

# Länsförsäkringar AB (publ)

CORPORATE REGISTRATION NUMBER 556549-7020

## January–June 2012

INTERIM REPORT

### Sten Dunér, President Länsförsäkringar AB

*Länsförsäkringar AB reports strong earnings but the financial markets remain characterised by uncertainty.*

*Five years have passed since the profound economic crisis that we are still experiencing first started. And this crisis is far from over. At times during the summer, pressure increased significantly on the debt-laden, large countries of Italy and Spain. Interest rates gradually rose after having initially declined following the announcement of bailout funds at the EU summit in June. This has placed intense pressure on the countries, while the GDP outlook has become increasingly gloomy and the recession is expected to continue. Unlike many parts of Europe, Sweden has healthy government finances and a high credit rating that can be clearly seen in the low Swedish government bond rates and the strong SEK. The Länsförsäkringar AB Group has adjusted its market risk to the financial climate and risk levels are currently relatively low.*

*The growth in the banking operations continued during the first six months of the year and market shares were strengthened, particularly in deposits. Business volumes rose almost 10% and we gained more than 60,000 new bank customers during the period. Profitability in the bank was also strengthened and earnings increased slightly more than 50%.*

*In non-life insurance, we had a more favourable claims situation and lower operating expenses, which resulted in an improved combined ratio. The combination of the implemented premium increases and healthy growth led to higher earnings in non-life insurance operations. In the market, Länsförsäkringar retained and strengthened its leading position.*

*Following the restructuring of the life-assurance operations, the intense focus on offering unit-linked insurance solutions to both corporate customers and private individuals is continuing. Sales through Länsförsäkringar's own sales force were strong and, with Sweden's most satisfied occupational pension customers, the future appears undeniably bright.*

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THE BOARD OF DIRECTORS AND THE PRESIDENT OF LÄNSFÖRSÄKRINGAR  
AKTIEBOLAG (PUBL), CORPORATE REGISTRATION NUMBER 556549-7020, HEREBY  
SUBMIT THE INTERIM REPORT FOR THE PERIOD JANUARY 1-JUNE 30, 2012  
FIGURES IN PARENTHESSES PERTAIN TO THE SAME PERIOD IN 2011.

### **Ownership**

Länsförsäkringar AB (publ) is wholly owned by the 23 regional insurance companies and the 14 local insurance companies. The Länsförsäkringar Alliance comprises the Länsförsäkringar AB Group, Länsförsäkringar Liv Group together with the 23 regional insurance companies.

### **Group structure**

In addition to the Parent Company, Länsförsäkringar AB (publ), the Group includes the wholly owned companies Länsförsäkringar Bank AB (publ) and subsidiaries, Länsförsäkringar Sak Försäkrings AB (publ) and subsidiaries, and Länsförsäkringar Fondliv Försäkrings AB.

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

### **Operations**

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

Länsförsäkringar AB conducts business activities, develops products and concepts, channels and tools and provides service so that:

- the regional insurance companies can offer their customers a broad range of products and services
- private individuals, companies and farmers in Sweden are able to live with a sense of security.

The business activities are carried out in the Non-life insurance, Banking, Unit-linked Life Assurance and Traditional Life Assurance business units, whose task

is to conduct business and assume responsibility for direct product-related support for the regional insurance companies. The financial control of the business units is primarily based on the owners' yield requirements and risk tolerance. The business activities are conducted to generate a profit so that the company can pay a competitive return on equity at a market level, including a risk premium exceeding risk-free interest, through value growth and dividends to owners. In addition to the business units, business services are provided and Länsförsäkringar's joint development work is conducted in the support functions of the Business Service unit. The accounting, capital planning and Group controller functions are part of the Accounting and Finance unit. The Asset Management unit manages the Group's and Länsförsäkringar Liv's investment portfolios. The President's staff includes the shared units of Legal Affairs, Compliance and Risk Control.

### **Koncernens resultat**

Consolidated operating profit amounted to SEK 392 M (271). The improvement in profit was due to the favourable earnings for both non-life insurance and banking operations. The non-life insurance operations reported lower claims costs and operating expenses compared with the year-earlier period. The earnings improvement in the banking operations was primarily attributable to improved net interest income.

Profit for unit-linked insurance amounted to SEK 61 M. Länsförsäkringar Fondliv was acquired on October 31, 2011 and was not a part of the Group on June 30, 2011.

### *Non-life insurance*

The technical result from insurance operations, including investment income transferred from financial management, amounted to a profit of SEK 138 M (64). The insurance operations include a life-assurance business that generated a

technical result of SEK 35 M (7).

Premiums earned after ceded reinsurance rose 2% to SEK 2,012 M (1,969). The increase was attributable to Agria Djurförsäkring and health insurance.

Claims payments after ceded reinsurance declined to SEK 1,373 M (1,478). Claims payments rose in the year-earlier period due to the growth in volumes and higher reserves in international reinsurance business, primarily because of the earthquake in Japan. The claims ratio, including claims adjustment costs, amounted to 76 (81).

The expense ratio fell to 22% (24). Operating expenses mainly declined in Agria Djurförsäkring in Sweden and in liability insurance. For Agria, the decrease was due to lower commission expense as a result of increases in proprietary sales. Commission expense for liability insurance was lower due to lower business volumes. Commission expense rose for both reinsurance and health insurance as a result of higher business volumes.

The total return on investment assets in non-life insurance operations was 1.9% (3.3). Interest-bearing assets and property holdings accounted for most of the positive return.

