

# Länsförsäkringar Alliance

## January–September 2010

INTERIM REPORT

### The period in brief

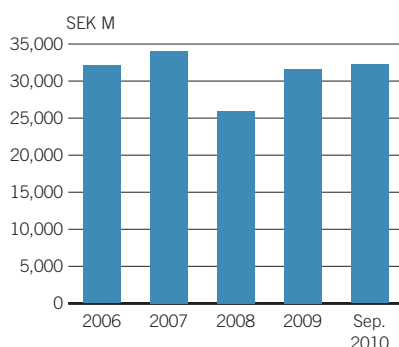
- Länsförsäkringar Alliance strengthened its market-leading position in non-life insurance, with a market share of about 30%. The technical result amounted to SEK 143 M (1,337).
- Länsförsäkringar Alliance's collective consolidation ratio in non-life insurance is uniquely strong, in domestic and international comparisons. Solvency capital amounted to SEK 32,242 M (30,364) and the solvency margin was 177% (167).
- The total return on traditional management in life assurance and pension insurance operations improved sharply, amounting to 5.7%. Solvency was 127% (140) and collective consolidation amounted to 109% (106). The trend for life assurance business volumes remained positive.
- In Bank operations, operating profit rose to SEK 248 M (196) and net interest income increased to SEK 973 M (857). Growth remained strong with business volumes up 16% to SEK 223 billion (193).

#### Sten Dunér, President of Länsförsäkringar AB, the Alliance's jointly owned company:

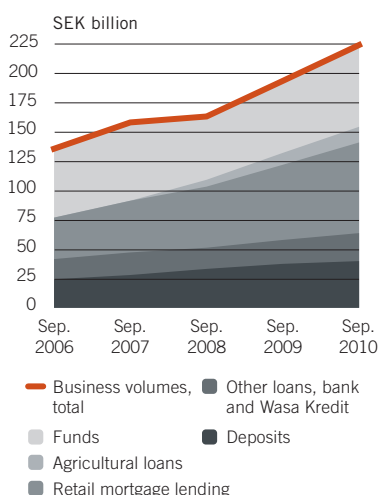
*An increasing number of customers are selecting Länsförsäkringar for their non-life insurance and life-assurance policies and for their banking services. The number of customers is growing, as are business volumes and market shares. At the same time, customers are increasingly satisfied with choosing us. Maintaining competitiveness and attractiveness requires a high level of efficiency and low costs, which is why we are now focusing more intensely on reducing operating expenses. Returns in the traditional life-assurance company improved sharply and are currently approaching the level to which we are accustomed, and the level that customers expect. Each new quarter continues to be the best for Bank operations, measured in earnings, business volumes and the number of new customers.*

For the sixth time in seven years, Länsförsäkringar had Sweden's most satisfied bank customers in the retail market, according to the Swedish Quality Index.

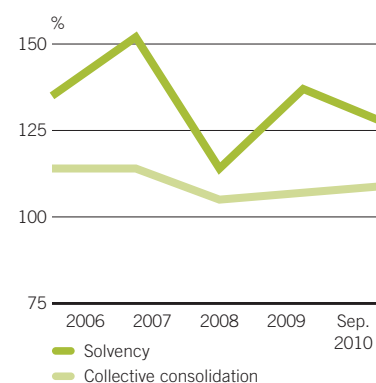
SOLVENCY CAPITAL, NON-LIFE INSURANCE



BUSINESS VOLUMES, BANK

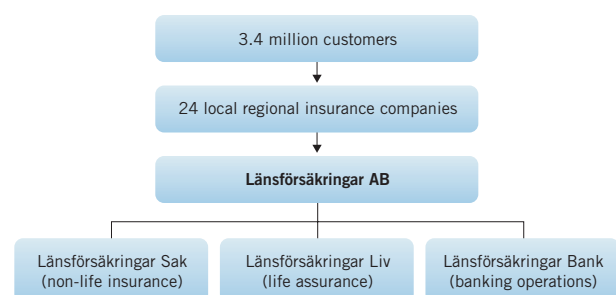


SOLVENCY/COLLECTIVE CONSOLIDATION, LIFE ASSURANCE



# Länsförsäkringar in brief

Länsförsäkringar comprises 24 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. Customers are provided with a complete offering of banking and insurance services through the regional insurance companies. Animal and crop insurance is offered through Agria Djurförsäkring, and Länsförsäkringar Fastighetsförmedling provides turnkey solutions for secure housing transactions. The basis is local presence and decision-making – experience has proven that local decision-making authority combined with joint strength create substantial added value for customers. Long-term respect for customers' money is also fundamental to Länsförsäkringar. There are no external shareholders and it is not Länsförsäkringar's money that is being managed but its customers. This approach characterises the entire business. Länsförsäkringar has a total of nearly 3.4 million customers and approximately 5,800 employees.



## Cooperation through Länsförsäkringar AB

The jointly owned Länsförsäkringar AB has three main tasks: conducting business activities in non-life insurance, life assurance and banking services, assuming responsibility for Länsförsäkringar's joint strategic development activities and providing service to the regional insurance companies. Länsförsäkringar AB is responsible for creating the conditions for the regional insurance companies to be more effective in their roles of cultivating their local markets and creating and promoting customer relations.

### LÄNSFÖRSÄKRINGAR ALLIANCE, NON-LIFE INSURANCE

	Jan.–Sep. 2010	Jan.–Sep. 2009	Jan.–Sep. 2008	Jan.–Sep. 2007	Jan.–Sep. 2006
Solvency capital, SEK M	32,242	30,364	28,248	36,156	28,790
Solvency margin, %	177	167	156	218	172
Premiums earned after ceded reinsurance, SEK M	13,602	13,467	13,055	12,356	12,259
Technical result, SEK M	143	1,337	1,880	1,715	1,873
Operating profit/loss, SEK M	1,722	4,646	–5,596	4,718	3,111
Combined ratio	104	96	93	93	90

### LÄNSFÖRSÄKRINGAR AB, GROUP<sup>1)</sup>

	Jan.–Sep. 2010	Jan.–Sep. 2009	Jan.–Sep. 2008	Jan.–Sep. 2007	Jan.–Sep. 2006
Operating profit/loss, SEK M	427	533	–2,445	1,443	285
Solvency capital, SEK M	9,214	8,526	9,067	12,056	10,054
Solvency margin, %	243	224	271	527	472
Total assets, SEK M	173,446	154,209	124,031	108,081	86,611
Return on shareholders' equity, %	5.3	6.8	–25.0	13.8	3.0

