

# Länsförsäkringar AB (publ)

CORPORATE REGISTRATION NUMBER 556549-7020

## January–June 2010

INTERIM REPORT



THE PRESIDENT OF LÄNSFÖRSÄKRINGAR AKTIEBOLAG (PUBL), CORPORATE REGISTRATION NUMBER 556549-7020, ON BEHALF OF THE BOARD, HEREBY PRESENTS THE INTERIM REPORT FOR THE PERIOD JANUARY 1–JUNE 30, 2010.

## Ownership

Länsförsäkringar AB (publ) is wholly owned by the 24 regional insurance companies and the 14 local insurance companies. The Länsförsäkringar Alliance comprises the Länsförsäkringar AB Group and the Länsförsäkringar Liv Group, together with the 24 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 the dormant company Wasa Försäkring Run-Off AB.

Länsförsäkringar AB endeavours to maintain an efficient and well-defined Group structure. During the period, EFEL Skadeförsäkring AB merged with Länsförsäkringar Sak Försäkrings AB and one dormant company was liquidated. In 2010, EFEL Livförsäkrings AB will be liquidated and one property company will be sold. It has also been resolved that Wasa Försäkring Run-Off AB will be liquidated.

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

## Operations

The Länsförsäkringar AB Group is the financial hub of the Länsförsäkringar Alliance and has the task of creating possibilities for the regional insurance companies to be successful in their respective markets. Länsförsäkringar AB has three main tasks:

- To conduct business activities in non-life insurance, life assurance and banking operations.
- To provide services to the regional insurance companies.
- To conduct the Länsförsäkringar Alliance's joint strategic development work.

The Länsförsäkringar AB Group is organised into three business units: Non-life insurance, Life assurance and Banking, and three support functions: Development, IT and Service.

## Consolidated earnings

### Insurance operations

The technical results from insurance operations including investment income transferred from financial management amounted to a profit of SEK 77 M (98). The insurance operations include a life-assurance business that generated a loss of SEK 7 M (loss: 1).

Premiums earned after ceded reinsurance rose 6% to SEK 1,856 M (1,756). This year-on-year increase in volume was mainly attributable to growth at Agria Djurförsäkring.

Claims payments after ceded reinsurance rose as a result of the increase in business volumes and amounted to an expense of SEK 1,353 M (expense: 1,210). The claims ratio including claims adjustment costs amounted to 82% (76) at mid-year. Operating expenses declined to 22% (28).

The total return on investment assets in the insurance operations amounted to 2.4% (1.2). Interest-bearing assets provided a total return of 1.3% (1.4), while property investments generated a return of 5.7% (2.4). The remaining directly owned investment properties were sold in July 2010.

In December 2009, the entire insurance portfolio and all corresponding technical assets and liabilities of Länsförsäkringar EFEL Livförsäkring AB were transferred to the fellow subsidiary Länsförsäkringar Gruppliv AB. Since Länsförsäkringar EFEL Livförsäkring AB no longer conducts business, the Annual General Meeting on January 20, 2010 resolved that the company enter liquidation.

On June 1, 2010, the subsidiary Länsförsäkringar EFEL Skadeförsäkring

AB merged with Länsförsäkringar Sak Försäkrings AB.

### Banking operations

Profit rose to SEK 178 M (162) before net loan losses and operating profit increased to SEK 146 M (133). Net interest income rose 5% to SEK 614 M (583), attributable to increased business volumes and higher returns on the liquidity portfolio. Net loan losses remained low, amounting to SEK 31 M (28), corresponding to a net loan loss level of 0.06% (0.06).

Business volumes increased 17% to SEK 214 billion (184). The number of customers rose 9% to 793,000 (730,000) and the number of bank cards increased 22% to 247,000 (202,000). Loans to the public rose 22% to SEK 109 billion (90), of which retail mortgage lending in the subsidiary Länsförsäkringar Hypotek AB increased 21% to SEK 74 billion (61). On June 30, 2010, the market share for household and mortgage lending in the Swedish market amounted to 4.2% (3.7) according to Statistics Sweden. Deposits from the public rose 4% to SEK 39 billion (37). On June 30, 2010, the market share for deposits rose to 3.5% (3.4) according to Statistics Sweden. The volume of managed funds increased 16% to SEK 66 billion (57) in the period January-June. The company manages 30 (30) investment funds with different investment orientations.