The non-life insurance market is stable and growth was low during the first six months of 2012. Competition in animal insurance intensified and many companies have promoted animal insurance as part of their total offering. An increasing number of animals are being insured, meaning that the market is continuing to grow and, through Agria Djurförsäkring, Länsförsäkringar held its leading position in the market with a share of 57.6%. Growing concern that payouts from the national social security systems in Sweden will be insufficient has led to more people taking out private insurance that provides compensation in the event of illness, unemployment, accidents, death and retirement. In addition, many companies wish to ensure that their employees do not go on long periods of sick leave and thus are taking out medical insurance. As a result, the medical and accident insurance market is continuing to grow. The medical insurance market rose 8% in the preceding year and is continuing to grow. Today, 456,000 people in Sweden are cur-

rently covered by private medical insurance. Analysing the trend in the medical insurance market in a longer perspective, the number of insured has increased 58% since 2007. Competition is fierce and new players are gradually emerging, yet Länsförsäkringar remains the market leader and also spearheads development in the area.

#### *Unit-linked insurance*

On October 31, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv from Länsförsäkringar Liv Försäkrings AB. Accordingly, Länsförsäkringar Fondliv was not included in the Länsförsäkringar AB Group's accounts on June 30, 2011. Comparative figures for the earnings and financial position of unit-linked life-assurance pertain to the year-earlier period for the company Länsförsäkringar Fondliv.

Profit after tax for Länsförsäkringar Fondliv amounted to SEK 61 M (102). The difference compared with the preceding year was derived from a positive tax effect in 2011 and higher operating expenses in 2012. These higher operating expenses are largely nonrecurring and pertain to investments to cover Länsförsäkringar's combined pension offering since traditional management is no longer offered.

Managed assets rose 8% compared with year-end 2011 to SEK 56.3 billion. The increase was due to positive fund returns and a positive cash flow. The solvency rate strengthened to 2.56% (2.21).

New sales in the life-assurance market fell sharply during the period because of the investment savings account (ISK) that was introduced at the start of the year as an endowment insurance option. Länsförsäkringar Fondliv, which focuses on occupational pensions, was only marginally affected by the major shift that has taken place from endowment insurance to ISK. A large portion of the new sales are for pension solutions for companies that do not have collective agreements. Sales in the sub-market of non-collectively agreed occupational pensions totalled SEK 3,947 M (4,017), down 2%.

The market share, measured in new sales of the total life-assurance market was 10.5% (9.9) on June 30, 2012, according to statistics from Insurance Sweden. Total premium income for unit-linked insurance amounted to SEK 4,174 M (3,356).

#### *Bank*

Profit before loan losses rose to SEK 313 M (205) and operating profit to SEK 270 M (181). Net interest income increased 23% to SEK 1,003 M (814), attributable to improved lending margins and also to higher lending and deposit volumes. Net gains from financial items rose to SEK 29 M (4) due to realised gains in the liquidity portfolio and interest compensation. Return on equity strengthened to 6.3% (4.7).

Loan losses remain low and amounted to SEK 43 M (24), net, corresponding to loan losses of 0.06% (0.04).

Business volumes rose 8% to SEK 266 billion (247) and the number of customers increased 7% to 921,000 (857,000). Loans to the public rose 13% to SEK 142 billion (126). Retail mortgages in Länsförsäkringar Hypotek increased 12% to SEK 95 billion (85). The market share for household and retail mortgages in Sweden increased to 4.8% (4.5) on June 30, 2012 and the share of market growth for the January-June period was slightly more than 10%, according to data from Statistics Sweden. Deposits from the public rose 28% to SEK 57 billion (45). The position in deposits is growing. The market share strengthened to 4.1% (3.6) on June 30, 2012 and the share of market growth in the January-June period was slightly more than 10%, according to data from Statistics Sweden. Fund volumes fell 12% to SEK 67 billion (77), mainly due to higher net outflows in the year-earlier period, when a turbulent market also led to lower growth in value. The company manages 31 (33) mutual funds with various investment orientations.

Debt securities in issue rose 6% to SEK 110 billion (104), of which covered bonds remained unchanged at SEK 88 billion. The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds (Aaa/AAA).

#### *Investment income*

The Group's investment income amounted to SEK 88 M (221) for the period. In addition, the value of owner-occupied property rose SEK 23 M (25), which is recognised directly under equity.

During the first six months of 2012, the Länsförsäkringar AB Group pursued

its investment orientation by maintaining a low level of risk in its portfolios with investments mainly in interest-bearing securities and real estate.

Investments in the interest-bearing segment were made in loans, which led to a positive contribution to total returns.

The year began with historically low levels for Sweden's long-term interest rate. Long-term interest rates in Sweden, the US and Germany rose at the start of 2012. The improvement in the economic outlook in the US contributed to the rise in rates. Meanwhile, long-term interest rates fell in such debt-laden countries as Italy and Spain. The higher risk appetite could also be seen in the credit markets, where spreads generally narrowed significantly during the first quarter.

In April, Swedish market interest rates subsequently declined sharply when investors sought safer investments. The reason was weaker labour market data in the US, while the debt crisis in Europe flared up again. Problems in Spain proved to be greater than expected, in terms of the government's ability to curtail the budget deficit and capitalisation of Spanish banks to meet regulatory requirements, leading to higher interest rates in the country. The heightened uncertainty in the market also affected trends in the credit market. Credit spreads in both Investment Grade and the High Yield segment widened.