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

### LÄNSFÖRSÄKRINGAR BANK, GROUP

	Jan.–Sep. 2010	Jan.–Sep. 2009	Jan.–Sep. 2008	Jan.–Sep. 2007	Jan.–Sep. 2006
Deposits from the public, SEK M	39,637	37,210	33,007	27,808	24,213
Loans to the public, SEK M	114,140	94,326	75,722	63,133	52,361
Operating profit, SEK M	248	196	186	172	147

### LÄNSFÖRSÄKRINGAR LIV, GROUP

	Jan.–Sep. 2010	Jan.–Sep. 2009	Jan.–Sep. 2008	Jan.–Sep. 2007	Jan.–Sep. 2006
Premium income, SEK M <sup>2)</sup>	12,645	11,587	10,822	10,648	10,097
Net profit/loss, SEK M	–5,894	18,229	–21,373	12,930	7,106
Collective consolidation, %	109	106	95	117	111
Solvency ratio, %	127	140	130	157	134

<sup>2)</sup> In accordance with the Swedish Insurance Federation's definition measured as rolling 12-month figures.

### LÄNSFÖRSÄKRINGAR SAK FÖRSÄKRINGS AB, GROUP

	Jan.–Sep. 2010	Jan.–Sep. 2009	Jan.–Sep. 2008	Jan.–Sep. 2007	Jan.–Sep. 2006
Premiums earned after ceded reinsurance, SEK M	2,829	2,704	2,036	1,670	1,564
Technical result, SEK M	152	279	210	192	243
Profit/loss, SEK M	290	504	–2,199	1,311	271

## 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/Stable	P–1
Länsförsäkringar Hypotek <sup>3)</sup>	Standard & Poor's	AAA	
Länsförsäkringar Hypotek <sup>3)</sup>	Moody's	Aaa	

<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.

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar AB	Standard & Poor's	A–/Stable	
Länsförsäkringar AB	Moody's	A3/Stable	
Länsförsäkringar Sak	Standard & Poor's	A/Stable	
Länsförsäkringar Sak	Moody's	A2/Stable	
Agria Djurförsäkring	Standard & Poor's	A–/pi <sup>4)</sup>	

# Non-life insurance

- Länsförsäkringar Alliance strengthened its market-leading position in non-life insurance, with a market share of about 30%.
- Technical results amounted to SEK 143 M (1,337). The deterioration was primarily due to increased claims costs stemming from the unusually harsh winter of 2009/2010. Results have improved since June 30 and the combined ratio has declined to 104%.
- Investment income was positive, totalling SEK 2,710 M (4,559). The year-on-year decline was due to the adverse trend in the stock exchanges global. A positive stock-market trend during the third quarter contributed to an improvement in earnings.
- Länsförsäkringar Alliance's collective consolidation remained strong and the solvency margin improved to 177% (167) with solvency capital amounting to SEK 32,242 M (30,364).

## Non-life insurance, Länsförsäkringar Alliance

KEY FIGURES, SEK M	Jan. 1, 2010 –Sep. 30, 2010	Jan. 1, 2009 –Sep. 30, 2009	Full-year 2009
Premiums earned after ceded reinsurance	13,602	13,467	17,828
Technical result	143	1,337	1,643
Operating profit/loss	1,722	4,646	5,457
Return on shareholders' equity, %	6.7	20.2	18
Solvency capital	32,242	30,364	31,668
Solvency margin, %	177	167	173
Claims ratio	83	74	74
Expense ratio	21	22	22
Combined ratio	104	96	96

## Earnings

The technical result for non-life insurance operations was SEK 143 M (1,337). The deterioration was largely due to increased claims costs resulting from the harsh winter climate of 2009/2010. However, earnings improved during the third quarter since the trend in claims costs was more normal during the summer. Investment income was positive, totalling SEK 2,710 M (4,559). Total operating profit declined to SEK 1,722 M (4,646). Collective consolidation, which was already strong, improved. Solvency capital amounted to SEK 32,242 M (30,364). The solvency

margin was 177% (167). The combined ratio amounted to 104% (96), due to a rise in the claims ratio. However, the combined ratio declined 2 percentage points during the third quarter of 2010. The claims ratio was 83% (74), due mainly to the harsh winter but also to a high incidence of claims. The expense ratio was 21% (22).

## Länsförsäkringar's business volumes

Länsförsäkringar Alliance's portfolio and premiums earned rose during the period, with premiums earned up 1%. The growth primarily derived from motor-vehicle insurance, animal and crop insurance

through Agria Djurförsäkring and from the medical and accident insurance business. The corporate market continues to be affected by intense competition, price pressure and narrow margins, which is reducing premium volumes. In private insurance, premium volumes rose again on an increased influx of insurance policies, primarily motor-vehicle insurance.