Debt securities in issue rose 40% to SEK 81 billion (58), of which covered bonds accounted for SEK 72 billion (52). 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 117 M (167) for the period. In addition, the surplus value of owner-occupied properties totalled SEK 67 M (35), which was recognized directly against shareholders' equity.

In the first six months of 2010, the investment focus of the Länsförsäkringar AB Group continued to reflect low-risk in the portfolios, with investments primarily in interest-bearing securities and properties.

After interest rates rose rather sharply in 2009, the trend has reversed to date in

2010. In January, long-term interest rates declined; a trend that continued in February. Ten-year Swedish Government bonds declined significantly in April and May due to accelerating concern in financial markets.

The background to this year's trend in the interest-rate market is concern regarding debt issues, which is affecting the situation in such countries as Greece, Spain, Portugal and Italy. The countries that have major deficits that must be financed through the bond market have experienced a rise in long-term interest rates. In Sweden, confidence in the economy remains intact, since the government financing situation is deemed stable. The fact that players in the financial markets are seeking more secure investment alternatives in the wake of the crisis has resulted in Swedish long-term market interest rates declining sharply in recent months.

### Parent Company's earnings

The Parent Company's profit after financial items amounted to SEK 365 M (loss: 44). Main sources of income comprise service income totalling SEK 1,098 M (798). Financial income of SEK 434 M (27) includes dividends of SEK 432 M (30) from the subsidiaries.

In the second half of 2009, Länsförsäkringar IT Center AB merged with Länsförsäkringar AB. This had not yet to take place when the interim report for the year-earlier period was published, which affects the comparison between the period January-June 2009 and 2010.

### Operational risks and uncertainties

The risks associated with the operations of the Länsförsäkringar AB Group and the Parent Company, and how they are managed, are described in the 2009 Annual Report. The Group's risks are not deemed to have changed significantly compared with the preceding year-end.

The Group is continuously shifting its risk profile. One of the reasons for this is to adapt the composition of the insurance companies' investment portfolios is adapted to the prevailing conditions in the market. Another reason is that the various operations in the Group develop at different rates. For example, the Group's banking operations and animal insurance business

## Key figures

Länsförsäkringar AB Group, SEK M <sup>1)</sup>	Jun. 30, 2010	Jun. 30, 2009	Dec. 31, 2009
Operating profit,	188	104	693
Profit for the period	164	66	509
Return on shareholders' equity, % <sup>2)</sup>	4.6	2.7	7.0
Total assets, billion	173	157	157
Shareholders' equity per share, SEK	1,319	1,205	1,279
Solvency capital <sup>3)</sup>	8,980	8,067	8,710
Solvency margin, %	232	218	228
Capital base for the financial conglomerate <sup>4)</sup>	12,230	11,149	12,147
Capital requirement for the financial conglomerate	9,940	8,490	9,303
<b>Insurance operations<sup>5)</sup></b>			
<i>Non-life insurance operations</i>			
Premiums earned (after ceded reinsurance)	1,726	1,633	3,285
Investment income transferred from financial operations	148	203	435
Claims payments (after ceded reinsurance) <sup>6)</sup>	-1,253	-1,120	-2,211
Technical result, non-life insurance operations	83	154	429
Technical result, life assurance operations	-7	-1	-3
Operating profit/loss <sup>7)</sup>	108	-33	505
<i>Premium income before ceded reinsurance</i>			
Non-life insurance	3,439	3,000	5,888
Life assurance	184	174	268
<i>Key figures</i>			
Operating expense ratio <sup>8)</sup>	22	28	26
Claims ratio <sup>9)</sup>	82	76	75
Combined ratio	104	104	100
Investment assets <sup>10)</sup>	15,346	15,725	16,566
Total return, % <sup>11)</sup>	2.4	1.2	6.2
<b>Banking operations</b>			
Net interest income	614	583	1,148
Operating profit	146	133	258
Return on shareholders' equity, % <sup>2)</sup>	4.4	4.4	4.1
Total assets, SEK billion	146	130	131
Cost/income ratio before net loan losses	0.73	0.74	0.76
Capital adequacy ratio according to Basel II, %	13.4	15.0	14.8

<sup>1)</sup> The Länsförsäkringar Liv AB Group is not consolidated since the company operates in accordance with mutual principles. However, the life assurance companies are part of the financial conglomerate.

<sup>2)</sup> Operating profit plus change in surplus value of owner-occupied property less standard tax at a rate of 26.3% in relation to average shareholders' equity. Six-month figures are recalculated to full-year figures.

