash flow for the period		-57	2,383	-43	2,394
Cash and cash equivalents, January 1		7,336	4,953	7,322	4,929
Cash and cash equivalents at end of period		7,279	7,336	7,279	7,322
Change in cash and cash equivalents		-57	2,383	-43	2,394

Cash and cash equivalents pertains to balances of bank accounts and Plusgiro, the amount is recognised in the balance sheet under Cash and bank balances.

Amounts are stated in SEK M unless specified otherwise

NOTE 1 ACCOUNTING POLICIES

Company information

This Annual Report was submitted on December 31, 2011 and pertains to Länsförsäkringar Liv Försäkringsaktiebolag (publ) which is a non-profit-distributing limited liability insurance company domiciled in Stockholm. The company's address is Tegeluddsvägen 21, SE-106 50 Stockholm, Sweden. The company's Corporate Registration Number is 516401-6627.

In addition to life-assurance operations, the company's business activities comprise non-life insurance operations in the form of group accident insurance. Since such group accident insurance represents less than 1% of the total operations, and accordingly is immaterial, the company's entire operations have been recognised as life assurance operations. The portion comprising non-life insurance operations is recognised in the performance analysis under "Cancellable group accident insurance." Consequently, this class of insurance has not been specified by occupational pension.

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and the applicable parts of the Swedish Financial Supervisory Authority's FFFS 2008:26.

The Parent Company's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the regulations and general advice of the Financial Supervisory Authority concerning annual reports in insurance companies (FFFS 2008:26, with the additions introduced in FFFS 2009:12 and FFFS 2011: 28), and the Financial Reporting Board's recommendation RFR 2. Länsförsäkringar Liv applies legally restricted IFRS. These accounting policies comply with IFRS as far as possible within the framework of Swedish law. This means that the Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in International Financial Reporting Standards (IFRS).

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

The Parent Company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million (SEK M). Assets and liabilities are recognised at cost, except for most of the Group's financial assets and liabilities that are measured at fair value or amortised cost.

The accounting policies stated below have been applied to all periods presented in this Annual Report.

Company management's judgments and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that management make judgments and estimates, and make assumptions that affect the application of the accounting policies and the

recognised amounts of income, expenses, assets and liabilities. These judgments and estimates are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgments and estimates. Estimates and assumptions are reviewed regularly.

Significant judgments utilised in the application of the Group's accounting policies are described below

Significant judgments in the application of accounting policies were made in conjunction with the decision to recognise the financial component and the insurance component of all unit-linked insurance contracts separately (known as unbundling) and in conjunction with deciding the classification of financial assets and liabilities.

A new interpretation of the conditions of insurance contracts for the Nya världen management form was made in 2011. The new assessment is that the surplus is to be recognised as conditional bonus instead of in the collective consolidation fund as previously. This change was not applied retroactively in the accounts. The change meant that the company's technical reserves increased by approximately SEK 4 billion in the fourth quarter of 2011. The accounting policies below provide a more detailed definition of the assessments made.

Significant sources of estimation uncertainty

The assumptions used in the calculation of the technical reserves have the most significant effect on the amounts recognised in the financial statements. In calculating the life-assurance reserve, assumptions are made regarding the discount rate, mortality, morbidity and expenses. For further details, see the accounting policies for liabilities and Note 2 Risks and risk management.

The valuation techniques described below in the accounting policies for investment assets are used in the measurement of financial assets for which no observable market data is available. Measurement is based on the most recent information, which normal involves quarterly measurement, one quarter in arrears. Special follow-ups are performed during periods of major turbulence in the financial market.

For the valuation of investment property, cash-flow statements containing several assumptions and judgements are used. They include such parameters as rental and cost trends, inflation and the discount rate. A change in any of these parameters due to a change in vacancy rate, market conditions or similar events affects the calculated cash flows and thus the value of the properties. For further details, see the accounting policies for investment assets.

Changed accounting policies, new IFRSs and interpretations that have not yet been applied

A number of new or revised IFRSs will come into effect in future fiscal years and were not applied in advance in the preparation of these financial statements. The expected effects that the application of these new or revised IFRSs may have on the company's financial statements are described below.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement by 2015 at the latest.

The IASB has published the first of at least three parts of the project that will jointly comprise IFRS 9. The first part addresses the classification and measurement of financial assets. Only two measurement categories will continue to exist: financial assets measured at fair value or amortised cost. This change is not deemed to have any material effect on Länsförsäkringar Liv.

In addition, the other new elements are not deemed to have any material effect on Länsförsäkringar Liv's earnings or financial position.

Consolidated financial statements

The Group includes the Parent Company and the companies in which Länsförsäkringar Liv directly or indirectly holds more than half of the votes for all of the shares/participations. The consolidated financial statements were prepared following the purchase method in accordance with IFRS 3. Balance sheets of foreign subsidiaries were translated at the exchange rate on the balance-sheet date. The income statements have been translated at the average rate for the year. The translation difference that arises is recognised in other comprehensive income and accumulated in equity.

Associated companies are companies in which ownership comprises a part of a permanent connection and in which the Parent Company exercises influence over the management. In accounting terms, joint ventures are companies in which the Group has a joint controlling influence over the financial and operational management on the basis of partnership agreements with another party. The share in associated companies' and joint ventures' earnings after tax is recognised in the consolidated income statement. Associated companies and joint ventures are recognised in the consolidated financial statements in accordance with the equity method.

Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and capitalised in shares and participations with the donor.

The Swedish Financial Reporting Board has withdrawn UFR 2 Group contributions and shareholders' contributions and made amendments to RFR 2 pertaining to recognition of Group contributions. As a result, Länsförsäkringar Liv has changed its accounting policies for recognising Group contributions paid to and received from its subsidiaries. As of 2011, Group contribution received will be recognised as dividend and Group contribution paid as investment in shares in subsidiaries. No Group contributions were paid or received in 2010 or 2011.

Translation of foreign currencies

Assets and liabilities in foreign currency have been translated according to the exchange rates on the balance-sheet date, with the exception of the equities in foreign subsidiaries and associated companies, which are translated at the rate on the investment date. Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction.

Insurance contracts

In accordance with IFRS 4 Insurance Contracts, insurance contracts are to contain a certain amount of insurance risk to be treated

as insurance contracts in the accounts. The company's traditional life assurance and the insurance component of the financial agreements are classified as insurance contracts. Premiums for insurance contracts are recognised as premium income when payments are made. Expenses are recognised when they arise, except for variable costs that are capitalised, see Prepaid acquisition costs. Paid remuneration is recognised by the guaranteed portion being expensed and the bonus portion reducing equity.

Financial agreements

Länsförsäkringar Liv believes that in its unit-linked insurance operations it has contracts with significant insurance risk and contracts with limited insurance risk. Insurance contracts that contain limited insurance risk are classified as financial agreements. In the reporting, these contracts are divided into a financial component and an insurance component. This method is known as unbundling. To provide more relevant information, the financial component and the insurance component are recognised separately for all unit-linked insurance contracts.

Premiums for the financial component are recognised as a deposit in the insurance operations through the balance sheet. In the same manner, claims payments for the financial component are recognised as withdrawals from the insurance operations in the balance sheet. The fees paid by customers are recognised as income and the Group's costs for insurance risk are recognised as expenses.

Contracts with discretionary participation features

Länsförsäkringar Liv has assessed that there are contracts with discretionary participation features in its traditional life assurance. This means that the policyholders have a preliminarily distributable surplus. This preliminarily distributable surplus is not guaranteed. These contracts are recognised in accordance with the policies applied for insurance contracts. The preliminarily distributable surplus is recognised as equity.

Income recognition

Insurance contracts

Premiums for insurance contracts are recognised as premium income when payments are made.

Financial agreements

Payments attributable to the financial component of a financial agreement are recognised as a deposit in the insurance operations through the balance sheet. The fees customers pay for management are recognised as income from financial agreements. The fees charged to customers for the management of financial agreements are recognised in income in line with the company providing the management services to the policyholders. The provision of services is evenly distributed over the term of the agreements.

Other technical revenue

Other income in the insurance operations is recognised under this item, such as management remuneration, portfolio sales and other items.

Tax

Yield tax

Yield tax is not a tax on an insurance company's earnings but it paid by the company on behalf of the policyholders. Tax objects

comprise the value of the net assets managed on behalf of the policyholders. For the Group, the yield tax attributable to the period is recognised in profit and loss as "Other non-technical expenses." For the Parent Company, yield tax is recognised as tax in profit and loss. Fees charged for yield tax for financial agreements are recognised in "Changes in technical reserves for life assurance for which the policyholder bears the risk."

Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the profit and loss, except when the underlying transaction is recognised directly against shareholders' equity, whereby the related tax effect is recognised in shareholders' equity.

Current tax is tax that shall be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account for initial recognition of goodwill or for initial 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.

Intangible assets

Goodwill

Goodwill is calculated as the portion of the cost for business combinations that exceeds the identifiable assets and liabilities of the acquired entity. Goodwill is recognised as an asset and tested for impairment every year. According to IFRS, goodwill is measured at cost less any accumulated impairment in the Group. The Group applied IFRS 1 to the goodwill in acquisitions that took place prior to January 1, 2009, which means that IFRS was not applied retroactively and instead the carrying amount on January 1, 2009 continues to comprise the Group's cost.

Development

In the consolidated financial statements, internal expenses for systems development were capitalised in the balance sheet. The useful life is based on the nature of each system and the amortisation periods are three or five years from the date of completion. The value of the assets is tested for impairment every year.

Financial instruments

Financial assets and liabilities are classified in different categories based on the purpose for which the instrument was acquired. The

classification determines how the financial instrument is measured after initial recognition.

1. Financial assets and liabilities measured at fair value with the change in value in profit and loss. This category has two sub-categories:
 - a) financial assets and liabilities that the company has initially chosen to include in this category according to the Fair Value Option. Länsförsäkringar Liv has decided to classify shares and participations, bonds and interest-bearing securities, unit-linked insurance assets and unit-linked insurance liabilities in this category. The company selected this classification since the financial instruments are measured based on their fair value and this provides a better match to the technical reserves discounted by the current market rate.
 - b) assets and liabilities that are held for trading, which are derivatives among both assets and liabilities.
2. Held-to-maturity investments, measured at amortised cost. The company has no financial instruments in this category.
3. Loan receivables and accounts receivable, measured at amortised cost.
4. This category includes other receivables, loans, cash and bank balances, accrued interest and rental income.
5. Available-for-sale financial assets, measured at fair value. The company has no financial instruments in this category.
6. Financial liabilities measured at amortised cost Interest-bearing and non-interest-bearing financial liabilities that are not derivatives are included in this category.

Investment assets

Purchases and sales of investment assets are recognised in the balance sheet on the trade date. Non-cash-settled transactions on the balance-sheet date are recognised as receivables and liabilities to counterparties under "Other receivables and liabilities."

Realised gains and losses comprise the difference between cost and the sales price. Realised gains and losses are recognised in Investment income, revenue and expenses. Unrealised gains and losses are the difference between cost and fair value. Previously unrealised changes in value are reversed in conjunction with sales. Unrealised gains and losses are recognised as unrealised gains and losses in profit and loss.

Investment property/Land and buildings

The Group's land and buildings were classified as investment property, meaning properties held to generate rental income and/or an increase in value. The properties are measured at fair value individually by an external appraiser. The valuations were conducted by using both district prices and the properties' cash flows. Since valuation is based on fair value, property is not depreciated.

Financial assets:

Shares and participations

Shares are measured at fair value. The current buying-rate is applied to the valuation of financial investment assets and transaction costs are expensed directly on the acquisition date.

Shares and participations in Group companies, associated companies and joint ventures are valued at the lower of cost and fair value.

If an associated company is a partnership, the share of profit has been added to the Parent Company's earnings. Otherwise, the cost method was applied in the Parent Company's accounts.

Interest-bearing securities

Bonds and other interest-bearing securities are also measured at fair value according to the most recently listed buying-rate. When no such rate is available, a present value calculation is performed with respect to the market interest rates of comparable securities on the balance-sheet date. Capital gains/losses on bonds and other interest-bearing securities are calculated as the difference between sales value and amortised cost. In the calculation of amortised cost, the difference between cost and exercise price are allocated in profit and loss over the remaining term. The change in amortised cost is recognised net under "Interest income." Unrealised changes comprise the difference between fair value and amortised cost.

Derivatives

All derivatives are measured at fair value in profit and loss.

Loans

Loans that comprise investment assets are measured at fair value.

Unit-linked insurance assets

Purchases and sales of unit-linked insurance assets are recognised in the balance sheet on the trade date, meaning the date on which the substantial risks and rights are transferred between the parties. Non-cash-settled transactions on the balance-sheet date are recognised as receivables and liabilities to counterparties under "Other receivables and liabilities." Realised gains and losses comprise the difference between cost and the sales price. Unrealised gains and losses are the difference between cost and fair value. Previously unrealised changes in value are reversed in conjunction with sales. The unit-linked insurance asset has a direct link to the value of the life-assurance reserve. The company does not have any risk in the change in value of the value of the asset.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the company determines the fair value by using a valuation technique. The valuation techniques applied are based on market data as far as possible. Valuation techniques are used for derivative instruments (OTC derivatives). The valuation techniques for OTC derivatives comprise an analysis of discounted cash flows. The valuation techniques applied are calibrated such that on initial recognition the fair value amounts to the transaction price and changes in fair value are subsequently recognised continuously based on changes that occur in the underlying market-risk parameters.

Unlisted equities primarily comprise private equity funds, meaning units in funds that purchase, develop and sell unlisted companies. Valuation data is obtained from the various funds and valuation complies with the guidelines of the European Private Equity and Venture Capital Association. Measurement is based on the most recent information from fund managers, which normal involves quarterly measurement, one quarter in arrears.

Impairment

Financial instruments that are not measured at fair value are reviewed on each balance sheet-date to determine whether assets exist whose recoverable amount is less than the carrying amount. If it is deemed that the decrease in value is significant or protracted, an impairment loss is recognised. Impairment losses are expensed in profit and loss.

Deferred acquisition costs

Costs that have a clear connection to underwriting insurance and signing financial agreements are capitalised as "Deferred acquisition costs" in the balance sheet. These acquisition costs pertain to operating expenses, for example, commission and expenses for sales that are directly related to acquisitions or renewals of financial agreements. The asset is impairment tested every year.

Allocations are made according to the same pattern as the recognition of income, meaning in line with the provision of services.

Leasing

Länsförsäkringar Liv leases equipment from its Parent Company Länsförsäkringar AB. These agreements are limited in scope and recognised in their entirety as operating leases.

Liabilities

Technical reserves

Technical reserves comprise and life-assurance reserve and provision for claims outstanding.

Life-assurance reserve

The life-assurance reserve correspond to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction of the anticipated capital value of future contractual premium payments. The life-assurance reserve is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity and expenses.

In the calculation of technical reserves, a gross interest assumption was applied in accordance with the Swedish Financial Supervisory Authority's regulation FFFS 2011:22 for the choice of interest rate in calculating technical reserves. The interest rate for covered bonds was used instead of the swap rate, in the cases in which this is permitted by the regulation.

The entire yield curve was applied, meaning that each future transaction is valued with respect to the interest rate the corresponding to the duration of the transaction in relation to the calculation date.

Assumptions regarding mortality are structured as generation mortality and include a trend-based increase in life expectancy in relation to year of birth. These assumptions are based on the company's experience of mortality in its own portfolio.