The trend was broken in June and long-term interest rates in Sweden, Germany and the US rose during the month. In Sweden, the long-term rate was given an additional boost when the Swedish Financial Supervisory Authority presented a proposal at the start of June for establishing a floor for the discount rate of life-assurance companies.

#### **Significant events during the interim period**

No significant events took place during the interim period.

#### **Significant events after the end of the interim period**

No significant events took place after the end of the interim period.

## Risks and uncertainty factors of the operations

The risks associated with the operations of the Länsförsäkringar AB Group and the Parent Company, and how they are managed, are described in the 2011 Annual Report. The Group's risks are not deemed to have changed significantly since the most recent year-end.

## Related-party transactions

The Länsförsäkringar AB Group had the same type of agreements in 2012 that are described in the notes to the 2011 Annual Report. The most important related-party transactions during the interim period are reported in Note 3 for the Group and Note 2 for the Parent Company.

## Parent Company earnings

Profit after financial items for the Parent Company amounted to SEK 239 M (72). Operating income of SEK 1,154 M (1,231) primarily comprised service income from consultancy activities in the support functions of IT, development and service. Earnings of SEK 284 M (167) include dividends of SEK 347 M (138) from the subsidiaries.

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The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at June 30, 2012 are shown in the following financial statements with accompanying notes for the Group and Parent Company.

## CREDIT RATING

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A2/Negative	P-1
Länsförsäkringar Hypotek <sup>3)</sup>	Standard & Poor's	AAA/Stable	A-1+
Länsförsäkringar Hypotek <sup>3)</sup>	Moody's	Aaa/Stable	
Länsförsäkringar AB	Standard & Poor's	A-/Stable	
Länsförsäkringar AB	Moody's	A3/Negative	
Länsförsäkringar Sak	Standard & Poor's	A/Stable	
Länsförsäkringar Sak	Moody's	A2/Negative	
Agria Djurförsäkring	Standard & Poor's	A-/pi <sup>4)</sup>	

<sup>3)</sup> Pertains to the company's covered bonds.

<sup>4)</sup> Pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.

## Key figures

Länsförsäkringar AB Group	Jun. 30, 2012	Jun. 30, 2011	Dec. 31, 2011
Amounts in SEK M unless otherwise stated			
<b>Group</b>			
Operating profit	392	271	284
Net profit for the period	294	210	212
Return on equity, % <sup>1)</sup>	5	5	2
Total assets, SEK billion	277	191	254
Equity per share, SEK	1,440	1,398	1,403
Solvency capital <sup>2)</sup>	15,914	11,858	15,564
Solvency margin, % <sup>3)</sup>	393	301	388
Capital base for the financial conglomerate <sup>4)</sup>	14,034	15,014	13,665
Necessary capital requirement for the financial conglomerate	12,240	10,878	11,620
<b>Insurance operations</b> <sup>5)</sup>			
<i>Non-life insurance operations</i>			
Premiums earned (after ceded reinsurance)	1,891	1,849	3,754
Investment income transferred from financial operations	78	153	189
Claims payments (after ceded reinsurance) <sup>6)</sup>	-1,318	-1,442	-2,713
<b>Technical result, non-life operations</b>	<b>103</b>	<b>59</b>	<b>121</b>
<i>Premium income, non-life insurance</i>			
Premium income before ceded reinsurance	3,560	3,519	5,768
Premium income after ceded reinsurance	2,292	2,264	3,764
<i>Life-assurance operations</i>			
Premium income after ceded reinsurance	174	163	251
Fees pertaining to financial agreements	209	-	61
Investment income, net	7	5	8
Claims payments (after ceded reinsurance)	-62	-85	-157
<b>Technical result, life-assurance operations</b>	<b>301</b>	<b>6</b>	<b>92</b>
<b>Operating profit for insurance operations</b> <sup>7)</sup>	<b>507</b>	<b>186</b>	<b>147</b>
<b>Key figures</b>			
Cost ratio <sup>8)</sup>	29	32	30
Expense ratio <sup>9)</sup>	22	24	23
Claims ratio <sup>10)</sup>	76	81	79
Combined ratio	98	105	102
Management cost ratio, life-assurance operations <sup>11)</sup>	1	14 <sup>21)</sup>	2
Direct yield, % <sup>12)</sup>	0.7	1.8	2.7
Total return, % <sup>13)</sup>	1.9	3.3	6.0
<b>Financial position</b>			
Investment assets, SEK billion <sup>14)</sup>	16	16	15
Unit-linked insurance assets – policyholder bears the risk, SEK billion	56	-	52
Technical reserves (after ceded reinsurance), SEK billion	14	14	14

Länsförsäkringar AB Group	Jun. 30, 2012	Jun. 30, 2011	Dec. 31, 2011
<b>Banking operation</b>			
Net interest income			
Operating profit	270	181	385
Net profit for the period	199	134	298
Return on equity, % <sup>15)</sup>	6.3	4.7	4.8
Total assets, SEK billion	187	164	170
Equity	6,707	6,073	6,332
Cost/income ratio before loan losses <sup>16)</sup>	0.66	0.72	0.71
Investment margin, % <sup>17)</sup>	1.12	1.06	1.07
Tier 1 ratio according to Basel II, % <sup>18)</sup>	12.9	12.1	12.1
Capital adequacy ratio according to Basel II, % <sup>19)</sup>	14.9	14.1	14.0
Loan losses in relation to loans, % <sup>20)</sup>	0.06	0.04	0.04
<b>Other operations</b>			
Income			
Operating loss	-92	-101	-125

<sup>1)</sup> Operating profit plus change in value of owner-occupied property less standard tax at 26.3% in relation to average equity adjusted for share issue and dividends. Six-month figures are recalculated to full-year figures.

