Länsförsäkringar Liv
Annual Report 2012

This is Länsförsäkringar Liv

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 accident and health 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.

LÄNSFÖRSÄKRINGAR IN BRIEF

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, insurance and real-estate brokerage services through the regional insurance companies. Animal and crop insurance is offered through Agria 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 that customers' security is our sole task is an approach that characterises the entire business. The Länsförsäkringar Alliance has almost 3.5 million customers and approximately 5,800 employees.

Länsförsäkringar organisation 2012

3.5 million customers

Länsförsäkringar Broker service — 23 local regional insurance companies — Länsförsäkringar Fastighetsförmedling

Länsförsäkringar AB

Länsförsäkringar Sak — Länsförsäkringar Bank — Länsförsäkringar Fondliv

Agria

Länsförsäkringar Liv*

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

2012 IN BRIEF

- In 2012, Länsförsäkringar Liv continued its work on safeguarding savers' money and the investment portfolio was redistributed. The percentage of interest-bearing investments was gradually increased in line with divesting equities and properties.
- The solvency ratio was stable during the year and amounted to 113% on December 31, 2012, up 2 percentage points.
- Collective consolidation improved, primarily attributable to positive investment income, and amounted to 111% on December 31, 2012.
- The bonus rate for 2012 was 0%.
- The total return in traditional management amounted to 6.1% (6.5), mainly as a result of the favourable returns on corporate loans and mortgage bonds.
- Managed assets increased 3% during the year.

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STATEMENT BY THE PRESIDENT

Stability in a volatile economic environment yet key challenges still exist

The year was characterised by continued low interest rates and volatility on stock markets across the world. Low interest rates are of great significance to a Swedish life-assurance company that calculates its market value and discounts its liabilities with relatively long-term Swedish government bonds. In the summer we saw interest rates at record-low levels, which later stabilised at about 1.50% for the Swedish ten-year government bond rate.

In May, the Swedish Financial Supervisory Authority announced that it intended to introduce a rate floor to help life-assurance companies plan their undertakings and thus avoid disadvantageous measures for customers regarding the allocation of their investment assets. The discount floor that was finally determined in June was set at 1.27%; a figure that only a year ago would have been completely inconceivable to plan for.

We continued with our important programmes on strengthening solvency and during the year we achieved a stable situation regarding the risk of falling interest rates. However, our solvency ratio remained excessively low (113%) to provide favourable bonuses in the long term. Work on strengthening solvency is continuing to enable us to allocate assets more favourably for our customers in the long term. Our cost-savings programme progressed and we attained our target of 0.5% in relation to managed assets by a healthy margin. The target is continued cost savings.

We discontinued underwriting new policies in September 2011, which meant that we are not accepting any new customers. Our existing customers can continue to save and pay in new deposits. Our managed assets rose slightly after we generated returns on our assets as a counterweight to the outward payments, repurchases and transfers of capital that took place during the year.

We are continuing to devote much of our daily activities to the future regulations for insurance companies in the EU, Solvency II, and we have made excellent progress on the preparations. It now appears that the rules may be substantially delayed but we are working according to the original plan that we established. We have selected an internal model that will best illustrate the various risks that we are exposed to and accordingly the capital requirements necessary for covering such risks. The costs associated with preparing and implementing models that are to govern the company's risk management under Solvency II are very high and it is essential that we see clear advantages in the future, particularly for customers. An improved reporting structure, control and capital situation in relation to risk is important but will also entail challenges for traditional life-assurance companies in generating favourable returns over time.

Management earnings

The total return for savers in traditional management was 6.1%. Given the circumstances with the heavy interest-rate bias in our portfolio, we were satisfied with this result. During the year we sold most of our properties and alternative investments and 90% of our portfolio is now allocated to various interest-bearing instruments. These sales were made, as previously communicated, to strengthen our key figures and reduce risk in our portfolio. We have remained cautious in paying bonuses, despite healthy collective consolidation, due to our relatively low solvency. We paid a bonus of zero for the full-year 2012. This meant that, after tax and fees, customers had a reduction in the non-guaranteed portion of their insurance capital.

The traditional-management portfolio has total assets of SEK 109 billion at year-end.

The New World management form, which has a fixed allocation of 70% equities and 30% interest rates in various markets, generated returns of 12.2%, which we are pleased with. New World manages SEK 13 billion in capital. Unlike traditional management, we have no rounded-off bonus model; instead customers have their entire returns allocated directly to their insurance.

Market and economic environment

We are in a situation in which we no longer underwrite new policies and thus are not impacted or encompassed by some of the events in the market, for example, the procurements on collective agreement pensions. It also means that we cannot measure our success in the market in terms of new savers or market shares. Generally speaking, the price pressure on various fees is continuing. The need for advisory services does not decline simply because certain products have been simplified or standardised. In many cases, looking at a person's finances as a whole is a complex and difficult situation to interpret. This is why good support is needed but at a reasonable cost. Each customer's situation, wishes and need must be respected to reach the right goals and means. In this way the need and scope of advisory services can be determined.

The highly anticipated Life Assurance Inquiry contains key areas for us. Naturally one of these areas is the issue that is written about and debated the most: transfer options. However, surplus management and customer influence in mutual companies are also important issues.

At the time of writing, the Inquiry has been referred to the various players in the market and stakeholder groups for comment. I can state simply that the industry is rather fragmented in its view of transfer options. What can be transferred, at what cost, how is the transfer value to be calculated, what is a paid-up policy, what is to be avoided and what is to be treated differently. The period for comment ended on February 28, 2013 and the comments will then be evaluated, analysed, studied and eventually discussed by government and parliament. It is likely to be some time before legislation is in place. Länsförsäkringar Liv advocates transfer options that are as free and healthy as possible. However, despite this we are convinced that this issue is not being driven in the consumer sector but by market players. We believe that there are many opportunities for well-founded legislation but there is the risk that various special interests and considerations will ultimately result in a compromise.

As a life-assurance company operated in accordance with mutual principles and with traditional management, it is important that fair aspects are taken into account. Customers cannot simply be transferred to and fro in this corporate form since customers guarantee each other through the shared risk capital in the collective consolidation fund . Product, terms and conditions that were signed decades ago are not suited to transfers. In other words, consideration must be given to the mutual collective as a whole and not just the individual alone. In terms of customer influence in mutual companies, we believe that we have made considerable progress. We have had an independent Board of Directors and an independent Chairman for many years. In addition, our independent policyholder association appoints two members on our Board. In combination, these efforts guarantee that policyholder influence is highly satisfied. However, the Inquiry goes further in its proposal, for example, proposing the possibility of voting at the general meeting.

Over the year we will offer customers the chance to make changes to their existing terms and conditions. We currently have guaranteed interest rates of 3-5%, with long-term Swedish bond interest rates at 1.5%. This makes it very difficult to generate high returns over time since the guarantee levels tie up large amounts of capital that cannot be invested freely. The is not sustainable in the long term and is not positive for customers. Accordingly, our customers will have the offer of reducing their guaranteed interest rate in exchange for lower fees and a better investment portfolio.

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 2012 fiscal year.

Ownership and Group structure

Länsförsäkringar Liv Försäkringsaktiebolag is a wholly owned subsidiary of Länsförsäkringar AB (Corporate Registration Number 556549-7020). 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 health-insurance operations, as well as non-life insurance operations in the form of direct accident and health insurance. Länsförsäkringar Liv manages pension savings with traditional management, New World management and Insured Pension valued at SEK 126 billion.

Market

In 2012, work on safeguarding savers' money continued. Länsförsäkringar Liv's key figures were negatively affected by the sharp decline in Swedish market interest rates in the 2000s. The decline in interest rates impacted the balance sheet since liabilities to the policyholders are discounted by the market interest rate. Länsförsäkringar Liv has a relatively long duration for its liabilities, which meant that the impact of the discount was significant. The turmoil in the financial markets continued in 2012 and the debt crisis in Europe was a centre of focus. Risk willingness declined during the spring and start of the summer, with the Swedish long-term interest rate falling to a historically low level and investors seeking safer investments, such as Swedish government bonds. The Swedish Financial Supervisory Authority announced at the start of June that it intended to introduce a floor for the discount rate of life-assurance companies. Following this decision, the long-term Swedish rate rose sharply from very low levels. The interest rate remained volatile during the summer and autumn, yet at low levels.

Following an action plan, Länsförsäkringar Liv continued its work on reducing risks in the investment portfolio and strengthening key figures. Longer durations in fixed-income investments and successive sales of equities exposure through Private Equity funds and property exposure led to risks in the investment portfolio decreasing further. During 2012, investment assets in traditional management mainly comprised long-term interest-bearing assets.

The systematic activities to manage and control the operations' risks were of immediate importance to the company and its customers. These measures also generated the expected and positive effects on earnings and key figures.

Significant events during the year

Life Assurance Inquiry

At the end of September, the Life Assurance Inquiry submitted its report to the government. If its proposals are approved, the life-assurance market will be deeply affected. The Inquiry focused 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. The proposals have major implications for consumers, insurance companies and other players.

Transfer options, which means the option of transferring the value of an insurance policy from an insurance company to another, is a much-debated issue. The Inquiry proposes that current mandatory transfer options for individual insurance policies and non-collectively agreed occupational pensions can also be made retroactively. Certain exemptions are proposed for collective-agreement insurance, from mandatory transfer options, and it is proposed that all defined-benefit occupational pensions be completely exempt. Länsförsäkringar Liv has a positive view of transfer options, but changes must be made with great consideration of all customer interests. Neither customers who transfer nor those choosing to remain in the company should be disadvantaged.

It is proposed that policyholders in mutual limited liability companies be given greater influence at general meetings and that a fourth of independent board members be appointed by the policyholders. The chairman of the board is to be appointed by these independent board members. Furthermore, the Inquiry proposes that the board have a shared duty of loyalty so it firstly safeguards policyholders' interests and secondly ensures the other interests of the company.

On the issue of surplus management in non-profit-distributing insurance companies, the Inquiry's main proposal is that companies retain their collective consolidation fund, where surpluses are currently deposited, but that clear transparency requirements be introduced. In addition, the Inquiry proposes a option whereby the collective consolidation fund is abolished and alternative surplus management can instead be applied.

The Inquiry has also proposed clarification regarding the rules on demutualisation. Efforts have been made to specify how investment funds and surplus values are to be managed in the event of demutualisation.

New standard for recognition of insurance contracts

A new standard for recognition of insurance contracts was not presented in 2012 as expected. According to the current timeframe, the IASB will present a revised draft during the second half of 2013 and a finished standard in 2014. The standard is expected to take effect in 2018. The aim is to produce an effective standard for recognising insurance companies' technical liabilities fairly and transparently, also during periods with low interest rates. Over the past two years, the IASB has reviewed the comments and proposals that were submitted to the proposal in 2010. The IASB has thoroughly redrafted the standard and gradually introduced changes. The new draft will once again follow the "due process" established by the IASB for the development of IFRS standards, this time with the limitation that only certain questions may be commented on.

Solvency II risk-based regulatory requirements from 2015

In 2009, the EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II. 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 successively postponed by the EU body. Pending completion of the negotiations on the final Solvency II rules, the European Insurance and Occupational Pensions Authority (EIOPA) has decided to issue guidelines on interim measures for Solvency II. EIOPA will draft the details at the start of 2013 and the measures will then be applied from 2015 at the earliest. It is proposed that the following areas be encompassed by the measures: 1) System of governance, including risk management system, 2) a forward-looking assessment of the undertaking's own risks (ORSA), 3) pre-application of internal models and 4) reporting to supervisors.

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 preliminary review of the partial internal model for calculating the Solvency Capital Requirement. The company will thus be able to work with measures of capital requirement that are better aligned with the company's risks that those in the standard formula. In 2012, work intensified to adapt the regulatory framework of the partial internal model and its connection to operational planning, governance and control, and in the spring of 2012 the Financial Supervisory Authority began its preliminary review which will continue according to plan in 2013. In 2012, an Own Risk and Solvency Assessment (ORSA) was performed. 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, business plan for the coming 3–5 years.

Länsförsäkringar Liv and the other subsidiaries of Länsförsäkringar AB have participated in the Solvency II preparations for several years, which has led to high volume of work and costs for the companies. 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.

Earnings and financial position

Net loss in the Länsförsäkringar Liv Group amounted to SEK 4,872 M (loss: 13,063) and the profit in the Parent Company amounted to SEK 4,850 M (loss: 16,012). Investment income in traditional management was 6.1% (6.5) in 2012. The market interest rate that had an adverse effect on earnings in 2011 also fell slightly in 2012, although the impact on earnings was relatively minor. The trend in long-term market interest rates impacts the earnings of the life-assurance companies by discounting the liabilities to the policyholders by the market interest rate. Accordingly, falling interest rates mean that liabilities increase. In 2012, declining rates could be matched against positive investment income in Länsförsäkringar Liv. This was a deliberate strategy with the investment portfolio being matched at an early stage with liabilities in order to reduce risk when interest rates fell. Returns were positively impacted by a high percentage of fixed-income investments with long maturities. Interest-bearing investments in the form of corporate loans and mortgage bonds contributed to a favourable total return. The return on alternative investments also made a contribution, despite comprising a low percentage of the portfolio.

Premium income

The total premium income in Länsförsäkringar Liv (Group) amounted to SEK 4,319 M (6,514), down 34%. Most premium income comprised occupational pensions and savings in endowment insurance. The decline was due to essentially all new sales of insurance policies in Länsförsäkringar Liv having been discontinued. However, premiums continue to be paid for valid insurance policies, but no new policies were added. An exception to the sales stop was new sales of insurance in risk operations in 2012. The largest decrease in premium payments took place in one-off premiums.

Claims payments
Claims payments paid amounted to SEK 7,491 M (5,432). The increase was primarily due to transfers of capital out of the company and repurchases.

Change in technical provisions
Technical provisions after provision for claims outstanding and reinsurance amounted to SEK 104,942 M (106,913). Surpluses in the New World management form have been reserved in the form of conditional bonus since 2011. In 2012, Länsförsäkringar Liv started making individual provisions, which led to a deferred capital contribution of SEK 86 M for the year.

Asset management
Net investment income totalled SEK 7,659 M (4,530). The positive result was due to the holdings in mortgage bonds and corporate loans that benefited from lower spreads. High returns in New World also contributed to the Group's investment income. Investment assets according to the balance sheet including conditional bonus rose to SEK 126,528 M (117,923) during the year. The average bonus rate since Länsförsäkringar's traditional life-assurance operations were started in 1985 is 8.3%. The bonus rate in 2012 was 0%.

Traditional life assurance
Investments are normally diversified in interest-bearing securities, equities, properties and alternative investments. Länsförsäkringar Liv's percentage of equities, properties and alternative investments were gradually reduced in favour of long-term interest-bearing investments. On December 31, 2012, asset allocation in the portfolio was as follows: 2% invested in equities, 92% in interest-bearing securities, 2% in property and 4% in alternative investments. The return for the different asset classes in 2012 was as follows: equities 1.4% (neg: 7.6), interest-bearing securities 6.2% (11.2), properties 5.1% (5.7) and alternative investments 14.2% (0.5).

New World
The New World 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. New World is usually structured as follows: 70% equities (within the interval of 60–80%) and 30% interest-bearing securities. The relatively large share of equities increases opportunities for high returns in the long term. New World shareholdings are spread throughout the world to have as little dependence on individual markets as possible. The total return for New World amounted to negative 12.2% (neg: 3.8). The favourable return was mainly attributable to return from equities.

Insured Pension
Insured Pension is Länsförsäkringar Liv's product for private pension savings. Insured 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.

Risk operations
Risk operations comprise life-assurance, health-insurance and non-life insurance products. These products contain life-assurance cover, old-age pensions, survivor's protection, accident and health-insurance cover and invalidity benefit. The risk result amounted to SEK 459 M (735). The decline in earnings was due to lower premium levels and a slightly higher claims outcome 2012. The result corresponded to a claims outcome of 44% (36). 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. A large part of the reinsurance programme is managed internally within the Länsförsäkringar Alliance.