Provision for claims outstanding

The provision for claims outstanding comprises three different balance-sheet items. These are provision for disability annuities, established claims and non-established claims. The provision for disability annuities corresponds to the capital value of the company's commitments in accordance with the insurance contract.

The provision for established claims is a provision for reported and approved claims that have not yet been paid. It includes the fixed-income operations. 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 yield curve used for life assurance provisions. Similarly, a real yield curve was applied to index-linked disability annuities. This now applies to all disability annuities regardless of whether they are classed as occupational pensions.

Provisions for which the life-assurance policyholder bears the risk
This item comprises financial liabilities whereby the liability has a direct link to the value of a financial asset for which the Group does not have any risk in the change in value of the fair value of the asset. The liabilities correspond to the redemption value of the fund units held on behalf of the policyholders. Unit-linked insurance contracts specified as an insurance component and deposit component (unbundling) recognise both components.

A conditional bonus is recognised as a bonus for which the policyholder bears a financial or insurance risk that affects the amount of the bonus. The amount of conditional bonus is determined by the conditions of the insurance contracts. The provision is measured at the value of the assets linked to the contracts. For the conditional bonus for the Försäkrad pension and Nya världen products is recognised in profit and loss and the balance sheet. For Nya världen, this is a new interpretation of the conditions of the insurance contracts from 2011. No retroactive application has been made in the accounts.

Remuneration to employees

Current remuneration

Current remuneration to employees is calculated without discount and recognised as an expense when the related services are received. The anticipated cost of bonus payments and other variable remuneration is recognised 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 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.

Pension plans

The Group has both defined-contribution and defined-benefit pension plans, some of which have assets in separate foundations or similar institutions. Current remuneration to employees is calculated without discount and recognised as an expense when the related services are received. The anticipated cost of bonus payments and other variable remuneration is recognised 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.

Defined-contribution pension plans

Plans whereby the company's commitments are limited to the contributions that the company has undertaken to pay are classified as defined-contribution pension plans. 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) and SPP Liv, is a multi-employer defined-benefit pension plan. According to IAS 19, this pension plan entails that a company shall, as a rule, report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. FPK is currently unable to provide necessary information which is why the pension plans are recognised as a defined-contribution plan in accordance with item 30 of IAS 19.

Defined-benefit pension plans

Group

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

Actuarial gains and losses may arise in conjunction with the determination of the present value and fair value of the plan assets. These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions are changed.

The corridor rule is applied to actuarial gains and losses arising in conjunction with the calculation of the Group's commitments for various plans. The corridor rule entails that the portion of the accumulated actuarial gains and losses that exceeds 10% of the higher of the commitments' present value and the fair value of the plan assets is recognised in earnings over the expected average remaining period of service for the employees encompassed by the plan. In all other cases, no actuarial gains and losses are taken into account.

The carrying amount of pensions and similar commitments recognised in the balance sheet corresponds to the present value of the commitments at year-end, less the fair value of plan assets, unrecognised actuarial gains or losses and unrecognised expenses for service during earlier periods.

When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of the unrecognised actuarial losses and unrecognised expenses for service during

earlier periods and the present value of future repayments from the plan or reduced future deposits to the plan. When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during earlier periods is recognised in profit and loss straight-line over the average period until the remuneration is earned in its entirety. An expense is recognised directly in profit and loss if the remuneration has been fully earned. 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. All expenses for defined-benefit pension plans are recognised as staff costs in operating profit.

Parent Company

The Parent Company applies different principles for the calculation of defined-benefit plans to those stipulated in IAS 19. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervi-

sory 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.

Cash-flow statement

The cash-flow statement was prepared in accordance with IAS 7. The statement was recognised in accordance with the indirect method.

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.

NOTE 2 RISKS AND RISK MANAGEMENT

The financial markets experienced extensive turmoil in 2011 and interest-rate falls in Sweden were extreme. Long-term market interest rates declined to historically low levels at the end of 2011. In parallel with the decline in Swedish long-term market interest rates, the trend on the stock market was also negative.

Trends in the financial market led to Länsförsäkringar Liv undertaking a series of steps to limit the negative consequences caused by these trends. Länsförsäkringar Liv followed a predetermined action plan for such situations, which involved successive sales of the liquid portions of the company's equity portfolio and increases to the duration of assets by purchasing long-term obligations and through derivative contracts.

Another step in reducing the effects of the financial crisis was the discontinuation of underwriting new insurance policies under traditional management on September 6, 2011. The subsidiary Länsförsäkringar Fondliv was also sold to Länsförsäkringar AB on October 31, 2011.

The systematic activities to govern, manage and control the business operations' risks were of immediate importance to the company and its customers. All measures generated the expected and positive effects on earnings and key figures. Despite these efforts, key figures remain weak.

Focus and aims of risk management

Länsförsäkringar Liv conducts life assurance operations. The company offers various forms of pension savings and risk assurance. The financial products and services that Länsförsäkringar Liv offers involve risk-taking. Since Länsförsäkringar Liv is operated in accordance with mutual principles, the company's risks are borne by the policyholders. The management of risk-taking shall contribute to the provision of financial products at a controlled risk level with a reasonable return.

One of the key objectives is to ensure that Länsförsäkringar Liv can meet its guaranteed commitments to customers with a satisfactory margin. Accordingly, the most critical risks are those that may contribute to the company's insolvency and the company not being able to meet the commitments to its policyholders.

Risk management is an integrated part of the governance of the operations, and aims at maintaining a satisfactory balance between the level of risk and the conditions for generating returns.

Risk exposure

The following factors characterise Länsförsäkringar Liv's risk-taking:

- The operations are primarily targeted to private individuals, employees and self employed persons working in small and medium-sized businesses.
- All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution throughout Sweden.
- Market risks dominate the company's risk profile. Among market risks, the credit risk (spread risk) is the largest risk due to the holdings of Swedish covered mortgage bonds. Falling share prices also comprise a risk, despite shareholdings having decreased during the year.
- One of the major life assurance risks is the risk that the average life span of policyholders increases more than the assumptions made which could lead to the technical reserves being insufficient to meet Länsförsäkringar Liv's guaranteed commitments.
- Länsförsäkringar Liv has reinsured all of its risk of paying life assurance and morbidity risks and taken out disaster reinsurance to limit its risks.

Risk management organisation

The Board of Directors of Länsförsäkringar Liv is responsible for ensuring appropriate risk management and follow-up of the company's risks. Following applicable regulations, the Board establishes the frameworks for the companies' risk management and risk control based on internal rules in various guidance documents. The Presidents of the companies also decide on guidance documents in certain areas. Important guidance documents that regulate risk management and risk control include Länsförsäkringar Liv's risk policy, insurance guidelines, risk assessment instructions, instructions for reserve levels, reinsurance policy, solvency policy and investment guidelines.

The Board of Directors of Länsförsäkringar Liv has appointed three of the total of eight members in a Group-wide Committee for the Länsförsäkringar AB Group. The Committee is intended to be a forum for financial business environment and macroeconomic analyses, and for preparing matters concerning asset management to be presented to the Board for decision. It is also the duty of the Finance Committee to monitor fulfilment of and compliance with established objectives, investment orientation, chains of command, etc.

There is an Investment Committee at management level in Länsförsäkringar Liv which is a preparatory body for the Finance Committee. The Investment Committee examines and prepares the Asset Management Unit's proposed investment orientations based on established targets, financial environment analyses, macroeconomic analyses and specified frameworks. Representatives for Länsförsäkringar Liv's company management, the Asset Management Unit and the risk control function participate in the Committee.

Ongoing management and follow-ups of different risks are performed in the business operations. Each department at Länsförsäkringar Liv is responsible for identifying, measuring, monitoring, handling and reporting risks in their specific areas. This also applies to outsourced operations. Risks in Länsförsäkringar Liv's investment assets (market risk, counterparty risk in financial derivatives and liquidity risk) are managed by the Group-wide unit of Asset Management.

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 Presidents and Boards continuously informed of the companies' overall risk situation. Furthermore, the function carries out annual risk analyses in all departments and at management level in Länsförsäkringar Liv. 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. The 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.

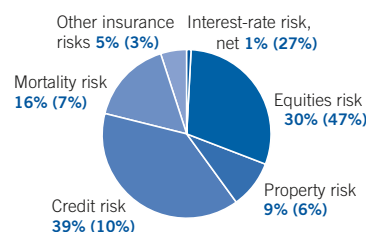
Risk modelling

Länsförsäkringar Liv utilises a variety of analysis tools and simulation models in its risk management activities. A simulation model is used in the ongoing investment operations to analyse investment orientations under assumptions of future market scenarios. With

the framework of the preparations for Solvency II, work is under-way on developing a partial internal model for measuring risk and monitoring solvency capital requirements.

An analysis of the supporting data for the Financial Supervisory Authority's traffic-light model is used for ongoing risk monitoring. The diagram below shows the specification of risk by main risk type in Länsförsäkringar Liv as at December 31, 2011 in accordance with the traffic-light model. Diversification effects have been distributed proportionally.

RISK PROFILE FOR LÄNSFÖRSÄKRINGAR LIV 2011 (2010)



The risk profile has changed markedly since year-end 2010 as a result of the measures taken to manage the uncertain climate in the financial market. Equities risk was reduced in the spring and summer by divesting equities and introducing equities hedging. In the autumn, interest-rate risk net was sharply reduced by matching the duration of the fixed-income portfolio with the duration of the technical reserves. To reduce the sensitivity to fluctuations in European interest rates, European fixed-income investments were partly replaced by Swedish ones in the autumn and the start of the winter. Accordingly, credit risk increased.

Risk, capital and solvency

A key element of risk management takes place when deciding how the company's capital is to be managed. The preparations of proposals on investment orientations for Board decisions include an analysis of the impact on solvency, debt coverage and returns. Simulation models are used in this process. Absolute requirements for risk-taking according to investment proposals are that the analysis must show that the probability of falling below statutory solvency and debt coverage ratio requirements is within the stipulated framework and that the Financial Supervisory Authority's traffic-light model does not indicate a red light.

Länsförsäkringar Liv's solvency level and debt coverage ratio exceed the statutory levels and the Financial Supervisory Authority's traffic-light model has given the company a green light.

Solvency II – risk-based regulatory requirements from 2014

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, in 2009. These new rules place more rigorous demands on companies' risk management. Also, the rules stipulate that the requirements for minimum buffer capital placed on insurance companies will be significantly more closely linked to the size of the company's risks. The regulatory changes are extensive, affect a number of areas and, in many respects, are manifested as substantially more detailed

rules than the currently applicable provisions. The timeframe for Solvency II has been postponed by the EU body. The most recent proposals entail that the insurance companies must submit certain information according to the Solvency II regulations during 2013, but that the new material regulations are not expected to apply until 2014.

Länsförsäkringar Liv, along with the other companies in Länsförsäkringar AB, has participated in the Solvency II preparations for several years. Following a preliminary study in 2008, a Solvency II preparation project has been ongoing since early 2009. An increasing number of employees will be involved in the preparations. The work involves individual preparations and also influencing the content of the new rules. In 2011, a simplified process of Own Risk and Solvency Assessment (ORSA) was implemented. The purpose of the ORSA is to ensure that the company's capital is, and remains, adequate for bearing the risks attributable to implementation of the company's strategic plan, business plan for the coming 3–5 years.

Länsförsäkringar has a positive attitude to the modernisation of the rules for the insurance sector under Solvency II. However, the preparations for Solvency II demand extensive work and expenses for Länsförsäkringar Liv. Measures need to be taken in terms of the development of work processes and guidance documents and the management of data inventories and calculation procedures.

The preparatory work for Solvency II is initially focusing on ensuring compliance with the regulations. A parallel endeavour is that the preparatory work will create the most possible business and customer value. This can be achieved by utilising the opportunity to improve the forms for governance, management and control of risks and allocation of capital. The purpose is to both ensure the efficiency of the work processes and to generate improved calculation tools for balancing risk limitation with opportunities for yielding returns.

A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Swedish Financial Supervisory Authority prior to application. In January 2011, Länsförsäkringar Liv applied to the Financial Supervisory Authority for a preparatory review of the

partial internal model for calculating the Solvency Capital Requirement. Work subsequently intensified to adapt the regulatory framework of the partial internal model and its connection to operational planning, governance and control, which became central issues in Länsförsäkringar Liv's Solvency II efforts during the year. Länsförsäkringar Liv will thus be able to work with measures of capital requirement that are better aligned with the company's risks than those in the standard formula.

Classification of risks

The following section describes Länsförsäkringar Liv's overall risks and their governance and management. The diagram below shows the classification of risk that has been decided at the Länsförsäkringar AB Group and that is applied within Länsförsäkringar Liv.

Life-assurance risk

Life assurance risks are the risks that arise in conjunction with undertaking to insure the life and health of individual people. Life assurance risks can be divided into a number of sub-groups.

Risk of paying life assurance, mortality risk, risk of disability and morbidity

The risk of paying life assurance involves the average life span in the portfolio increases more than was assumed, and the mortality risks comprise the mortality of the insured parties being higher than assumed level. The risk of disability and morbidity is the risk that the disability and morbidity of the insured parties is greater than was assumed.

Expenses risk

In addition to the purely insurance risks, there are such risks as expense risk, which is the risk that the estimated costs will not cover the company's actual business costs. Länsförsäkringar Liv continuously monitors the status of operating expense assumptions in relation to actual costs at product level and at an overall level.

Cancellation risk

Cancellation risk is the risk that premium cancellations, repurchases or transfers are higher than expected. This risk impacts expen-

Classification of risk at Länsförsäkringar Liv

Quantifiable risks

<p>Life-assurance risk</p> <ul style="list-style-type: none"> Mortality risk Risk of paying life assurance Risk of disability and morbidity Expenses risk Cancellation risk Disaster risk 	<p>Market risk</p> <ul style="list-style-type: none"> Interest-rate risk Equities risk Property risk Spread risk Currency risk Concentration risk in investment assets 	<p>Counterparty risk</p> <ul style="list-style-type: none"> Counterparty risk in ceded reinsurance Counterparty risk in financial derivatives Other counterparty risk 	<p>Operational risk</p>
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Risks that are difficult to quantify

<p>Business risk</p>	<p>Concentration risk in investment assets</p>	<p>Liquidity risk, including financing risk</p>	<p>Other risks</p>
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ses risk since higher cancellations lead to lower income and accordingly fewer opportunities for covering the company's actual operating expenses.

Disaster risk

Disaster risk is a generic term for the risk that natural disasters, epidemics or disasters caused by human activity lead to significantly higher claims payments.

If the above risks are not limited they could lead to the technical reserves being insufficient to meet Länsförsäkringar Liv's guaranteed commitments. The technical reserves correspond to the company's guaranteed commitments and are calculated per insurance contract after assumptions are made for mortality, interest rates, morbidity, the probability of recovery and operating expenses. These assumptions are made following regulations which are intended to ensure that the company is always able to meet its undertakings.

For occupational pensions, the assumptions are selected according to the prudence principle, whereas for other products each of the assumptions is to be satisfactory.

Life span in Sweden is gradually increasing, which means lower requirements for provisions for insurance with a high mortality risk (when insurance has been taken out against premature death). On the other hand, this trend entails a great need for provisions for those policyholders where the risk of paying life assurance is dominant.

Life assurance risks are limited by risk assessment regulations applied by Länsförsäkringar Liv. Risk assessments mainly take into account the costs of a potential insurance event and the age, employment conditions, financial and health status of the insured. Medical examinations may also take place in certain cases. Information provided in claims adjustment processes is regularly checked.