## Claims trend

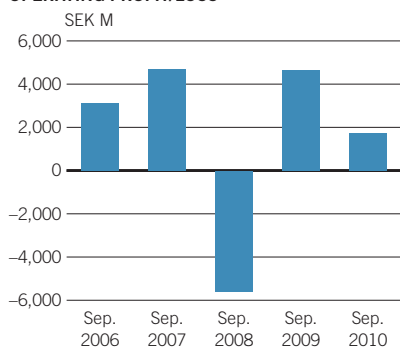
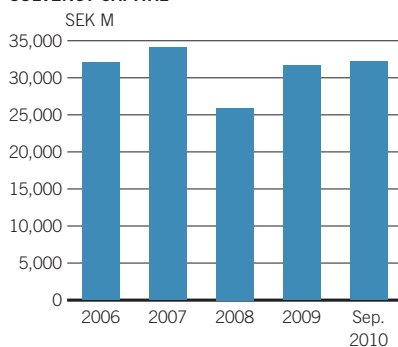
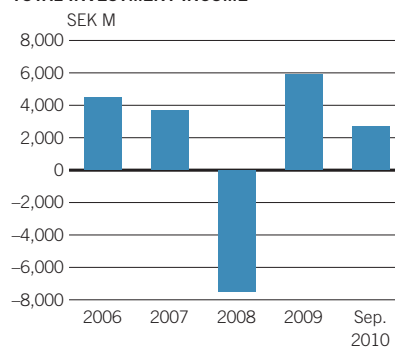
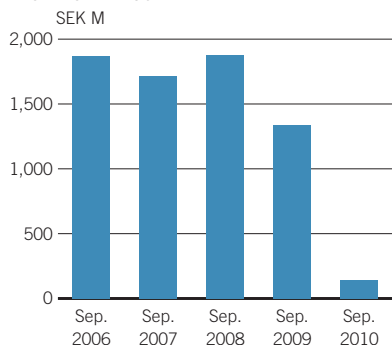
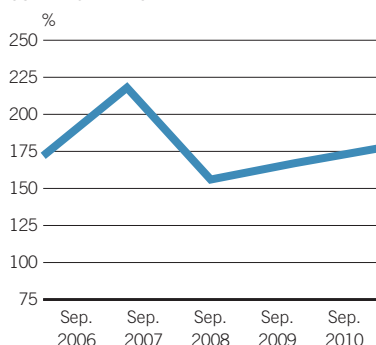
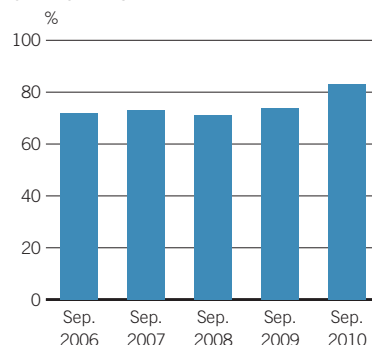
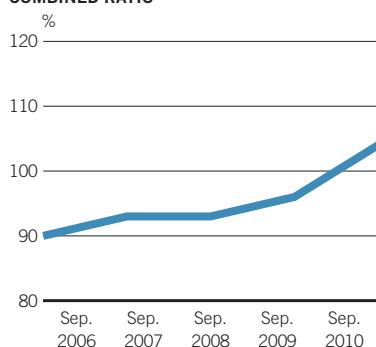
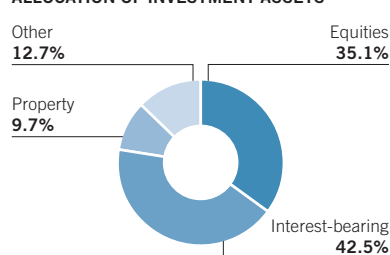
Claims costs rose 13% to SEK 11,203 M (9,934), corresponding to a claims ratio of 83% (74).

Snow pressure and frost damage and the damages stemming from the 2009/2010 winter had a particularly adverse effect on Länsförsäkringar Alliance with its considerable market share in single-family homes, leisure homes and agriculture, resulting in a rise in claims costs of about SEK 750 M. During the third quarter, the rate of increase declined, although flooding during the summer contributed to high costs.

## Market

The market leading position in the non-life insurance market continued with a market share of 30%. In 2010, the market has increased somewhat measured in paid premiums. In the commercial and property insurance markets, Länsförsäkringar has a market leading position with a market share of 37% (36). In passenger car insurance, the total market increased in terms of the number of policies, with new car sales up 36%. The influx of passenger car insurance policies to Länsförsäkringar increased, and the market share was 32%. In household insurance, Länsförsäkringar is the market leader with 40% of the homeowner's insurance market. The market for medical insurance continued to grow, albeit at a slower rate than before. In 2009, about 370,000 people held medical insur-

<sup>1)</sup> Earnings from non-life insurance consist of the total of the earnings of the 24 regional insurance companies and of the jointly owned Länsförsäkringar AB Group, excluding the Life Assurance Group and the Banking Group. The value and changes in the value of the regional insurance companies' holding of shares in Länsförsäkringar AB and subordinated loans have been eliminated. Länsförsäkringar is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB.

**OPERATING PROFIT/LOSS****SOLVENCY CAPITAL****TOTAL INVESTMENT INCOME****TECHNICAL RESULT****SOLVENCY MARGIN****CLAIMS RATIO****COMBINED RATIO****ALLOCATION OF INVESTMENT ASSETS**

Total investment assets amounted to SEK 63.5 billion on September 30, 2010.

ance policies, 81% of which were paid for by employers. Länsförsäkringar's market share of medical insurance was 32%.

In animal insurance, competition has increased and more companies are emphasizing animal insurance as a component of a turnkey offering. The market continues to grow and Länsförsäkringar has maintained its market-leading position through Agria Djurförsäkring with 57% (59) of the market.

**Capital allocation**

The local regional insurance companies and the jointly owned non-life insurance companies in Länsförsäkringar AB aim to achieve strong collective consolidation

ratio in a bid to maintain a consistent premium rate over time. The objective is to strike a balance between risk and available surplus capital, and high priority is assigned to safeguarding key figures. Under Länsförsäkringar's investment strategies, a portion of assets is invested in low-risk interest-bearing securities to ensure insurance-operation commitments. Meanwhile, the strong solvency margin provides a substantial buffer of capital, which allows a certain portion to be invested in assets with higher anticipated returns, for example, in equities. The stock market experienced a strong trend early in the year, which was subsequently followed by increasing turbulence. The first six months

culminated in a decline in global stock markets, while there were considerable gains in September and optimism in the market. The percentage of securities has increased during the year by 0.6 percentage points to 35.1%, while interest-bearing holdings decreased.

**Operations abroad**

Länsförsäkringar conducts animal-insurance operations in the UK, Norway and Finland through Agria International, where transactions are expanding strongly and premium income rose 30% to SEK 435 M (335).

# Life-assurance and pension insurance

- Länsförsäkringar manages SEK 155 billion on behalf of its life-assurance and pension insurance customers: SEK 105 billion on behalf of customers with traditional life assurance and SEK 50 billion on behalf of customers with fund management. The life-assurance operations continued to display strong growth, primarily in unit-linked insurance, which accounted for approximately 57% of new sales.
- Total returns on traditional management improved sharply, amounting to 5.7% (0.1).
- At the end of September expectations regarding new sales and premium income were exceeded. Total new sales, measured in rolling 12-month figures, amounted to SEK 19,417 M (17,192).
- The Länsförsäkringar Liv Group reported a loss of SEK 6 billion (profit: 18). During the year, technical reserves increased as a result of declining long-term interest rates, although a stabilisation was noted in September.

## Länsförsäkringar Liv, Group

KEY FIGURES, SEK M	Jan. 1, 2010 –Sep. 30, 2010	Jan. 1, 2009 –Sep. 30, 2009	Full-year 2009
Premium income*	12,645	11,587	11,879
Total assets	176,321	158,282	163,184
Return, New World, %	4.3	18.9	24.3
Total return, traditional life assurance, %**	5.7	0.1	2.3

\*In accordance with the Swedish Insurance Federation's definition, measured in rolling 12-month figures.