<sup>2)</sup> Total of shareholders' equity, subordinated loan and deferred taxes.

<sup>3)</sup> Solvency capital as a percentage of full-year premium income after ceded reinsurance.

<sup>4)</sup> The financial conglomerate comprises the Parent Company Länsförsäkringar AB, all insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförfälvning AB. The financial conglomerate also includes Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group is not consolidated in the Länsförsäkringar AB Group. The capital base is calculated in accordance with the aggregation method. In accordance with the Swedish Special Supervision of Financial Conglomerates Act (2006:531).

<sup>5)</sup> The earnings, key figures and financial position of the insurance operations are presented in accordance with Chapter 6, Section 2 of the Swedish Annual Accounts Act for Insurance Companies and Swedish Financial Supervisory Authority's directives and general guidelines FFFS 2008:26, Chapter 6, Section 2.

<sup>6)</sup> Excluding claims adjustment costs.

<sup>7)</sup> The operating profit of the insurance operations includes the Länsförsäkringar Sak Group's and Länsförsäkringar Fondliv's investment income and other non-technical income and expenses.

<sup>8)</sup> Operating expenses and claims adjustment costs as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance.

<sup>9)</sup> Operating expenses as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Excluding claims adjustment costs in accordance with the regulation of the Swedish Financial Supervisory Authority.

<sup>10)</sup> Claims payments as a percentage of premiums earned after ceded reinsurance. Pertains only to non-life insurance. Includes claims adjustment costs in accordance with the regulation of the Swedish Financial Supervisory Authority.

<sup>11)</sup> Operating expenses and claims adjustment costs in relation to the average value of investment assets, investment assets for which the policyholder bears the investment risk and cash and cash equivalents.

<sup>12)</sup> Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administrative expenses of asset management and operating expenses for properties in relation to the average value of the investment assets during the period.

<sup>13)</sup> Total return is calculated as the sum of all direct yields and changes in the value of the investment portfolio in relation to the average value of the investment assets during the period.

<sup>14)</sup> Investment assets comprise owner-occupied property, shares and participations in associated companies, investment property, loans to Group companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and cash equivalents, and interest-bearing liabilities.

<sup>15)</sup> Operating profit plus less standard tax at 26.3% in relation to average equity adjusted for changes in value of financial assets recognised in equity. Six-month figures are recalculated to full-year figures.

<sup>16)</sup> Total expenses before loan losses in relation to total income.

<sup>17)</sup> Net interest in relation to average total assets.

<sup>18)</sup> Tier 1 capital base in relation to the closing risk-weighted amount.

<sup>19)</sup> Closing capital base in relation to the closing risk-weighted amount.

<sup>20)</sup> Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

<sup>21)</sup> Refers Länsförsäkringar Gruppliv Försäkrings AB.

# Consolidated financial statements

## CONSOLIDATED INCOME STATEMENT

SEK M	Jan. 1, 2012	Jan. 1, 2011	Jan. 1, 2011
	-Jun. 30, 2012	-Jun. 30, 2011	-Dec. 31, 2011
Premiums earned before ceded reinsurance	2,799.2	2,743.8	6,164.6
Reinsurers' portion of premiums earned	-730.7	-731.9	-2,158.4
<b>Premiums earned after ceded reinsurance</b>	<b>2,068.4</b>	<b>2,011.9</b>	<b>4,006.2</b>
Interest income	5,231.8	4,360.7	9,529.8
Interest expense	-4,192.0	-3,497.5	-7,747.7
<b>Net interest income</b>	<b>1,039.8</b>	<b>863.3</b>	<b>1,782.1</b>
Change in unit-linked insurance assets – policyholder bears the risk	706.2	–	-423.3
Dividends in unit-linked insurance assets – policyholder bears the risk	1,002.0	–	-23.1
Investment income, net	87.7	220.7	-37.1
Commission income	810.5	495.6	1,182.7
Other operating income	1,079.0	1,271.0	2,516.1
<b>Total operating income</b>	<b>6,793.6</b>	<b>4,862.5</b>	<b>9,049.8</b>
Claims payments before ceded reinsurance	-1,962.8	-2,001.7	-3,993.3
Reinsurers' portion of claims payments	583.0	523.8	1,131.5
<b>Claims payments after ceded reinsurance</b>	<b>-1,379.8</b>	<b>-1,477.8</b>	<b>-2,861.7</b>
Change in life-assurance	-46.9	-43.1	-1.0
Change in unit-linked insurance liabilities – policyholder bears the risk	-1,709.2	–	399.7
Commission expense	-953.1	-817.3	-1,772.7
Staff costs	-800.2	-807.9	-1,472.8
Other administration expenses	-1,469.1	-1,415.8	-3,009.3
Loan losses	-43.3	-30.0	-48.2
<b>Total expenses</b>	<b>-6,401.6</b>	<b>-4,591.9</b>	<b>-8,766.0</b>
<b>Operating profit</b>	<b>392.0</b>	<b>270.6</b>	<b>283.7</b>
Tax	-98.4	-60.9	-71.8
<b>Net profit for the period</b>	<b>293.6</b>	<b>209.7</b>	<b>211.9</b>
Earnings per share before and after dilution, SEK	31	29	28