Life assurance risks are also limited through reinsurance. Länsförsäkringar Liv has reinsured all of its risk of paying life assurance and morbidity risks.

The table below shows the sensitivity to reasonably probable changes in several key actuarial assumptions.

Assumption before reinsurance	Change in assumption, %	Change in provision, SEK M	
		2011	2010
Mortality	-20%/+20%	+2,900/-2,300	+2,000/-1,600
Morbidity	+50%	+200	+500
Expense ratio	+10%	+1,000	+1,200
Discount rate	-1.0%	+16,800	+15,000

Market risk

Market risk is the risk that the fair value of or future cash flows from a financial instrument or a property will vary due to changes in market prices. In the management of the Länsförsäkringar Liv's 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.

An ALM analysis is performed to ascertain the level of risk that

can be taken in management activities. The analysis studies the life-assurance company's liability to the policyholders and the assets that it has. Risks and uncertainties are identified and consequences of various potential and more improbable events are tested in a risk report that takes into account the probability of outcomes for important key figures. The purpose is to produce an optimal risk level with a high and competitive return. The proposed diversification is presented in a normal portfolio. The portfolio stipulates a percentage for the distribution between equities and interest rates, and other types of assets such as Private Equity (unlisted companies), alternative investments and properties.

A normal portfolio is defined to serve as the starting point for distributing investments among asset classes and regions. Guidelines for decisions regarding the normal portfolio and short-term investment decisions are produced. Analyses of the expected future returns and the risk level for the asset classes that may be included in the investment portfolios are performed continuously. Market risks in asset management are controlled by decisions in Länsförsäkringar Liv's Board concerning the normal portfolio and the extent to which the actual portfolio may deviate from the normal portfolio. In this way, the company's Board takes 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 normal portfolio. The portfolio is monitored daily to ensure that it is within the desired and approved market risk levels. Changes in interest rates, exchange rates, share prices and prices of commodities, as well as changes in their individual volatilities, influence the market values of financial assets and liabilities. Derivative instruments are increasingly utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile. The table below presents the sensitivity inherent in market risks.

Sensitivity analysis		Impact on profit before tax	
		2011	2010
Interest-rate risk	1% lower interest rate	-248	-8,223
Equities risk ¹⁾	10% low share prices	-2,268	-5,160
Property risk	10% lower market value	-587	-563
Credit-spread risk	1% higher credit spread	-9,664	-3,744
Currency risk	10% weaker SEK	-31	-245

¹⁾ Includes 10% lower prices on hedge funds.

Interest-rate risk

For the insurance company, interest-rate risk is the predominant market risk. Interest-rate risk is also inherent in insurance liabilities by policyholders being entitled to a guaranteed interest rate under many life assurance contracts and by life-assurance reserves being discounted by the current market interest rate. Interest-rate risk is the risk that the net value of assets, liabilities and insurance undertakings may decline due to changed market interest rates. A fall in interest rates is normally unfavourable for Länsförsäkringar Liv since the company's liabilities will then increase more than its assets. The desired interest-rate risk is described and a desired target decided for the duration with a rebalancing interval. Derivative instruments, such as interest-swap contracts and swap options, are used to manage interest-rate risk. Exposure to interest rate changes is presented in the table below as fixed-interest periods for fixed-interest assets and liabilities, net.

Fixed-interest periods for fixed-interest assets less liabilities, net (including derivatives)

	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
Dec. 31, 2011					
Bonds and other interest-bearing securities	1,372	24,768	9,006	26,726	61,871
Derivatives	-	-3,061	10,394	19,249	26,582
Fixed-income assets less fixed-income liabilities	1,372	21,707	19,400	45,975	88,453
Dec. 31, 2010					
Bonds and other interest-bearing securities	1,794	21,030	5,385	3,435	31,644
Derivatives	-	-9,366	-4,302	-2,247	-15,916
Fixed-income assets less fixed-income liabilities	1,794	11,664	1,083	1,188	15,728

Equities risk

Equities risk is the risk that the value of assets may decline due to falling share prices. The risk is described and decided on a normal portfolio with exposure by region. 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 active asset managers, investments are made in the desired market index.

Property risk

Property risk is the risk that the value of assets declines due to falling property prices. The property prices are an effect of the assumptions made on applicable yield requirements and rental levels.

Credit-spread risk

Credit-spread risk is the risk that the value of assets declines due to increases in the difference between market interest rates on bonds with credit risks and government securities. The counterparty shall have a credit rating that is deemed to be sufficient. 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.

Bond investments classified by rating	2011	2010
AAA – Swedish Government	5,629	3,612
AAA – Government securities other than those issued by the Swedish Government	4,514	690
AAA – other	36,372	22,939
AA	3,294	2,595
A	10,365	7,630
BBB or lower	18,059	16,315

Currency risk

Currency risk is the risk that the net value of assets, liabilities and insurance undertakings declines due to fluctuations in exchange rates. Decisions on the size of currency exposure are made in light of prevailing market conditions. The total net currency exposure on December 31, 2011 amounted to negative 0.3% (neg: 2.4) of total investment assets.

Net exposure in foreign currency

Currency	Local currency in 000s		Equivalent in SEK M	
	2011	2010	2011	2010
USD	-374,437	-1,129,710	-2,566	-7,595
EUR	-199,236	-414,771	-1,773	-3,741
GBP	-131,430	-76,965	-1,400	-810
CNY	685,476	1,758,594	747	1,794
KRW	79,781,365	203,156,207	475	1,203
Other currencies			4,207	6,704
Total			-310	-2,445

Counterparty risk

Counterparty risk pertains to the risk that counterparties are unable to fulfil their undertaking and that any collateral provided does not cover the receivable. Länsförsäkringar Liv's exposure to counterparty risk primarily arises through the use of financial derivatives. 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.

Counterparty risks in financial derivatives per rating category

Calculated based on the market value of the derivative	2011	2010
AA	186,441	523,090
A	442,145	532,408

The maximum credit risk exposure without consideration of credit enhancement corresponds to the carrying amount of the assets on the balance-sheet date.

Operational risk

Operational risk is the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events.

Operational risk analyses are performed annually both at company level and in the operating activities. A joint method and reporting format are used in these analyses. Operational risks are identified, the consequences evaluated and probability assessed. Action plans are prepared for material risks, which are followed up every quarter. The Risk Control function facilitates analyses and aggregates results to each company's management group and Board. Risk Control also monitors and reports the implementation of the action plans during the year.

To meet the increasing requirements in incident handling, common system support is used with the aim of standardising operating-risk measurement methods throughout the Group. Furthermore, a continuity plan is adopted annually by executive management.

Business risk

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

Business risk is managed at Board and management level through analyses and decisions prior to making strategic choices on

operational focus, in the annual business planning process and if required by trends in the Group's markets. The specific business risks that are deemed to be the most important at any time are continuously monitored at management level.

Concentration risk

Concentration risk defined as the risk of losses occurring as a result of investment assets not being highly diversified, of undertakings vis-à-vis policyholders not being highly diversified or as a result of other forms of risk concentration. Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per counterparty in financial derivatives, the diversification of investment assets, limits for exposure per reinsurer and discretionary reinsurance of the insured for very large individual risks.

The largest counterparties on December 31, 2011 were Nordea, including Nordea Hypotek, SEB and Swedbank Hypotek.

In investment assets

Concentration risk is deemed to be small for the company in relation to market risks based on the diversification provided in the company's investment orientations. Having as a general rule that these investments can be used for debt coverage also means that the risk of excessively high individual commitments is kept low. See also Note 20 Shares and participations and Note 21 Bonds and other interest-bearing securities.

In insurance operations

Länsförsäkringar Liv primarily targets private individuals, employees and self employed persons working in small and medium-sized businesses. All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution throughout Sweden. Accordingly, Länsförsäkringar Liv's insurance risks are highly diversified. Länsförsäkringar Liv has taken out disaster reinsurance to further limit its risks. The insurance policy has been taken out so that the provisions regarding maximum retention in the insurance guidelines can be met by a healthy margin.

Liquidity risk, including financing risk

Liquidity risk is the risk that the company's undertakings cannot be fulfilled due to a shortage of cash and cash equivalents. This entails that the undertakings cannot be fulfilled without borrowing or disposing of a financial instrument for a considerable added value. Liquidity risk is minimised by the predominant proportion of investments being made in securities with high liquidity that are listed on well-established exchanges. To further limit liquidity risks, the management agreements describe how investments are to be made in unlisted assets. Sometimes investments are made consciously in less liquid and unlisted assets to achieve a higher return. The table below presents the discounted net cash outflows for technical reserves by year.

Duration, year	Percentage of cash flow, %	
	2011	2010
0-5	22.3	14.3
5-10	18.9	15.8
10-15	16.3	16.0
15-20	14.2	16.0
20-30	18.1	24.0
30-	10.1	13.9

NOTE 3 PREMIUM INCOME

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Gross premium income before ceded reinsurance is distributed as follows in the life-assurance operations				
Direct life assurance	6,404	6,453	6,386	6,431
Direct medical and accident insurance	150	151	150	151
Assumed reinsurance	0	120	0	120
Total	6,554	6,724	6,536	6,702
Gross premium income for direct life assurance is distributed in the following categories				
Premiums for individual life assurance	1,721	2,025	1,706	2,007
Group insurance premiums	4,683	4,428	4,680	4,424
Total	6,404	6,453	6,386	6,431
Periodic premiums	4,661	5,592	4,643	5,570
Single premiums	1,743	861	1,743	861
Total	6,404	6,453	6,386	6,431
Premiums for contracts that do not carry bonus rights	793	875	793	875
Premiums for contracts that carry bonus rights	5,593	5,556	5,593	5,556
Premiums for which the policyholder bears the risk	18	22	-	-
Total	6,404	6,453	6,386	6,431

All premiums pertain to insurance in Sweden.

NOTE 4 INVESTMENT INCOME, REVENUE

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Rental income	442	434	100	103
Dividends received outside the Group	5,089	2,797	4,351	1,881
Dividends received from Group companies	-	-	22	43
Dividends received from associated companies	18	67	18	67
Total dividends	5,107	2,864	4,391	1,991
Interest income				
Bonds and other interest-bearing securities	2,201	1,389	2,186	1,385
Interest income from Group companies	123	92	228	128
Other interest income	1,448	455	1,443	454
Total interest income	3,772	1,936	3,857	1,967
Reversed impairment				
Land and buildings	17	-	-	-
Shares and participations	-	-	27	22
Exchange-rate gains, net	328	443	328	416
Capital gains, net				
Land and buildings	0	0	0	0
Shares and participations	2,647	25	0	491
Bonds and other interest-bearing securities	3,186	1	3,186	1
Other investment assets	111	-	101	-
Total capital gains	5,944	26	3,287	492
Investment income, revenue	15,610	5,703	11,991	4,992

NOTE 5 UNREALISED GAINS ON INVESTMENT ASSETS

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Land and buildings	103	45	27	35
Interest-bearing securities issued by and loans to Group companies	17	-	17	-
Bonds and other interest-bearing securities	653	93	653	93
Shares and participations	-	1,618	-	1,618
Derivatives	2,784	-	2,784	-
Other	-	136	-	136
Total	3,557	1,892	3,481	1,882

NOTE 6 OTHER TECHNICAL REVENUE

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Risk income	20	389	-	-
Management remuneration	327	-	-	-
Other	5	-	-	-
Total	352	389	-	-

NOTE 7 CLAIMS PAYMENTS BEFORE CEDED REINSURANCE

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Claims payment	-4,054	-3,903	-4,040	-3,888
Cancellations and repurchases	-1,423	-817	-1,423	-817
Claims adjustment costs	-10	-10	-9	-8
Total	-5,487	-4,730	-5,472	-4,713

NOTE 8 OPERATING EXPENSES

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Operating expenses in life assurance operations distributed according to functions				
Acquisition	-927	-1,105	-516	-614
Change in the "Prepaid acquisition costs" item	-30	-10	-51	-44
Administrative expenses	-786	-501	-630	-368
Commission and profit shares in ceded reinsurance	281	266	280	265
Total	-1,462	-1,350	-917	-761
Of which, purchases from the Länsförsäkringar AB Group	-482	-463	-482	-463
Total amount of direct insurance provisions	-805	-878	-414	-422
Total amount of research and development expenses that have been expensed	-194	-150	-142	-110

The item "Acquisition" consists of "Acquisition" and "Changes in the 'Prepaid acquisition costs' item" below. The item "Administration" consists of the total of the items "Administration expenses" and "Commission and profit shares in ceded reinsurance."

Total expenses comprise the following

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Acquisition	-957	-1,115	-567	-658
Claims adjustment	-10	-10	-9	-8
Administration	-505	-225	-350	-103
Financial management	-121	-80	-121	-80
Property management	-28	-33	-3	-3
Total	-1,621	-1,463	-1,050	-852

Costs for acquisition and administration are recognised in profit and loss under operating expenses, the costs for claims adjustment are recognised under claims payments in Note 7, costs for financial management are recognised in Note 11 under asset management expenses, and costs for property management are recognised as direct costs for properties in Note 16.

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Total costs are distributed as follows				
Staff costs, etc.	-114	-120	-114	-120
Costs for premises, etc.	-11	-12	-11	-12
Amortisation/depreciation, etc.	-329	-397	-199	-223
Other	-1,167	-934	-726	-497
Total	-1,621	-1,463	-1,050	-852

NOTE 9 AUDIT EXPENSES

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
KPMG AB				
Audit assignment	2	2	2	2
Audit operations in addition to the audit assignment	4	0	4	0
Tax advice	0	0	0	0
Other assignments	1	-	1	-
Total	7	2	7	2

Audit assignments pertain to a review of the Annual Report and accounts, and the management by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such assignments. Everything else comes under Other assignments.

**NOTE 10 EMPLOYEES, STAFF COSTS AND REMUNERATION
TO SENIOR EXECUTIVES**

Group and Parent Company

Average number of employees	2011	2010
<i>Sweden</i>		
Men	34	35
Women	71	78
Total number of employees	105	113

Salaries, other remuneration and social security expenses, SEK M

Salaries and remuneration	51	53
of which variable remuneration	1	0
Social security expenses	34	40
of which pension costs	15	19
Total	85	93

Board of Directors and senior executives, 16 (21)

Salaries and remuneration	11	10
of which salaries to President	3	3
of which variable remuneration to President	–	–
of which fixed salary to other senior executives	6	5
of which variable remuneration to other senior executives	–	–
Social security expenses	8	7
of which pension costs	4	4
Total	20	18

Total salaries, remuneration and social security expenses, SEK M

Salaries and remuneration	62	64
of which variable remuneration	1	0
Social security expenses	43	47
of which pension costs	19	22
Total	105	111

Variable remuneration

Variable remuneration may be paid to all employees who are not managers. A basic prerequisite for paying variable remuneration to employees is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. One third of the remuneration is based on exceeding the joint goals in Länsförsäkringar AB's business plan and two thirds on the degree to which the individual goals in the goal contract were achieved. A maximum of SEK 12,000 may be paid to employees per year if all the prerequisites are fulfilled.

Remuneration to the Board of Directors

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 to the President and other senior executives comprises basic salary, variable 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 company management.