Solvency
Länsförsäkringar Liv has worked actively since the start of 2011 on strengthening its solvency and reducing risks. For example, the investment portfolio was further matched against liabilities to protect the company's balance sheet from falling interest rates. The solvency ratio shows the value of the company's assets in relation to the guaranteed commitments to customers. Since solvency is one of the company's most important financial restrictions, at lower levels the solvency ratio becomes a measure of the long-term ability to meet guarantee commitments. The measure reflects a situation if the entire guaranteed capital were to be paid on a single day. The solvency ratio amounted to 113% (111) on December 31, 2012. The capital base, the solvency surplus, amounted to SEK 13,969 billion on December 31, 2012, an increase of 27% for the year. Meanwhile, the capital requirement totalled SEK 4,527 billion, giving a solvency rate of 3.1 (2.4). The strengthening of the capital base was due to the company's positive earnings in 2012, although this increase was reduced by the surplus paid.

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

Five-year summary
The five-year summary is on page 9.

Risks and risk management

The primary task of risk governance is to ensure that Länsförsäkringar Liv can meet its customer undertakings with a satisfactory margin. 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

Leadership and performance

Länsförsäkringar Liv works with performance management and a clear focus on the business and its values. With the aim of further developing performance, the focus in 2012 was leadership that is clear, utilises the potential of each individual employee and drives performance in an optimal manner. Employees receive regular feedback on their performance to help them achieve the personal goals in their goal contract.

Health

A major project, involving extensive reconstruction of the fitness facility was implemented in the spring of 2012. Subsidised massages during work hours and personal trainers at cost price are other fitness activities that are offered. All employees have health care insurance that provides rapid access to specialised care. Medical advice and follow-ups are provided through the sickness reporting service and managers can receive professional advice regarding rehabilitation for employees, if required.

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

Länsförsäkringar Liv believes that environmental considerations are natural elements of contributing to sustainable development in modern-day society. Länsförsäkringar Liv's environmental management system has been ISO 14001-certified since 2004. This certification was confirmed with a new certification partner this year, SFK Certifiering. Work is continuously carried out to reduce environmental impact in line with the company's environmental policy. A number of areas with a negative impact on the environment have been identified. To reduce the environmental impact, train travel is increasingly used for business trips according to the company's travel guidelines. To reduce the amount of business travel, investments were also made in technical equipment that will allow meetings to be held by telephone, video or online.

Another area that the company is working on is to reduce paper-based communication with every customer. The Länsförsäkringar AB Group has set a target of reducing the volume of mail outs by 80%, to be achieved over a number of years, by changing its method of communication with customers. To reduce the consumption of paper, digital solutions are being developed and the Internet channel enhanced.

Key events after the end of the fiscal year

Länsförsäkringar Liv's high guarantees are charged to the solvency ratio and, accordingly, present the greatest obstacle to being able to freely and flexibly invest capital at higher expected returns. As a result, the company decided to offer selected customer groups the opportunity in 2013 of voluntarily changing the terms and conditions of their traditional managed insurance to lower guarantees and other investment portfolios.

Expectations regarding future development

Since Länsförsäkringar Liv introduced measures as early as 2011 to adapt the company's risk level to the new global situation, the company's solvency ratio was stable throughout 2012 despite variations in the interest rate. In 2012, Länsförsäkringar Liv completed the risk-reduction measures that were introduced during 2011 and risks in the investment portfolio were further reduced through longer durations in fixed-income investments and lower exposure to properties and equities. Länsförsäkringar Liv's current investment portfolio, of which more than 90% comprises interest-bearing investments, is deemed to contain too low a level of high-yield investments to generate a favourable return over time. Accordingly, the company will continue to prioritise strengthened key figures in 2013.

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 2013.

Group

Total equity for the Group amounted to SEK 13,832 M at year-end. No provision to restricted reserves in the subsidiaries is proposed.

Parent Company

In 2012, the recognised profit amounted to SEK 4,850 M.

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

Net profit for the year	4,850
Total	**4,850**

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	710
Occupation-linked health insurance and premium exemption	77
Individual traditional life assurance	3,959
Non-cancellable accident and health insurance and premium exemption	113
Group life assurance and employment group life assurance	–8
Cancellable group accident insurance	–2
Total	**4,850**

TOTAL RETURN TABLE

Investment assets in traditional management, SEK M	Total return, %	Market value, Dec 31, 2012	%	Market value, Dec 31, 2011	%
Interest-bearing	6.2	101,761	93.0	87,681	80.7
Equities	1.4	1,829	1.7	10,468	9.6
Alternative investments[1]	14.2	3,884	3.5	4,004	3.7
Property	5.1	2,016	1.8	6,496	6
Other (incl. Fondliv)	–	–	–	0	0
Liability protection[2]	–	–	–	–	–
Total	**6.1**	**109,490**	**100**	**108,649**	**100**

RECONCILIATION TOTAL RETURN TABLE WITH BALANCE SHEET

	Dec 31, 2012	Dec 31, 2011
Land and buildings	–	1,480
Interest-bearing securities issued by Group companies and loans to Group companies	7,506	8,466
Shares and participations	10,052	18,900
Bonds and other interest-bearing securities	92,470	79,291
Derivatives	8,730	4,563
Other financial investment assets	1,771	–
Assets for conditional bonus	4,564	4,003
Cash and bank balances	3,968	7,279
Accrued interest and rental income	1,135	1,036
Derivatives, liabilities	–7,000	–2,118
Total	**123,196**	**122,901**
Adjustments		
Market value, subsidiary	1,438	1,210
Market value, associated property company	330	338
Assets in New World management	–12,871	–12,564
Group account balance	–342	–394
Trading book	–719	–608
Other	–1,542	–2,234
Total	**109,490**	**108,649**

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

2) Contribution to total return.

Five-year summary

	2012	2011	2010	2009	2008
Earnings, Group, SEK M					
Premium income for own account	4,319	6,514	6,700	6,072	5,820
Investment income, net	7,659	4,530	7,654	14,465	–17,596
Claims payments	–7,491	–5,432	–4,354	–4,300	–4,245
Disbursed and balanced bonus	–1,891	–1,669	–1,591	–1,719	–1,703
Technical result, non-life insurance operations	5,447	–12,226	4,670	19,001	–28,905
Net profit/loss for the year	4,872	–13,063	3,716	18,106	–30,126
Financial position, SEK M					
Financial assets measured at fair value, Group	121,964	113,920	105,872	106,781	102,880
Technical provisions, net in the Group	104,942	106,913	83,446	83,115	97,200
Solvency capital, Parent Company	13,970	10,981	34,065	30,997	14,022
Of which surplus value in Group companies and associated companies	412	483	1,964	1,510	791
Of which deferred tax	–	7	107	65	40
Collective consolidation capital, Parent Company	10,325	8,772	6,397	6,111	5,020
Capital base, Parent Company	13,970	10,981	34,065	30,997	14,022
Required solvency margin, Parent Company	4,527	4,580	3,652	3,622	4,215
Capital base for the insurance group	13,969	10,981	33,224	25,409	9,240
Required solvency margin for the insurance group	4,527	4,582	4,203	4,093	4,491
Key figures for Parent Company, % unless otherwise specified					
Management cost ratio	0.3	0.6	0.6	0.9	0.8
Direct yield on assets in traditional management	6.1	7.7	4.1	2.3	3.6
Total return on assets in traditional management	6.1	6.5	4.1	2.3	–0.6
Total return on assets in New World management	12.2	–3.8	8.9	24.3	–28.1
Collective consolidation ratio	111	109	107	107	105
Solvency ratio	113	111	141	137	114
Solvency rate, multiple	3.1	2.4	9.3	8.6	3.3
Bonus rate before tax and expenses	0.0	4.0	6.2	0.8	3.5
Bonus rate after tax, average:					
Endowment insurances (tax rate 30%)	–0.50	3.25	5.33	–0.22	2.38
Pension insurances (tax rate 15%)	–0.39	3.59	5.7	0.25	2.88

FINANCIAL STATEMENTS

Income statement

TECHNICAL RECOGNITION OF LIFE ASSURANCE OPERATIONS		Group		Parent Company	
SEK M	**Note**	**2012**	**2011**	**2012**	**2011**
Premium income					
Premium income before ceded reinsurance	3	4,670	6,554	4,670	6,536
Premiums for ceded reinsurance		–351	–376	–351	–375
Total premium income after ceded reinsurance		**4,319**	**6,178**	**4,319**	**6,161**
Income from investment agreements		**–**	**336**	**–**	**–**
Investment income, revenue	4	**13,529**	**15,610**	**13,449**	**11,991**
Unrealised gains on investment assets	5	**1,040**	**3,557**	**1,040**	**3,481**
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus		47	–	47	–
Other technical revenue	6	–	352	–	–
Claims payments					
Claims payments before ceded reinsurance	7	–7,682	–5,487	–7,682	–5,472
Reinsurers' portion		132	124	132	123
Total claims payments after ceded reinsurance		**–7,550**	**–5,363**	**–7,550**	**–5,349**
Change in provision for claims outstanding before ceded reinsurance		50	1	50	–3
Reinsurers' portion		9	–71	9	–70
Total change in provision for claims outstanding after ceded reinsurance		**59**	**–70**	**59**	**–73**
Total claims payments after ceded reinsurance		**–7,491**	**–5,432**	**–7,491**	**–5,422**
Change in other technical provisions after ceded reinsurance:					
Life-assurance reserve		1,935	–22,872	1,935	–22,872
Technical provisions for life assurance for which the policyholder bears the risk:					
Conditional bonus		–562	191	–562	191
Unit-linked insurance commitments		–	5,983	–	–
Operating expenses	8, 9, 10	**–412**	**–1,462**	**–406**	**–917**
Investment income, expenses	11	**–2,139**	**–1,919**	**–2,011**	**–1,708**
Unrealised losses on investment assets	12	**–4,818**	**–6,179**	**–4,818**	**–6,179**
Decrease in value of investment assets for which the life-assurance policyholder bears the investment risk					
Conditional bonus		–	–54	–	–54
Unit-linked insurance assets		–	–6,485	–	–
Other technical expenses		–	–29	–	–
Technical result, life assurance operations		**5,447**	**–12,226**	**5,503**	**–15,328**
NON-TECHNICAL RECOGNITION					
Technical result, life assurance operations		5,447	–12,226	5,503	–15,328
Other non-technical expenses		–460	–731	–	–
Profit/loss before tax/ Profit/loss before appropriations and tax		**4,987**	**–12,957**	**5,503**	**–15,328**
Tax allocation reserve		–	–	–100	–100
Tax	13	–115	–106	–553	–584
NET PROFIT/LOSS FOR THE YEAR		**4,872**	**–13,063**	**4,850**	**–16,012**

Statement of comprehensive income

	Group		Parent Company	
SEK M	**2012**	**2011**	**2012**	**2011**
Net profit/loss for the year	**4,872**	**–13,063**	**4,850**	**–16,012**
Other comprehensive income				
Translation differences transferred to net profit for the year	–	–	–	–
Other comprehensive income for the year	–	**–**	–	**–**
Comprehensive income/loss for the year	**4,872**	**–13,063**	**4,850**	**–16,012**

Performance analysis 2012

SEK M	Total	Direct insurance in Sweden Occupational pension: Defined-contribution insurance	Direct insurance in Sweden Occupational pension: Health insurance and premium exemption
Premium income before ceded reinsurance	**4,670**	**2,813**	**490**
Premiums for ceded reinsurance	–351	–49	–182
Total premium income after ceded reinsurance	**4,319**	**2,764**	**308**
Investment income, revenue	**13,449**	**6,641**	**252**
Unrealised gains on investment assets	**1,040**	**513**	**19**
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk			
Conditional bonus	47	–	–
Claims payments			
Claims payments before ceded reinsurance	–7,682	–3,866	–192
Reinsurers' portion	132	24	47
Total claims payments after ceded reinsurance	**–7,550**	**–3,842**	**–145**
Change in provision for claims outstanding before ceded reinsurance	50	–	–39
Reinsurers' portion	9	–	–38
Total change in provision for claims outstanding after ceded reinsurance	**59**	**–**	**–77**
Total claims payments after ceded reinsurance	**–7,491**	**–3,842**	**–222**
Change in other technical provisions before ceded reinsurance			
Life-assurance reserve	1,935	–1,342	1
Technical provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	–562	–228	–
Operating expenses	**–406**	**–191**	**–87**
Investment income, expenses	**–2,011**	**–994**	**–38**
Unrealised losses on investment assets	**–4,818**	**–2,379**	**–90**
Technical result, life assurance operations	**5,503**	**944**	**143**
Tax allocation reserve	–100	–4	–34
Tax	–553	–232	–32
NET PROFIT FOR THE YEAR	**4,850**	**710**	**77**
Run-off result	289	–	240
Technical provisions, before ceded reinsurance			
Life-assurance reserves	102,638	52,875	6
Provision for claims outstanding	2,304	20	1,103
Total	**104,942**	**52,895**	**1,109**
Provisions for life assurance for which the policyholder bears the investment risk			
Conditional bonus	4,564	3,361	–
Reinsurers' portion of technical provisions			
Provision for claims outstanding	609	5	412
Collective consolidation fund	**12,976**	**3,477**	**1,207**

Performance analysis 2012, cont.

SEK M	Direct insurance in Sweden Other life assurance: Individual traditional insurance	Non-cancellable accident and health insurance	Cancellable Group accident insurance	Group life assurance and Employment group life assurance	Assumed reinsurance
Premium income before ceded reinsurance	**1,193**	**139**	**34**	**1**	**–**
Premiums for ceded reinsurance	–68	–52	–	–	–
Total premium income after ceded reinsurance	**1,125**	**87**	**34**	**1**	**–**
Investment income, revenue	**6,321**	**216**	**17**	**2**	**0**
Unrealised gains on investment assets	**490**	**17**	**1**	**0**	**–**
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk					
Conditional bonus	47	–	–	–	–
Claims payments					
Claims payments before ceded reinsurance	–3,436	–160	–22	–6	–
Reinsurers' portion	34	28	–	–	–
Total claims payments after ceded reinsurance	**–3,402**	**–132**	**–22**	**–6**	**–**
Change in provision for claims outstanding before ceded reinsurance	–	88	0	–	–
Reinsurers' portion	–	46	–	–	–
Total change in Provision for claims outstanding after ceded reinsurance	**–**	**134**	**0**	**–**	**–**
Total claims payments after ceded reinsurance	**–3,402**	**2**	**–22**	**–6**	**0**
Change in other technical provisions before ceded reinsurance					
Life-assurance reserve	3,274	1	–	0	–
Technical provisions for life assurance for which the policyholder bears the risk					
Conditional bonus	–335	–	–	–	–
Operating expenses	**–100**	**–1**	**–27**	**–0**	**–**
Investment income, expenses	**–945**	**–32**	**–2**	**–0**	**–0**
Unrealised losses on investment assets	**–2,264**	**–79**	**–6**	**–1**	**–0**
Technical result, life assurance operations	**4,211**	**211**	**–4**	**–4**	**0**
Tax allocation reserve	–11	–51	–2	–1	0
Tax	–242	–47	–2	1	0
NET PROFIT/LOSS FOR THE YEAR	**3,959**	**113**	**–8**	**–2**	**0**
Run-off result	–	49	–	–	–
Technical provisions, before ceded reinsurance					
Life-assurance reserves	49,751	6	–	0	–
Provision for claims outstanding	96	1,006	78	–	–
Total	**49,848**	**1,012**	**78**	**0**	**–**
Provisions for life assurance for which the policyholder bears the investment risk					
Conditional bonus	1,203	–	–	–	–
Reinsurers' portion of technical provisions					
Provision for claims outstanding	18	174	–	–	–
Collective consolidation fund	**7,179**	**1,024**	**73**	**17**	**0**

Balance sheet

ASSETS, SEK M	Note	Group Dec 31, 2012	Group Dec 31, 2011	Parent Company Dec 31, 2012	Parent Company Dec 31, 2011
Property and equipment					
Property and equipment	14	1	–	1	–
Total intangible assets		**1**	**–**	**1**	**–**
Intangible assets					
Goodwill	15	–	–	–	–
Other intangible assets	16	0	12	–	–
Total intangible assets		**0**	**12**	**–**	**–**
Investment assets					
Investment property/Land and buildings	17	1,435	5,867	–	1,480
Investments in Group companies and associated companies					
Shares and participations in Group companies	18	–	–	552	765
Interest-bearing securities issued by Group companies and loans to Group companies	19	6,545	4,962	7,507	8,466
Shares and participations in associated companies	20	333	338	292	300
Other financial investment assets					
Shares and participations	21	10,052	18,900	10,052	18,900
Bonds and other interest-bearing securities	22	92,470	79,291	92,470	79,291
Loans with collateral in fixed property		1,771	–	1,771	–
Other loans		–	0	–	0
Derivatives	23	8,730	4,563	8,730	4,563
Other financial investment assets		627	–	627	–
Deposits with companies that have ceded reinsurance			–		–
Total investment assets		**121,964**	**113,920**	**122,002**	**113,765**
Investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus	24	4,564	4,003	4,564	4,003
Reinsurers' portion of technical provisions					
Provision for claims outstanding		609	597	609	597
Receivables					
Other receivables	25	2,370	1,495	2,218	1,435
Total receivables		**2,370**	**1,495**	**2,218**	**1,435**
Other assets					
Deferred tax assets	13	0	7	–	–
Current tax asset		29	–	29	–
Cash and cash equivalents/Cash and bank balances		3,968	7,279	3,968	7,279
Total other assets		**3,997**	**7,286**	**3,997**	**7,279**
Prepaid expenses and accrued income					
Accrued interest and rental income		1,136	1,036	1,136	1,036
Prepaid acquisition costs	26	442	564	442	564
Other prepaid expenses and accrued income		0	91	0	80
Total prepaid expenses and accrued income		**1,578**	**1,691**	**1,578**	**1,680**
TOTAL ASSETS		**135,083**	**129,003**	**134,968**	**128,760**

Balance sheet, cont.