<sup>3)</sup> Total of shareholders' equity, deferred taxes and subordinated liabilities.

<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 Fondförvaltning AB. The financial conglomerate also includes Länsförsäkringar Liv Försäkrings AB and Länsförsäkringar Fondliv Försäkrings AB, despite the fact that the Länsförsäkringar Liv Group is not consolidated in the Länsförsäkringar AB Group.

<sup>5)</sup> The earnings and key figures of the insurance operations are presented in accordance with Swedish Financial Supervisory Authority's directives and general guidelines FFFS 2008:26, Chapter 6, Section 2, and FFFS 2009:12, Chapter 8, Item 7.

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

<sup>7)</sup> The Länsförsäkringar Sak Group's investment income and other non-technical income and expenses are included in the operating profit for the insurance operations.

<sup>8)</sup> Pertains exclusively to non-life insurance. Excluding claims adjustment costs in accordance with the Swedish Financial Supervisory Authority's instructions.

<sup>9)</sup> Pertains exclusively to non-life insurance. Including claims adjustment costs in accordance with the Swedish Financial Supervisory Authority's instructions.

<sup>10)</sup> Investment assets comprise owner-occupied properties, 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 bank balances, and interest-bearing liabilities.

<sup>11)</sup> Total return is calculated as the sum of all direct return and changes in the value of the investment portfolio in relation to the average value of the investment assets during the year.

are expanding, while third-party liability insurance policies are currently primarily underwritten by the regional insurance companies and third-party liability insurance commitments are thus declining subsequent to claims being run off.

#### **Related-party transactions**

The Länsförsäkringar AB Group's companies have the same types of agreements in 2010 as those described in the notes to the 2009 Annual Report. The most important related-party transactions during the interim period are reported in Note 4.

#### **Employees**

The Annual General Meeting in May resolved that all forms of bonuses for senior executives and other managers would be discontinued in 2010. The only bonuses that remain pertain to certain asset management employees.

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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, 2010 are shown in the following income statements and balance sheets with accompanying notes.

This interim report is unaudited.

# Consolidated financial reports

## CONSOLIDATED INCOME STATEMENT

SEK M	Jan. 1, 2010 –Jun. 30 2010	Jan. 1, 2009 –Jun. 30 2009	Jan. 1, 2009 –Dec. 31 2009
Premiums earned before ceded reinsurance	3,335.7	2,583.2	5,771.5
Reinsurers' portion of premiums earned	-1,479.9	-826.8	-2,247.9
<b>Premiums earned after ceded reinsurance</b>	<b>1,855.8</b>	<b>1,756.4</b>	<b>3,523.7</b>
Interest income	2,478.3	2,910.3	5,320.7
Interest expenses	-1,825.0	-2,299.4	-4,079.6
<b>Net interest income</b>	<b>653.3</b>	<b>610.9</b>	<b>1,241.1</b>
Investment income, net	116.8	166.8	520.0
Commission income	469.6	373.0	1,012.9
Other operating income	1,036.2	1,127.8	2,000.7
<b>Total operating income</b>	<b>4,131.7</b>	<b>4,034.9</b>	<b>8,298.4</b>
Claims payments before ceded reinsurance	-2,012.8	-1,629.1	-3,553.0
Reinsurers' portion of claims payments	659.7	419.4	1,162.4
<b>Claims payments after ceded reinsurance</b>	<b>-1,353.1</b>	<b>-1,209.7</b>	<b>-2,390.6</b>
Commission expense	-620.6	-661.6	-1,352.7
Staff costs	-732.8	-747.6	-1,474.0
Other administration expenses	-1,155.6	-1,179.8	-2,238.2
Loan losses	-31.5	-28.3	-50.4
Other expenses	-50.0	-103.3	-100.0
<b>Total expenses</b>	<b>-3,943.6</b>	<b>-3,930.5</b>	<b>-7,605.9</b>
<b>Operating profit</b>	<b>188.2</b>	<b>104.5</b>	<b>692.5</b>
Tax	-23.9	-38.1	-183.6
<b>PROFIT FOR THE PERIOD</b>	<b>164.2</b>	<b>66.4</b>	<b>508.9</b>
Earnings per share before and after dilution, SEK	26	11	81