Profit per operation segment is reported in Note 2.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Jan. 1, 2012	Jan. 1, 2011	Jan. 1, 2011
	-Jun. 30, 2012	-Jun. 30, 2011	-Dec. 31, 2011
<b>Net profit for the period</b>	<b>293.6</b>	<b>209.7</b>	<b>211.9</b>
<b>Other comprehensive income</b>			
Translation differences for the period from foreign operations	2.9	-5.9	-1.6
Revaluation of owner-occupied property	23.3	25.4	50.6
Change for the period in fair value of available-for-sale financial assets	43.4	114.1	167.1
Tax attributable to other comprehensive income components	-17.6	-36.7	-57.3
<b>Total other comprehensive income for the period, net after tax</b>	<b>52.1</b>	<b>96.9</b>	<b>158.8</b>
<b>Comprehensive income for the period</b>	<b>345.7</b>	<b>306.6</b>	<b>370.8</b>
<b>Total comprehensive income for the period attributable to:</b>			
Parent Company's shareholders	345.7	306.6	370.8

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	Jun. 30, 2012	Jun. 30, 2011	Dec. 31, 2011
<b>ASSETS</b>			
Goodwill	2,037.2	332.0	2,034.7
Other intangible assets	3,651.2	881.9	3,756.8
Deferred tax assets	151.5	165.1	148.3
Property and equipment	89.1	85.7	105.2
Owner-occupied property	2,460.2	2,455.3	2,444.5
Shares in Länsförsäkringar Liv Försäkrings AB	378.0	514.5	407.7
Shares and participations in associated companies	24.2	22.1	24.2
Reinsurers' portion of technical reserves	7,167.9	7,101.8	6,385.0
Investment property	–	7.0	7.1
Loans to the public	141,646.7	125,766.6	134,011.3
Unit-linked insurance assets – policyholder bears the risk	56,341.8	–	52,165.1
Shares and participations	856.6	1,243.5	1,042.3
Bonds and other interest-bearing securities	39,532.1	36,208.9	32,030.6
Treasury bills and other eligible bills	5,446.5	6,835.1	8,341.5
Derivatives	1,202.6	1,264.9	1,640.4
Change in value of hedge portfolios	547.0	59.1	709.9
Other receivables	3,274.6	2,707.2	2,065.6
Prepaid expenses and accrued income	2,767.9	1,557.1	3,474.3
Cash and cash equivalents	9,311.1	3,639.2	3,193.4
<b>TOTAL ASSETS</b>	<b>276,886.1</b>	<b>190,847.0</b>	<b>253,987.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	940.7	725.1	940.7
Other capital contributed	8,774.0	5,989.7	8,774.0
Reserves	438.7	324.6	386.6
Retained earnings including profit for the period	3,394.3	3,098.4	3,100.7
<b>Total equity</b>	<b>13,547.7</b>	<b>10,137.8</b>	<b>13,202.0</b>
Subordinated liabilities	900.0	1,014.0	899.7
Technical reserves	21,528.2	21,241.0	20,369.1
Unit-linked insurance liabilities – policyholder bears the risk	56,357.5	–	52,168.1
Deferred tax liabilities	1,618.2	871.3	1,610.6
Other provisions	167.9	218.3	230.2
Debt securities in issue	109,154.2	103,405.3	100,390.9
Deposits from the public	56,676.5	44,242.1	49,323.0
Due to credit institutions	5,887.4	2,637.6	3,992.0
Derivatives	2,236.9	2,170.2	2,684.1
Change in value of hedge portfolios	1,546.0	-616.6	1,836.7
Other liabilities	3,521.6	1,984.2	2,824.5
Accrued expenses and deferred income	3,744.0	3,541.8	4,457.0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>276,886.1</b>	<b>190,847.0</b>	<b>253,987.8</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings including net profit for the period	Total
Opening equity, January 1, 2011	725.1	5,989.7	227.7	2,888.8	9,831.2
Comprehensive income for the period			96.9	209.7	306.6
<b>Closing equity, June 30, 2011</b>	<b>725.1</b>	<b>5,989.7</b>	<b>324.6</b>	<b>3,098.4</b>	<b>10,137.8</b>
Opening equity, July 1, 2011	725.1	5,989.7	324.6	3,098.4	10,137.8
Comprehensive income for the period			61.9	2.3	64.2
<b>Shareholders' contribution</b>					
New share issue	215.7	2,784.3			2,999.9
<b>Closing equity, December 31, 2011</b>	<b>940.7</b>	<b>8,774.0</b>	<b>386.6</b>	<b>3,100.7</b>	<b>13,202.0</b>
Opening equity, January 1, 2012	940.7	8,774.0	386.6	3,100.7	13,202.0
Comprehensive income for the period			52.1	293.6	345.7
<b>Closing equity, June 30, 2012</b>	<b>940.7</b>	<b>8,774.0</b>	<b>438.7</b>	<b>3,394.3</b>	<b>13,547.7</b>

Number of shares totalled 9,407,249.