\*\*As of 2010, includes value changes pertaining to the holding in Länsförsäkringar Fondliv.

## Life-assurance market

The Swedish life-assurance market continues to grow and this growth is primarily occurring in the submarkets of occupational pensions and endowment insurance. For Länsförsäkringar, the most significant initiatives are being made in occupational and private pension plans. These markets have also experienced the most resounding sales successes. These successes were partly attributable to Länsförsäkringar's strong product offering in the occupational pension market and healthy sales through independent insurance brokers. An example of the successes in the collective-bargaining sector is that 12% of the active choosers selected Länsförsäkringar in the latest ITP re-selection. Länsförsäkringar is comfort-

ably ahead of its established targets in terms of sales values and premiums earned.

## Earnings and profitability

The Länsförsäkringar Liv Group reported a loss of SEK 6 billion (profit: 18) for the first nine months of the year. During the year, technical reserves increased due to declining long-term interest rates. Valuations of technical reserves are largely determined by the interest-rate situation. Long-term interest rates declined during the period, which meant that the valuations of liabilities increased. The administration result and risk result during the same period experienced a favourable trend. Länsförsäkringar Fondliv contributed SEK 99 M (neg: 8) to the robust earnings. The

improvement in earnings in 2010 was largely attributable to increased fund values, which in turn resulted in higher portfolio payments and return commissions.

## Continued growth

The business volumes trend remained positive. New sales measured in rolling 12-month figures amounted to SEK 19,417 M (17,192), up 13% compared with the year-earlier period. Premium income measured in rolling 12-month figures totalled SEK 12,645 M (11,587), corresponding to growth of 9% compared with the year-earlier period. Managed assets rose somewhat during the first nine months of 2010 to SEK 155 billion (144), SEK 50 billion of which was in unit-linked insurance.

## Market

Diminished concerns over the severe budgetary crisis in Europe combined with unexpectedly positive second-quarter interim reports made investors more inclined to take risks. However, some of the macroeconomic figures for September were surprisingly positive and further bolstered stock-market spirits. The market also discounted the fact that the US Federal Reserve will provide the market with greater liquidity through bond purchases during the autumn. As of the third quarter, the Swedish stock market had risen 14.5%, significantly outperforming the global index, which was up 0.7%.

In August, the interest-rate trend became more dramatic. Concerns over the momentum of the economic recovery and a deflationary situation, primarily in the US, pressured long-term interest rates downward. The Swedish long-term interest rate declined a full 52 points in August. In early September, this trend was broken and the long-term interest rates in Sweden, Germany and the US rose, only to subsequently once again be pressed downward as of mid-September.

## Management forms

Länsförsäkringar manages SEK 155 billion on behalf of its life-assurance and pension customers: SEK 105 billion on behalf of customers with traditional management and SEK 50 billion on behalf of customers with fund management. New sales comprised 43% traditional insurance and 57% unit-linked insurance.

### MANAGED ASSETS



### DISTRIBUTION OF NEW SALES



## Traditional management

The objective is to generate consistent and secure returns, which, over time, are among the highest among comparable life-assurance companies. Success factors include having the right asset allocation and choosing the right manager to create value that outperforms the index.

In traditional management, the total return improved and amounted to 5.7%. Länsförsäkringar continuously works to adapt its portfolio based on the prevailing market conditions. When the markets are turbulent, less risk is taken than under normal conditions, which is why less risk was taken in 2010 than during a normal year. In interest-bearing investments, investments continue to be made in credits, which have made an overall positive contribution to returns. The results from hedging liabilities against declining interest rates generated a positive contribution to returns.

Returns differ between the various types of assets: securities generated a return of 2.1%, interest-bearing securities a total return of 5.0%, properties a yield of 3.6% and, among other assets, the holdings in Länsförsäkringar Fondliv generated a return of 15.6%, corresponding to a contribution of 0.6 percentage points to the total return.

The strategy that contributed to relatively low returns during the first six months was successful during the third quarter and added to an improvement in return.

### TOTAL RETURN AND BONUS RATE IN TRADITIONAL LIFE ASSURANCE



The solvency ratio was 127% (140). Collective consolidation was 109% (106), equal to a surplus of 9% compared with customers' insurance capital. The bonus rate has been 7% as of June 1, 2010 after remaining at 5% previously during the year. Since its life-assurance operations started in 1985, Länsförsäkringar's bonus rate has been among the best in the industry, averaging 8.8%.

### SOLVENCY RATIO AND COLLECTIVE CONSOLIDATION IN TRADITIONAL LIFE ASSURANCE



## Unit-linked insurance

Unit-linked insurance accounts for most of Länsförsäkringar Liv's new sales. Since the policy holders are personally responsible for their investment risks, earnings are only indirectly affected by upturns and downturns in the market. Länsförsäkringar Fondliv's earnings amounted to SEK 99 M (loss: 8). The improvement in earnings in 2010 was largely attributable to a positive trend in managed assets, which in turn generated increased capital-based fees and return commissions. Managed assets have grown as a result of favourable fund returns and a robust sales increase.

## Traditional life assurance

SEK M	Jan. 1, 2010 –Sep. 30, 2010	Jan. 1, 2009 –Sep. 30, 2009	Full-year 2009
Premium income, net	4,580	2,899	5,733
Investment income, net	5,003	–1,474	4,312
Profit/loss after tax	–5,899	19,701	17,880
Investment assets	117,473	99,321	110,961
Total assets	129,149	116,034	119,243
Collective consolidation, %	109	106	107
Solvency ratio, %	127	140	137

## Total return, Länsförsäkringar Liv

On Sep. 30, 2010	Market value SEK M	Percentage of portfolio, %	Return to date this year, %
Interest-bearing	55,817	52.4	5.0
Equities	30,443	28.6	2.1
Alternative investments	5,262	4.9	4.6
Property	8,188	7.7	3.6
Other	6,721	6.4	15.6
Total	106,431	100.0	5.7

The aim of Länsförsäkringar's fund offering is to have Sweden's most competitive fund offering. The offering includes funds that represent a variety of investment areas and management styles. A solid base offering is supplemented by more specialised funds. In 2010, funds focused on Sweden, emerging markets and Asia performed the best.