Earnings per segment are reported in Note 2.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Jan. 1, 2010 –Jun. 30 2010	Jan. 1, 2009 –Jun. 30 2009	Jan. 1, 2009 –Dec. 31 2009
<b>Profit for the period</b>	<b>164.2</b>	<b>66.4</b>	<b>508.9</b>
<b>Other comprehensive income</b>			
Translation differences for the period from foreign operations	3.0	31.2	3.9
Revaluation of owner-occupied property	67.2	34.6	60.1
Change for the period in fair value of available-for-sale financial assets	39.2	1.1	40.7
Available-for-sale financial assets transferred to net profit for the year	-	-	6.8
Tax attributable to other comprehensive income components	-28.0	-9.4	-28.3
<b>Total other comprehensive income for the period, net after tax</b>	<b>81.4</b>	<b>57.6</b>	<b>83.1</b>
<b>Comprehensive income for the period</b>	<b>245.6</b>	<b>124.0</b>	<b>592.0</b>

No portion of earnings is attributable to minority shareholders.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK M	Jun. 30, 2010	Jun. 30, 2009	Dec. 31, 2009
<b>ASSETS</b>			
Goodwill	352.4	371.6	353.1
Other intangible assets	870.8	955.4	870.9
Deferred tax assets	341.4	576.3	355.3
Property and equipment	117.7	95.3	97.8
Owner-occupied property	2,396.0	2,212.3	2,297.2
Shares in Länsförsäkringar Liv Försäkrings AB	514.5	514.5	514.5
Shares and participations in associated companies	21.5	22.8	22.7
Reinsurers' portion of technical reserves	6,865.6	5,795.3	5,917.3
Investment property	137.1	282.0	118.0
Loans	109,351.3	89,631.8	99,581.6
Shares and participations	1,434.4	1,276.4	1,238.1
Bonds and other interest-bearing securities	41,542.8	39,049.2	35,819.2
Derivatives	1,487.6	1,909.7	1,268.7
Change in value of hedge portfolios	644.8	934.5	767.9
Other assets	3,039.2	4,330.3	1,714.9
Prepaid expenses and accrued income	1,244.1	869.2	1,309.8
Cash and bank balances	2,673.9	8,056.5	4,758.2
Assets held for sale (Note 3)	-	85.5	-
<b>TOTAL ASSETS</b>	<b>173,035.1</b>	<b>156,968.4</b>	<b>157,005.2</b>

## SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	Jun. 30, 2010	Jun. 30, 2009	Dec. 31, 2009
Share capital	629.8	629.8	629.8
Other capital contributed	4,801.3	4,801.3	4,801.3
Reserves	237.8	130.9	156.4
Retained earnings including profit for the period	2,634.9	2,028.2	2,470.7
<b>Total shareholders' equity</b>	<b>8,303.8</b>	<b>7,590.1</b>	<b>8,058.2</b>
Subordinated liabilities	114.0	114.0	114.0
Technical reserves	21,077.2	19,981.5	19,691.3
Deferred tax liabilities	903.3	939.0	893.2
Other provisions	248.4	254.3	317.8
Debt securities in issue	80,331.0	57,708.6	61,022.3
Deposits from the public	38,180.9	36,843.3	36,980.6
Liabilities to credit institutions	14,575.0	25,544.4	21,232.4
Derivatives	1,696.8	1,711.0	1,254.1
Change in value of hedge portfolios	1,041.8	759.2	762.1
Current tax liabilities	55.5	5.9	-
Other liabilities	4,007.9	3,218.8	3,802.3
Accrued expenses and deferred income	2,499.6	2,170.2	2,876.9
Assets held for sale (Note 3)	-	128.2	-
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>173,035.1</b>	<b>156,968.4</b>	<b>157,005.2</b>

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings including net profit for the period	Total
Opening shareholders' equity, January 1, 2009	629.8	4,801.3	73.3	1,961.8	7,466.2
Comprehensive income for the period			57.6	66.4	124.0
<b>Closing shareholders' equity, June 30, 2009</b>	<b>629.8</b>	<b>4,801.3</b>	<b>130.9</b>	<b>2,028.2</b>	<b>7,590.1</b>
Opening shareholders' equity, July 1, 2009	629.8	4,801.3	130.9	2,028.2	7,590.1
Comprehensive income for the period			25.5	442.5	468.0
<b>Closing shareholders' equity, December 31, 2009</b>	<b>629.8</b>	<b>4,801.3</b>	<b>156.4</b>	<b>2,470.7</b>	<b>8,058.2</b>
Opening shareholders' equity, January 1, 2010	629.8	4,801.3	156.4	2,470.7	8,058.2
Comprehensive income for the period			81.4	164.2	245.6
<b>Closing shareholders' equity, June 30, 2010</b>	<b>629.8</b>	<b>4,801.3</b>	<b>237.8</b>	<b>2,634.9</b>	<b>8,303.8</b>

The number of shares amounts to 6 297 583.