Remuneration and other benefits for senior executives	Basic salary/ Board fee	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %	
						Defined- contribution	Defined- benefit
Parent Company 2011, SEK 000s							
Jörgen Svensson, President	3,401	0	0	1,568	4,969	45	-
Karl-Olof Hammarkvist, Chairman of the Board	257	-	-	-	257	-	-
Gunnar Wetterberg, Deputy Chairman of the Board	196	-	-	-	196	-	-
Sten Lundqvist, Board member	196	-	-	-	196	-	-
Ulrika Messing, Board member	196	-	-	-	196	-	-
Gunvor Engström, Board member	171	-	-	-	171	-	-
Anders Östryd, Board member	143	-	-	-	143	-	-
Karin Åkesson, Board member	173	-	-	-	173	-	-
Lennart Atteryd, Board member	197	-	-	-	197	-	-
Christina Ramberg, former Deputy Chairman of the Board	89	-	-	-	89	-	-
Peter Lindvall, former Board member	43	-	-	-	43	-	-
Other senior executives (5 people)	5,957	0	196	2,271	8,424	33	-
Total	11,019	0	196	3,839	15,054		

Remuneration and other benefits for senior executives	Basic salary/ Board fee	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %	
						Defined- contribution	Defined- benefit
Parent Company 2010, SEK 000s							
Jörgen Svensson, President	3,032	0	0	1,451	4,483	45	-
Karl-Olof Hammarkvist, Chairman of the Board	238	-	-	-	238	-	-
Christina Ramberg, Deputy Chairman of the Board	231	-	-	-	231	-	-
Sten Lundqvist, Board member	188	-	-	-	188	-	-
Ulrika Messing, Board member	188	-	-	-	188	-	-
Gunvor Engström, Board member	188	-	-	-	188	-	-
Gunnar Wetterberg, Board member	188	-	-	-	188	-	-
Anders Östryd, Board member	188	-	-	-	188	-	-
Karin Åkesson, Board member	189	-	-	-	189	-	-
Peter Lindvall, Board member	188	-	-	-	188	-	-
Lennart Atteryd, Board member	100	-	-	-	100	-	-
Christer Höij, former Board member	91	-	-	-	91	-	-
Other senior executives (6 people)	5,419	0	2	2,100	7,521	28	-
Total	10,428	0	2	3,551	13,981		

Pensions

The retirement age for the President is 60. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium shall amount to 31% of pensionable salary. Pensionable salary refers to fixed salary. In addition, the company pays an additional pension premium of SEK 120,000 per year. Pension from the age of 65 will be 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 other senior executives is 65. The pension 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).

Severance pay

A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. For other senior executives, the period of notice follows applicable agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

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

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to company management.

The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy.

Decisions regarding remuneration and other terms and conditions of employment for the President are made by the Board of Directors.

Composition of Remuneration Committee

The Board of Directors shall appoint at least two members from within its ranks to form a Remuneration Committee. The Board Chairman may serve as the Chairman of the Committee. The other members must be independent in relation to the company and company management.

Policies for remuneration to senior executives

Senior executives in the Länsförsäkringar AB Group shall 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 is paid according to the general policy above. Pensions should comply with 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).

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

Number of women among senior executives, %

Percentage women	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Board members	6	33	36	38
Other senior executives	9	56	50	56

NOTE 11 INVESTMENT INCOME, EXPENSES

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Operating expenses, land and buildings	-162	-177	-25	-25
Asset management expenses	-96	-80	-96	-80
Interest expense				
Bonds and other interest-bearing securities	-66	-88	-66	-60
Property loans	-1	-1	-1	-1
Other interest expense	-299	-246	-299	-278
Total interest expense	-366	-335	-366	-339
Impairment				
Other investment assets	-73	-95	-	-15
Shares and participations	-	-	-	-
Total impairment	-73	-95	-	-15
Exchange-rate losses, net	-174	-20	-174	-23
Capital losses, net				
Land and buildings	-	-	-	-
Shares and participations	-1,046	-176	-1,046	-
Bonds and other interest-bearing securities	-2	-1,552	-1	-1,616
Total capital losses	-1,048	-1,728	-1,047	-1,616
Investment income, expenses	-1,919	-2,435	-1,708	-2,098

NOTE 12 UNREALISED LOSSES ON INVESTMENT ASSETS

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Land and buildings	-	-	-	-
Bonds and other interest-bearing securities	-	-196	-	-152
Shares and participations	-6,010	-	-6,010	-
Derivatives	-169	-184	-169	-184
Total	-6,179	-380	-6,179	-336

NOTE 13 TAXES

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Current tax				
Yield tax on pension funds	-	-	-490	-528
Tax	-100	-142	-91	-133
Adjustment of tax pertaining to prior years	118	3	-3	3
Deferred tax				
Deferred tax pertaining to temporary differences	-124	-65	-	-
Total recognised tax expense	-106	-204	-584	-658
<i>Deferred tax liabilities pertaining to the following:</i>				
Investment property/Land and buildings	13	14	-	-
Untaxed reserves	133	107	-	-
Total	146	122	-	-
<i>Deferred tax assets pertain to the following:</i>				
Investment property/Land and buildings	7	8	-	-
Loss carryforwards	-	99	-	-
Total	7	107	-	-

The change between the years pertaining to recognised deferred tax liabilities and tax assets has been recognised as deferred tax expenses/income in profit and loss.
Yield tax is recognised in the Group according to IFRS in the item "Other non-technical expenses."

Tax rates applied:

Yield tax on pension funds, pension insurance	15%	15%	15%	15%
Yield tax on pension funds, endowment insurance	27%	27%	27%	27%
Average government borrowing rate for taxation	2.76%	3.1%	2.76%	3.1%
Tax rate for calculating income tax	26.3%	26.3%	26.3%	26.3%
Tax rate for calculating deferred tax	26.3%	26.3%	26.3%	26.3%

NOTE 14 GOODWILL

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Cost				
Cost	1,162	2,650	-	-
Accumulated amortisation	-	-1,473	-	-
Accumulated impairment	-	-15	-	-
Divestments	-1,162	-	-	-
Closing balance	-	1,162	-	-
Opening balance	1,162	1,162	-	-
Depreciation for the year	-	-	-	-
Divestments	-1,162	-	-	-
Closing balance	-	1,162	-	-

NOTE 15 OTHER INTANGIBLE ASSETS

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Cost				
Opening balance	225	225	-	-
Additional assets for the year	-	-	-	-
Scrapped	-	-	-	-
Closing balance	225	225	-	-
Accumulated amortisation				
Opening balance	-116	-106	-	-
Depreciation for the year	-12	-10	-	-
Scrapped	-	-	-	-
Closing balance	-128	-116	-	-
Accumulated impairment				
Opening balance	-85	-85	-	-
Impairment for the year	-	-	-	-
Closing balance	-85	-85	-	-
Carrying amount	12	24	-	-

a) Software

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Cost				
Opening balance	169	157	-	-
Reclassification	-	12	-	-
Scrapped	-	-	-	-
Closing balance	169	169	-	-
Accumulated amortisation				
Opening balance	-116	-106	-	-
Depreciation for the year	-12	-10	-	-
Scrapped	-	-	-	-
Closing balance	-128	-116	-	-
Accumulated impairment				
Opening balance	-29	-29	-	-
Impairment for the year	-	-	-	-
Closing balance	-29	-29	-	-
Carrying amount	12	24	-	-

b) Intangible assets under development

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Opening balance	0	12	-	-
Investments in the form of internal development	-	-	-	-
Reclassification	-	-12	-	-
Impairment	-	-	-	-
Closing balance	-	-	-	-
Carrying amount	0	0	-	-
Total carrying amount	12	23	-	-

NOTE 16 INVESTMENT PROPERTY/LAND AND BUILDINGS**Holdings**

Group, SEK M	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value¹⁾	Change in value¹⁾
Investment property, value on December 31, 2011	5,408	5,867	15.9%	5.0%	-1,383	-23.8%
Investment property, value on December 31, 2010	5,215	5,628	10.7%	4.8%	-1,340	-23.8%

Parent Company, SEK M	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value¹⁾	Change in value¹⁾
Land and buildings, value on December 31, 2011	1,061	1,480	7.8%	5.4%	-376	-25.4%
Land and buildings, value on December 31, 2010	1,050	1,442	7.8%	5.8%	-361	-25.1%

¹⁾ Change in value refers to the change in market value if the direct yield requirement is raised by two percentage points. No part of the property is used for the company's own operations.

Change in value for the period

Group, SEK M	Cost		Fair value		
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	
Opening balance		5,215	5,108	5,628	5,612
Acquisitions		-	-	-	-
Additional investments in existing assets		192	152	192	152
Sales		-	-45	-	-
Profit/loss from adjustments of fair value		-	-	47	-236
Exchange-rate differences		-	-	-	100
Closing balance		5,408	5,215	5,867	5,628

Parent Company, SEK M	Cost		Fair value		
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	
Opening balance		1,050	1,047	1,442	1,404
Additional investments in existing assets		11	3	11	3
Other receivables		-	-	27	35
Closing balance		1,061	1,050	1,480	1,442

Summary of values for the Group

SEK M	Tax assessment value	Fair value	Cost
Parent Company	928	1,480	1,061
Subsidiaries	1,910	4,387	4,347
Total for the Group	2,838	5,867	5,408

Similar to prior years, the Group's properties were valued externally by independent valuation companies. The valuations were conducted by using both location prices and the properties' cash flows. Due to the exceptional economic climate prevailing during the year, the financial markets or market for property transactions did not function normally, resulting in few transactions and location prices not being available to a normal extent, instead, greater emphasis has been attached to the cash-flow method.

Impact on profit for the period

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Rental income	429	434	100	103
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees)	-148	-177	-23	-25

The income-statement items above are included in the lines Investment income, revenue and Investment income, expenses.

NOTE 17 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/participations	Share of equity, %	Equity 2011	Profit 2011	Carrying amount
HWH Katsan KB ¹⁾	969671-2042	Stockholm	100	100	56	5	85
Länsförsäkringar Komplement AB	556660-1257	Stockholm	1,000	100	0	0	0
Fastighets KB Automobilpalatset	969680-4195	Stockholm	1,000	100	154	9	232
KB Plutonia ¹⁾	969645-2060	Stockholm	100	100	16	15	1
KB Hålstenen 2 ¹⁾	916618-1330	Stockholm	100	100	21	15	194
KB Cirkusängen	969715-5902	Stockholm	0	99.9	-2	-2	-1
Fastighets AB Sprängaren 8	556678-4012	Stockholm	1,000	100	8	2	63
Fastigheten Dykarhuset AB	556678-4004	Stockholm	1,000	100	17	5	58
Fastighets AB Apelsinen 5	556678-4038	Stockholm	1,000	100	5	5	83
Fastighets AB Storsundet	556740-2390	Stockholm	1,000	100	40	14	50
Fastighets AB Solnaaprikosen 3 ¹⁾	556657-8265	Stockholm	-	100	-	-	-
Fastighets AB Solnasmlutronet 2 ¹⁾	556657-8299	Stockholm	-	100	-	-	-
Fastighets AB Cirkusstenen ¹⁾	556612-1306	Stockholm	-	100	-	-	-
Total December 31, 2011					315	67	765
Total December 31, 2010					1,348	175	5,785

¹⁾ Indirectly owned subsidiaries.

All shares and participations are unlisted.

Cost, SEK M	Parent Company	
	Dec. 31, 2011	Dec. 31, 2010
Opening balance	6,018	5,773
Added and deducted assets	-5,495	245
Closing balance	523	6,018
Accumulated impairment		
Opening balance	-233	-198
Reversed impairment from prior years	475	-35
Closing balance	242	-233
Total carrying amount	765	5,785
Fair value	1,044	7,721

NOTE 18 INTEREST-BEARING SECURITIES ISSUED BY GROUP COMPANIES AND LOANS TO GROUP COMPANIES

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Listed bonds issued by Länsförsäkringar Hypotek	2,815	2,492	2,815	2,492
Listed bonds issued by Länsförsäkringar Bank	558	-	558	-
Promissory notes from Swedish Group companies	-	-	3,504	3,904
Fixed-term subordinated debentures to Swedish Group companies (Länsförsäkringar Bank)	492	-	492	-
Loans to Group companies (Länsförsäkringar AB Group)	1,097	-	1,097	-
Total fair value	4,962	2,492	8,466	6,396
Cost				
Opening balance	2,448	2,314	6,352	6,061
Purchases, sales and transfers for the year	2,203	134	2,053	291
Cost	4,650	2,448	8,405	6,352
Accumulated impairment				
Opening balance	-	-	-	-155
Impairment for the year	-	-	-	155
Accumulated impairment	-	-	-	0
Total cost	4,650	2,448	8,405	6,352

NOTE 19 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/participations	Share of equity, %	Equity 2011	Profit 2011	Group's carrying amount	Parent Company's carrying amount
Kista Kvadrat KB	556678-4715	Stockholm	499	49.9	0	0	0	0
Skalholt KB	916511-5057	Stockholm	499	49.9	75	36	338	300
Total December 31, 2011					75	36	338	300
Total December 31, 2010					88	31	341	313

All shares and participations are unlisted.

Total amount for associated companies	Income	Earnings	Assets	Liabilities	Equity	Fair value
Group and Parent Company, December 31, 2011	32	36	77	2	75	338
Group and Parent Company, December 31, 2010	31	31	97	10	88	341

Cost, SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Opening balance	341	2,499	313	1,907
Added and deducted assets	-3	-2,158	-13	-1,594
Closing balance	338	341	300	313

NOTE 20 SHARES AND PARTICIPATIONS

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Listed shares and participations	6,044	18,873	6,044	18,858
Unlisted shares and participations	12,856	17,806	12,856	17,806
Total	18,900	36,679	18,900	36,664
Cost	12,791	28,673	12,791	28,658

NOTE 21 BONDS AND OTHER INTEREST-BEARING SECURITIES

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Issued by				
Swedish government	5,629	3,612	5,629	3,612
Swedish mortgage institutions	28,971	15,761	28,971	15,761
Other Swedish issuers	3,340	5,594	3,340	5,561
Foreign states	4,514	690	4,514	690
Other foreign issuers	36,837	31,297	36,837	31,297
Total	79,291	56,954	79,291	56,921
Amortised cost	76,118	55,987	76,118	55,955
Market status				
Securities listed	78,692	56,387	78,692	56,354
Securities unlisted	599	567	599	567
Total	79,291	56,954	79,291	56,921
The carrying amounts of the securities compared with their par amounts				
Carrying amount	79,291	56,954	79,291	56,921
Nominal amounts	-75,852	-55,619	-75,852	-55,586
Total	3,439	1,335	3,439	1,335
Total surplus	3,788	1,446	3,788	1,446
Total deficit	-349	-111	-349	-111
Total	3,439	1,335	3,439	1,335

NOTE 22 DERIVATIVES**Group and Parent Company**

SEK M	Fair values		Nominal amounts	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Derivative instruments with positive values or valued at zero				
Equity	503	–	6	1
Currency	1,103	94	74,186	11,174
Interest	1,545	1,956	–	129,163
Other	1,412	824	66,395	141,376
Total	4,563	2,874	140,587	281,714
Cost	3,372	1,821		
Derivatives with negative values				
Equity	218	2	5	0
Currency	1,255	1	74,232	5,580
Interest	25	939	26,588	128,102
Other	620	2,464	66,401	143,876
Total	2,118	3,406	167,226	277,558
Cost	1,244	1,101		

NOTE 23 ASSETS FOR CONDITIONAL BONUS

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Opening balance	174	119	174	119
Transfer conditional bonus	4,020	–	4,020	–
Change in value according to the income statement	–191	56	–191	56
Closing balance	4,003	174	4,003	174

NOTE 24 UNIT-LINKED INSURANCE ASSETS

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Equity funds	–	49,132	–	–
Fixed-income funds	–	4,900	–	–
Total	–	54,032	–	–
Cost	–	50,371	–	–

NOTE 25 OTHER RECEIVABLES

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Receivables from the Länsförsäkringar Group	154	76	154	76
Other receivables	1,341	2,825	1,281	2,664
Total	1,495	2,901	1,435	2,740

NOTE 26 DEFERRED ACQUISITION COSTS

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Insurance contracts				
Opening balance	615	659	615	659
Capitalised costs during the year	148	179	148	179
Depreciation according to plan for the year	–199	–223	–199	–223
Closing balance	564	615	564	615
Financial agreements				
Opening balance	876	842	–	–
Capitalised costs during the year	151	208	–	–
Depreciation according to plan for the year	–130	–174	–	–
Divestments	–897	–	–	–
Closing balance	–	876	–	–
Total closing balance	564	1,491	564	615

NOTE 27 SHARE CAPITAL

	Parent Company	
	Dec. 31, 2011	Dec. 31, 2010
Number of shares, issued and paid	8,000	8,000
Quotient value per share, SEK	1,000	1,000
Number of shares outstanding	8,000	8,000

According to applicable Articles of Association, the company is unable to pay any dividend. The changes in equity, compared with the preceding year's balance sheet, are recognised in the statement of changes in equity.