EQUITY, PROVISIONS AND LIABILITIES, SEK M	Note	Group		Parent Company	
		Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Equity					
Share capital	27	8	8	8	8
Collective consolidation fund		8,911	23,868	8,093	25,995
Other reserves					
Equity method reserve		41	38	–	–
Net profit/loss for the year		4,872	–13,063	4,850	–16,012
Total equity		**13,832**	**10,851**	**12,951**	**9,991**
Tax allocation reserve		**–**	**–**	**607**	**507**
Technical provisions before ceded reinsurance					
Life-assurance reserve	28	102,638	104,572	102,638	104,572
Provision for claims outstanding	29	2,304	2,340	2,304	2,340
Total technical provisions		**104,942**	**106,913**	**104,942**	**106,913**
Provisions for life assurance for which the policyholder bears the investment risk before ceded reinsurance					
Conditional bonus		4,564	4,003	4,564	4,003
Provisions for other risks and expenses					
Provisions for pensions and similar commitments	31	41	33	38	25
Deferred tax liabilities	13	134	146	–	–
Other provisions		1	–	1	–
Total provisions for other risks and expenses		**176**	**178**	**39**	**25**
Deposits from reinsurers		**609**	**597**	**609**	**597**
Liabilities					
Due to credit institutions		–	12	–	12
Derivatives	23	7,000	2,118	7,000	2,118
Other liabilities	32	3,542	3,615	3,878	3,947
Total liabilities		**10,542**	**5,745**	**10,878**	**6,076**
Accrued expenses and deferred income					
Other accrued expenses and deferred income		418	716	378	648
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**135,083**	**129,003**	**134,968**	**128,760**
MEMORANDUM ITEMS	33				
For own liabilities, pledged assets		121,459	118,384	121,459	118,384
Other pledged assets		6	21	6	21
Contingent liabilities		–	0	–	0
Commitments		796	3,250	796	3,250

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

Statement of changes in shareholders' equity

SEK M	Group: Share capital	Group: Collective consolidation fund	Group: Equity method reserve	Group: Retained earnings incl. net profit/loss for the year	Group: Total	Parent Company: Share capital	Parent Company: Collective consolidation fund	Parent Company: Retained earnings incl. net profit/loss for the year	Parent Company: Total
Opening equity, January 1, 2011	**8**	**25,853**	**28**	**3,716**	**29,605**	**8**	**27,642**	**4,044**	**31,694**
Net loss for the year	–	–	–	–13,063	–13,063	–	–	–16,012	–16,012
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–
Comprehensive loss 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**
Opening equity, January 1, 2012	**8**	**23,868**	**38**	**–13,063**	**10,851**	**8**	**25,995**	**–16,012**	**9,991**
Net profit for the year	–	–	–	4,872	4,872	–	–	4,850	4,850
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–
Comprehensive income for the year	–	–	–	4,872	4,872	–	–	4,850	4,850
Appropriation of profit	–	–13,063	–	13,063	–	–	–16,012	16,012	–
Transfer, equity method reserve	–	–3	3	–	–	–	–	–	–
Disbursed bonus	–	–1,891	–	–	–1,891	–	–1,891	–	–1,891
Closing equity, December 31, 2012	**8**	**8,911**	**41**	**4,872**	**13,832**	**8**	**8,093**	**4,850**	**12,951**

All equity is classified as restricted.

Cash-flow statement

SEK M	Note	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Net profit/loss before tax		4,987	–12,957	5,400	–15,428
Income and yield tax paid		–657	–972	–647	–787
Disbursed bonus and pension collective agreements from collective consolidation fund		–1,892	–1,671	–1,891	–,1,671
Adjustment for non-cash items	37	2,595	23,048	–4,310	23,233
Total		**5,034**	**7,448**	**–1,448**	**5,347**
Change in other operating receivables and liabilities					
Assets		–8,046	–14,005	–8,997	–8,744
Liabilities		–1,858	2,899	5,978	1,086
Cash flow from operating activities		**–4,870**	**–3,659**	**–4,467**	**–2,385**
Investing activities					
Sale of subsidiary		1,561	3,603	298	4,400
Divestment of associated companies		–	–	–	12
Loans to Group and associated companies		–	–	960	–2,070
Investments in property and equipment		–1	–	–1	–
Cash flow from investing activities		1,560	**3,603**	**1,257**	**2,342**
Net cash flow for the period		**–3,311**	**–57**	**–3,311**	**–43**
Cash and cash equivalents, January 1		7,279	7,336	7,279	7,322
Cash and cash equivalents, December 31		3,968	7,279	3,968	7,279
Change in cash and cash equivalents		**–3,311**	**–57**	**–3,311**	**–43**

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, 2012 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 516401-8219.

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 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.

Corporate management's judgements 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 judgements and estimates. Estimates and assumptions are reviewed regularly.

Significant judgements 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 New World 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. From 2012, individual conditional bonuses that have resulted in a provision for deferred capital contribution are recognised. These changes are not applied retroactively to the accounts. Individual provisions for conditional bonuses meant that the company's technical provisions increased by approximately SEK 86 billion in 2012. 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 provisions 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 two parts 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.

The Swedish Financial Reporting Board made changes to RFR 2 Accounting for Legal Entities (September 2012) pertaining to the recognition of Group contributions. Group contributions can be recognised in accordance with the main rule or the alternative rule. Under the main rule, Group contributions received by the Parent Company from subsidiaries are recognised as financial income. Group contributions paid from the Parent Company to subsidiaries are recognised as an increase in participations in Group companies. Group contributions paid and received that subsidiaries pay to the Parent Company are recognised directly against equity of the subsidiary. This also applies to Group contributions paid or received between fellow subsidiaries. Under the alternative rule, Group contributions are recognised as appropriations. The amended rules regarding the recognition of Group contributions are to be applied from the 2013 fiscal year.

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.

Group contributions received by the company from a subsidiary are recognised according to the same policies as dividends. Group contributions paid to a subsidiary are recognised as an increase in participations in Group companies. No Group contributions were paid or received in 2011 or 2012.

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 for traditional life assurance. Income for unit-linked insurance contracts is recognised in line with premiums being paid. 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 polices applied for insurance contracts. The preliminarily distributable surplus is recognised as equity.

Income recognition

Insurance contracts

Premiums for insurance contracts for traditional life assurance are recognised as premium income when payments are made. Income for unit-linked insurance contracts is recognised in line with premiums being paid.

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 is 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 provisions for life assurance for which the policyholder bears the risk.

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 equity, whereby the related tax effect is recognised in 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. In the autumn, the Swedish parliament decided to lower tax to 22% from 2013. Deferred taxes were recalculated at this tax rate. 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.

Property and equipment

Equipment

Equipment is recognised at cost less accumulated depreciation and any accumulated impairment. Depreciation takes place according to the straight-line method over the asset's expected useful life, commencing when the asset becomes available for use.

Depreciation and any scrapping and divestments are recognised in profit and loss. The useful life for cars is five years. The depreciation method and the residual values and useful lives of the assets are re-tested every year-end.

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 subcategories:
   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 commitments 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 provisions 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.
   This category includes other receivables, loans, cash and bank balances, accrued interest and rental income.
4. Available-for-sale financial assets, measured at fair value. The company has no financial instruments in this category.
5. 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 location 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 values 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 used for OTC derivatives are performed by analyses of discounted cash flows. The valuation techniques applied are calibrated such that on initial recognition the fair value amounts to the transaction price and changes in fair value are subsequently recognised continuously based on changes that occur in the underlying market-risk parameters.

Unlisted 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.

Prepaid acquisition costs

Costs that have a clear connection to underwriting insurance financial agreements are capitalised as prepaid 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. Costs are depreciated straight-line over ten years. The asset is impairment tested every year.

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 provisions

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

Life-assurance reserve

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

In the calculation of technical provisions, an interest-rate 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 provisions. Two current yield curves are produced for the calculation on the balance-sheet date, one that is cautious for occupational pension insurance and one that is adequate for other insurance types of insurance policies. The discount rate curves are determined by using zero coupon yield curves for nominal government bonds and covered bonds.

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

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. Assumptions regarding operating expenses and cancellations are determined based on the company's experience and, in certain cases, by applying expert judgement regarding future outcomes.

All cash flows are neutral or somewhat carefully defined.

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 discounted capital value of the company's commitments in accordance with the insurance contract.

The provision for established claims corresponds to the discounted, expected capital value of the company's future expenses due to the incurred health claim. It includes reported and approved claims that have not yet been paid and future operating expenses. It also includes the fixed-income operations. The discount rate is determined based on current market interest rates in accordance with satisfactory practice.

The provision for non-established claims pertains to claims that have not yet been reported but which have been made using statistical methods based on previous experience for the respective products. For disability annuities at fixed amounts, the nominal interest-rate assumption was determined based on the 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.

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 Insured Pension and New World products is recognised in profit and loss and the balance sheet.

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. The 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 equivalent. Current remuneration of 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. The company does not have sufficient information to recognise the plans in accordance with IAS 19 and, accordingly, recognises these plans in accordance with the Swedish Financial Reporting Board's statement UFR 6.

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 Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

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 unlikely that an outflow of resources will be required.

NOTE 2 RISKS AND RISK MANAGEMENT

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. Risk-taking is to be limited so that the probability of falling short of applicable legal capital requirements within 12 months is a maximum of 0.5%.

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 could contribute to the company's insolvency and the company not being able to meet the commitments to its policyholders.

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 of life-assurance risks throughout Sweden.
- Market risks dominate the company's risk profile. The credit risk (spread risk) is the high due to the holdings of Swedish covered mortgage bonds and falling share prices also comprise a risk, despite shareholdings having decreased during the year. Gross interest-rate risk is high since the life-assurance reserves are calculated at present value using current market interest rates. However, interest-rate risk is reduced by matching, as far as possible, the technical liabilities with assets of similar properties, thus giving a low net interest-rate risk.
- 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 provisions being insufficient to meet Länsförsäkringar Liv's guaranteed commitments.
- Länsförsäkringar Liv has reinsured its risk of paying life assurance and morbidity risks and taken out disaster reinsurance to limit its risks.

Risk management organisation

Risk management contains strategies, processes and reporting procedures necessary for continuously identifying, measuring, monitoring, managing and reporting the risks associated with the business activities. The risk-management process comprises continuous work and annual activities, and can differ between the various types of risk. Continuous risk-management work includes handling risk and identifying new risks. An in-house risk and solvency analysis is performed every year and in conjunction with major changes in the operations or external business environment. Following applicable regulations, the Board establishes the frameworks for the companies' risk management and risk control based on internal rules in various governance documents. The company's President is responsible for incorporating all governance documents into the operations and for establishing more detailed regulations for risk management within the framework determined by the Board. The governance documents are updated and approved annually. Examples of governance documents that regulate risk management and risk control are Länsförsäkringar Liv's risk policy, insurance guidelines, risk assessment policy, instructions for reserve levels, reinsurance policy, solvency policy and investment guidelines.

The Länsförsäkringar AB Group has a joint Finance Committee at Board level in which representatives from Länsförsäkringar Liv participate. The Finance Committee is a forum for financial business environment and macroeconomic analyses. The Committee prepares and coordinates issues concerning asset management to be presented to the Board for decision. The Finance Committee also monitors the achievement and compliance with determined targets, investment orientations and delegation instructions.

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 corporate 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.

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

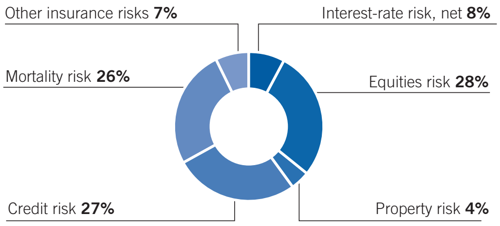
Risk modelling

Länsförsäkringar Liv utilises a variety of analysis tools and simulation models in its risk management activities. An analysis of the supporting data for the Financial Supervisory Authority's traffic-light model is used for ongoing risk monitoring. With the framework of the preparations for Solvency II, work is underway on developing a partial internal model for measuring risk and monitoring solvency capital requirements.

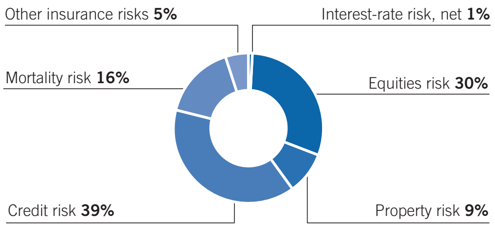
The diagram below shows the specification of risk by main risk type in Länsförsäkringar Liv as at December 31, 2012 and December 31, 2011 in accordance with the traffic-light model. Diversification effects have been distributed proportionally.

Figure 1. Risk profile for Länsförsäkringar Liv 2012 and 2011

Risk profile for Länsförsäkringar Liv 2012



Risk profile for Länsförsäkringar Liv 2011



A number of proactive measures were taken in 2012 to adjust the company's investments to the prevailing economic climate and reduce the company's exposure to market risks. The capital requirement for market risks has been almost halved by selling Private Equity, properties and non-government bonds. Insurance risks declined slightly as a result of the company not currently conducting any new sales of pension savings, yet comprised a large share of the relatively lower market risks at the end of 2012. In total, risk measured as a capital requirements under the traffic-light model, fell by slightly more than 40% between 2011 and 2012.

Monitoring and governance of risk-taking and solvency

Risk exposure, capital requirements and available capital are continuously monitored and reported to the Board every quarter or more often if dictated by the circumstances. Risk management takes place in conjunction with deciding how customers' capital is to be managed. The preparations of proposals on investment orientations include an analysis of the impact on the company's key figures.

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

Solvency II – future risk-based regulatory requirements

In 2009, the EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II. 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 more clearly linked to the size of the company's risks. The regulatory changes are extensive, affect a number of areas and, in many respects, are substantially more detailed rules than the currently applicable provisions. The timeframe for Solvency II has been successively postponed the EU body. Pending completion of the negotiations on the final Solvency II rules, the European Insurance and Occupational Pensions Authority (EIOPA) has decided to issue guidelines on interim measures for Solvency II. EIOPA will draft the details at the start of 2013 and the measures will then be applied from January 1, 2014. It is proposed that the following areas be encompassed by the measures: 1) System of governance, including risk management system, 2) a forward-looking assessment of the undertaking's own risks (ORSA), 3) pre-application of internal models and 4) reporting to supervisors.

In the autumn of 2012, EIOPA commenced work on analysing the quantitative consequences of the proposals on certain measures regarding long-term guarantees (LTG). Länsförsäkringar Liv is participating in this quantitative impact study.