#### Unit-linked insurance

	Jan. 1, 2010 –Sep. 30, 2010	Jan. 1, 2009 –Sep. 30, 2009	Full-year 2009
<b>SEK M</b>			
Fees from financial agreements	285	234	318
Investment income, net	630	7,198	9,994
Profit/loss after tax	99	–8	20
Total assets	51,830	43,483	47,377



# Bank

- Operating profit increased 27% to SEK 248 M (196).
- Net interest income rose 14% to SEK 973 M (857). Loan losses remained low and amounted to SEK 50 M (45), net, corresponding to a loan loss level of 0.06% (0.06).
- Business volumes increased 16% to SEK 223 billion (193).
- According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers.
- The number of customers rose 9% to 807,000 (743,000) and the number of bank cards increased 21% to 256,000 (211,000).

## Länsförsäkringar Bank, Group

KEY FIGURES, SEK M	Jan. 1, 2010 –Sep. 30, 2010	Jan. 1, 2009 –Sep. 30, 2009	Full-year 2009
Deposits from the public	39,637	37,210	37,365
Lending to the public	114,140	94,326	99,582
Operating profit	248	196	258
Return on equity, %	4.8	4.3	4.1
Cost/income ratio before loan losses	0.71	0.75	0.76

During the third quarter, the outlook for the global economy deteriorated somewhat on increased concerns of a slowdown in the US and Asian economies combined with the uncertain budgetary situation in large parts of Europe. Sweden continues to demonstrate strong resilience with robust growth and a healthy balance in public financing. Activity in the banking and mortgage-bond market remained robust during the quarter. Prices for single-family homes/detached houses rose 1% compared with the preceding quarter and the metropolitan regions of Stockholm and Malmö continued to experience a positive trend.

Länsförsäkringar Bank's loan portfolio, which is exclusively available in Sweden, had a good geographic spread. In the Swedish market, deposits from retail customers increased, as did household and mortgage loans, and Länsförsäkringar's position is stable and growing.

### Sweden's most satisfied bank customers

According to the 2010 Swedish Quality Index Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth time in seven years. The survey shows that banks that successfully meet their customers' expectations also enjoy the highest customer-satisfaction ratings. Länsförsäkringar received the best marks on all measured criteria, such as image, customer expectations, product range, service quality, value for money and loyalty. The greatest difference compared with other banks was noted in expectations and loyalty. The survey also shows that full-service customers are generally more satisfied than customers who use several banks.

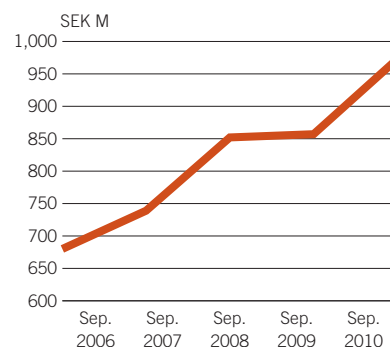
### Earnings and profitability

Profit before loan losses rose 24% to SEK 298 M (241) and operating profit increased 27% to SEK 248 M (196), due to strong net interest income. Return on equity strengthened to 4.8% (4.3).

## Income

Operating income increased a total of 7% to SEK 1,019 M (951), which was primarily attributable to strong net interest income and higher commission income as a result of a larger volume of managed funds. Net interest income rose 14% to SEK 973 M (857), attributable to increased business volumes, improved margins and a higher return on the liquidity portfolio. The investment margin for the period was 0.89% (0.98). Commission income rose 21% to SEK 674 M (559), which was attributable to larger volume of managed funds. Commission expense increased 17% to SEK 766 M (expense: 656) as a result of higher business volumes, which led to increased remuneration to the regional insurance companies. The net result of financial transactions declined to SEK 10 M (81). Due to the market interest rate situation, the premature redemption of customer loans with longer periods of fixed interest declined compared with the year-earlier period.

### NET INTEREST INCOME

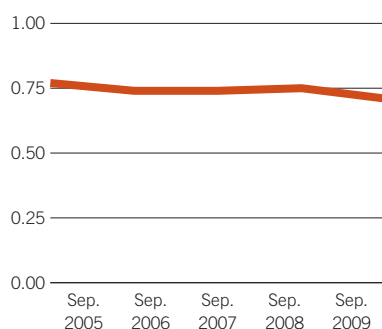


## Expenses

Operating expenses increased 1%, or SEK 9 M, to SEK 720 M (711). The increase was primarily due to higher depreciation in the Parent Company and a rise in managing expenses for larger fund volumes. The cost/income ratio strengthened to 0.71 (0.75) before loan losses and to 0.76 (0.79) after loan losses.



## COST/INCOME RATIO



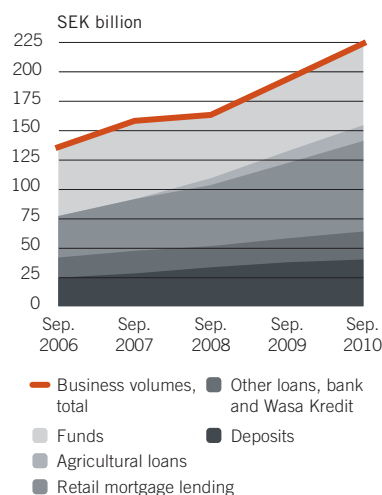
## Loan losses

Loan losses remained low and amounted to SEK 50 M (45), net, corresponding to a loan loss level of 0.06% (0.06). Reserves amounted to SEK 370 M (365), corresponding to 0.32% (0.38) of loans. Impaired loans amounted to SEK 301 M (276), corresponding to a share of impaired loans of 0.26% (0.28). Loan losses and the impaired loans pertain mainly to the Wasa Kredit subsidiary.

## Business volumes

Business volumes continued to increase – by 16% to SEK 223 billion (193).

### BUSINESS VOLUMES



## Loans

Lending to the public rose 21% year-on-year, or SEK 20 billion, to SEK 114 billion (94) and from year-end the increase was 15% or SEK 14 billion. Retail mortgage lending in Länsförsäkringar Hypotek increased 21% to SEK 77 billion (64). All lending exposure occurred in Sweden and in Swedish kronor. On August 31, 2010, the market share for household and retail mortgage lending in Sweden increased to

4.3% (3.8), according to Statistics Sweden, and the share of market growth was nearly 10%. First-lien mortgages for agricultural and forestry properties rose 47% to SEK 10.0 billion (6.8) and agricultural lending increased a total of 32% to SEK 13.3 billion (10.1).

The loan portfolio, totalling SEK 114 billion (94), had a robust geographic distribution and maintained a high level of quality. A total of 82% (84) of the portfolio comprises household credits. Most of the total portfolio, 74% (76) pertains to retail mortgage lending, of which 81% (86) comprises collateral in single-family dwelling/detached houses and 19% (14) tenant-owned apartments. Agricultural lending accounted for 12% (11) of the loan portfolio and the average commitment was low. In agricultural lending, first-lien mortgages, mainly to family-owned agricultural properties, accounted for 75% (67) of loans.