NOTE 28 LIFE-ASSURANCE RESERVES

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Opening balance	81,700	80,988	81,700	80,988
Payments	5,572	5,530	5,572	5,530
Dividends	-5,009	-4,137	-5,009	-4,137
Costs withdrawn	-924	-933	-924	-933
Investment income contributed to life-assurance reserves	1,474	661	1,474	661
Changes in reserves due to amended interest-rate assumptions	25,112	2,474	25,112	2,474
Mortality results	-58	-12	-58	-12
Yield tax	-369	-372	-369	-372
Other changes	-2,926	-2,499	-3,367	-2,499
Closing balance	104,572	81,700	104,572	81,700

NOTE 29 PROVISION FOR CLAIMS OUTSTANDING

Group SEK M	Established claims	Non-established claims	Provision for claims and disability annuities	Total	
				Dec. 31, 2011	Dec. 31, 2010
Opening balance	72	110	2,227	2,409	2,832
Transferred portfolio	-	-	-	-	-131
Divestments	-11	-2	-46	-59	-
Other changes	-9	144	-145	-10	-292
Closing balance	52	252	2,036	2,340	2,409
Parent Company					
SEK M					
Opening balance	60	108	2,177	2,345	2,752
Transferred portfolio	-	-	-	-	-131
Other changes	-8	144	-141	-5	-276
Closing balance	52	252	2,036	2,340	2,345

NOTE 30 UNIT-LINKED INSURANCE LIABILITIES

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Opening balance	54,034	45,952	-	-
Payments	5,381	6,345	-	-
Cancellations and repurchases	-550	-594	-	-
Dividends	-766	-847	-	-
Costs withdrawn	-352	-401	-	-
Change in value	-5,748	3,789	-	-
Yield tax	-235	-225	-	-
Other changes	14	15	-	-
Divestments	-51,778	-	-	-
Closing balance	-	54,034	-	-

NOTE 31 PENSIONS
Group

	Dec. 31, 2011	Dec. 31, 2010
Provision for pensions being paid	24	28
Provisions for early retirement in accordance with pension agreement	9	12
	33	40

Defined-benefit pension plans

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement from 2006 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 approximately 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 a summary of the ages and annual pensions calculated as an average per age group. A probability assessment has determined that 20% will utilise the option for early retirement.

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 enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund.

	Dec. 31, 2011	Dec. 31, 2010
Present value of wholly or partly funded commitments	1	1
Fair value of plan assets	-1	-1
Present value of unfunded commitments	28	28
Present value of net commitments	27	28
Unrecognised accumulated actuarial gains (+) and losses (-)	-1	4
Net amount recognised pertaining to defined-benefit plans in the balance sheet	27	32
Provision, special employer's contribution	6	8

The net amount is recognised in the following items in the balance sheet:

Other provisions	33	40
	33	40

Change in net liability reported in the balance sheet:

Opening liability, January 1	32	45
Pension costs for the year according to specification below	3	-6
Settlement	-9	-7
Closing net debt, December 31 according to the balance sheet	27	32

Changes in total present value for defined-benefit plans

Commitments for defined-benefit plans, January 1	29	31
Interest expense	1	0
Reduction of the commitment due to settlement	-1	-1
Paid remuneration	-4	-4
Actuarial gains (-) and losses (+)	3	2
Total commitments for defined-benefit plans, December 31	29	29

Change in the value of plan assets

Fair value of plan assets, January 1	1	1
Fair value of plan assets, December 31	1	1

Composition of plan assets

Cash and bank balances	1	1
Total	1	1

Costs recognised in profit and loss

Interest expense	1	0
Effects of reductions and settlements	4	2
Amortisation of actuarial gains/loss	-1	-9
Total net expenses in profit and loss	3	-6

Costs are recognised in the following lines in profit and loss:

Staff costs	3	-6
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Significant calculation assumptions on December 31

Discount rate	1.1%	2.7%
Expected return on plan assets	3.0%	3.0%
Expected rate of salary increase	3.0%	3.0%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%

Historic information

	2011	2010
Present value of defined-benefit commitments	29	29
Fair value of plan assets	-1	-1
Surplus/Deficit in the plan	27	28
Experience-based adjustment pertaining to defined-benefit commitments	-3	-2

Defined-contribution pension plans

These 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.

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, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans.

At present, the FPK is unable to provide the necessary information, which is why the above-mentioned pension plans are recognised as defined-contribution plan according to item 30, IAS 19. There is also no information about future surplus or deficit in the plan and whether these would impact future contributions.

Expenses for defined-contribution plans

SEK M	2011	2010
Expenses for defined-contribution plans	13	13

Parent Company

Defined-benefit pension plans

Länsförsäkringar Liv has a number of defined-benefit pension plans. The largest of these plans is a pension agreement from 2006 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 approximately 65% of the pensionable salary at age 62.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension.

The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities.

In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

SEK M	Dec. 31, 2011	Dec. 31, 2010
Pension commitments		
Other provisions	6	7
Provisions for pensions	21	25
Total	27	32
Of the pension commitments, only the following amount is encompassed by the Pension Obligations Vesting Act	20	24
The year's change in capital value of own obligations for which there are no separated assets:		
Opening capital value on January 1 in accordance with Swedish principles for calculation of pension commitments	30	32
Cost excluding interest expense charged to earnings	-2	3
Interest expense	1	0
Pensions paid	-4	-5
Capital value at December 31	25	30
The year's change in capital value of own commitments which are wholly or partly covered by separated assets:		
Opening capital value on January 1 in accordance with Swedish principles for calculation of pension commitments	2	2
Cost excluding interest expense charged to earnings	0	0
Interest expense	0	0
Pensions paid	0	0
Capital value at December 31	2	2
The year's change in the total capital value of the company's own commitments:		
Opening capital value on January 1 in accordance with Swedish principles for calculation of pension commitments	32	34
Cost excluding interest expense charged to earnings	-2	3
Interest expense	1	1
Pensions paid	-4	-5
Capital value at December 31	27	32
Fair value of separated assets		
Fair value on January 1	1	2
Return on separated assets	0	0
Payments to and from pension foundations	0	-1
Surplus in separated assets	0	0
(Fair value of separated assets to the extent that the value does not affect the company's accounts)	0	0
Fair value on December 31	1	1
Amount recognised under contingent liabilities	-1	-1
Net pension commitments on December 31	26	31
Costs regarding pensions:		
The company's own pensions		
Cost excluding interest expense	3	3
Interest expense	-1	1
Return on separated assets		0
Cost of the company's own pensions	2	4
Costs covered by surplus in separated assets	0	0
Recognised net cost attributable to pensions	2	4
Fair value of separated assets:		
Equity instrument	0	0
Other assets	2	2
Liabilities	-1	-1
Total	1	1

NOTE 31 PENSIONS, cont.

SEK M	Dec. 31, 2011	Dec. 31, 2010
Assumptions pertaining to defined-benefit commitments:		
Discount rate	1.8–2.3%	1.8–2.3%
Expected return on plan assets	3.0%	3.0%
Expected rate of salary increase	3.0%	3.0%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%

Defined-contribution pension plans

These 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.

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, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans.

At present, the FPK is unable to provide the necessary information, which is why the above-mentioned pension plans are recognised as defined-contribution plan according to item 30, IAS 19. There is also no information about future surplus or deficit in the plan and whether these would impact future contributions.

Expenses for defined-contribution plans

SEK M	2011	2010
Expenses for defined-contribution plans	13	13

NOTE 32 OTHER LIABILITIES

SEK M	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Liabilities to Group companies	–	–	394	1,136
Liabilities to Länsförsäkringar AB Group	116	63	116	63
Other liabilities	3,499	1,445	3,437	1,255
Total	3,615	1,508	3,947	2,454

NOTE 33 MEMORANDUM ITEMS

	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
For own liabilities, pledged assets				
<i>Carrying amount for financial assets provided as collateral for technical reserves:</i>				
Bonds	92,268	66,415	92,268	65,986
Shares and participations	19,391	25,845	19,391	25,845
Property-related assets	5,217	4,893	5,217	4,893
Other assets	1,508	5,499	1,508	5,499
Total	118,384	102,652	118,384	102,223

The total above consists of registered assets in accordance with Chapter 6, Section 30 of the Swedish Insurance Business Act.

The technical liabilities which correspond to registered assets amount to	118,384	102,652	118,384	102,223
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Other pledged assets

Other party's lien for own properties	14	14,	14,	14
Other pledged assets	7	6,	7	6
Total	21	20	21	20

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.

	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Contingent liabilities				
Contingent liabilities in associated companies	–	–	–	–
Early retirement at age 62 in accordance with pension agreement, 80%	21	27	21	27
Pension commitment exceeding the wealth of the pension foundation	0	1	0	1
Total	21	28	21	28
Commitments				
Remaining amount to invest in investment assets	3,250	5,486	3,250	5,486

NOTE 34 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY

Group Dec. 31, 2011	Financial assets measured at fair value in profit and loss					Fair value (financial assets)
	Loan receivables and accounts receivable	Financial assets measured according to fair value option	Held for trading	Non-financial assets	Total	
Assets						
Other intangible assets	–	–	–	12	12	
Investment property	–	–	–	5,867	5,867	
Interest-bearing securities issued by Group companies	–	4,962	–	–	4,962	4,962
Shares and participations in associated companies	–	–	–	338	338	
Shares and participations	–	18,900	–	–	18,900	18,900
Bonds and other interest-bearing securities	–	79,291	–	–	79,291	79,291
Derivatives	–	–	4,563	–	4,563	4,563
Investment assets for which the policyholder bears the risk	–	3,985	18	–	4,003	4,003
Reinsurers' portion of technical reserves	–	–	–	597	597	
Other receivables	1,217	79	–	206	1,502	1,296
Cash and bank equivalents	7,279	–	–	–	7,279	7,279
Prepaid expenses and accrued income	1	1,036	–	654	1,691	1,037
Total assets	8,497	108,253	4,581	7,674	129,003	

Group Dec. 31, 2011	Financial liabilities measured at fair value in profit and loss					Fair value (financial liabilities)
	Other financial liabilities	Financial liabilities valued according to fair value option	Held for trading	Non-financial liabilities	Total	
Liabilities						
Technical reserves	–	–	–	106,913	106,913	
Provisions for life assurance for which the policyholder bears the risk	–	–	–	4,003	4,003	
Other provisions	–	–	–	178	178	
Deposits from reinsurers	–	–	–	597	597	
Due to credit institutions	12	–	–	–	12	12
Derivatives	–	–	2,118	–	2,118	2,118
Other liabilities	3,027	–	–	588	3,615	3,027
Accrued income and prepaid expenses	173	–	–	543	716	173
Total liabilities	3,212	–	2,118	112,822	118,152	

Group Dec. 31, 2010	Financial assets measured at fair value in profit and loss					Fair value (financial assets)
	Loan receivables and accounts receivable	Financial assets measured according to fair value option	Held for trading	Non-financial assets	Total	
Assets						
Goodwill	–	–	–	1,162	1,162	
Other intangible assets	–	–	–	24	24	
Investment property	–	–	–	5,628	5,628	
Interest-bearing securities issued by Group companies	–	2,492	–	–	2,492	2,492
Shares and participations in associated companies	–	–	–	341	341	
Shares and participations	–	36,679	–	–	36,679	36,679
Bonds and other interest-bearing securities	–	56,954	–	–	56,954	56,954
Loans with collateral in fixed property	–	–	–	–	–	
Other loans	–	–	–	–	–	
Derivatives	–	–	2,874	–	2,874	2,874
Other financial investment assets	–	904	–	–	904	904
Deposits with companies that have ceded reinsurance	–	–	–	–	–	
Investment assets for which the policyholder bears the risk	–	54,206	–	–	54,206	54,206
Reinsurers' portion of technical reserves	–	–	–	663	663	
Other receivables	838	6	–	2,164	3,008	
Cash and bank equivalents	7,336	–	–	–	7,336	7,336
Prepaid expenses and accrued income	–	651	–	1,507	2,158	
Total assets	8,174	151,892	2,874	11,489	174,429	

NOTE 34 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss			Total	Fair value (financial liabilities)
		Financial liabilities valued according to fair value option	Held for trading	Non-financial liabilities		
Technical reserves	–	–	–	84,109	84,109	
Provisions for life assurance for which the policyholder bears the risk	–	54,206	–	–	54,206	54,206
Other provisions	–	–	–	380	380	
Deposits from reinsurers	–	–	–	663	663	
Due to credit institutions	13	–	–	–	13	13
Derivatives	–	–	3,406	–	3,406	3,406
Other liabilities	1,007	–	–	501	1,508	1,007
Accrued income and prepaid expenses	168	–	–	368	537	168
Total liabilities	1,189	54,206	3,406	86,021	144,822	

Parent Company, Dec. 31, 2011

Assets	Loan receivables and accounts receivable	Financial assets measured at fair value in profit and loss			Total	Fair value (financial assets)
		Financial assets measured according to fair value option	Held for trading	Non-financial assets		
Land and buildings	–	–	–	1,480	1,480	
Shares and participations in Group companies	–	–	–	765	765	
Interest-bearing securities issued by Group companies and loans to Group companies	–	8,466	–	–	8,466	8,466
Shares and participations in associated companies	–	–	–	300	300	
Shares and participations	–	18,900	–	–	18,900	18,900
Bonds and other interest-bearing securities	–	79,291	–	–	79,291	79,921
Derivatives	–	–	4,563	–	4,563	4,563
Investment assets for which the policyholder bears the risk	–	3,985	18	–	4,003	4,003
Reinsurers' portion of technical reserves	–	–	–	597	597	
Other receivables	1,217	–	–	139	1,435	1,223
Cash and bank equivalents	7,279	–	–	–	7,279	7,279
Prepaid expenses and accrued income	1	1,115	–	565	1,681	1,115
Total assets	8,497	111,757	4,581	3,925	128,760	

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss			Total	Fair value (financial liabilities)
		Financial liabilities valued according to fair value option	Held for trading	Non-financial liabilities		
Technical reserves	–	–	–	106,913	106,913	
Provisions for life assurance for which the policyholder bears the risk	–	–	–	4,003	4,003	
Other provisions	–	–	–	25	25	
Deposits from reinsurers	–	–	–	597	597	
Due to credit institutions	12	–	–	–	12	12
Derivatives	–	–	2,118	–	2,118	2,118
Other liabilities	3,027	–	–	919	3,946	3,027
Accrued income and prepaid expenses	173	–	–	475	648	173
Total liabilities	3,212	–	2,118	112,932	118,262	

NOTE 34 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.