A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is to be based on the company's own risks and is to be approved by the Financial Supervisory Authority prior to application. In January 2011, Länsförsäkringar Liv applied to the Financial Supervisory Authority for a preliminary review of the partial internal model for calculating the Solvency Capital Requirement. In 2012, work intensified to adapt the regulatory framework of the partial internal model and its connection to operational planning, governance and control, and in the spring of 2012 the Financial Supervisory Authority began its preliminary review which will continue according to plan in 2013. In 2012, an Own Risk and Solvency Assessment (ORSA) was performed. 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, business plan for the coming 3–5 years.

Länsförsäkringar Liv has, together with Länsförsäkringar AB's other subsidiaries, participated in the Solvency II preparations for several years, which has led to high volume of work and costs for the companies. 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.

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 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 is the risk of losses occurring as a result of the insured living longer than assumed.

Mortality risk is the risk of losses occurring as a result of mortality among the insured being higher than assumed.

The risk of disability and morbidity is the risk of losses occurring as a result of the insured's disability and morbidity being greater than assumed.

Expenses risk

In addition to the purely insurance risks, there are also such risks as expense risk, which is the risk of losses occurring as a result of the estimated costs for conducting the company's operations not covering the company's actual costs. 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 the risk of losses occurring as a result of a change in the premium payments, repurchases or transfers deviating from that which has been assumed. This risk impacts expenses risk since higher cancellations lead to lower income and accordingly fewer opportunities for covering the company's actual operating expenses.

Disaster risk

Disaster risk refers to the risk of losses occurring as a result of natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Life-assurance risk management

The technical provisions 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.

In 2012, Länsförsäkringar Liv reviewed its life span assumptions in conjunction with the introduction of gender-neutral premiums in Sweden, but retained its gender-differentiated assumptions for technical provisions.

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.

Table 1. Sensitivity analysis, life-assurance risk

	Change in assumption, %	Change in provision, SEK M	
Assumption before reinsurance		**2012**	**2011**
Mortality (incl. risk of paying life assurance)	–20%/+20%	+2,600/ –2,110	+2,900/–2,300
Morbidity	+50%	+285	+200
Expense ratio	+10%	+500	+1,000
Discount rate (gross technical provision)	–1.0%	+15,950	+16,800

Classification of risk at Länsförsäkringar Liv

Life-assurance risk
- Mortality risk
- Risk of paying life assurance
- Risk of disability and morbidity
- Expenses risk
- Cancellation risk
- Disaster risk

Market risk
- Interest-rate risk
- ALM risk
- Equities risk
- Property risk
- Spread risk
- Currency risk
- Concentration risk in investment assets

Counterparty risk
- Counterparty risk in ceded reinsurance
- Counterparty risk in financial derivatives
- Other counterparty risk

Liquidity risk including financing risk

Concentration risk excluding investment assets

Operational risk
- Internal fraud
- External crime
- Labour practices and work environment
- Business conditions
- Compliance risk
- Damage to physical assets
- Interruptions and disturbances to operations and systems
- Transaction management and process control

Business risk
- Strategic risk
- Earnings risk
- Reputation risk

Market risk

Market risk is the risk of losses occurring as a result of changes, in level or volatility, of interest rates, financial asset prices and exchange rates. 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 investment decisions of an operational nature. The main asset classes in portfolio management are interest-bearing securities, equities, alternative investments and property. In order to determine the level of risk that can be taken in management activities, an analysis of assets and liabilities and their properties such as expected returns, risk and correlation.

Forecasts for the performance of insurance operations are also included in the analysis and both the forecasts and analysis form the basis of investment guidelines. Investment guidelines are based on fulfilment of such legal restrictions as indebtedness and solvency rules and the Swedish Financial Supervisory Authority's traffic-light model. The purpose is to determine an optimal risk level with a high and competitive return within the framework of legal restrictions and applicable investment guidelines. The proposed distribution of asset classes and regions is presented in a normal portfolio. Länsförsäkringar Liv's Board decides on the content of the normal portfolio and the extent to which the actual portfolio may deviate from the normal portfolio. In this way, the 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 risk analysis department within asset management is responsible for daily monitoring of investment risks in line with the investment guidelines to ensure that the portfolio is within the desired and approved market risk levels. The market values of financial assets and liabilities are affected by changes in interest rates, exchange rates and share prices, as well as changes in their individual volatilities. 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. The effect of a lower interest-rate level is calculated without taking into account temporary floor for the discount rate that the Financial Supervisory Authority has given insurance companies the opportunity to use in the calculations of technical provisions from June 30, 2012.

Table 2. **Sensitivity analysis, market risks**

Sensitivity analysis		Impact on profit before tax, SEK M 2012	2011
Interest-rate risk[1]	1% lower interest rate	–4,000	–248
Equities risk[2]	10% lower share prices	–1,433	–2,268
Property risk	10% lower market value	–144	–587
Credit spread risk	1% increase in credit spread	–4,328	–9,664
Currency risk	10% weaker SEK	–71	–31

[1] Net effect including change in interest rate for technical provisions
[2] Includes 10% lower prices on hedge funds.

Interest-rate risk

For the insurance company, interest-rate risk is normally the predominant market risk. Interest-rate risk is the risk of losses occurring as a result of changes in the level or volatility of market interest rates. 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. 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 decided for an interval of net interest-rate sensitivity, meaning the difference the interest-rate sensitivity between liabilities and assets. In addition, there are limits in the sensitivity to only Swedish interest rates falling, for only interest rates on German government-backed paper denominated in EUR increasing and for interest rates with long terms falling more than rates with shorter terms. Derivative instruments, such as interest-swap contracts and swap options, are used to manage interest-rate risk and reduce the interest-rate sensitivity of the balance sheet. Exposure to interest rate changes is presented in the table below as fixed-interest periods for fixed-interest assets and liabilities.

Table 3. **Fixed-interest periods for fixed-income investment assets less financial liabilities (including derivatives), SEK M**

Dec 31, 2012	Less than 1 year	1–5 year	5–10 year	More than 10 years	Total
Bonds and other interest-bearing securities	7,752	35,730	13,495	33,053	90,029
Derivatives		–5,075	–7,369	29,579	17,135
Fixed-income assets less fixed-income liabilities	**7,752**	**30,655**	**6,125**	**62,632**	**107,163**

Dec 31, 2011	Less than 1 year	1–5 year	5–10 year	More than 10 years	Total
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**

ALM risk

ALM (asset liability management) risk pertains to the risk of losses occurring as a result of changes in one or more market-risk-related variables (such as interest rates, share prices, exchange rates, inflation) resulting in a change in the value of the assets that is not offset by a corresponding change in the value of the liabilities. Länsförsäkringar Liv governs its own risk-taking by taking into account the sensitivity of the insurance undertakings to changes in interest rates, with conscious choices about the extent to which the undertakings are matched against assets with corresponding properties. This primarily takes place by using various types of interest-rate derivatives.

Equities risk

Equities risk is the risk of losses occurring as a result of changes in the level or volatility of share prices or prices of alternative assets. Equities risk are reduced by diversifying investments between different industries and geographic areas. As stated in the company's balance sheet, equities exposure in the company is low. The exposure that exists is attributable to the equity funds found in the New World portfolio. In addition, equities risk is also found to a certain extent in hedge fund holdings. On December 31, 2012, the percentage of equities amounted to 11% of the investment assets.

Property risk

Property risk is the risk of losses occurring as a result of changes in the level or volatility of property prices. The property prices are an effect of the assumptions made on applicable yield requirements and rental levels. During the year, Länsförsäkringar Liv's exposure to property risk declined due to the gradual sale of the property holdings.

Credit-spread risk

Credit-spread risk is the risk of losses occurring as a result of changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates. Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions and the desired level of risk-taking in the investment portfolio. The table below shows that the predominant proportion of interest-bearing investments have an AAA rating.

Table 4. **Bond investments classified by rating[1], SEK M**

Bond investments classified by rating	2012	2011
AAA – Swedish Government	16,599	5,629
AAA – Government securities other than those issued by the Swedish Government	83	4,514
AAA – other	64,804	36,372
AA	3,277	3,294
A	7,805	10,365
BBB or lower	9,763	18,059

[1] Figures for 2012 include accrued interest.

Currency risk

Currency risk is the risk of losses occurring as a result of changes in the level or volatility of exchange rates. Länsförsäkringar Liv's technical provisions are recognised in SEK. The currency exposure that exists is due to investment assets in other currencies and the risk being limited by the use of currency derivatives Decisions on the size of currency exposure are made in light of prevailing market conditions. In 2012, Länsförsäkringar Liv's overall objective was not to have any currency exposure.

The total net currency exposure on December 31, 2012 amounted to 0.6% (0.3) of total investment assets. Exposure by currency is shown in table 5.

Table 5. **Net exposure in foreign currency**

	Local currency in 000s		Equivalent in SEK M	
Currency	2012	2011	2012	2011
USD	148	–374	963	–2,566
EUR	–35	–199	–309	–1,773
GBP	–1	–131	–12	–1,400
CNY	–	685	–	747
KRW	9,100	79,781	55	475
Other currencies	–	–	13	4,207
Total	–	–	711	–310

Counterparty risk

Counterparty risk pertains to the risk of losses occurring as a result of counterparties being unable to fulfil their undertakings and that any collateral provided not covering 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 internal 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 SDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure. Table 6 shows the maximum credit risk exposure without consideration of credit enhancement corresponds to the carrying amount of the assets on the balance-sheet date.

Table 6. **Counterparty risks in financial derivatives per rating category, SEK M**

Calculated based on the market value of the derivative	2012	2011
AA	156	186
A	381	442
BBB	11.0	0

There is also counterparty risk in the exposure to the reinsurer Sweden Re. Sweden Re has an A rating from Standard & Poor's and the outstanding receivables on December 31, 2012 totalled SEK 475 M.

Operational risk

Operational risk is defined as the risk of losses occurring as a result of inappropriate or unsuccessful processes, human error, incorrect systems or external events. Operational risks are a part of Länsförsäkringar Liv's operations. By conducting preventive measures and applying suitable risk management and control, Länsförsäkringar Liv can reduce the probability of operational risks materialising and thus reduce their consequences. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

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 potential consequences evaluated and probability of the risk occurring 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.

A shared system for the entire Group is used for incident management. Furthermore, a continuity plan is adopted annually by executive management.

To further strengthen the internal control, Länsförsäkringar Liv reports every quarter on the outcome of key controls, which are documented controls performed to manage the largest risks of business-critical processes.

Business risk

Business risk pertains to the risk of lower earnings due to more difficult competitive conditions, the wrong strategy or incorrect decisions. Business risk is the risk of losses occurring as a result of business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases. Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations, and in the annual business planning process and also when trends in the Group's markets so warrant risk management actions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Concentration risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. 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, 2012 were Nordea, including Nordea Hypotek, Handelsbanken including Stadshypotek, 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.

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

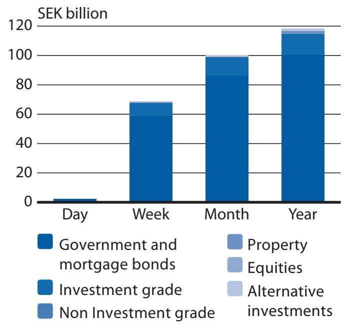
Liquidity risk is the risk of losses occurring as a result of the company's undertakings not being fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss. Liquidity 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 CSA agreements that Länsförsäkringar Liv has with derivative counterparties require that collateral is pledged for derivatives that have a negative value for the company. This collateral is pledged in the form of cash funds that are transferred to the counterparties, thus entailing a liquidity risk for the Group. For derivatives with positive values for the company, collateral is received which can reduce this risk. Table 7 and figure 3 below present the discounted net cash outflows for technical provisions by year and the possibility of realising liquidity over different time horizons.

Table 7. **Discounted net cash outflows for technical provisions**

	Percentage of cash flow, %	
Duration, year	2012	2011
0–5	22.8	22.3
5–10	20.4	18.9
10–15	17.3	16.3
15–20	14.3	14.2
20–30	16.4	18.1
30–	8.7	10.1

Figure 3. **Total available liquidity per period, SEK billion**



NOTE 3 PREMIUM INCOME

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Gross premium income before ceded reinsurance is distributed as follows in the life-assurance operations				
Direct life assurance	4,007	6,404	4,007	6,386
Direct accident and health insurance	663	150	663	150
Total	**4,670**	**6,554**	**4,670**	**6,536**
Gross premium income for direct life assurance is distributed in the following categories				
Premiums for individual life assurance	3,765	1,721	3,765	1,706
Group insurance premiums	242	4,683	242	4,680
Total	**4,007**	**6,404**	**4,007**	**6,386**
Periodic premiums	3,058	4,661	3,058	4,643
Single premiums	949	1,743	949	1,743
Total	**4,007**	**6,404**	**4,007**	**6,386**
Premiums for contracts that do not carry bonus rights	204	793	204	793
Premiums for contracts that carry bonus rights	3,803	5,593	3,803	5,593
Premiums for which the policyholder bears the risk	–	18	–	–
Total	**4,007**	**6,404**	**4,007**	**6,386**

All premiums pertain to insurance in Sweden.

NOTE 4 INVESTMENT INCOME, REVENUE

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Rental income	**131**	**442**	**22**	**100**
Dividends received outside the Group	2,587	5,089	2,587	4,351
Dividends received from Group companies	73	–	36	22
Dividends received from associated companies	18	18	18	18
Total dividends	**2,678**	**5,107**	**2,641**	**4,391**
Interest income				
Bonds and other interest-bearing securities	2,548	2,201	2,549	2,186
Interest income from Group companies	202	123	254	228
Other interest income	1,148	1,448	1,141	1,443
Total interest income	**3,898**	**3,772**	**3,944**	**3,857**
Reversed impairment				
Land and buildings	–	17	–	–
Shares and participations	–	–	–	27
Exchange-rate gains, net	**998**	**328**	**998**	**328**
Capital gains, net				
Land and buildings	360	0	514	0
Shares and participations	2,732	2,647	2,598	0
Bonds and other interest-bearing securities	2,732	3,186	2,732	3,186
Other investment assets	–	**111**	–	**101**
Total capital gains	**5,824**	**5,944**	**5,844**	**3,287**
Investment income, revenue	**13,529**	**15,610**	**13,449**	**11,991**

NOTE 5 UNREALISED GAINS ON INVESTMENT ASSETS

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Land and buildings	–	103	–	27
Interest-bearing securities issued by and loans to Group companies	110	17	110	17
Bonds and other interest-bearing securities	155	653	155	653
Shares and participations	0	–	0	–
Derivatives	740	2,784	740	2,784
Other	35	–	35	–
Total	**1,040**	**3,557**	**1,040**	**3,481**

NOTE 6 OTHER TECHNICAL REVENUE

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Risk income	–	20	–	–
Management remuneration	–	327	–	–
Other	–	5	–	–
Total	–	**352**	–	**–**

NOTE 7 CLAIMS PAYMENTS BEFORE CEDED REINSURANCE

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Claims payment	–4,338	–4,054	–4,338	–4,040
Cancellations and repurchases	–3,331	–1,423	–3,331	–1,423
Claims adjustment costs	–13	–10	–13	–9
Total	**–7,682**	**–5,487**	**–7,682**	**–5,472**

NOTE 8 OPERATING EXPENSES

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Operating expenses in life-assurance operations distributed according to functions				
Acquisition	–34	–927	–34	–516
Change in the prepaid acquisition costs item	–121	–30	–121	–51
Administrative expenses	–454	–786	–448	–630
Commission and profit shares in ceded reinsurance	197	281	197	280
Total	**–412**	**–1,462**	**–406**	**–917**
of which purchasing from the Länsförsäkringar AB Group	–413	–482	–413	–482
Total amount of direct insurance provisions	**–159**	**–805**	**–159**	**–414**
Total amount of research and development expenses that have been expensed	**–109**	**–194**	**–109**	**–142**

The item Acquisition below consists of Acquisition and Changes in the prepaid acquisition costs items 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

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Acquisition	–155	–957	–155	–567
Claims adjustment	–14	–10	–14	–9
Administration	–243	–505	–237	–350
Financial management	–74	–121	–74	–121
Property management	–18	–28	–1	–3
Total	**–504**	**–1,621**	**–481**	**–1,050**

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.