Of total equity SEK 5,735.9 M (5,520.2) is restricted equity.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

SEK M	Jan. 1, 2012 –Jun. 30, 2012	Jan. 1, 2011 –Jun. 30, 2011	Jan. 1, 2011 –Dec. 31, 2011
Cash flow from operating activities before changes in working capital	4,757.6	1,096.6	713.3
Cash flow from changes in working capital	-7,301.5	-15,183.2	-13,190.0
<b>Cash flow from operating activities</b>	<b>-2,543.8</b>	<b>-14,086.6</b>	<b>-12,476.7</b>
Cash flow from investing activities	-101.9	-77.1	-4,704.6
Cash flow from financing activities	8,763.3	14,809.8	17,381.1
<b>Net cash flow for the period</b>	<b>6,117.6</b>	<b>646.1</b>	<b>199.8</b>
Cash and cash equivalents, January 1	3,193.4	2,993.3	2,993.3
Net cash flow for the period	6,117.6	646.1	199.8
Exchange-rate differences in cash and cash equivalents	0.2	-0.2	0.3
<b>Cash and cash equivalents at end of period</b>	<b>9,311.1</b>	<b>3,639.2</b>	<b>3,193.4</b>

# Notes to the consolidated financial statements

## NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and the regulations and general advice FFFS 2008:26 of the Swedish Financial Supervisory Authority were applied. The Group also complies with recommendation RFR 1 Supplementary Accounting Rules for Groups and statements issued by the Swedish Financial Reporting Board. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

During the first six months of 2012, Länsförsäkringar's commenced sales of a new product - Garantiförvaltning (Guarantee Management). This entails that the Group reports life-assurance reserve and conditional bonus in unit-linked life-assurance operations in technical provisions in the statement of financial position.

The life-assurance reserve is calculated in accordance with standard actuarial principles based on assumptions regarding interest rates, mortality, morbidity and yield tax. In the calculation of technical provisions, a gross interest rate assumption was applied in accordance with the Swedish Financial Supervisory Authority's regulations FFFS 2011:22 and FFFS 2012:5 for the choice of interest rate in calculating technical provisions. The entire yield curve was 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.

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 provision comprises the value of the assets linked to the contracts less life-assurance provision.

In all other respects, the interim report for the Group has been prepared in accordance with the same accounting policies and calculation methods applied in the 2011 Annual Report.

New and revised IFRS and interpretations have not had any monetary impact.

## NOTE 2 EARNINGS PER SEGMENT

Jan. 1, 2012 – Jun. 30, 2012, SEK M	Insurance operations	Unit-linked insurance	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	2,789.0	10.1					2,799.2
Reinsurers' portion of premiums earned	–730.0	–0.7					–730.7
<b>Premiums earned after ceded reinsurance</b>	<b>2,059.0</b>	<b>9.5</b>					<b>2,068.4</b>
Interest income		5,807.8			–575.9		5,231.8
Interest expense		–4,804.4			612.4		–4,192.0
<b>Net interest income</b>		<b>1,003.3</b>			<b>36.5</b>		<b>1,039.8</b>
Change in unit-linked insurance assets – policyholder bears the risk		706.2					706.2
Dividend in unit-linked insurance assets – policyholder bears the risk		1,002.0					1,002.0
Investment income, net	80.8	1.2	29.3	66.0	–29.0	–36.6	111.7
Commission income	18.8	417.4	482.2			–107.8	810.5
Other operating income	87.6	15.6	142.6	111.6	1,115.6	–394.0	1,079.0
<b>Total operating income</b>	<b>2,246.2</b>	<b>2,151.7</b>	<b>1,657.4</b>	<b>177.6</b>	<b>1,086.5</b>	<b>–501.8</b>	<b>6,817.6</b>
Claims payments before ceded reinsurance	–1,955.9	–6.9					–1,962.8
Reinsurers' portion of claims payments	582.8	0.2					583.0
<b>Claims payments after ceded reinsurance</b>	<b>–1,373.1</b>	<b>–6.7</b>					<b>–1,379.8</b>
Change in life-assurance provision		–46.9					–46.9
Change in unit-linked insurance liabilities – policyholder bears the risk		–1,709.2					–1,709.2
Commission expense	–156.3	–242.5	–672.2			117.8	–953.1
Staff costs	–159.7	–14.9	–204.1	–31.0	–401.5	11.0	–800.2
Other administration expenses	–384.9	–188.1	–467.7	–25.1	–776.9	373.0	–1,469.8
Loan losses		–43.3					–43.3
<b>Total expenses</b>	<b>–2,121.0</b>	<b>–2,161.4</b>	<b>–1,387.3</b>	<b>–56.1</b>	<b>–1,178.4</b>	<b>501.8</b>	<b>–6,402.3</b>
<b>Operating profit/loss for company management</b>	<b>125.3</b>	<b>–9.6</b>	<b>270.0</b>	<b>121.5</b>	<b>–91.8</b>		<b>415.3</b>
Revaluation of owner-occupied property				–23.3			–23.3
<b>Operating profit/loss in profit and loss</b>	<b>125.3</b>	<b>–9.6</b>	<b>270.0</b>	<b>98.2</b>	<b>–91.8</b>		<b>392.0</b>
Tax							–98.4
<b>Profit for the period</b>							<b>293.6</b>
<b>Income distribution</b>							
External income	2,243.6	2,043.9	1,607.4	–389.1	805.6	506.1	6,817.6
Internal income	2.6	107.8	49.9	566.7	281.0	–1,007.9	–
<b>Total operating income</b>	<b>2,246.2</b>	<b>2,151.7</b>	<b>1,657.4</b>	<b>177.6</b>	<b>1,086.5</b>	<b>–501.8</b>	<b>6,817.6</b>