## Deposits

Deposits from the public rose 7% year-on-year to SEK 40 billion (37), with the increase primarily attributable to private and savings accounts. From year-end, the increase amounted to 6% or SEK 2 billion. On August 31, 2010, the market share for household and retail mortgage lending in Sweden increased to 3.5% (3.4) and the share of market growth was robust, according to Statistics Sweden.

## Borrowing

Debt securities in issue rose 49%, or SEK 29 billion, to SEK 88 billion (59), of which covered bonds accounted for SEK 77 billion (54). From year-end, the increase in debt securities amounted to 41% or SEK 26 billion. The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek using covered bonds. In the period January–September, covered bonds were issued in the nominal amount of SEK 39.8 billion (28.8). Repurchased covered bonds amounted to a nominal SEK 6.6 billion (14.6) and past due covered bonds totalled a nominal SEK 10.8 billion (3.1). Financing is also conducted through Länsförsäkringar Bank's programme. During the period, SEK 5.0 billion (5.0) was issued under the MTN programme,

SEK 10.0 billion (4.6) under the DCP programme and SEK 1.0 billion (1.0) under the ECP programme.

## Liquidity

The liquidity portfolio totalled a nominal SEK 26.6 billion (29.0) on September 30, 2010 and consisted of 81% covered bonds with the highest rating and 19% securities with the government as the counterparty. All liquidity is invested in Swedish securities with very high credit quality.

## Rating

Länsförsäkringar Bank has a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The bank's short-term rating from Standard & Poor's is A-1. Moody's short-term rating is P-1 and Länsförsäkringar Bank's Financial Strength Rating is C. The credit ratings are unchanged, with a stable outlook from both Standard & Poor's and Moody's.

Länsförsäkringar Hypotek's covered bonds have the highest rating, Aaa, from Moody's and the highest credit rating, AAA, from Standard & Poor's. On October 6, Standard & Poor's confirmed that Länsförsäkringar Hypotek's covered bonds have an AAA rating with stable outlook. Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

## Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced risk-classification method provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The basic IRB Approach is used for agricultural exposures. The Standardised Approach is applied to other exposures to calculate the capital requirement for credit risk. The transition rules from Basel I to Basel II have been extended through 2011 and entail a capital requirement of 80%.

The Basel Committee has submitted a proposal, Basel III, for a number of new regulations concerning such aspects as capital and liquidity requirements. These regulations will be successively implemented beginning 2010/2011. Several of the regulations are subject to a transitional

period between 2015 and 2018. During the transitional period, several of the regulations will be modified more precisely. Based on currently available information and the bank's current capacity, it is deemed that the requirements resulting from the new regulations will be fulfilled by a comfortable margin.

The capital base strenghtend to SEK 5,912 M (5,315) and the capital adequacy ratio was 13.6% (15.1) in accordance with the Basel II rules. Tier 1 capital amounted to SEK 5,151 M (4,459) net, and the Tier 1 ratio according to Basel II totalled 11.8% (12.7). The target level for Tier 1 ratio is 12 percentage points when Basel II has been fully implemented. A deviation of +/- 0.5 percentage points from the capital target is permitted. During the period, the bank received a conditional shareholders' contribution of SEK 600 M.

### Interest-rate risk

On September 30, 2010, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 83 M (27).

### Risks and uncertainties

The Bank Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks and financial risks. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly satisfactory during the third quarter of 2010. A detailed description of risks is available in the 2009 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

### Parent Company

Deposits and some lending are conducted by the Parent Company. Most of the lending and borrowing operations are conducted through the subsidiary Länsförsäkringar Hypotek. Lending to the public rose 24%, or SEK 5 billion, to SEK 37 billion (32) and from year-end the increase was 17% or SEK 4 billion. Deposits from the public rose 7% year-on-year, or SEK 3 billion, to SEK 40 billion (37) and from year-end the increase was 6% or SEK 2 billion. Debt securities in issue rose 102% year-on-year, or SEK 6 billion, to SEK 11 billion (5) and from year-end the increase was 45% or SEK 3 billion.

Operating loss amounted to SEK 31 M (loss: 32). Net interest income rose 20% to SEK 355 M (297) as a result of an increase in loan and deposit volumes, as well as a higher yield on the liquidity portfolio. Operating income decreased 1% to SEK 343 M (347), due to a reduction in net commission. Commission income rose 17% to SEK 145 M (124) on higher business volumes. Commission expense increased 20% to an expense of SEK 323 M (expense: 270), which was due to increased remuneration to the regional insurance companies. Operating expenses decreased 4% to SEK 360 M (374). Loan losses, net, remained low and amounted to SEK 14 M (4).

### Subsidiaries

#### *Länsförsäkringar Hypotek*

Retail mortgage lending rose 21% or SEK 13 billion to SEK 77 billion (64). Up to 75% of the market value of retail mortgage loans is granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating income rose to SEK 116 M (111), which was attributable to strong net interest income. Recoveries exceeded loan losses, amounting to SEK

3 M (5), net, corresponding to a loan loss level of 0% (loss: 0.01). The number of retail mortgage customers rose to 146,000 (129,000).

SEK M	Sep. 30, 2010	Sep. 30, 2009
Total assets	107,390	80,501
Loan volume	77,043	63,892
Net interest income	288	230
Operating profit	116	111

#### *Wasa Kredit*

Lending volume increased to SEK 10.2 billion (8.8). All products increased in volume, with leasing experiencing the greatest rise. Operating profit increased to SEK 97 M (79). Net interest income was unchanged at SEK 330 M (330). Expenses remained essentially unchanged and loan losses declined to SEK 38 M (46), net.

SEK M	Sep. 30, 2010	Sep. 30, 2009
Total assets	10,581	9,158
Loan volume	10,201	8,797
Net interest income	330	330
Operating profit	97	79

#### *Länsförsäkringar Fondförvaltning*

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 4.1% (4.0) as of June 30, 2010. The volume of managed funds rose 13% or SEK 8 billion to SEK 69 billion (61). The company manages 30 (30) investment funds with different investment orientations. The funds are available as direct fund savings, IPS and unit-linked insurance and through the PPM system. Operating profit rose to SEK 67 M (37).