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Total costs are distributed as follows				
Staff costs, etc.	–95	–114	–95	–114
Costs for premises, etc.	–11	–11	–1	–11
Amortisation/depreciation, etc.	–168	–329	–168	–199
Other	–398	–1,167	–218	–726
Total	**–504**	**–1,621**	**–481**	**–1,050**

NOTE 9 AUDIT EXPENSES

	Group		Parent Company	
SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
KPMG AB				
Audit assignment	2	2	2	2
Audit operations in addition to the audit assignment	2	4	2	4
Tax advice	–	0	–	0
Other assignments	–	1	–	1
Total	**4**	**7**	**4**	**7**

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 other assignments.

NOTE 10 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Group and Parent Company

Average number of employees	**2012**	**2011**
Sweden		
Men	26	34
Women	56	71
Total number of employees	**82**	**105**
Salaries, other remuneration and social security expenses, SEK M		
Salaries and remuneration	38	51
of which variable remuneration	–	1
Social security expenses	36	34
of which pension costs	18	15
Total	**74**	**85**
Board of Directors and senior executives, 13 (16)		
Salaries and remuneration	9	11
of which salary to President	3	3
of which variable remuneration to President	–	–
of which fixed salary to other senior executives	5	6
of which variable salary to other senior executives	–	–
Social security expenses	7	8
of which pension costs	3	4
Total	**16**	**20**
Total salaries, remuneration and social security expenses, SEK M		
Salaries and remuneration	47	62
of which variable remuneration	–	1
Social security expenses	43	43
of which pension costs	22	19
Total	**90**	**105**

Remuneration of 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 of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Other senior executives are the individuals who, together with the President, comprise corporate management.

NOTE 10 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Remuneration and other benefits for senior executives

Parent Company 2012, SEK 000s	Basic salary/ Board fee	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution	Defined-benefit
Jörgen Svensson, President	3,384	–	1	1,652	5,037	48	–
Karl-Olof Hammarkvist, Chairman of the Board	264	–	–	–	264	–	–
Gunnar Wetterberg, Deputy Chairman of the Board	220	–	–	–	220	–	–
Sten Lundqvist, Board member	202	–	–	–	202	–	–
Ulrika Messing, Board member	202	–	–	–	202	–	–
Gunvor Engström, Board member	176	–	–	–	176	–	–
Lennart Atteryd, Board member	203	–	–	–	203	–	–
Leif Naurin, Board member	103	–	–	–	103	–	–
Karin Åkesson, former Board member	59	–	–	–	59	–	–
Other senior executives (4 people)	4,218	–	39	1,832	6,089	35	–
Total 2012	**9,031**	**–**	**40**	**3,484**	**12,555**		

Remuneration and other benefits for senior executives

Parent Company 2011, SEK 000s	Basic salary/ Board fee	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution	Defined-benefit
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 2011	**11,019**	**0**	**196**	**3,839**	**15,054**		

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 terms comply with pension agreements between the FAO and the FTF/SACO. An additional pension premium corresponding to one price base amount per year is also paid for each individual.

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 corporate management

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

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

The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for any of the company's control functions.

Composition of Remuneration Committee

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

Policies for remuneration of corporate management

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should 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 health care insurance and other benefits offered to all employees.

Number of women among senior executives, %

	Group		Parent Company	
Percentage women	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Board members	9	6	36	36
Other senior executives	14	9	57	50

NOTE 11 INVESTMENT INCOME, EXPENSES

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Operating expenses, land and buildings	–45	**–162**	–8	**–25**
Asset management expenses	**–341**	**–96**	**–264**	**–96**
Interest expense				
Bonds and other interest-bearing securities	–75	–66	–35	–66
Property loans	52	–1	–0	–1
Other interest expense	–156	–299	–159	–299
Total interest expense	**–179**	**–366**	**–194**	**–366**
Impairment				
Other investment assets	–29	–73	–	–
Shares and participations	–	–	–	–
Total impairment	**–**	**–73**	**–**	**–**
Exchange-rate losses, net	**–1,545**	**–174**	**–1,545**	**–174**
Capital losses, net				
Land and buildings	–	–	–	–
Shares and participations	–0	–1,046	–	–1,046
Bonds and other interest-bearing securities	–	–2	–	–1
Total capital losses	**–0**	**–1,048**	**–**	**–1,047**
Investment income, expenses	**–2,139**	**–1,919**	**–2,011**	**–1,708**

NOTE 12 UNREALISED LOSSES ON INVESTMENT ASSETS

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Land and buildings	–420	–	–420	–
Bonds and other interest-bearing securities	–	–	–	–
Shares and participations	–4,398	–6,010	–4,398	–6,010
Derivatives	–	–169	–	–169
Total	**–4,818**	**–6,179**	**–4,818**	**–6,179**

NOTE 13 TAX

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Current tax				
Yield tax on pension funds	–	–	–457	–490
Tax	–93	–100	–93	–91
Adjustment of tax pertaining to prior years	–	118	–3	–3
Deferred tax				
Deferred tax pertaining to temporary differences	–22	–124	–	–
Total recognised tax expense	**–115**	**–106**	**–553**	**–584**
Deferred tax liabilities pertaining to the following:				
Investment property/Land and buildings	–	13	–	–
Untaxed reserves	134	133	–	–
Total	**134**	**146**	**–**	**–**
Deferred tax assets pertain to the following:				
Investment property/Land and buildings	0	7	–	–
Loss carryforwards	–	–	–	–
Total	**0**	**7**	**–**	**–**

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 Oitem "Other non-technical expenses."

	Group		Parent Company	
	2012	2011	2012	2011
Tax rates applied:				
Yield tax on pension funds, pension insurance	15%	15%	15%	15%
Yield tax on pension funds, endowment insurance	30%	27%	30%	27%
Average government funding rate for taxation, pension insurance	2.57%	2.76%	2.57%	2.76%
Average government funding rate for taxation, endowment insurance	1.65%	2.76%	1.65%	2.76%
Tax rate for calculating income tax	26.3%	26.3%	26.3%	26.3%
Tax rate for calculating deferred tax	22%	26.3%	22%	26.3%

NOTE 14 PROPERTY AND EQUIPMENT

SEK M	Group Dec 31, 2012	Group Dec 31, 2011	Parent Company Dec 31, 2012	Parent Company Dec 31, 2011
Cost				
Opening cost, January 1	–	–	–	–
Divestments/scrapping	–	–	–	–
Acquisitions during the year	1	–	1	–
Exchange-rate differences	–	–	–	–
Closing cost, December 31	**1**	**–**	**1**	**–**
Depreciation				
Opening accumulated depreciation, January 1	–	–	–	–
Accumulated depreciation for divestments/scrapping	–	–	–	–
Depreciation for the year	–0	–	–0	–
Exchange-rate differences	–	–	–	–
Closing accumulated depreciation, December, 31	**–0**	**–**	**–0**	**–**
Carrying amount, December 31	**1**	**–**	**1**	**–**

NOTE 15 GOODWILL

SEK M	Group Dec 31, 2012	Group Dec 31, 2011	Parent Company Dec 31, 2012	Parent Company Dec 31, 2011
Acquisition cost	–	1,162	–	–
Accumulated amortisation	–	–	–	–
Accumulated impairment	–	–	–	–
Divestments	**–**	**–1,162**	**–**	**–**
Closing balance	**–**	**–**	**–**	**–**
Opening balance	–	1,162	–	–
Depreciation for the year	–	–	–	–
Divestments	**–**	**–1,162**	**–**	**–**
Closing balance	**–**	**–**	**–**	**–**

NOTE 16 OTHER INTANGIBLE ASSETS

SEK M	Group Dec 31, 2012	Group Dec 31, 2011	Parent Company Dec 31, 2012	Parent Company Dec 31, 2011
Cost				
Opening balance	225	225	–	–
Additional assets for the year	–	–	–	–
Scrapped	–	–	–	–
Closing balance	**225**	**225**	**–**	**–**
Accumulated amortisation				
Opening balance	–128	–116	–	–
Depreciation for the year	–12	–12	–	–
Scrapped	–	–	–	–
Closing balance	**–140**	**–128**	**–**	**–**
Accumulated impairment				
Opening balance	–85	–85	–	–
Impairment for the year	–	–	–	–
Closing balance	**–85**	**–85**	**–**	**–**
Carrying amount	**0**	**12**	**–**	**–**

NOTE 16 OTHER INTANGIBLE ASSETS, cont.

a) Software	Group		Parent Company	
Cost	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Opening balance	169	169	–	–
Reclassification	–	–	–	–
Scrapped	–	–	–	–
Closing balance	**169**	**169**	**–**	**–**
Accumulated amortisation				
Opening balance	–128	–116	–	–
Depreciation for the year	–12	–12	–	–
Scrapped	–	–	–	–
Closing balance	**–140**	**–128**	**–**	**–**
Accumulated impairment				
Opening balance	–29	–29	–	–
Impairment for the year	–	–	–	–
Closing balance	**–29**	**–29**	**–**	**–**
Carrying amount	**0**	**12**	**–**	**–**

b) Intangible assets under development	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Opening balance	0	0	–	–
Investments in the form of internal development	–	–	–	–
Reclassification	–	–	–	–
Impairment	–	–	–	–
Closing balance	**–**	**–**	**–**	**–**
Carrying amount	**–**	**0**	**–**	**–**
Total carrying amount	**0**	**12**	**–**	**–**

NOTE 17 INVESTMENT PROPERTY/LAND AND BUILDINGS

Holdings

Group, SEK M	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value[1]	Change in value[1]
Investment property, value on December 31, 2011	1,256	1,435	17.2%	5.0%	–349	–24.0%
Investment property, value on December 31, 2011	5,408	5,867	15.9%	5.0%	–1,383	–23.8%

Parent Company, SEK M	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value[1]	Change in value[1]
Land and buildings, value on December 31, 2011	–	–	–	–	–	–
Land and buildings, value on December 31, 2011	1,061	1,480	7.8%	5.4%	–376	–25.4%

[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 properties is used for the company's own operations.

Change in value for the period

	Cost		Fair value	
Group, SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Opening balance	5,408	5,215	5,867	5,628
Additional investments in existing assets	17	192	17	192
Sales	–4,168	–	–4,446	–
Profit/loss from adjustments of fair value	–	–	–3	47
Exchange-rate differences	**–**	**–**	**–**	**–**
Closing balance	**1,256**	**5,408**	**1,435**	**5,867**

	Cost		Fair value	
Parent Company, SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Opening balance	1,061	1,050	1,480	1,442
Additional investments in existing assets	0	11	0	11
Sales	–1,061	–	–1,480	–
Other changes	–	–	–	27
Closing balance	**0**	**1,061**	**0**	**1,480**

NOTE 17 INVESTMENT PROPERTY/LAND AND BUILDINGS, cont.

Summary of values for the Group

SEK M	Tax assessment value	Fair value	Cost
Parent Company	–	–	–
Subsidiaries	645	1,435	1,256
Total for the Group	**645**	**1,435**	**1,256**

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	Group		Parent Company	
SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Rental income	243	429	23	100
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees)	–85	–148	–6	–23

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

NOTE 18 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/ participations	Share of equity, %	Equity, 2012	Profit, 2012	Carrying amount
HWH Katsan KB*	969671-2042	Stockholm	100	100	–	4	–
Länsförsäkringar Komplement AB	556660-1257	Stockholm	1,000	100	0	0	0
Fastighets KB Automobilpalatset	969680-4195	Stockholm	1,000	100	174	20	252
KB Plutonia* 9696452060 Stockholm	969645-2060	Stockholm	100	100	–	1	–
KB Hålstenen 2	916618-1330	Stockholm	100	100	19	–0	193
KB Cirkusängen*	969715-5902	Stockholm	0	99.9%	–	–2	–
Fastighets AB Sprängaren 8*	556678-4012	Stockholm	1,000	100	–	0	–
Fastigheten Dykarhuset AB	556678-4004	Stockholm	1,000	100	16	4	58
Fastighets AB Apelsinen 5*	556678-4038	Stockholm	1,000	100	–	2	–
Fastighets AB Storsundet	556740-2390	Stockholm	1,000	100	206	161	50
Fastighets AB Solnaaprikosen 3*	556657-8265	Stockholm	–	100	–	–	–
Fastighets AB Solnasmultronet 2*	556657-8299	Stockholm	–	100	–	–	–
Fastighets AB Cirkusstenen*	556612-1306	Stockholm	–	100	–	–	–
Total December 31, 2012					**415**	**190**	**552**
Total December 31, 2011					**315**	**67**	**765**

* Companies sold in 2012.

All shares and participations are unlisted.

	Parent Company	
Cost, SEK M	Dec 31, 2012	Dec 31, 2011
Opening balance	523	6,018
Added and deducted assets	–154	–5,495
Closing balance	**369**	**523**
Accumulated impairment		
Opening balance	242	–233
Reversed impairment from prior years	–59	475
Closing balance	**183**	**242**
Total carrying amount	**552**	**765**
Fair value	**924**	**1,044**

NOTE 19 INTEREST-BEARING SECURITIES ISSUED BY GROUP COMPANIES AND LOANS TO GROUP COMPANIES

	Group		Parent Company	
SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Listed bonds issued by Länsförsäkringar Hypotek	4,330	2,815	4,330	2,815
Listed bonds issued by Länsförsäkringar Bank	684	558	684	558
Promissory notes from Swedish Group companies	–	–	962	3,504
Fixed-term subordinated debentures to Swedish Group companies (Länsförsäkringar Bank)	**524**	**492**	**524**	**492**
Loans to Group companies (Länsförsäkringar AB Group)	**1,007**	**1,097**	**1,007**	**1,097**
Total fair value	**6,545**	**4,962**	**7,507**	**8,466**
Cost				
Opening balance	4,650	2,448	8,405	6,352
Purchases, sales and transfers for the year	1,725	2,203	–1,070	2,053
Cost	**6,375**	**4,650**	**7,335**	**8,405**
Total cost	**6,375**	**4,650**	**7,335**	**8,405**

NOTE 20 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/ participations	Share of equity, %	Equity, 2012	Profit, 2012	Group's carrying amount	Parent Company's carrying amount
Kista Qvadrat KB	556678-4715	Stockholm	499	49.9	0	0	0	0
Skalholt KB	916511-5057	Stockholm	499	49.9	67	18	333	292
Total December 31, 2012					**67**	**18**	**333**	**292**
Total December 31, 2011					**75**	**36**	**338**	**300**

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	18	69	2	67	333
Group and Parent Company, December 31, 2011	32	36	77	2	75	338

	Group		Parent Company	
Cost, SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Opening balance	338	341	300	313
Added and deducted assets	–5	–3	–8	–13
Closing balance	**333**	**338**	**292**	**300**

NOTE 21 SHARES AND PARTICIPATIONS

	Group		Parent Company	
SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Listed shares and participations	5,801	6,044	5,801	6,044
Unlisted shares and participations	4,251	12,856	4,251	12,856
Total	**10,052**	**18,900**	**10,052**	**18,900**
Acquisition cost	9,775	12,791	9,775	12,791

NOTE 22 BONDS AND OTHER INTEREST-BEARING SECURITIES

	Group		Parent Company	
SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Issued by				
Swedish government	16,382	5,629	16,382	5,629
Swedish mortgage institutions	37,270	28,971	37,270	28,971
Other Swedish issuers	16,273	3,340	16,273	3,340
Foreign states	4,472	4,514	4,472	4,514
Other foreign issuers	18,073	36,837	18,073	36,837
Total	**92,470**	**79,291**	**92,470**	**79,291**
Amortised cost	90,249	76,118	90,249	76,118
Market status				
Securities listed	91,843	78,692	91,843	78,692
Securities unlisted	627	599	627	599
Total	**92,470**	**79,291**	**92,470**	**79,291**
The carrying amounts of the securities compared with their nominal amounts				
Carrying amount	92,470	79,291	92,470	79,291
Nominal amount	–86,466	–75,852	–86,466	–75,852
Total	**6,004**	**3,439**	**6,004**	**3,439**
Total surplus	6,066	3,788	6,066	3,788
Total deficit	–62	–349	–62	–349
Total	**6,004**	**3,439**	**6,004**	**3,439**