**NOTE 2 EARNINGS PER SEGMENT, CONT.**

Jan. 1, 2011 – Jun. 30, 2011, SEK M	Insurance operations	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	2,700.7					2,700.7
Reinsurers' portion of premiums earned	-731.9					-731.9
<b>Premiums earned after ceded reinsurance</b>	<b>1,968.8</b>					<b>1,968.8</b>
Interest income	4,360.7					4,360.7
Interest expense	-3,547.0		19.5	30.1	-3,497.5	
<b>Net interest income</b>	<b>813.7</b>		<b>19.5</b>	<b>30.1</b>		<b>863.3</b>
Investment income, net	156.8	3.8	114.9	-9.5	-19.8	246.1
Commission income	17.1	478.5				495.6
Other operating income	65.9	108.4	129.4	1,201.9	-234.6	1,271.0
<b>Total operating income</b>	<b>2,208.6</b>	<b>1,404.4</b>	<b>244.3</b>	<b>1,211.9</b>	<b>-224.3</b>	<b>4,844.9</b>
Claims payments before ceded reinsurance	-2,001.7					-2,001.7
Reinsurers' portion of claims payments	523.8					523.8
<b>Claims payments after ceded reinsurance</b>	<b>-1,477.8</b>					<b>-1,477.8</b>
Commission expense	-145.0	-672.9		0.6	-817.3	
Staff costs	-165.1	-185.6	-22.7	-437.3	2.8	-807.9
Other administration expenses	-356.5	-334.7	-70.1	-875.3	220.9	-1,415.8
Loan losses		-30.0				-30
<b>Total expenses</b>	<b>-2,144.5</b>	<b>-1,223.2</b>	<b>-92.8</b>	<b>-1,312.6</b>	<b>224.3</b>	<b>-4,548.8</b>
<b>Operating profit/loss for company management</b>	<b>64.1</b>	<b>181.2</b>	<b>151.5</b>	<b>-100.7</b>		<b>296.0</b>
Revaluation of owner-occupied property				-25.4		-25.4
<b>Operating profit/loss in profit and loss</b>	<b>64.1</b>	<b>181.2</b>	<b>126.0</b>	<b>-100.7</b>		<b>270.6</b>
Tax						-60.9
<b>Profit for the period</b>						<b>209.7</b>
<b>Income distribution</b>						
External income	2,208.5	1,433.5	116.2	726.6	360.1	4,844.9
Internal income	0.1	-29.0	128.1	485.2	-584.4	-
<b>Total operating income</b>	<b>2,208.6</b>	<b>1,404.4</b>	<b>244.3</b>	<b>1,211.9</b>	<b>-224.3</b>	<b>4,844.9</b>

The distribution into operating segments matches how the Group is organised and is monitored by Group Management.

**The Non-life Insurance operating segment** pertains to non-life and group life-assurance; group life-assurance comprises a minor portion only. The Länsförsäkringar Alliance's internal and external reinsurance and run-off of previously underwritten international reinsurance are also included. Goodwill for all associated companies and the Group is included in the Non-life Insurance operating segment.

**The Fondlivförsäkring operating segment** pertains to life-assurance with links to mutual funds. Länsförsäkringar Fondliv Försäkrings AB was acquired in 2011 and reported two months of 2011.

**The Banking operating segment** pertains to deposits and lending operations. The legal structure of Länsförsäkringar Bank Group matches the product offering to customers.

**The Asset Management operating segment** pertains to the Group's investment income, excluding the banking portion and the income portion that is transferred to the insurance segment in accordance with the policies applied in the Group's insurance companies and the Fondlivförsäkring operating segment's investment income. Expenses for asset management are also included. The internal follow-up also includes a change in value in owner-occupied property that is otherwise recognised in other comprehensive income.

**The Other operating segment** pertains to service, IT and development for the Länsförsäkringar Alliance, administration of securities funds and costs for joint functions.

**NOTE 3 RELATED-PARTY TRANSACTIONS**

SEK M	Income Jan.-June	Expenses Jan.-June	Receivables Jun. 30	Liabilities Jun. 30
<b>2012</b>				
Länsförsäkringar Liv Försäkrings AB Group	235.3	115.3	62.2	1,070.3
Regional insurance companies	963.6	552.9	8,041.2	9,649.8

**2011**

Länsförsäkringar Liv Försäkrings AB Group	315.2	165.6	34.7	252.8
Regional insurance companies	655.9	445.3	7,277.4	9,560.1

Income and costs include interest. Receivables from and liabilities to regional insurance companies include technical reserves.

**NOTE 4 ACQUISITIONS OF OPERATIONS**

**Acquisitions of operations 2011**

On October 31, 2011, Länsförsäkringar AB acquired Länsförsäkringar Fondliv from Länsförsäkringar Liv Försäkrings AB. The prepared acquisition analysis is still preliminary.

**Additional purchase price**

The acquisition agreement states that an additional purchase price of SEK 950 M is to be paid in seven annual part payments to Länsförsäkringar Liv Försäkrings AB. The additional purchase price is recognised as amortised cost and amounted to SEK 811.9 M at the end of the period, and SEK 805.4 M at December 31, 2011.