SEK M	Sep. 30, 2010	Sep. 30, 2009
Total assets	232	179
Assets under management	69,494	61,179
Net flow	193	159
Net commission	1,316	1,232
Operating profit	67	37

# Real-estate brokerage

*Länsförsäkringar Fastighetsförmedling has slightly more than 127 branches throughout Sweden, of which 30 were established in the past 12-month period. Homeowner transactions provide a key forum for customer interaction in terms of sales of mortgages and insurance policies.*

In addition to assistance from experienced and knowledgeable brokers, Länsförsäkringar Fastighetsförmedling also provides individuals who want to sell or purchase a home with access to a broad range of banking and insurance services, financial advisory services and extensive claims prevention expertise, as well as the offerings associated with these areas. Homeowners are a strategic target group

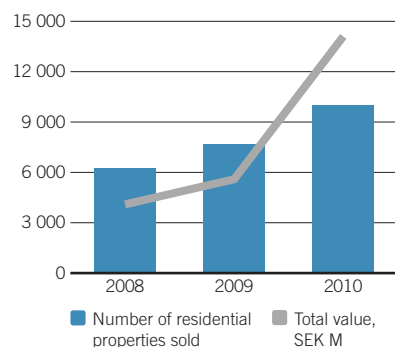
for the regional insurance companies and transactions with homeowners offer an excellent opportunity to discuss the total offering.

Länsförsäkringar Fastighetsförmedling's operations are conducted in franchise form, whereby the regional insurance companies act as the franchiser for the local branches. In other words, Länsförsäkringar Fastighetsförmedling always has a local base,

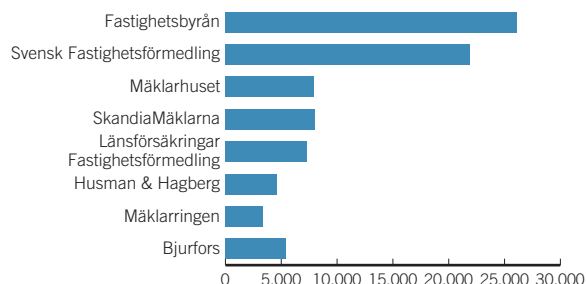
thereby distinguishing itself from nationwide real-estate brokerage chains, which are controlled and managed centrally.

From September 2009 to August 2010, 4,313 single-family homes, 5,095 tenant-owned apartments and 757 leisure homes were sold. The value of the sales amounted to SEK 14.1 billion. The market share was 6.1%.

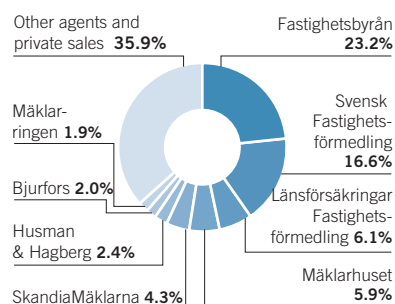
**NUMBER OF SINGLE-FAMILY HOMES, LEISURE HOMES AND TENANT-OWNED APARTMENTS SOLD, SEP. 2009–AUG. 2010**



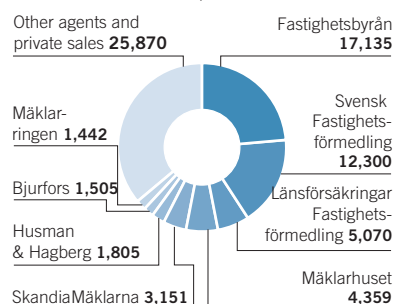
**VALUE OF SALES OF SINGLE-FAMILY HOMES AND LEISURE HOMES, SEP. 2009–AUG. 2010, SEK M**



**MARKET SHARES**



**NUMBER OF SINGLE-FAMILY HOMES AND LEISURE HOMES SOLD, SEP. 2009–AUG. 2010**



## Income statements and balance sheets

### NON-LIFE INSURANCE <sup>1)</sup>

Income statement, SEK M	Jan. 1, 2010 – Sep. 30, 2010	Jan. 1, 2009 – Sep. 30, 2009	Full-year 2009
Premiums earned after ceded reinsurance	13,602	13,467	17,828
Investment income transferred from financial operations	630	698	946
Claims payments after ceded reinsurance	–11,203	–9,934	–13,265
Operating expenses	–2,891	–3,018	–3,881
Other technical revenue/expenses	4	124	53
<b>Technical result from non-life insurance operations before partner discounts</b>	<b>143</b>	<b>1,337</b>	<b>1,682</b>
Bonuses and discounts	–134	–132	–588
<b>Technical result from non-life insurance operations after partner discounts</b>	<b>8</b>	<b>1,205</b>	<b>1,094</b>
Total investment income	2,710	4,559	5,956
Investment income transferred to insurance operations	–630	–698	–946
Other non-technical expenses	–366	–420	–627
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAX</b>	<b>1,722</b>	<b>4,646</b>	<b>5,477</b>

Balance sheet, SEK M	Sep. 30, 2010	Sep. 30, 2009	Dec. 31, 2009
<b>ASSETS</b>			
Shares and participations	22,271	19,303	20,948
Bonds and other interest-bearing securities	26,939	26,007	27,609
Other investment assets	14,235	11,905	12,082
<b>Total investment assets</b>	<b>63,445</b>	<b>57,216</b>	<b>60,639</b>
Reinsurers' portion of technical reserves	682	1,175	1,043
Receivables and other assets	13,033	14,800	13,548
Prepaid expenses and accrued income	877	821	830
<b>TOTAL ASSETS</b>	<b>78,037</b>	<b>74,012</b>	<b>76,060</b>

### SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	25,935	24,481	25,107
Technical reserves (before ceded reinsurance)	38,680	37,571	37,340
Other provisions and liabilities	11,240	9,999	11,229
Accrued expenses and deferred income	2,181	1,961	2,385
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>78,037</b>	<b>74,012</b>	<b>76,060</b>

<sup>1)</sup> Länsförsäkringar's earnings from non-life insurance consist of the total of the earnings of the 24 regional insurance companies and of Länsförsäkringar AB Group, excluding the Life Assurance Group and the Banking Group. Transactions between the regional insurance companies and Länsförsäkringar AB have been eliminated. The value and changes in the value of the regional insurance companies' holding of shares in Länsförsäkringar AB and subordinated loans have been eliminated. Länsförsäkringar Alliance is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB.

The 24 regional insurance companies and the Länsförsäkringar AB Group apply the approved international reporting standard (IFRS).