Parent Company, Dec. 31, 2010

Assets	Loan receivables and accounts receivable	Financial assets measured at fair value in profit and loss			Total	Fair value (financial assets)
		Financial assets measured according to fair value option	Held for trading	Non-financial assets		
Land and buildings	-	-	-	1,442	1,442	
Shares and participations in Group companies	-	-	-	5,785	5,785	
Interest-bearing securities issued by Group companies and loans to Group companies	-	6,396	-	-	6,396	6,396
Shares and participations in associated companies	-	-	-	313	313	
Shares and participations	-	36,664	-	-	36,664	36,664
Bonds and other interest-bearing securities	-	56,921	-	-	56,921	56,921
Derivatives	-	-	2,874	-	2,874	2,874
Other financial investment assets	-	904	-	-	904	904
Investment assets for which the policyholder bears the risk	-	174	-	-	174	174
Reinsurers' portion of technical reserves	-	-	-	656	656	
Other receivables	-	6	-	2,734	2,740	6
Cash and bank equivalents	7,322	-	-	-	7,322	7,322
Prepaid expenses and accrued income	1	651	-	602	1,254	651
Total assets	7,323	101,716	2,874	11,532	123,445	

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss			Total	Fair value (financial liabilities)
		Financial liabilities valued according to fair value option	Held for trading	Non-financial liabilities		
Technical reserves	-	-	-	84,045	84,045	
Provisions for life assurance for which the policyholder bears the risk	-	-	-	174	174	
Other provisions	-	-	-	130	130	
Deposits from reinsurers	-	-	-	656	656	
Due to credit institutions	13	-	-	-	13	13
Derivatives	-	-	3,406	-	3,406	3,406
Other liabilities	1,007	-	-	1,397	2,404	1,007
Accrued income and prepaid expenses	169	-	-	298	467	169
Total liabilities	1,189	-	3,406	86,526	91,295	

NOTE 34 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.

Determination of fair value through published price quotations or valuation techniques

Level 1 – measurement at listed prices in an active market

Level 2 – calculated values based on observable market listings

Level 3 – large individual unlisted investments valued by independent parties or in accordance with the trend for relevant comparative index. The measurement is based largely on cash-flow calculations. Small holdings 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. For holdings in Private Equity funds, measurement is received quarterly from each fund; the measurement follows guidelines from European Private Equity and Venture Capital Association. The measurement is certified annually by each fund auditor.

Group	Level 1	Level 2	Level 3	Total
	Instruments with published price quotations	Valuation techniques based on observable market data	Valuation techniques based on unobservable market data	
Dec. 31, 2011				
Assets				
Shares and participations	6,044	5	12,851	18,900
Bonds and other interest-bearing securities	82,557	1,095	598	84,252
Derivatives	–	4,563	–	4,563
Assets for conditional bonus	3,984	18	–	4,003
Prepaid expenses and accrued income	1,115	1	–	1,116
Liabilities				
Derivatives	25	2,093	–	2,118
Dec. 31, 2010				
Assets				
Shares and participations	22,369	5	14,305	36,679
Bonds and other interest-bearing securities	58,878	–	567	59,445
Derivatives	7	2,867	–	2,874
Unit-linked insurance assets	54,032	–	–	54,032
Assets for conditional bonus	174	–	–	174
Other financial investment assets	904	–	–	904
Other receivables	6	–	–	6
Prepaid expenses and accrued income	651	–	–	651
Liabilities				
Unit-linked insurance liabilities	–	54,034	–	54,034
Derivatives	2	3,404	–	3,406

Parent Company	Level 1	Level 2	Level 3	Total
	Instruments with published price quotations	Valuation techniques based on observable market data	Valuation techniques based on unobservable market data	
Dec. 31, 2011				
Assets				
Shares and participations	6,044	5	12,851	18,900
Bonds and other interest-bearing securities	82,557	4,601	598	87,756
Derivatives	–	4,563	–	4,563
Assets for conditional bonus	3,985	18	–	4,003
Prepaid expenses and accrued income	1,115	1	–	1,116
Liabilities				
Derivatives	25	2,093	–	2,118
Dec. 31, 2010				
Assets				
Shares and participations	22,355	5	14,305	36,664
Bonds and other interest-bearing securities	58,845	3,904	567	63,317
Derivatives	7	2,867	–	2,874
Other financial investment assets	904	–	–	904
Assets for conditional bonus	174	–	–	174
Other receivables	6	–	–	6
Prepaid expenses and accrued income	651	–	–	651
Liabilities				
Derivatives	2	3,404	–	3,406

Financial instruments measured at fair value according to valuation techniques based on unobservable market data.

Group and Parent Company	Financial assets measured at fair value in profit and loss
	Financial assets measured according to fair value option
Opening balance, January 1, 2011	14,872
Total profits and losses recognised:	
– recognised in net profit for the year, Shares and participations	–1,456
– recognised in net profit for the year, Bonds and other interest-bearing securities	32
Acquisition cost	2
Transfer to level 3	–
Closing balance, December 31, 2011	13,450

NOTE 35 NET INVESTMENT INCOME, PER MEASUREMENT CATEGORY

	Group		Parent Company	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Profit/loss by measurement category				
Derivative assets intended for risk management, non-hedge accounting	5,477	-3,709	5,477	-3,709
Other financial assets measured at fair value in profit and loss	-851	10,350	2,197	7,207
Other financial liabilities	-1	-5	-1	-1
Loan receivables and accounts receivable	39	-38	39	-10
Items not distributed by category				
Exchange-rate gains/losses	40	418	40	393
Impairment of shares and participations	-	-	27	22
Asset management expenses	-100	-80	-100	-80
Non-financial items not included in investment income, net	171	662	97	563
Total investment income, net	4,775	7,598	7,776	4,385

NOTE 36 RECOVERY DATES

SEK M	Group 2011		Group 2010		Parent Company 2011		Parent Company 2010	
	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year
Assets								
Goodwill	-	-	-	1,162	-	-	-	-
Other intangible assets	12	-	8	16	-	-	-	-
Investment property/Land and buildings	-	5,867	-	5,628	-	1,480	-	1,442
Shares and participations in Group companies	-	-	-	-	-	765	-	5,785
Interest-bearing securities issued by Group companies and loans to Group companies	4,860	102	-	2,492	4,860	3,606	-	6,396
Shares and participations in associated companies	-	338	-	341	-	300	-	313
Shares and participations	-	18,900	15	36,664	-	18,900	-	36,664
Bonds and other interest-bearing securities	1,384	77,907	1,812	55,142	1,384	77,907	1,812	55,109
Derivatives	1,625	2,938	2,455	419	1,625	2,938	2,455	419
Other financial investment assets	-	-	-	904	-	-	-	904
Deposits with companies that have ceded reinsurance	-	-	-	-	-	-	-	-
Assets for conditional bonus	36	3,967	-	174	36	3,967	-	174
Unit-linked insurance assets	-	-	1,986	52,046	-	-	-	-
Provision for claims outstanding	75	522	64	599	75	522	63	593
Deferred tax assets	-	7	-	106	-	-	-	-
Other receivables	1,495	-	2,902	-	1,435	-	2,740	-
Cash and bank balances	7,279	-	7,336	-	7,279	-	7,322	-
Accrued interest and rental income	1,036	-	589	-	1,036	-	589	-
Deferred acquisition costs	159	405	301	1,190	159	405	171	444
Other prepaid expenses and accrued income	91	-	78	-	80	-	51	-
	18,050	110,953	17,546	156,883	17,970	110,790	15,203	108,243
Liabilities								
Life-assurance reserve	5,426	99,146	4,125	77,575	5,426	99,146	4,125	77,575
Provision for claims outstanding	400	1,940	439	1,970	400	1,940	430	1,915
Conditional bonus	36	3,967	-	174	36	3,967	-	174
Unit-linked insurance liabilities	-	-	1,936	52,098	-	-	-	-
Provisions for pensions and similar commitments	7	26	4	36	5	20	4	26
Deferred tax liabilities	-	133	-	100	-	-	-	-
Current tax liabilities	13	-	240	-	-	-	100	-
Deposits from reinsurers	75	522	64	599	75	522	63	593
Due to credit institutions	-	12	-	13	-	12	-	13
Derivatives	1,498	620	941	2,465	1,498	620	941	2,465
Other liabilities	3,475	140	1,508	-	3,807	140	2,454	-
Other accrued expenses and deferred income	716	-	537	-	648	-	467	-
	11,646	106,506	9,794	135,030	11,895	106,367	8,584	82,761

NOTE 37 SUPPLEMENTARY INFORMATION ABOUT CASH FLOWS

SEK M	Group		Parent Company	
	2011	2010	2011	2010
Interest payments, inward	1,731	1,731	1,760	1,760
Interest payments, outgoing	366	335	366	339
Dividends received	5,106	2,864	4,369	1,948

Both interest payments and dividends are recognised in the operating activities.

Of the cash and cash equivalents, restrictions exist in the disposal rights of the bank accounts pledged as contingency reserve for interest and equity futures

Specification of non-cash items:

Changes in technical reserves	20,489	8,602	22,945	481
Changes in value and results of investment assets	-2,275	-59	274	-823
Changes in value in investment assets for which the policyholder bears the risk	6,538	-2,873	-137	56
Capital gains/losses, divestment of subsidiaries	-2,643	-	-	-
Other	939	-130	151	204
Total	23,048	5,539	23,233	-82

NOTE 38 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC.**Organisation**

Länsförsäkringar Liv Försäkringsaktiebolag is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 14 local insurance companies.

Joint operations are conducted in the Länsförsäkringar AB Group, which provides services to Länsförsäkringar Liv. This pertains to development, maintenance, services such as financial, legal, risk control, compliance, security, staff, communication and operation, management and development of joint IT systems. The organisation means that there are a large number of current transactions and non-recurring transactions between the companies within the Länsförsäkringar Alliance.

Related legal entities and related parties

Länsförsäkringar Liv's operations are conducted in accordance with mutual policies. This means that no profits may be distributed to shareholders.

Related legal entities include all companies within the Länsförsäkringar AB Group, the regional insurance companies and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

Remuneration to Board members and senior executives is found in Note 10 Employees, staff costs and remuneration to senior executives. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

Guidelines for managing conflicts of interest

It is important that there is a well-functioning system to prevent disguised dividends or other unpermitted capital use, while utilising policyholders' interest in enjoying economies of scale and other benefits from being part of a group. Länsförsäkringar Liv's Board of Directors has established guidelines for managing conflicts of interest aimed at serving as a tool to promote internal control.

Cost price policy

To achieve accurate cost distribution, an overall starting point for pricing transactions with related legal entities is that pricing must be based on direct and indirect costs and that the pricing must be based on the cost price policy. The cost price policy entails that the price is set in the form of a total cost that is not charged with any profit mark-up. In addition, no pricing may exceed the market level.

The pricing and cost distribution of services in development and maintenance of IT systems and other services is currently distributed in groups of basic services (for example, IT services), Group overhead (for example, compliance), mandatory services (for example, HR) and in individual services. The common factor for these is that costs must be distributed as far as possible based on an assessment of actual utilisation.

Basic services include the mandatory basic service offering provided by Länsförsäkringar AB to Länsförsäkringar Liv through the Group-wide units. Group overheads pertain to costs consisting of Länsförsäkringar AB's President and staff, as well as expenses that are directly due to the fact that Länsförsäkringar AB with its subsidiaries is a Group. The mandatory services also include common development and service, maintenance and development of the shared brand, as well as management and operation of the Group's joint IT systems provided by Länsförsäkringar AB.

In addition, there is a pricelist for individual services, for example, project management. Individual services pertain to services that are individually priced and which Länsförsäkringar Liv may choose to purchase from Länsförsäkringar AB when necessary.

Prices and cost distribution within the Länsförsäkringar AB Group are prepared in the Group's pricing committee and in the joint company management, which includes the President of Länsförsäkringar Liv. The Board of Länsförsäkringar Liv then decides on the pricelist and cost distribution for the coming year in conjunction with the annual business planning.

Decision-making process

The transactions are based on written agreements at market standards and terms. The decision-making documentation prior to a new agreement with related legal entities must be written and contain a risk assessment for conflicts of interest. The decision-making documentation must also include a brief requirement and impact analysis, as well as the person responsible for the transaction.

There is an assignment agreement that regulates the assignments that Länsförsäkringar Liv has performed on behalf of Länsförsäkringar AB or other related party. The assignment agreement also states how control and planning of the outsourced operation is to occur. There are also specifications to the assignment agreements that describes each assignment's service content, service level and execution.

Follow-up

Cost distribution is followed-up on a monthly basis. The total costs and internal costs are reported to the Board of Länsförsäkringar Liv and company management. The policies are documented in the finance handbook and prices for purchased services are published on Länsförsäkringar's intranet.

Länsförsäkringar Liv's transactions with related parties

The following section provides a description of the most significant related-party transactions in 2011. The transactions are recognised according to size.

1) Länsförsäkringar Liv's divestment of Länsförsäkringar Fondliv to Länsförsäkringar AB
In 1999, Länsförsäkringar AB divested all shares in Länsförsäkringar Fondliv to Länsförsäkringar Liv. A strong reason for this divestment was the anticipated advantages in a coordinated development of Länsförsäkringar's life assurance offering. Fondliv has now become so large that the company is no longer suited as an investment asset for Länsförsäkringar Liv. Accordingly, by divesting the shares in Fondliv, Länsförsäkringar Liv will achieve increased flexibility in the company's asset management and improved conditions for solvency and debt coverage. It is thus anticipated that efficiency in Länsförsäkringar Liv's asset management will increase. By creating an independent position for Fondliv as a subsidiary of the Länsförsäkringar AB Group, will also supplement the mutually operated Länsförsäkringar Liv with a profit-distributing limited liability insurance company where new life assurance products can be developed. The purchase consideration for the shareholding amounted to SEK 4.4 billion, which was paid on date of taking possession, October 31, 2011, and SEK 950 M will be paid in seven annual instalments from October 12, 2012.

2) Regional insurance companies' distribution remuneration

The regional insurance companies manage and administer Länsförsäkringar Liv's insurance products. Länsförsäkringar Liv pays remuneration for these services according to agreement. In 2011, remuneration for new sales and additional occupational insurance was paid to the regional insurance companies. Throughout 2011, capital-based remuneration was also paid, as well as remuneration for portfolio management based on premiums paid and in some cases as individual remuneration. A three-year cancellation terms applies for commission for sales conducted prior to the discontinuation of new sales under traditional management. The discontinuation of underwriting new sales of traditional management and the cancellation of capital-based remuneration on December 31, 2011 mean that the remuneration agreement was amended. Following negotiations, the regional insurance companies received compensation of SEK 210 M.

3) IT services and products from Länsförsäkringar AB

Länsförsäkringar AB provides IT services and products according to a framework agreement from 2004. Pricing is based on the cost-price policy. Costs for joint financial infrastructure are distributed according to various keys depending on the service to provide the most accurate picture possible. The framework agreement applies until further notice, with 12 months' termination notice.