## Consolidated financial statements for the Parent Company

### INCOME STATEMENT FOR THE PARENT COMPANY

SEK M	Jan. 1, 2012	Jan. 1, 2011	Jan. 1, 2011
	–Jun. 30, 2012	–Jun. 30, 2011	–Dec. 31, 2011
<b>Net sales</b>	1,153.7	1,231.0	2,524.5
<b>Operating expenses</b>			
External expenses	–732.9	–861.0	–1,802.7
Staff costs	–432.4	–437.0	–818.1
Depreciation/amortisation and impairment of property and equipment and intangible assets	–33.5	–28.4	–58.1
<b>Operating profit</b>	<b>–45.2</b>	<b>–95.4</b>	<b>–154.4</b>
<b>Profit/loss from financial items</b>			
Profit from participations in Group companies	354.4	177.2	703.2
Interest income and similar profit/loss items	14.9	35.3	55.4
Interest expense and similar profit/loss items	–85.2	–45.0	–130.9
<b>Profit after financial items</b>	<b>238.9</b>	<b>72.1</b>	<b>473.4</b>
Tax	20.6	17.3	2.7
<b>PROFIT FOR THE PERIOD</b>	<b>259.6</b>	<b>89.5</b>	<b>476.1</b>

### BALANCE SHEET FOR THE PARENT COMPANY

SEK M	Jun. 30, 2012	Jun. 30, 2011	Dec. 31, 2011
<b>ASSETS</b>			
Intangible assets	143.2	145.7	145.8
Property and equipment	281.9	276.1	286.6
Shares and participations in Group companies	14,508.1	7,989.5	14,364.0
Other fixed assets	683.1	815.8	712.8
Current assets	1,001.7	1,058.4	1,316.4
Cash and bank balances	1,046.0	246.2	1,077.2
<b>TOTAL ASSETS</b>	<b>17,664.0</b>	<b>10,531.7</b>	<b>17,902.8</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
Equity	13,524.0	9,643.2	13,264.4
Provisions	65.3	52.4	64.1
Long-term liabilities	1,800.0	7.7	2,473.6
Current liabilities	2,274.8	828.4	2,100.7
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>17,664.0</b>	<b>10,531.7</b>	<b>17,902.8</b>

### STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

SEK M	Jun. 30, 2012	Jun. 30, 2011	Dec. 31, 2011
Opening equity according to the balance sheet on December 31 the year preceding the interim period	13,264.4	9,553.7	9,788.4
New share issue	–	–	2,999.9
Profit for the period	259.6	89.5	476.1
<b>Equity at the end of the period</b>	<b>13,524.0</b>	<b>9,643.2</b>	<b>13,264.4</b>

The Parent Company has no items recognised in Other comprehensive income.

### PARENT COMPANY STATEMENT OF CASH FLOWS

SEK M	Jan. 1, 2012	Jan. 1, 2011	Jan. 1, 2011
	–Jun. 30, 2012	–Jun. 30, 2011	–Dec. 31, 2011
Cash flow from operating activities	280.3	–585.4	282.5
Cash flow from investing activities	–140.6	888.8	–4,677.7
Cash flow from financing activities	–	–	5,070.3
<b>Net cash flow for the period</b>	<b>139.7</b>	<b>303.4</b>	<b>675.2</b>
Cash and cash equivalents, January 1	1,077.2	408.1	408.1
Net cash flow for the period	139.7	303.4	675.2
<b>Cash and cash equivalents at end of period</b>	<b>1,216.9</b>	<b>711.5</b>	<b>1,083.3</b>
Parent Company's cash and cash equivalents in Länsförsäkringar Bank	–171.0	–465.4	–6.1
<b>Cash and bank balance in the Parent Company's balance sheet</b>	<b>1,046.0</b>	<b>246.2</b>	<b>1,077.2</b>

## Notes to the financial statements for the Parent Company

### NOTE 1 ACCOUNTING POLICIES

The Parent Company prepares its accounts according to the Annual Accounts Act (1995:1554). The company also applies recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board and statements issued pertaining to listed companies. The regulations in RFR 2 stipulate that the Parent Company, in the annual accounts for the legal entity, shall apply all IFRS adopted by the EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS. In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2011 Annual Report.

### NOTE 2 RELATED-PARTY TRANSACTIONS

SEK M	Income	Expenses	Receivables	Liabilities
	Jan.-June	Jan.-June	June 30	June 30
<b>2012</b>				
Group companies	878.6	51.7	328.4	984.4
Länsförsäkringar Liv Försäkrings AB Group	214.5	1.8	54.1	825.0
Regional insurance companies	537.2	20.4	131.9	212.2
<b>2011</b>				
Group companies	510.1	430.8	562.0	127.5
Länsförsäkringar Liv Försäkrings AB Group	284.5	0.6	14.1	3.0
Regional insurance companies	570.6	13.8	307.9	298.2
Income and costs include interest.				

### NOTE 3 ACQUISITIONS OF OPERATIONS

Acquisition of Länsförsäkringar Fondliv Försäkrings AB October 31, 2011, see the Group's Note 4 Acquisition of operations.

This interim report has not been reviewed by the company's auditor.

Stockholm, August 29, 2012

Jan Fock Chairman of the board	Sune Nilsson Deputy Chairman	Hans Benndorf Board member
Fredrik Daveby Board member	Mats Fabricius Board member	Lars Hallkvist Board member
Ann-Christin Norrström Board member	Christer Olander Board member	Gösta af Petersens Board member
Lars-Eric Åström Board member	Tomas Jönsson Employee Representative	Susanne Lindberg Employee Representative
	Sten Dunér President	

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