### LÄNSFÖRSÄKRINGAR AB, GROUP

Income statement, SEK M	Jan. 1, 2010 – Sep. 30, 2010	Jan. 1, 2009 – Sep. 30, 2009	Full-year 2009
Premiums earned after ceded reinsurance	2,829	2,704	3,524
Net interest income	1,029	890	1,241
Investment income, net	276	538	520
Other operating income	2,259	2,240	3,014
<b>Total operating income</b>	<b>6,393</b>	<b>6,371</b>	<b>8,298</b>
Claims payments after ceded reinsurance	–2,075	–1,834	–2,391
Other expenses	–3,892	–4,004	–5,215
<b>Total expenses</b>	<b>–5,966</b>	<b>–5,838</b>	<b>–7,606</b>
<b>Operating profit</b>	<b>427</b>	<b>533</b>	<b>693</b>
Tax	99	141	–184
<b>Profit for the period</b>	<b>328</b>	<b>392</b>	<b>509</b>

Balance sheet, SEK M	Sep. 30, 2010	Sep. 30, 2009	Dec. 31, 2009
<b>ASSETS</b>			
Goodwill	330	348	353
Other intangible assets	852	923	871
Property and equipment	89	98	98
Owner-occupied property	2,417	2,205	2,297
Shares in Länsförsäkringar Liv Försäkrings AB	514	514	514
Shares and participations in associated companies	19	23	23
Reinsurers' portion of technical reserves	6,692	5,945	5,917
Loans	114,140	94,326	99,582
Financial assets	39,985	40,900	39,186
Other assets	8,409	8,927	8,164
<b>TOTAL ASSETS</b>	<b>173,446</b>	<b>154,209</b>	<b>157,005</b>

### SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	8,456	7,923	8,058
Subordinated liabilities	114	114	114
Technical reserves	20,882	20,040	19,692
Debt securities in issue	86,905	58,799	61,022
Deposits from the public	39,275	36,920	36,981
Financial liabilities	9,284	23,795	23,249
Other liabilities	8,530	6,618	7,890
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>173,446</b>	<b>154,209</b>	<b>157,005</b>

**LÄNSFÖRSÄKRINGAR BANK, GROUP**

Income statement, SEK M	Jan. 1, 2010 – Sep. 30, 2010	Jan. 1, 2009 – Sep. 30, 2009	Full-year 2009
Net interest income	973	857	1,148
Net commission	–92	–98	–95
Other operating income	138	192	247
<b>Total operating income</b>	<b>1,019</b>	<b>951</b>	<b>1,300</b>
Staff costs	–234	–224	–305
General administrative expenses	–428	–435	–612
Other operating expenses	–58	–52	–75
<b>Total expenses before loan losses</b>	<b>–720</b>	<b>–711</b>	<b>–992</b>
<b>Profit before loan losses</b>	<b>298</b>	<b>241</b>	<b>308</b>
Loan losses, net	–50	–45	–50
<b>TOTAL OPERATING PROFIT</b>	<b>248</b>	<b>196</b>	<b>258</b>
Tax	–65	–51	–80
<b>PROFIT FOR THE PERIOD</b>	<b>183</b>	<b>145</b>	<b>178</b>

**Balance sheet, SEK M**

	Sep. 30, 2010	Sep. 30, 2009	Dec. 31, 2009
<b>ASSETS</b>			
Eligible treasury bills	2,906	7,000	2,000
Loans to credit institutions	3,020	2,915	3,216
Loans to the public	114,140	94,326	99,582
Bonds and other interest-bearing securities	22,660	20,049	22,701
Intangible assets	315	324	330
Property and equipment	14	19	18
Other assets	3,024	3,360	3,450
<b>TOTAL ASSETS</b>	<b>146,079</b>	<b>127,993</b>	<b>131,297</b>

**EQUITY AND LIABILITIES**

Due to credit institutions	6,773	21,821	21,232
Deposits and borrowing from the public	39,637	37,210	37,365
Debt securities in issue	87,550	58,799	62,016
Other liabilities	6,600	5,476	5,990
Shareholders' equity	5,519	4,687	4,694
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>146,079</b>	<b>127,993</b>	<b>131,297</b>

**LÄNSFÖRSÄKRINGAR LIV, GROUP**

Income statement, SEK M	Jan. 1, 2010 – Sep. 30, 2010	Jan. 1, 2009 – Sep. 30, 2009	Full-year 2009
Premium income before ceded reinsurance	4,595	4,227	5,754
Fees from financial agreements	285	234	318
Investment income, net	5,575	8,889	14,465
Claims payments	–3,269	–2,824	–4,300
Other technical revenue and expenses	255	197	257
Change in technical reserves	–11,528	9,608	4,058
Operating expenses	–1,116	–1,265	–1,540
<b>Technical result for insurance operations</b>	<b>–5,203</b>	<b>19,066</b>	<b>19,012</b>
Non-technical expenses	–656	–810	–841
<b>Profit/loss before tax</b>	<b>–5,859</b>	<b>18,256</b>	<b>18,171</b>
Tax	–35	–27	–54
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>–5,894</b>	<b>18,229</b>	<b>18,117</b>
Exchange differences on translation of foreign operations	0	0	88
<b>TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>	<b>–5,894</b>	<b>18,229</b>	<b>18,205</b>

**Balance sheet, SEK M**

	Sep. 30, 2010	Sep. 30, 2009	Dec. 31, 2009
<b>ASSETS</b>			
Intangible assets	1,196	1,199	1,196
Investment assets	112,366	106,697	106,781
Investment assets for which policyholders bear the investment risk	49,958	42,233	46,070
Reinsurers' portion of technical reserves	705	751	705
Receivables	1,066	357	1,502
Other assets	8,977	4,403	4,953
Prepaid expenses and accrued income	2,053	2,642	1,977
<b>TOTAL ASSETS</b>	<b>176,321</b>	<b>158,282</b>	<b>163,184</b>

**SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES**

Share capital	8	8	8
Funds plus profit for the period	20,427	28,085	27,525
Technical reserves	94,780	80,971	83,820
Provisions for life assurance for which policyholders bear the investment risk	49,957	42,234	46,071
Provisions for other risks and expenses	251	349	230
Deposits from reinsurers	869	894	787
Liabilities	9,668	5,411	4,201
Accrued expenses and deferred income	361	330	542
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>176,321</b>	<b>158,282</b>	<b>163,184</b>

## Financial calendar

### Year-end report:

Länsförsäkringar Bank.....	February 21, 2011
Länsförsäkringar Hypotek .....	February 21, 2011
Länsförsäkringar Alliance .....	February 22, 2011

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