NOTE 23 DERIVATIVES

Group and Parent Company

	Fair values		Nominal amount	
SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Derivative instruments with positive values or valued at zero				
Equity	81	503	102	6
Currency	606	1,103	24,574	74,186
Interest	8,043	1,545	113,374	–
Other	–	1,412	–	66,395
Total	**8,730**	**4,563**	**138,050**	**140,587**
Cost	102	3,372		
Derivative instruments with negative values				
Equity	32	218	26	5
Currency	48	1,255	2,424	74,232
Interest	6,885	25	103,752	26,588
Other	35	620	337	66,401
Total	**7,000**	**2,118**	**106,539**	**167,226**
Cost	26	1,244		

NOTE 24 ASSETS FOR CONDITIONAL BONUS

	Group		Parent Company	
SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Opening balance	4,003	174	4,003	174
Transfer conditional bonus	–	4,020	–	4,020
Change in value according to the income statement	561	–191	561	–191
Closing balance	**4,564**	**4,003**	**4,564**	**4,003**

NOTE 25 OTHER RECEIVABLES

	Group		Parent Company	
SEK M	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Receivables from the Länsförsäkringar Group	280	154	280	154
Other receivables	2,090	1,341	1,938	1,281
Total	**2,370**	**1,495**	**2,218**	**1,435**

NOTE 26 PREPAID ACQUISITION COSTS

SEK M	Group Dec 31, 2012	Group Dec 31, 2011	Parent Company Dec 31, 2012	Parent Company Dec 31, 2011
Insurance contracts				
Opening balance	564	615	564	615
Capitalised costs during the year	46	148	46	148
Depreciation according to plan for the year	–168	–199	–168	–199
Closing balance	**442**	**564**	**442**	**564**
Financial agreements				
Opening balance	–	876	–	–
Capitalised costs during the year	–	151	–	–
Depreciation according to plan for the year	–	–130	–	–
Divestments	–	–897	–	–
Closing balance	–	–	–	–
Total closing balance	**442**	**564**	**442**	**564**

NOTE 27 SHARE CAPITAL

Parent Company	Dec 31, 2012	Dec 31, 2011
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 Dec 31, 2012	Group Dec 31, 2011	Parent Company Dec 31, 2012	Parent Company Dec 31, 2011
Opening balance	104,572	81,700	104,572	81,700
Payments	3,765	5,572	3,765	5,572
Dividends	–7,205	–5,009	–7,205	–5,009
Costs withdrawn	–423	–924	–423	–924
Investment income contributed to life-assurance reserves	1,219	1,474	1,219	1,474
Change in reserves due to amended interest-rate assumptions	577	25,112	577	25,112
Mortality results	–60	–58	–60	–58
Yield tax	–182	–369	–182	–369
Other changes	375	–2,926	375	–3,367
Closing balance	**102,638**	**104,572**	**102,638**	**104,572**

NOTE 29 PROVISION FOR CLAIMS OUTSTANDING

Group SEK M	Established claims	Non-established claims	Provision for claims and disability annuities	Total Dec 31, 2012	Total Dec 31, 2011
Opening balance	52	252	2,036	2,340	2,409
Divestments	–	–	–	–	–59
Other changes	13	–49	0	–36	–10
Closing balance	**65**	**203**	**2,036**	**2,304**	**2,340**
Parent Company SEK M					
Opening balance	52	252	2,036	2,340	2,345
Other changes	13	–49	0	–36	–5
Closing balance	**65**	**203**	**2,036**	**2,304**	**2,340**

NOTE 30 UNIT-LINKED INSURANCE COMMITMENTS

SEK M	Group Dec 31, 2012	Group Dec 31, 2011	Parent Company Dec 31, 2012	Parent Company Dec 31, 2011
Opening balance	–	54,034	–	–
Payments	–	5,381	–	–
Cancellations and repurchases	–	–550	–	–
Dividends	–	–766	–	–
Costs withdrawn	–	–352	–	–
Change in value	–	–5,748	–	–
Yield tax	–	–235	–	–
Other changes	–	14	–	–
Divestments	–	–51,778	–	–
Closing balance	**–**	**0**	**–**	**–**

NOTE 31 PENSIONS

Group	Dec 31, 2012	Dec 31, 2011
Provision for pensions being paid	23	24
Provision for early retirement in accordance with pension agreement	7	9
	30	**33**

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 40% 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 pensions. 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, 2012	Dec 31, 2011
Present value of wholly or partly funded commitments	–	1
Fair value of plan assets	–	–1
Present value of unfunded commitments	23	28
Present value of net commitments	**23**	**27**
Unrecognised accumulated actuarial gains (+) and losses (–)	1	–1
Net amount recognised pertaining to defined-benefit plans in the balance sheet	**23**	**27**
Provision, special employer's contribution	6	6
The net amount is recognised in the following items in the balance sheet:		
Provisions for pensions and similar commitments	30	33
	30	**33**
Change in net liability reported in the balance sheet		
Opening liability, January 1	27	32
Pension costs for the year according to specification below	3	3
Settlement	–5	–9
Closing net debt, December 31 according to the balance sheet	**24**	**27**
Changes in total present value for defined-benefit plans		
Commitments for defined-benefit plans, January 1	29	29
Interest expense	0	1
Reduction of the commitment due to settlement	–2	–1
Paid remuneration	–3	–4
Actuarial gains (–) and losses (+)	–1	3
Total commitments for defined-benefit plans, December 31	**23**	**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**
Composition of plan assets		
Cash and bank balances	–	1
Total	**–**	**1**
Costs recognised in profit and loss		
Interest expense	0	1
Effects of reductions and settlements	1	4

NOTE 31 **PENSIONS, cont.**

	Dec 31, 2012	Dec 31, 2011
Amortisation of actuarial gains/loss	1	–1
Total net expenses in profit and loss	**3**	**3**
Costs are recognised in the following lines in profit and loss:		
Staff costs	3	3
Significant calculation assumptions at December 31		
Discount rate	2.3%	1.1%
Expected return on plan assets	–	2.0%
Expected rate of salary increase	2.5%	3.0%
Percentage expected to retire voluntarily at age 62	40%	20%

Historic information	**2012**	**2011**
Present value of defined-benefit commitments	26	29
Fair value of plan assets	0	–1
Surplus/Deficit in the plan	25	27
Experience-based adjustment pertaining to defined-benefit commitments	1	–3

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 company'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.

FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Expenses for defined-contribution plans

SEK M	**2012**	**2011**
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 pensions.

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, 2012**	**Dec 31, 2011**
Pension commitments		
Other provisions	7	6
Provisions for pensions	19	21
Total	**27**	**27**
Of the pension commitments, only the following amount is encompassed by the Pension Obligations Vesting Act	19	20
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	25	30
Cost excluding interest expense charged to earnings	5	–2
Interest expense	0	1
Pensions paid	–4	–4
Capital value at December 31	**26**	**25**
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
Reduction of the commitment due to settlement	–2	–
Capital value at December 31	**–**	**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	27	32
Cost excluding interest expense charged to earnings	5	–2
Interest expense	0	1
Pensions paid	–4	–4

NOTE 31 PENSIONS, cont.

SEK M	Dec 31, 2012	Dec 31, 2011
Reduction of the commitment due to settlement	–2	–
Capital value at December 31	**26**	**27**
Fair value of separated assets		
Fair value at January 1	1	1
Return on separated assets	0	0
Payments to and from pension foundations	–1	0
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 at December 31	**–**	**1**
Amount recognised under contingent liabilities	**–**	**–1**
Net pension commitments at December 31	**26**	**26**
Costs regarding pensions:		
The company's own pensions		
Cost excluding interest expense	5	3
Interest expense	0	–1
Return on separated assets	0	
Cost of the company's own pensions	**5**	**2**
Costs covered by surplus in separated assets	–	0
Recognised net cost attributable to pensions	**5**	**2**
Fair value of separated assets:		
Equity instruments	–	0
Other assets	–	2
Liabilities	–	–1
Total	**–**	**1**
Assumptions pertaining to defined-benefit commitments:		
Discount rate	0.4–1.1%	1.8–2.3%
Expected return on plan assets	–	3.0%
Expected rate of salary increase	0%	3.0%
Percentage expected to retire voluntarily at age 62	40%	20%

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 company'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.

FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Expenses for defined-contribution plans

SEK M	2012	2011
Expenses for defined-contribution plans	13	13

NOTE 32 OTHER LIABILITIES

SEK M	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Liabilities to Group companies	–	–	342	394
Liabilities to Länsförsäkringar AB Group	389	116	389	116
Other liabilities	3,153	3,499	3,147	3,437
Total	**3,542**	**3,615**	**3,878**	**3,947**

NOTE 33 MEMORANDUM ITEMS

	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
For own liabilities, pledged assets				
Carrying amount for financial assets provided as collateral for technical provisions:				
Bonds	104,417	92,268	104,417	92,268
Shares and participations	9,551	19,391	9,551	19,391
Property-related assets	2,870	5,217	2,870	5,217
Other assets	4,621	1,508	4,621	1,508
Total	**121,459**	**118,384**	**121,459**	**118,384**
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	121,459	118,384	121,459	118,384
Other pledged assets				
Other party's lien for own properties	–	14	–	14
Other pledged assets	6	7	6	7
Total	**6**	**21**	**6**	**21**

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, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Contingent liabilities				
Early retirement at age 62 in accordance with pension agreement, 80%	11	21	11	21
Pension commitment exceeding the wealth of the pension foundation	0	0	0	0
Total	**11**	**21**	**11**	**21**
Commitments				
Remaining amount to invest in investment assets	796	3,250	796	3,250

NOTE 34 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY

Group, Dec 31, 2012

Assets	Loan receivables and accounts receivable	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Non-financial assets	Total	Fair value (financial assets)
Property and equipment	–	–	–	1	1	–
Investment property	–	–	–	1,435	1,435	–
Interest-bearing securities issued by Group companies	–	6,545	–	–	6,545	6,545
Shares and participations in associated companies	–	–	–	333	333	–
Shares and participations	–	10,052	–	–	10,052	10,052
Bonds and other interest-bearing securities	–	92,470	–	–	92,470	92,470
Loans with collateral in fixed property	–	1,771	–	–	1,771	1,771
Derivatives	–	–	8,730	–	8,730	8,730
Other financial investment assets	–	627	–	–	627	–
Investment assets for which the policyholder bears the risk	–	4,564	–	–	4,564	4,564
Reinsurers' portion of technical provisions	–	–	–	609	609	–
Other receivables	2,124	–	–	246	2,370	2,124
Cash and bank balances	3,997	–	–	–	3,997	3,997
Prepaid expenses and accrued income	138	1,015	–	425	1,578	1,153
Total assets	**6,259**	**117,044**	**8,730**	**3,049**	**135,083**	

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss: Financial liabilities measured according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Non-financial liabilities	Total	Fair value (financial liabilities)
Technical provisions	–	–	–	104,942	104,942	–
Provisions for life assurance for which the policyholder bears the investment risk	–	–	–	4,564	4,564	–
Other provisions	–	–	–	176	176	–
Deposits from reinsurers	–	–	–	609	609	–
Due to credit institutions	–	–	–	–	–	–
Derivatives	–	–	7,000	–	7,000	7,000
Other liabilities	2,620	–	–	922	3,542	2,620
Accrued income and prepaid expenses	–	–	–	418	418	–
Total liabilities	**2,620**		**7,000**	**111,631**	**121,251**	

Group, Dec 31, 2011

Assets	Loan receivables and accounts receivable	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Non-financial assets	Total	Fair value (financial 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 provisions	–	–	–	597	597	–
Other receivables	1,217	79	–	206	1,502	1,296
Cash and bank balances	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**	

NOTE 34 **ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.**

Group, Dec 31, 2011, cont.

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss: Financial liabilities measured according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Non-financial liabilities	Total	Fair value (financial liabilities)
Technical provisions	–	–	–	106,913	106,913	–
Provisions for life assurance for which the policyholder bears the investment 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**	

Parent Company Dec 31, 2011

Assets	Loan receivables and accounts receivable	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Non-financial assets	Total	Fair value (financial assets)
Land and buildings	–	–	–	1	1	–
Shares and participations in Group companies	–	–	–	552	552	–
Interest-bearing securities issued by Group companies and loans to Group companies	–	7,507	–	–	7,507	7,507
Shares and participations in associated companies	–	–	–	292	292	
Shares and participations	–	10,052	–	–	10,052	10,052
Bonds and other interest-bearing securities	–	92,470	–	–	92,470	92,470
Loans with collateral in fixed property		1,771			1,771	1,771
Derivatives	–	–	8,730	–	8,730	8,730
Other financial investment assets	–	627	–	–	627	627
Investment assets for which the policyholder bears the risk	–	4,564	–	–	4,564	4,564
Reinsurers' portion of technical provisions	–	–	–	609	609	–
Other receivables	1,972	–	–	246	2,218	1,972
Cash and bank balances	3,997	–	–	–	3,997	3,997
Prepaid expenses and accrued income	138	1,015	–	425	1,578	1,015
Total assets	**6,107**	**118,006**	**8,730**	**2,125**	**134,968**	

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss: Financial liabilities measured according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Non-financial liabilities	Total	Fair value (financial liabilities)
Technical provisions	–	–	–	104,942	104,942	–
Provisions for life assurance for which the policyholder bears the investment risk	–	–	–	4,564	4,564	–
Other provisions	–	–	–	39	39	–
Deposits from reinsurers	–	–	–	609	609	–
Due to credit institutions	–	–	–	–	–	–
Derivatives	–	–	7,000	–	7,000	7,000
Other liabilities	2,649	–	–	1,229	3,878	2,649
Accrued income and prepaid expenses	–	–	–	378	378	–
Total liabilities	**2,649**	**–**	**7,000**	**111,761**	**121,410**	

NOTE 34 **ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.**

Parent Company Dec 31, 2011

Assets	Loan receivables and accounts receivable	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Non-financial assets	Total	Fair value (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 provisions	–	–	–	597	597	–
Other receivables	1,217	–	–	139	1,435	1,223
Cash and bank balances	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: Financial liabilities measured according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Non-financial liabilities	Total	Fair value (financial liabilities)
Technical provisions	–	–	–	106,913	106,913	–
Provisions for life assurance for which the policyholder bears the investment 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.

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 the European Private Equity and Venture Capital Association. The measurement is certified annually by each fund auditor.