4) Occupational pension for employees of the Länsförsäkringar Alliance

Länsförsäkringar Liv provides occupational pensions for employees within the Länsförsäkringar Alliance. These pension benefits are based on agreements in the Swedish labour market and the premiums are market based.

5) Management remuneration from Länsförsäkringar Fondförvaltning

Pursuant to an applicable partnership agreement from 2007, Länsförsäkringar Fondförvaltning provides investment funds that can be selected by Länsförsäkringar Fondliv's insurance customers. Länsförsäkringar Fondliv receives management remuneration on the value of the participations in Länsförsäkringar Fondförvaltning's mutual funds that were acquired and held by Länsförsäkringar Fondliv. The cooperation agreement applies until further notice, with six months' termination notice.

6) Service offerings to Länsförsäkringar Fondliv

Länsförsäkringar Fondliv purchases services from Länsförsäkringar Liv. The service offerings are regulated through agreements. The agreement applies until further notice, with six months' termination notice. The pricing is based on the cost-price policy based on a pricelist that is established annually.

7) Service and development from Länsförsäkringar AB

A more detailed description of pricing and organisation for these services is available in the above section about regulations for internal transactions of a continuous nature.

NOTE 38 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC. cont.

Mandatory services within Länsförsäkringar Alliance

Costs for the mandatory services within the Länsförsäkringar AB Group are distributed among the three core businesses of Non-life, Life assurance and Bank. The total operational costs are used as the distribution basis between the core businesses where no clear cost driver may be identified.

Individual service within Länsförsäkringar Alliance

Prices for individual services are set to reflect consumption of the product or service and invoicing is according to agreement with the customer.

Basic service in the Länsförsäkringar AB Group

The service centre and each Group-wide unit that provides basic service within the Länsförsäkringar AB Group prepares an annual documentation displaying the units that are counterparties, the products and services provided, content, service level, price structure and price level. This pertains for example to such services as IT, rent for premises and asset management. Länsförsäkringar Liv leases premises from Länsförsäkringar AB and pays market-based rent. The lease contract applies until December 31, 2016.

Costs for Group overhead

The costs for Group overhead are distributed between the units within the Länsförsäkringar AB Group. For Group overhead, a document must be prepared annually providing details on costs, meaning the services and activities executed and the staff/function responsible, and the distribution of these costs between the business units, etc.

8) Bonds in Länsförsäkringar Hypotek AB

Länsförsäkringar traditional life assurance owns listed bonds issued by Länsförsäkringar Hypotek AB with a fair value of SEK 2,815 M.

9) Bonds and subordinated debts in Länsförsäkringar Bank AB

Länsförsäkringar traditional life assurance owns listed bonds issued by Länsförsäkringar Hypotek AB with a fair value of SEK 558 M, as well as listed subordinated debts in Länsförsäkringar Bank AB, with a fair value of SEK 492 M.

10) Loans to companies within the Länsförsäkringar AB Group

To manage short-term liquidity flows, there is a promissory note between Länsförsäkringar Liv and Länsförsäkringar Fondliv amounting to SEK 250 M. The interest-rate for the loan corresponds to STIBOR plus 1.25 to be paid quarterly. There are also a number of promissory notes between Länsförsäkringar Liv and the wholly owned property companies, as well as between the companies within the property group. Interest income for transactions within Länsförsäkringar Liv is presented in the table below.

11) Reinsurance agreements with the regional insurance companies

On January 1, 2007, Länsförsäkringar Liv signed excess loss reinsurance with 22 of the 24 regional insurance companies pertaining to life contingency. The excess loss reinsurance model is based on the risk transaction to be reinsured within the Länsförsäkringar Alliance being distributed based on participations. Participations are distributed based on the regional insurance companies' share of premium income in Länsförsäkringar Liv. The agreement applies for one calendar year at a time, with six months' termination notice. This year, 23 regional insurance companies participate in the excess loss reinsurance model. The amount of SEK 51 M (49) stated in the table below for related-party transactions is net of the reinsurance business.

12) Asset management in Länsförsäkringar AB and external managers

Länsförsäkringar AB manages Länsförsäkringar Liv's investment assets through its asset management department and a number of external managers. For management, Länsförsäkringar Liv pays remuneration in relation to its proportion of the asset management department's actual operating expenses. The remuneration is calculated on cost price applicable at any time pursuant to adopted financial control policies within the Länsförsäkringar AB Group. For external management, the companies pay remuneration of a corresponding amount and on the same date as Länsförsäkringar AB pays remuneration to external managers. The agreement applies until further notice, with 12 months' termination notice.

12) Agreement on property management with Humlegården Fastigheter AB:

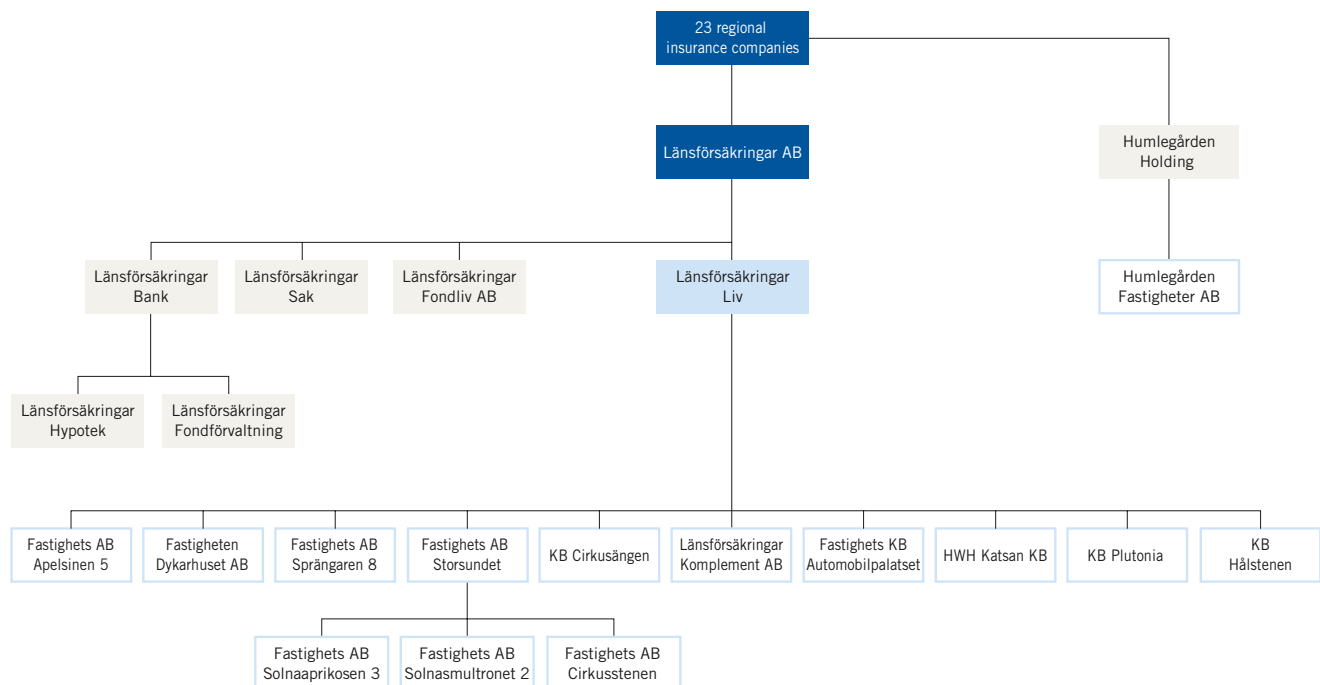
Länsförsäkringar Liv pays remuneration calculated on cost price to Humlegården Fastigheter AB for management of Länsförsäkringar Liv's Stockholm properties.

12) Shareholders' contribution to Länsförsäkringar Fondliv

In 2010, Länsförsäkringar Liv paid shareholders' contribution to Länsförsäkringar Fondliv.

13) Divestment of shares in Humlegården Fastigheter AB

Länsförsäkringar Liv divested its holdings in Humlegården Fastigheter AB to Humlegården Holding I AB in 2010. The purchase consideration amounted to SEK 4 M, corresponding to the shares' carrying amount.



The image is not a complete organisational diagram. The green boxes show subsidiaries and associated companies, light-blue boxes show other Group companies and the dark-blue boxes show the owners.

NOTE 38 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC. cont.

The tables below show the significant related-party transactions between companies within Länsförsäkringar Liv and legal entities related to the Group, as reported above. The transactions are shown according to sizes.

Länsförsäkringar Liv's transactions with related parties

Character	Counterparty	2011		2010		Text reference
		Income	Expenses	Income	Expenses	
Distribution remuneration, 2011 incl. remuneration capital	24 regional insurance companies	-	973	-	878	2
IT services and products	Länsförsäkringar AB	-	286	-	306	3
Occupational pension premiums for employees within the Länsförsäkringar Alliance	Länsförsäkringar Alliance	232	-	267	-	4
Management remuneration	Länsförsäkringar Fondförvaltning AB	179	-	211	-	5
Service and development, of which	Länsförsäkringar AB	-	262	-	153	7
- Individual service		-	154	-	56	
- Mandatory services		-	27	-	20	
- Basic service		-	76	-	74	
- Group overhead		-	5	-	3	
Interest rate	Länsförsäkringar Hypotek AB	107	-	96	-	8
Interest rate	Länsförsäkringar Bank AB	25	-	-	-	9
Service offerings	Länsförsäkringar Fondliv AB	24	-	-	-	10
Reinsurance agreement	23 regional insurance companies	-	51	-	49	11
Asset management	Länsförsäkringar AB	-	61	-	45	12
Property management	Humlegården Fastigheter AB	-	36	-	33	13
Purchase consideration	Humlegården Holding I AB	-	-	4	-	14
		567	1,669	574	1,464	

Transactions between Länsförsäkringar Liv and its subsidiaries

Character	Counterparty	2011		2010		Text reference
		Income	Expenses	Income	Expenses	
Shareholders' contributions	Länsförsäkringar Fondliv AB	-	-	-	400	6
Service offerings	Länsförsäkringar Fondliv AB	165	-	172	-	10
Interest rate	Länsförsäkringar Liv AB's subsidiaries	92	-	32	-	8
		257	-	204	400	

Related-party receivables and liabilities – Group

Counterparty	Dec. 31, 2011		Dec. 31, 2010		
	Receivables	Liabilities	Receivables	Liabilities	
Länsförsäkringar Hypotek AB	2,878	-	2,553	-	
Länsförsäkringar Bank AB	1,066	-	-	-	
Länsförsäkringar AB	914	87	7	35	
Länsförsäkringar Fondliv AB	250	24	-	-	
Länsförsäkringar Fondförvaltning AB	6	-	7	-	
Länsförsäkringar Grupplivförsäkrings AB	-	1	2	3	
Regional insurance companies	-	51	-	49	
Länsförsäkringar Sak AB	1	4	-	25	
	5,115	167	2,569	112	

Related-party receivables and liabilities – Parent Company

Counterparty	Dec. 31, 2011		Dec. 31, 2010		
	Receivables	Liabilities	Receivables	Liabilities	
Fastighets AB Storsundet	1,655	10	1,650	29	
Länsförsäkringar Fondliv AB	-	-	524	792	
Fastighets KB Automobilpalatset	524	77	523	54	
Fastighets AB Apelsinen	271	31	270	26	
Fastigheten Dykarhuset AB	268	63	264	62	
KB Plutonia	233	12	233	16	
HWH Katsan KB	176	35	176	28	
KB Hålstene 2	171	78	170	64	
KB Cirkusängen	114	1	-	-	
Fastighets AB Sprängaren 8	91	13	94	11	
Fastighets AB Cirkusstenen	-	35	-	22	
Fastighets AB Solnasmultronet	-	20	-	18	
Fastighets AB Solnaaprikosen	-	18	-	13	
	3,503	393	3,904	1,135	

The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2012.

Stockholm, March 22, 2012

Karl Olof Hammarkvist
Chairman

Gunnar Wetterberg
Deputy Chairman

Lennart Atteryd
Board member

Sten Dunér
Board member

Gunvor Engström
Board member

Sten Lundqvist
Board member

Ulrica Messing
Board member

Karin Åkesson Rehnholm
Board member

Christer Ekehov
Employee representative

Marita Viklund
Employee representative

Jörgen Svensson
President

Our Auditor's report was submitted on March 22, 2012

Mårten Asplund
Authorised Public Accountant

Gunilla Wernelind
Authorised Public Accountant

To the Annual General Meeting of Länsförsäkringar Liv Försäkringsaktiebolag (publ) Corp. Reg. No. 516401-6627

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and the consolidated financial statements of Länsförsäkringar Liv Försäkringsaktiebolag (publ) for 2011.

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 and consolidated financial statements in accordance 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 that are free from material misstatement, whether such misstatement is due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on my our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts and 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 Länsförsäkringar Liv

Försäkringsaktiebolag (publ) as of December 31, 2011 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act for Insurance Companies. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and the consolidated financial statements.

We 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 our audit of the annual accounts and consolidated financial statements, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Länsförsäkringar Liv Försäkringsaktiebolag (publ) for the year 2011.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal concerning the appropriation of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and the Swedish Insurance Business Act.

Auditors' responsibility

Our 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. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal complies with the Companies Act and the Swedish Insurance Business Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

We 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.

Stockholm, March 22, 2012

Mårten Asplund
Authorised Public Accountant

Gunilla Wernelind
Authorised Public Accountant

Corporate Governance Report

Länsförsäkringar Liv is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 14 local insurance companies. Länsförsäkringar Liv is operated in accordance with mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers.

Länsförsäkringar Liv complies with the Swedish Code of Corporate Governance (referred to below as the Code) in the applicable parts, with consideration of the fact that the company is not a stock-market company. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Notice

- Notice, publication of information prior to, attending and holding of an Annual General Meeting. Deviation from the provisions of the Code with respect to the fact that the company is not a stock-market company and only has one shareholder.

Mandate period

- The mandate period for Board members is, as a general rule, two years. Deviation from the provision of the Code stipulating 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 mandate period. A mandate period that is longer than one year contributes to ensuring continuity and establishing competence within the Board.

This Corporate Governance Report is unaudited.

General Meeting

Shareholders exercise their voting rights at the Annual General Meeting. Decisions are made at the Annual General Meeting pertaining to: the Annual Report, the election of members of the Board and auditors, remuneration to Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration to Board members presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman and other Board members, and includes remuneration for committee work.

Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee which, in addition to submitting proposals regarding Länsförsäkringar AB in consultation with the President of Länsförsäkringar AB, is also charged with the task of presenting, proposals regarding the Board of Directors and auditors of Länsförsäkringar Liv and other subsidiaries, and fees to these members and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. Since the 2011 Annual General Meeting, the Nomination Committee has comprised Karin Starrin (Chairman) (Länsförsäkringar Halland), Göran Trobro (Deputy Chairman) (Länsförsäkringar Göttinge Kristianstad), Ulf W Eriksson (Länsförsäkringar Värmland), Anna-Greta Lundh (Länsförsäkringar Södermanland) and Conny Sandström (Länsförsäkringar Västerbotten).