Group

Dec 31, 2012	Level 1 Instruments with published price quotations	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on unobservable market data	Total
Assets				
Shares and participations	5,801	5	4,246	**10,052**
Bonds and other interest-bearing securities	88,104	3,739	627	**92,470**
Derivatives	20	8,710	–	**8,730**
Assets for conditional bonus	4,486	78	–	**4,564**
Prepaid expenses and accrued income	1,578	–	–	**1,578**
Liabilities				
Derivatives	27	6,973	–	**7,000**

Dec 31, 2011	Level 1 Instruments with published price quotations	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on unobservable market data	Total
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**

Parent Company

Dec 31, 2012	Level 1 Instruments with published price quotations	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on unobservable market data	Total
Assets				
Shares and participations	5,801	5	4,246	**10,052**
Bonds and other interest-bearing securities	88,104	3,739	627	**92,470**
Derivatives	20	8,710	–	**8,730**
Assets for conditional bonus	4,486	78	–	**4,564**
Prepaid expenses and accrued income	1,578	–	–	**1,578**
Liabilities				
Derivatives	27	6,973	–	**7,000**

Dec 31, 2011	Level 1 Instruments with published price quotations	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on unobservable market data	Total
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**

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, 2012	
Total profits and losses recognised:	13,450
– recognised in net profit for the year, Shares and participations	–504
– recognised in net profit for the year, Bonds and other interest-bearing securities	–
Cost, acquisitions	176
Sales proceeds, sales	–8,248
Transfer to level 3	–
Closing balance, Dec 31, 2012	**4,874**

NOTE 35 NET INVESTMENT INCOME, PER MEASUREMENT CATEGORY

	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Profit/loss by measurement category				
Derivative assets intended for risk management, non-hedge accounting	1,442	5,477	1,442	5,477
Other financial assets measured at fair value in profit and loss	6,135	–851	6,135	2,197
Other financial liabilities	–1	–1	–1	–1
Loan receivables and accounts receivable	73	39	73	39
Items not distributed by category				
Exchange-rate gains	0	40	0	40
Dividends to Group and associated companies	54	–	54	–
Impairment of shares and participations	–	–	–	27
Asset management expenses	–341	–100	–264	–100
Non-financial items included in investment income, net	297	171	268	97
Total investment income, net	**7,659**	**4,775**	**7,707**	**7,776**

NOTE 36 RECOVERY DATES

	Group 2012		Group 2011		Parent Company 2012		Parent Company 2011	
SEK M	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								
Property and equipment	–	1	–	–	–	1	–	–
Other intangible assets	–	–	12	–	–	–	–	–
Investment property/Land and buildings	–	1,435	–	5,867	–	–	–	1,480
Shares and participations in Group companies	–	–	–	–	–	552	–	765
Interest-bearing securities issued by Group companies and loans to Group companies	2,119	4,426	4,860	102	4,860	2,647	4,860	3,606
Shares and participations in associated companies	–	333	–	338	–	292	–	300
Shares and participations	–	10,052	–	18,900	–	10,052	–	18,900
Bonds and other interest-bearing securities	11,669	80,801	1,384	77,907	11,669	80,801	1,384	77,907
Loans with collateral in fixed property	–	1,771	–	–	–	1,771	–	–
Other loans	–	–	0	–	–	–	0	–
Derivatives	690	8,040	1,625	2,938	690	8,040	1,625	2,938
Other financial investment assets	–	627	–	–	–	627	–	–
Assets for conditional bonus	248	4,316	36	3,967	248	4,316	36	3,967
Provision for claims outstanding	132	477	75	522	132	477	75	522
Other receivables	2,370	–	1,495	–	2,218	–	1,435	–
Deferred tax assets	–	0	–	7	–	–	–	–
Current tax assets	29	–	–	–	29	–	–	–
Cash and bank balances	3,968	–	7,279	–	3,968	–	7,279	–
Accrued interest and rental income	1,136	–	1,036	–	1,136	–	1,036	–
Prepaid acquisition costs	125	317	159	405	125	317	159	405
Other prepaid expenses and accrued income	0	–	91	–	0	–	80	–
	22,486	**112,595**	**18,050**	**110,953**	**25,075**	**109,893**	**17,970**	**110,790**
Liabilities								
Life-assurance reserve	5,632	97,006	5,426	99,146	5,632	97,006	5,426	99,146
Provision for claims outstanding	377	1,927	400	1,940	377	1,927	400	1,940
Conditional bonus	248	4,316	36	3,967	248	4,316	36	3,967
Provisions for pensions and similar commitments	–	41	7	26	–	38	5	20
Deferred tax liabilities	13	121	–	133	–	–	–	–
Current tax liabilities	1	–	–	–	1	–	–	–
Other provisions	75	534	75	522	75	534	75	522
Deposits from reinsurers	–	–	–	12	–	–	–	12
Due to credit institutions	103	6,897	1,498	620	103	6,897	1,498	620
Derivatives	3,488	54	3,475	140	3,824	54	3,807	140
Other liabilities	418	–	716	–	378	–	648	–
Other accrued expenses and deferred income	**10,355**	**110,896**	**11,646**	**106,506**	**10,638**	**110,772**	**11,895**	**106,367**

NOTE 37 SUPPLEMENTARY INFORMATION ABOUT CASH FLOWS

	Group		Parent Company	
SEK M	2012	2011	2012	2011
Interest payments, inward	4,450	1,731	4,447	1,760
Interest payments, outgoing	148	366	148	366
Dividends received	4,598	5,106	4,595	4,369

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

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

Specification of non-cash items:

Changes in technical provisions	1,934	20,489	–1,993	22,945
Changes in value and results of investment assets	3,627	–2,275	–3,089	274
Value changes in investment assets for which the policyholder bears the risk	–515	6,538	515	–137
Capital gains/losses, divestment of subsidiaries	17	–2,643	–65	–
Other	–2,468	939	221	151
Total	**2,595**	**23,048**	**–4,410**	**23,233**

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 ongoing transactions and a few 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 in Länsförsäkringar Liv 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, the 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 corporate 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 undertaken on behalf of Länsförsäkringar AB or another related party. The assignment agreement also states how control and planning of the outsourced operation is to take place. There are also specifications for 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 corporate 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 2012. The transactions are recognised according to size.

1) Divestment of property-owning companies with pertaining properties located in Solna and Sundbyberg to Humlegården Holding I–III
In 2012, six property-owning companies were divested to Humlegården Holding I–III AB. The total payment amounted to SEK 2.6 billion, of which the purchase consideration accounted for SEK 1.5 billion and the payment of loans for SEK 1.1 billion.

2) Divestment of Private Equity fund units
In 2012, Länsförsäkringar Liv divested units in Private Equity funds. The units were divested at market price, produced by a broad auction process in which the combination of external purchasers that offered the highest sales value for Länsförsäkringar Liv's fund units was selected. For a number of these divested funds, the related party Länsförsäkringar PE Holding AB (publ) acquired up to 20% of the holding for the same price and terms as the selected external purchasers. The transaction between Länsförsäkringar Liv and Länsförsäkringar PE Holding AB (publ) amounted to SEK 356 million.

Länsförsäkringar PE Holding AB (publ) is owned by nine regional insurance companies (Dalarna, Bergslagen, Gothenburg, Bohuslän, Halland, Gotland, Göinge Kristianstad, Kronoberg, Uppsala and Södermanland)

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 principle. 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) 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 an ongoing nature.

Mandatory services within Länsförsäkringar Alliance
Costs for the mandatory services in the Länsförsäkringar AB Group are distributed among the three core business segments 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 can 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 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, how these costs are distributed between the business units, etc.

5) Bonds in Länsförsäkringar Hypotek AB
Länsförsäkringar's traditional life-assurance company owns listed bonds issued by Länsförsäkringar Hypotek AB with a fair value of SEK 4,330 M.

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

6) 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 2012, remuneration for new sales and additional occupational insurance was paid to the regional insurance companies. Throughout 2012, 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 term applies for commission for sales conducted prior to the discontinuation of new sales under traditional management. Due to the discontinuation of underwriting new sales of traditional management and the cancellation of capital-based remuneration on December 31, 2011, remuneration agreements were amended. Following negotiations, the regional insurance companies received compensation of SEK 210 M.

7) Service offerings to Länsförsäkringar Fondliv
Länsförsäkringar Fondliv purchases services from Länsförsäkringar Liv. The service offerings are regulated through agreements. The agreements apply 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.

8) Asset management in Länsförsäkringar AB and with 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 the external managers. The agreement applies until further notice, with 12 months' termination notice.

9) Management remuneration from Länsförsäkringar Fondförvaltning
Länsförsäkringar Fondförvaltning provides management remuneration for managing New World products. The cooperation agreement applies until further notice, with three months' termination notice.

10) Occupational pensions 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.

11) Bonds and subordinated debts in Länsförsäkringar Bank AB
Länsförsäkringar's traditional life-assurance company owns listed bonds issued by Länsförsäkringar Bank AB with a fair value of SEK 685 M, as well as listed subordinated debts in Länsförsäkringar Bank AB with a fair value of SEK 524 M.

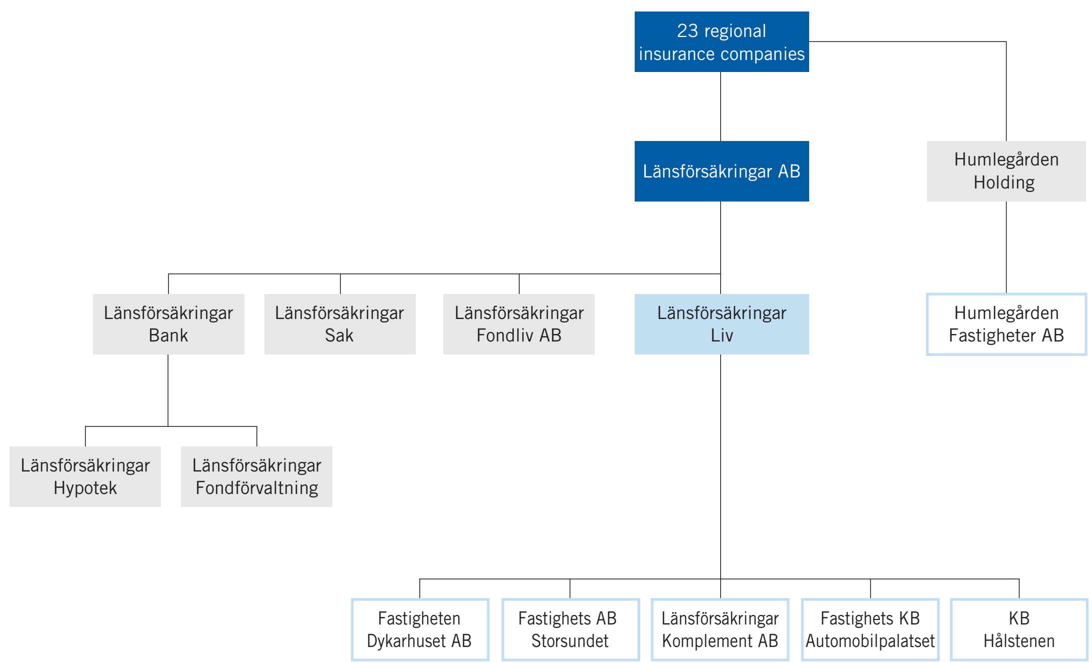
12) Loans to Humlegården Holding I–III AB
In conjunction with the divestment of property-owning companies to Humlegården Holding I–III AB, loans amounting to SEK 1.7 billion were paid to the purchasers.

13) 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.

14) 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. The 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 25 M (51) recognised in the table below for related-party transactions is net of the reinsurance business.

15) Agreement on property management with Humlegården Fastigheter AB:
Länsförsäkringar Liv pays remuneration calculated on cost price to Humlegården Fastigheter AB for the management of Länsförsäkringar Liv's Stockholm properties.

16) Länsförsäkringar Liv's divestment of Länsförsäkringar Fondliv to Länsförsäkringar AB
In 2011, Länsförsäkringar Liv divested all shares in Länsförsäkringar Fondliv to Länsförsäkringar AB. A portion of the purchase price was paid during the year, amounting to SEK 136 M.



The image is not a complete organisational diagram. The white boxes show subsidiaries and associated companies, grey 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.

Länsförsäkringar Liv's transactions with related parties

		2012		2011		
Character	**Counterparty**	**Income**	**Expenses**	**Income**	**Expenses**	**Report location**
Divestment of property companies	Humlegården Holding I–III AB	1,450	–	–	–	1
Divestment of units in funds	Länsförsäkringar PE Holding AB	356	–	–	–	2
IT services and products	Länsförsäkringar AB	–	216	–	286	3
Service and development, of which	Länsförsäkringar AB	–	197	–	262	4
– Individual service		–	111	–	154	
– Mandatory services		–	11	–	27	
– Basic service		–	73	–	76	
– Group overhead		–	2	–	5	
Interest	Länsförsäkringar Hypotek AB	166	–	107	–	5
Distribution remuneration, 2011 including remuneration capital	23 regional insurance companies	–	159	–	973	6
Service offerings	Länsförsäkringar Fondliv AB	113	–	24	–	7
Asset management	Länsförsäkringar AB	–	74	–	61	8
Management remuneration	Länsförsäkringar Fondförvaltning AB	72	–	179	–	9
Occupational pension premiums for employees within the Länsförsäkring Alliance	Länsförsäkringar Alliance	62	–	232	–	10
Interest rate	Länsförsäkringar Bank AB	46	–	25	–	11
Interest rate	Humlegården Holding I–III	26	–	–	–	12
Interest rate	Länsförsäkringar Fondliv AB	9	–	–	–	13
Reinsurance agreements	23 regional insurance companies	–	25	–	51	14
Property management	Humlegården Fastigheter AB	–	1	–	36	15
		2,300	**672**	**567**	**1,669**	

Transactions between Länsförsäkringar Liv and its subsidiaries

		2012		2011		
Character	**Counterparty**	**Income**	**Expenses**	**Income**	**Expenses**	**Report location**
Interest rate	Länsförsäkringar Liv AB's subsidiaries	51	–	92	–	8
		51	–	**92**	–	

Related-party receivables and liabilities – Group

	Dec 31, 2012		Dec 31, 2011	
Counterparty	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Länsförsäkringar Hypotek AB	4,330	–	2,878	–
Länsförsäkringar Bank AB	1,209	–	1,066	–
Länsförsäkringar AB	15	198	914	87
Länsförsäkringar Fondliv AB	261	190	250	24
Länsförsäkringar Fondförvaltning AB	6	–	6	–
Länsförsäkringar Grupplivförsäkringsaktiebolag	–	–	–	1
Regional insurance companies	–	6	–	51
Länsförsäkringar Sak AB	0	1	1	4
Humlegården Holding I–III AB	1,736	–	–	–
	7,557	**395**	**5,115**	**167**

Related-party receivables and liabilities – Parent Company

	Dec 31, 2012		Dec 31, 2011	
Counterparty	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Fastighets AB Storsundet	–	74	1,655	10
Fastighets KB Automobilpalatset	523	108	524	77
Fastighets AB Apelsinen 5	–	–	271	31
Fastigheten Dykarhuset AB	267	79	268	63
KB Plutonia	–	–	233	12
HWH Katsan KB	–	–	176	35
KB Hålstenen 2	171	81	171	78
KB Cirkusängen	–	–	114	1
Fastighets AB Sprängaren 8	–	–	91	13
Fastighets AB Cirkusstenen	–	–	–	35
Fastighets AB Solnasmultronet	–	–	–	20
Fastighets AB Solnaaprikosen 3	–	–	–	18
	961	**342**	**3,503**	**393**

The company's income statement and balance sheet will be adopted at the Annual General Meeting in June 2013.

Stockholm, April 18, 2013

Karl-Olof Hammarkvist *Board Chairman Deputy*	Gunnar Wetterberg *Chairman Board member*	Lennart Atteryd *Board member*
Birgitta Carlander *Board member*	Sten Dunér *Board member*	Gunvor Engström *Board member*
Anders Grånäs *Board member*	Sten Lundqvist *Board member*	Ulrica Messing *Board member*
Christer Ekehov *Employee representative*		Lena Sundqvist *Employee representative*

Jörgen Svensson
President

My audit report was submitted on April 18, 2013.

Mårten Asplund
Authorised Public Accountant

Audit report

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 consolidated financial statements of Länsförsäkringar Liv for 2012. The annual accounts and the consolidated financial statements of the company are included in the printed version of this document on pages 4–51.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for the fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the Annual Accounts Act for Insurance Companies, and for the internal control deemed necessary by the Board of Directors and the President for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatement is due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on 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 have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2012 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act for Insurance Companies. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the Group's financial position at December 31, 2012 and its financial performance and cash flows for the year in accordance with the International Financial Reporting Standards adopted by the EU, and 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 General Meeting adopts 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 for the year 2012.

Responsibilities of the Board of Directors and the President

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

Auditor's 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 our 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 Swedish Insurance Business Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, 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 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 General Meeting that the profit be appropriated in accordance with the proposal in the statutory Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, April 18, 2013

Mårten Asplund
Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

Introduction

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. Deviations from the provisions of the Code and explanations for such deviations are presented below in the Deviations from the Code section.

This Corporate Governance Report is unaudited.

Corporate governance

Länsförsäkringar Liv comprises the Liv business unit within the Länsförsäkringar AB Group.

Länsförsäkringar AB has a corporate-governance system, which is based on Länsförsäkringar AB's task from the owners. The Liv business unit also has a corporate-governance system that ensures satisfactory control and management in the business unit.

The corporate-governance system encompasses a number of components, such as organisational structure, decision-making procedures, division of authorities and responsibilities, risk-management systems and internal-control systems. The risk-management system ensures that operations in the business unit are continuously able to identify, manage and report risks. Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second is the Compliance and Risk Control functions and the third comprises the Internal Audit function. The second line of defence is independent in relation to the first line and the third line is independent in relation to the first and second lines. Other components in the corporate-governance system include the structure for internal rules and regulations, subcontracting policies, suitability requirements pertaining to employees and Board members, as well as continuity plans.