Länsförsäkringar Liv's Policyholders' Association

Länsförsäkringar Liv's Policyholders' Association was formed with the purpose of promoting policyholders' interests. Members of the association are appointed by the policyholders in Länsförsäkringar Liv. To secure fulfilment of the purpose and ensure that policyholders acquire influence and insight into the company's operations, the association is entitled to appoint two members to Länsförsäkringar Liv's Board of Directors. In matters of particular significance, the association will receive special information and be able to submit special statements. Since highly significant conflicts of interest between the life-assurance and the non-life insurance collective may arise, the association is to appoint an independent review in consultation with Länsförsäkringar AB.

External auditors

In accordance with the Articles of Association, Länsförsäkringar Liv shall have between one and three auditors and between zero and three deputy auditors. At the 2010 Annual General Meeting, Märten Asplund and Gunilla Wernelind, KPMG Bohlin AB were appointed as auditors for the period up to and including the Annual General Meeting in 2012.

Composition of Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar Liv shall comprise between eight and fourteen Board members, with between zero and six deputies. Board members are elected for a maximum mandate period of two years. In addition, members appointed by trade unions are also members of the Board. The company has no time limit for the length of time for which a member may sit on the Board. The company has no age limit for the Board members. Two of the members shall be appointed by Länsförsäkringar Liv's Policyholders' Association. A majority of the Board members, including the employee representatives, must be independent in relation to Länsförsäkringar Liv and other companies in the same Group. The Chairman of the Board is appointed by the Annual General Meeting. The Board appoints a Deputy Chairman from within its ranks of independent members. The President is not a member of the Board.

The Board currently comprises 10 regular members and two deputies. Six of the members are appointed by the General Meeting, two by Länsförsäkringar Liv's Policyholders' Association and two members and two deputies by the trade unions. Six of the members are independent. The Board members are listed on page 57 in the company's Annual Report.

Board responsibilities and allocation of duties

The Board is responsible for the organisation and administration of the company and shall handle and make all decisions concerning issues of material significance and an overall nature relating to the company's operations. This includes determining an appropriate organisation, the goals and strategies of the operation and guidelines for control and governance.

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, conflict of interests and disqualification.

The Board shall remain informed about the performance of the company to continuously assess the company's financial situation and position. Through its formal work plan, the Board has established that financial reporting shall take place in accordance with established instructions and through regular Board meetings.

The Board has established a Finance Committee, an Audit Committee and a Remuneration Committee. The duties of the Committee 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.

Every year, the Board establishes a directive for the President, insurance guidelines, investment guidelines and guidelines for managing conflicts of interest as well as a large number of guidance documents for the operations.

Based on legal regulations and the general advice of the Swedish Financial Supervisory Authority, the Board stipulates principles for the organisation, governance and distribution of work duties between the company's various bodies and positions in a company manual. The manual shall function as guidance and support for Länsförsäkringar Liv's daily work.

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

Chairman

According to the formal work plan, the Chairman shall 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 receive satisfactory information and documentation for decision-making, and applies an appropriate working methodology. Through ongoing contact with the President, also between Board meetings, the Chairman shall remain informed of significant events and developments in the company, and support the President in his work.

Internal audit

The Board appointed an internal audit function independent from the operating activities, with the primary task of ensuring that the scope and direction of the operations agree with the guidelines issued by the Board and that the operations are being conducted towards the targets established by the Board. The internal audit function is also to examine and assess the organisation of the bank, its procedures, governance and control of the operations. The Board has adopted a separate instruction for the internal audit function.

The results of the review of the internal audit are reported in summary to the Board and in more detail to the Audit Committee.

Finance Committee

The Board of Directors of Länsförsäkringar Liv has appointed three of the total of eight members in a Group-wide Finance Committee for the Länsförsäkringar AB Group. The Committee is intended to be a forum for financial business environment and macroeconomic analyses, and for preparing matters concerning asset management to be presented to the Board for decision. It is also the duty of the Finance Committee to monitor compliance with established objectives, investment orientation, chains of command, etc. At the statutory Board meeting in 2011, Karl-Olof Hammarkvist, Gunnar Wetterberg and Anders Östryd were appointed to represent Länsförsäkringar Liv in the Finance Committee. The President is co-opted to the Committee.

Audit Committee

The Audit Committee is responsible for preparing the Board's work with quality assurance of the company and the Group's internal governance of financial reporting, risk management and risk control, regulatory compliance, other internal governance and for matters that the Board from time to time refers to the Audit Committee. At the statutory Board meeting in 2011, Ulrica Messing (chairperson), Lennart Atteryd, Sten Dunér and Sten Lundqvist were appointed members of the Audit Committee.

Remuneration Committee

The Remuneration Committee shall prepare issues concerning remuneration and other terms of employment for the President and the principles for remuneration and other terms of employment for company management. At the statutory Board meeting in 2011, Karl-Olof Hammarkvist (chairperson), Gunnar Wetterberg and Sten Dunér were appointed members of the Remuneration Committee.

Meetings and attendance

The table below shows the number of meetings held in each body since the 2011 Annual General Meeting until February 2012, and the attendance by each Board member: Two Board meetings were held solely to deal with the issue of divesting the subsidiary Länsförsäkringar Fondliv Försäkringsaktiebolag to Länsförsäkringar AB. At both of these meetings, only the independent members were in attendance.

	Independent members	Board of Directors	Finance Committee	Audit Committee	Remuneration Committee
Total number of meetings		15	3	2	2
Lennart Atteryd	x	14	–	2	–
Sten Dunér		11	2	2	–
Christer Ekehov		12	–	–	–
Gunvor Engström	x	10	–	–	–
Bitte Franzén-Molander (deputy)			5	–	–
Karl-Olof Hammarkvist	x	15	2	–	2
Ulf Hamrén (deputy)		11	–	–	–
Sten Lundqvist		11	–	2	–
Ulrica Messing	x	12	–	2	–
Karin Rehnholm Åkesson	x	13	–	–	–
Gunnar Wetterberg	x	13	3	–	2
Marita Wiklund		11	–	–	–
Anders Östryd ¹⁾		12	3	–	–

1) Stepped down from the Board of Directors on October 31, 2011.

INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

The Board of Directors is responsible for the control and governance of the operations. This responsibility includes the preparation of an efficient system for risk management and internal control. The risk-management system is to ensure that, for example, risks can be continuously identified, managed and reported. Internal control is a process designed to provide reasonable assurance that the objectives of the operations are achieved in terms of appropriate and effective business operations, reliable financial reporting and information about the operations and compliance with applicable internal and external regulations. The internal-control system encompasses all parts of the organisation and is an integral part of each operation within the Group.

Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second the Compliance and Risk Control functions and the third the Internal Audit function. The second and third lines of defence are independent in relation to the first line.

The purpose of the internal control of the financial reporting is to manage risks in the processes pertaining to the preparation of the financial reporting and to ensure a high level of reliability in such reporting.

Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, resolutions procedure and allocation of authorities and responsibilities among the various bodies that the Board of Directors and the President have established. The control environment also includes the values and corporate culture that the Board, President and management communicate and work from to create effective and efficient operations.

The task of the Audit Committee is to assume responsibility for preparing the Board's work with quality assurance of the financial reporting and to monitor the efficiency of the internal governance and control. The Committee is also to prepare the direction, scope and coordination of the work of the Internal Audit and study the observations and recommendations from the external auditors.

The process for internal control and risk management is based on the control environment and involves four main activities: risk assessment, control activities, information and communications, and follow-up.

Risk assessment

Risk assessment includes identifying and analysing the source of risks affecting internal control relating to financial reporting. The company is governed using joint processes, in which risk management is built into every process and various methods are used to value and limit risks and to ensure that identified risks are managed in accordance with established guidance documents.

Based on the risk analysis, processes and control activities associated with key risks are mapped to identify material errors in the financial reporting.

Control activities

Risks in financial reporting are controlled through carefully prepared financial statements, standardised work routines with built-in control functions and the evaluation of ongoing improvements. The financial information is analysed and reviewed at various organisational levels before being presented publicly.

Efforts are ongoing to eliminate and reduce identified significant risks affecting internal control relating to financial reporting. This includes the development and improvement of control activities, and efforts to ensure that employees have the appropriate expertise.

Information and communications

Internal guidance documents are subject to review and reassessment at least once a year. All guidance documents are published internally. Every manager must ensure that the regulations are communicated to affected subordinate staff.

Follow-up

The Internal Audit function was established to assist the Board in following up and ensuring that the scope and direction of the operations complies with the guidelines issued by the Board and that the operations are conducted in accordance with the targets established by the Board. Based on its reviews, the Internal Audit function shall form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit function reports to the Board of Directors.

The Compliance function's task is to regularly identify, assess, monitor and report on compliance risks, meaning the risk that inadequate compliance could tarnish the reputation of the company or result in financial losses or sanctions in accordance with legislation or regulations. Reporting is addressed to the respective Presidents and Boards of Directors.

Board of Directors and auditors

BOARD OF DIRECTORS

Karl-Olof Hammarkvist

Chairman

Born 1945. Elected 2006.

Lecturer, Senior Advisor, the Stockholm School of Economics.

Other Board appointments: Board member of the Royal Dramatic Theatre and the Foundation for Financial Research.

Previous experiences: School of Economics, Skandia International and Nordea.

Gunnar Wetterberg

Deputy Chairman

Born 1953. Elected 2004.

Socio-political head of the Swedish Confederation of Professional Associations (SACO).

Previous experiences: Diplomat (The Ministry for Foreign Affairs, Hanoi, Geneva), Ministry of Finance and director of the Association of Local Authorities.

Lennart Atteryd

Born 1953. Elected 2010.

President of Ackordscentralen Malmö AB.

Previous experiences: Lawyer and partner in Advokatfirman Vinge KB.

Sten Dunér

Born 1951. Elected 2009.

President of Länsförsäkringar AB. Other Board appointments: Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv, the Swedish Insurance Federation and Swedish Insurance Employers' Association (FAO). Board member of Fastighets AB Balder.

Previous experiences: CFO and other executive positions within Länsförsäkringar AB.

Gunvor Engström

Born 1950. Elected 2005.

County Governor Blekinge.

Other Board appointments: Chairman of the Swedish Association of Independent Schools, Board member of Semcon, AP 3, Apoteksgruppen, Metria and Hexicon.

Previous experiences: President of Bank 2, President of Företagarna, worked for nine years at the Government Offices (Ministry of Foreign Affairs and the Ministry of Enterprise, Energy and Communications), President of Tjänsteförbundet, Marketing Manager of FFNS, Marketing Manager of Newsec and own company.

Sten Lundqvist

Born 1950. Elected 2009.

President of Länsförsäkringar Älvsborg.

Other Board appointments: Board member of Länsförsäkringar Mäklarservice AB, Länsförsäkringar Älvsborg Förvaltnings AB, Pro Security Bevakning i Borås AB, L Finans AB, Piren Venture Holding AB, Älvsborgs Larmcentral AB and AB Borås Parkeringskontroll.

Previous experiences: Master of Business Administration. Accounting and Financial Director of Unisys, Financial Director of Skandia International, President of Skandia US Holdings, President of Edgecom AB and Senior Business Manager of Ericsson AB.

Ulrica Messing

Born 1968. Elected 2006.

Entrepreneur.

Other Board appointments: Chairman of Astrid Lindgren's World, Wallenstam's property company. Previous experiences: Member of Parliament 1991–2006, Cabinet minister in the Ministry of Enterprise, Energy and Communications and the Ministry of Employment 1996–2006.

Karin Åkesson Rehnholm

Born 1955. Elected 2004.

Lawyer

Other Board appointments: Board member and President of Stiftelsen Hemmet.

Christer Ekehov

Born 1953. Employee representative since 1995.

Company lawyer at Länsförsäkringar Liv.

Other Board appointments: Employee representative for Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) and the Swedish Confederation of Professional Associations, SACO, at Länsförsäkringar AB.

Marita Wiklund

Born 1965. Employee representative since 2007.

Works with: Business unit Finance and Risk/Accounting and back office.

Previous experiences: The Swedish National Union of Insurance Company Employees at Länsförsäkringar AB since 2004.

Bitte Franzén Molander

Born 1961. Deputy, Employee representative since 2008.

Works with: Insurance specialist traditional insurance.

Other Board appointments: Employee representative Länsförsäkringar Fondförvaltning AB (publ) and the Swedish Confederation of Professional Associations, SACO, at Länsförsäkringar AB.

Previous experiences: Many years' experience from life and contractual insurance industries.

AUDITORS

Mårten Asplund

Authorised Public Accountant KPMG. Auditor in the company since 2010.

Gunilla Wernelind

Authorised Public Accountant KPMG. Auditor in the company since 2010.

Group management

Jörgen Svensson

President.

Born 1959.

Previous experiences: President of

Länsförsäkringar Blekinge.

Board member of Länsförsäkringar Liv AB

and Wasa Run Off AB.

Various executive positions within Skandia and If.

Erling Andersson

Born 1955.

Corporate Senior Actuary. Employed since 2001.

Previous experiences: Actuary Skandia Liv.

Roger Lidberg

Born 1960.

Business Manager.

Employed since 1995.

Previous experience as Regional Manager of

Länsförsäkringar Stockholm, Regional Manager of

Wasa Försäkring, District Sales Manager at Skandia.

Board assignments: Länsförsäkringar Fondliv

Försäkringsaktiebolag (publ) and VI SI System AB.

Helen Hallåker

Born 1960.

Chief Legal Adviser.

Employed since 2010.

Previous experiences: Law Clerk, the Financial

Supervisory Authority, life assurance legal adviser

at Handelsbanken Liv, Company lawyer at AMF

Pension, rules and regulations consultant at KPMG.

Jakob Carlsson

Born 1967.

CFO.

Employed since 2007.

Previous experiences: Head controller at SPP and

Handelsbanken Liv, Group controller at Alecta.

Definitions

Capital base

Parent Company: Total shareholders' equity plus untaxed reserves according to the balance sheet, and surplus values on assets.

Insurance group: Calculated according to the Swedish Financial Supervisory Authority's directives on group-based capital base (FFFS 2002:4). The calculation was based on the aggregation and accounting method and includes in practice Länsförsäkringar Liv AB and Länsförsäkringar Fondliv AB.

Collective consolidation capital

The market value of the total net assets less the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for insurance policies that carry bonus rights.

Collective consolidation ratio

The ratio between the market value of the total net assets and the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for insurance policies that carry bonus rights.

Direct yield

Interest income, interest expense, dividends and net profit from real estate in relation to the average value of managed assets.

Management cost ratio

Operating expenses according to the income statement and claims adjustment costs according to Note 8 as a percentage of average managed assets.

Required solvency margin

Parent Company: The Swedish Insurance Business Act's requirements of the lowest permitted level of the capital base for insurance companies, which mainly comprise 4% of the technical reserves in addition to 3 per mille of the positive risk totals (mortality risks).

Insurance group: Calculated according to the Swedish Financial Supervisory Authority's directives on group-based solvency margins (FFFS 2002:4) and includes in practice Länsförsäkringar Liv AB and Länsförsäkringar Fondliv AB.

Solvency capital

Shareholders' equity, untaxed reserves (including deferred tax), as well as surplus values on assets.

Solvency rate

The capital base in relation to required solvency margin (solvency ratio must be at least 1).

Solvency ratio

The market value of the company's total net assets in relation to guaranteed commitments to policyholders (technical reserves according to the balance sheet).

Total return

Total return on assets in traditional management prepared in accordance with the Swedish Insurance Federation's recommendation for annual reporting of total return. The total return table is found in the Board of Directors' Report. Other assets and management expenses are not included in the calculation of the total return.

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