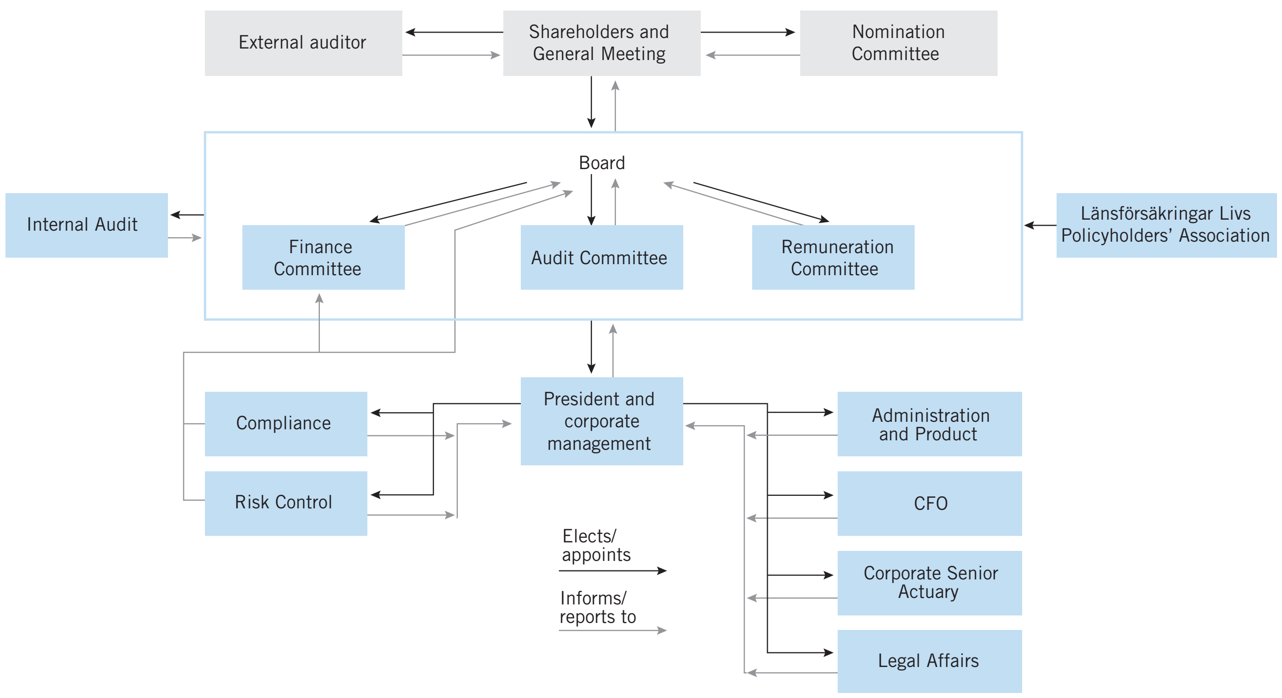
An outline of the governance structure is provided in the diagram below. The numbering in this diagram refers to the following accounts.

Shareholders and General Meeting

The shareholder exercises its voting rights at the General Meeting, which is the highest decision-making body. A General Meeting is normally held once per year, the Annual General Meeting. Länsförsäkringar AB holds 100% of the capital and votes in Länsförsäkringar Liv.

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

LÄNSFÖRSÄKRINGAR LIV'S GOVERNANCE STRUCTURE



presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman and other Board members, and includes remuneration for committee work.

Nomination Committee

Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee. The Nomination Committee is charged with the task of presenting, in consultation with the President of Länsförsäkringar AB, proposals regarding the Board of Directors and auditors of Länsförsäkringar Liv and other subsidiaries, and fees to these Directors and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. The Nomination Committee is responsible for ensuring that a suitability assessment of proposed Board members is performed. The Nomination Committee applies its own adopted processes and procedures for the suitability assessments of proposed Board members and documents the assessments that have been performed.

The Nomination Committee prior to 2013 Annual General Meeting

The Nomination Committee has comprised Göran Trobro (Chairman) (Länsförsäkringar Göinge Kristianstad), Ulf W Eriksson (Länsförsäkringar Värmland), Otto Ramel (Länsförsäkringar Skåne), Conny Sandström (Länsförsäkringar Västerbotten) and Örian Söderberg (Länsförsäkringar Jönköping) since the 2012 Annual General Meeting.

Prior to the Annual General Meeting, the Nomination Committee has

- studied the Board's evaluation of its own work,
- studied the Board Chairman's, and certain Board member's views on the operations, the Board's work and requirements for expertise and experience, and
- reviewed and discussed requirements for expertise and experience with respect to the needs of the operations and regulatory requirements.

Prior to 2013 Annual General Meeting, the Nomination Committee will

- make a decision regarding the independence of candidates,
- nominate Board members and a Board Chairman,
- conduct suitability assessments of Board members in accordance with established processes and procedures, and
- propose fees to Board members and auditors.

External auditors

The Annual General Meeting appoints the external auditors. Nominations are made to the Nomination Committee. In accordance with the Articles of Association, Länsförsäkringar Liv shall have between one and three auditors and between zero and three deputy auditors. At the 2012 Annual General Meeting, Mårten Asplund, KPMG AB, was appointed auditor and Anders Linér, KPMG AB, deputy auditor for the period up to the 2015 Annual General Meeting.

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 the 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.

Board of Directors

Composition of Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar Liv shall comprise between eight and 14 Board members, with between zero and six deputies. Board members are elected for a maximum mandate period of two years. In addition, members and deputies appointed by the trade-union organisations 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.

At an Extraordinary General Meeting on 24 January 2013, Anders Grånäs was appointed a new Board member to replace Leif Naurin who stepped down from the Board on the same date. On 21 February 2013, employee representative Marita Wiklund was replaced by Lena Sundqvist.

The Board currently comprises 11 members and one deputy. Seven of the members are appointed by the General Meeting, two by Länsförsäkringar Liv's Policyholders' Association and two members and one deputy by the trade-union organisations. Six of the members are independent. The Board members are listed on page 58 of the company's Annual Report.

Board responsibilities and allocation of duties

The Board is responsible for the organisation and administration of the company and for handling and making all decisions concerning issues of material significance and of an overall nature relating to the company's operations. The Board appoints, evaluates and dismisses the President, adopts an appropriate organisation and the goals and strategies of the operations, and ensures that efficient systems are in place for risk management and internal control.

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 allocation of duties within the Board of Directors, the minimum number of Board meetings, procedures for business and financial reporting as well as procedures for Board meetings, notices of meetings, presentation of material, conflicts of interest and disqualification.

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

The Board is also to regularly address and evaluate the company's risk development and risk management. During the year, the Board regularly monitors the company's earnings and sales trend, financial position and risk trends in relation to business planning and forecasts. The Board receives regular reports from Compliance, Risk Control and Internal Audit. The Board continuously monitors current matters with authorities.

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 receives 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.

Work of the board

In its formal work plan, the Board has established annually recurring items of business and a standard for its agenda and information and decision-making material. In a company directive, the Board has established the company's operational structure and clarified the allocation of responsibilities between the various units and executives in the company. The directive is to provide guidance and support for Länsförsäkringar Liv's daily operations.

In addition to the Board's formal work plan and the company directive, the Board establishes a directive at least once per year 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.

The Board has established a Finance Committee, an Audit Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in its formal work plan or in separate directives. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

The Board conducts annual strategic seminars and evaluates the President's work and terms of employment. The Board meets the company's auditor at least once per year. See also Audit Committee below.

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

During 2012, the Board devoted particular attention to, and underwent training in, the new capital adequacy rules for insurance companies, Solvency II.

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

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. The 2012 evaluation was based on an electronic survey completed by the Board members. The results were compiled, reported to and discussed by the Board.

Finance Committee

The Board of Directors of Länsförsäkringar Liv has appointed two of the members in a Group-wide Finance Committee for the Länsförsäkringar AB Group. The Committee is intended to be a forum for financial analyses of the business environment and macroeconomics, 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 2012, Karl-Olof Hammarkvist and Gunnar Wetterberg 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 in the following areas:

- Monitoring and quality-assuring the company's and Group's financial reporting.
- Monitoring the efficiency of the company's and the Group's internal governance and control.
- The direction, scope and coordination of the Internal Audit function's work.
- Receiving regular reports of the external auditors' observations, evaluating the external auditors' efforts, impartiality and independence.
- Outsourced operations.

At the statutory Board meeting in 2012, Ulrica Messing (chairman), 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 policies for remuneration and other terms of employment for corporate management. At the statutory Board meeting in 2012, Karl-Olof Hammarkvist (chairman), 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 2012 Annual General Meeting until February 2013, and the attendance by each Board member:

	Independent members	Board of Directors	Finance Committee	Audit Committee	Re-muneration Committee
Total number of meetings		9	3	3	2
Lennart Atteryd	x	8	–	3	–
Sten Dunér		7	–	2	2
Birgitta Carlander	x	9	–	–	–
Christer Ekehov		8	–	–	–
Gunvor Engström	x	7	–	–	–
Bitte Franzén-Molander (deputy)		5	–	–	–
Anders Grånäs[1)]		1	–	–	–
Karl-Olof Hammarkvist	x	9	3	–	2
Sten Lundqvist		8	–	3	–
Ulrica Messing	x	7	–	3	–
Leif Naurin[2)]		7	–	–	–
Lena Sundqvist[3)]		1	–	–	–
Gunnar Wetterberg	x	9	3	–	2
Marita Wiklund[4)]		5	–	–	–

1) Took office on January 24, 2013.
2) Stepped down on January 24, 2013.
3) Took office on February 21, 2013.
4) Stepped down on February 21, 2013.

President and corporate management

Jörgen Svensson has been the President of Länsförsäkringar Liv since May 2008. He was born in 1959. The organisational structure of Länsförsäkringar Liv is divided into departments. In addition, there are three control functions: Risk Control, Compliance and Internal Audit. Corporate management comprises the President and the heads of the departments. Management discusses and decides on matters pertaining to the business unit. The influence of trade-union organisations at Group level is also ensured through management.

Control functions

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 evaluate the organisation of the company, 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.

Compliance

The role of compliance is to provide support and control for ensuring that the operations comply with regulatory requirements. The function is to identify and provide information about such issues as risks that may arise due to lack of regulatory compliance, assist in the formulation of internal rules, monitor regulatory compliance and ensure that the operations are informed about new and amended regulations. Compliance risks and actions taken are to be regularly reported to the President and the Board. Compliance also has a function for counteracting money laundering.

Risk Control

Risk Control is responsible for independent risk control and provides support for the President, management and operating units in fulfilling their responsibilities of conducting operations with effective risk control. Risk Control reports regularly to the President and the Board.

Deviations from the Code

The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Notice

Notice, publication of information prior to, and holding 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 at any time, irrespective of mandate period.

A mandate period that is longer than one year contributes to ensuring continuity and establishing competence within the Board.

INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

The Board of Directors is responsible for governance and control 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 is 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 achieve 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, decision-making procedures 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 internal control and risk management process is based on the control environment and involves four main activities: risk assessment, control activities, information and communication, and monitoring.

Risk assessment

Risk assessment includes identifying and describing significant risks affecting the internal control of financial reporting. The company is governed using joint processes, in which risk management is built into every process and various methods are used to measure 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 the financial reporting are controlled through carefully prepared financial statements, standardised work routines with built-in control functions and by evaluating continuous 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 the internal control of financial reporting. This includes the development and improvement of control activities, and efforts to ensure that employees have the appropriate expertise.

Information and communication

Internal guidance documents are subject to review and reassessment at least once a year. Guidance documents are published on the company's intranet. Every manager must ensure that the regulations are communicated to subordinate staff.

Follow-up

Activities to ensure compliance with external and internal regulations take place in each part of the operations. The Internal Audit function was established to support the Board in following up and ensuring that the scope and direction of the operations comply 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. In addition, each manager is to ensure compliance with governance documents in their area of responsibility and that procedures for self-assessments are in place.

The Compliance function's task is to identify, assess, monitor and report 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. The Compliance function reports to the President and the Board 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 experience: Stockholm School of Economics, Skandia International and Nordea.

Gunnar Wetterberg
Deputy Chairman. Born 1953. Elected 2004. Sociopolitical head of the Swedish Confederation of Professional Associations (SACO). Previous experience: Diplomat (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 experience: Lawyer and partner in Advokatfirman Vinge KB.

Birgitta Carlander
Born 1952. Master of Science in Agriculture. Other appointments: Chairperson of Lantmännens Research Foundation, Chairman of VL-stiftelsen, Deputy Chairperson of Skaraborg County nursing home. Board member of Länsförsäkringar Liv's Policyholders' Association, Board member of Skaraborgsgrisen ekonomiska förening, under formation. Previous experience: Price policy department at the Federation of Swedish Farmers (LRF), economics teacher Uddetorpskolan Skara, office manager at the Federation of Swedish Farmers Consulting, agricultural business owner with pork production since 1989.

Sten Dunér
Born 1951. Elected 2009. President 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 experience: CFO and other executive positions at 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 experience: President of Bank 2, President of Företagarna, worked for nine years at the Government Offices (Ministry of Foreign Affairs and Ministry of Enterprise, Energy and Communications), President of Tjänsteförbundet, Marketing Manager of FFNS, County Governor of Blekinge and own company.

Anders Grånäs
Born 1966. Elected 2013. President of Dalarnas Försäkringsbolag. Other Board appointment: Chairman of Länsförsäkringar PE Holding. Previous experience: Partner at Via Venture Partners, Investment Manager at Industrifonden, Managing Director of Investor Growth Capital AB.

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 experience: Master of Science in Business Economics. 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.

EMPLOYEE REPRESENTATIVES

Ulrica Messing
Born 1968. Elected 2006. Entrepreneur. Other Board appointments: Chairman of Astrid Lindgren's World, Wallenstam property company. Previous experience: Member of Parliament 1991–2006, Cabinet minister in the Ministry of Enterprise, Energy and Communications and the Ministry of Employment 1996–2006.

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. Deputy in Länsförsäkringar AB's Board of Directors.

Deputy:
Bitte Franzén Molander

Lena Sundqvist
Born 1953. Employee representative since 2013. Works at: Traditional life assurance business unit, life assurance administration. Previous experience: Swedish Union of Insurance Employees (FTF) club at LFAB since 2010.

AUDITORS

Ordinary, elected by the Annual General Meeting:

Mårten Asplund
Authorised Public Accountant KPMG. Auditor of the company since 2010.

Deputy:
Anders Linér
Authorised Public Accountant KPMG Auditor in the company since 2012.

Executive management

Jörgen Svensson
Born 1959.
President.
Previous experience: President of Länsförsäkringar Blekinge. Board member of Länsförsäkringar Liv AB and Wasa Run Off AB. Various executive positions within Skandia and If.

Jakob Carlsson
Born 1967.
CFO.
Employed since 2007.
Previous experience: Head controller at SPP and Handelsbanken Liv, Group controller at Alecta.

Roger Lidberg
Born 1960.
Business Manager.
Employed since 1995.
Previous experience: Regional manager of Länsförsäkringar Stockholm, regional manager of Wasa försäkring, District Sales Manager at Skandia. Board appointments: Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) and VI SI System AB.

Helen Hallåker
Born 1960.
Head of Legal Affairs.
Employed since 2010.
Previous experience: Law Clerk at the Financial Supervisory Authority, life assurance legal adviser at Handelsbanken Liv, company lawyer at AMF Pension, rules and regulations consultant at KPMG.

Elizabeth Äng
Born 1963.
Corporate Senior Actuary.
Employed since 2012.
Previous experience: CFO at Swedbank Försäkring, Corporate Senior Actuary and Risk Control Manager at Skandia.

Definitions

Direct yield
Interest income, interest expense, dividends and net profit from real estate in relation to the average value of 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 provisions in addition to 3 per mille of the positive risk totals (mortality risks).

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.

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

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

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

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

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

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

Total return
Total return on assets in traditional management prepared in accordance with Insurance Sweden'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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Länsförsäkringar

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