Of total shareholders' equity SEK 5,424.9 M (5,504.8) is restricted shareholders' equity.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

SEK M	Jan.1, 2010 –Jun. 30 2010	Jan.1, 2009 –Jun. 30 2009	Jan.1, 2009 –Dec. 31 2009
Cash flow from operating activities before working capital changes	692.7	219.3	–76.9
Cash flow from changes in working capital	–21,896.7	–12,816.8	–18,994.3
<b>Cash flow from operating activities</b>	<b>–21,204.0</b>	<b>–12,597.5</b>	<b>–19,071.2</b>
Cash flow from investing activities	–193.4	–67.6	–254.0
Cash flow from financing activities	19,308.7	9,230.4	12,544.3
<b>Net cash flow for the period</b>	<b>–2,088.7</b>	<b>–3,434.7</b>	<b>–6,780.9</b>
Cash and cash equivalents at the beginning of the period	4,758.3	11,542.7	11,542.7
Net cash flow for the period	–2,088.7	–3,434.7	–6,780.9
Exchange-rate differences in cash and cash equivalents	4.2	–0.6	–3.5
<b>Cash and cash equivalents at end of period</b>	<b>2,673.9</b>	<b>8,107.4</b>	<b>4,758.2</b>
Cash and cash equivalents in assets held for sale	–	–50.9	–
<b>Cash and bank balances according to the consolidated statement of financial position</b>	<b>2,673.9</b>	<b>8,056.5</b>	<b>4,758.2</b>

## Notes to the consolidated financial statements

### NOTE 1 ACCOUNTING POLICIES

The consolidated accounts 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, including the addendums stipulated in FFFS 2009:12, are applied. The Group also follows recommendation RFR 1.3 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.

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 2009 Annual Report.

New or revised IFRS and interpretations have not had any impact on amounts.

### NOTE 2 EARNINGS PER SEGMENT

Jan. 1, 2010 – Jun. 30, 2010, SEK M	Insurance operations	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	3,335.7					3,335.7
Reinsurers' portion of premiums earned	-1,479.9					-1,479.9
<b>Premiums earned after ceded reinsurance</b>	<b>1,855.8</b>					<b>1,855.8</b>
Interest income		2,478.3				2,478.3
Interest expenses		-1,864.0		20.1	18.9	-1,825.0
<b>Net interest income</b>		<b>614.4</b>		<b>20.1</b>	<b>18.9</b>	<b>653.3</b>
Investment income, net	150.5	0.0	62.5	-20.1	-8.8	184.0
Commission income	23.1	446.5				469.6
Other operating income	56.4	84.2	128.7	1,069.7	-302.8	1,036.2
<b>Total operating income</b>	<b>2,085.8</b>	<b>1,145.1</b>	<b>191.2</b>	<b>1,069.7</b>	<b>-292.8</b>	<b>4,198.9</b>
Claims payments before ceded reinsurance	-2,012.8					-2,012.8
Reinsurers' portion of claims payments	659.7					659.7
<b>Claims payments after ceded reinsurance</b>	<b>-1,353.1</b>					<b>-1,353.1</b>
Commission expense	-141.6	-481.6		-0.1	2.7	-620.6
Staff costs	-155.6	-161.5	-25.5	-400.0	9.8	-732.8
Other administration expenses	-358.8	-324.5	-77.9	-674.7	280.3	-1,155.6
Loan losses		-31.5				-31.5
Other expenses				-50.0		-50.0
<b>Total expenses</b>	<b>-2,009.1</b>	<b>-999.0</b>	<b>-103.4</b>	<b>-1,124.8</b>	<b>292.8</b>	<b>-3,943.6</b>
<b>Operating profit/loss for company management</b>	<b>76.6</b>	<b>146.1</b>	<b>87.8</b>	<b>-55.1</b>		<b>255.4</b>
Revaluation of owner-occupied property			-67.2			-67.2
<b>Operating profit/loss in profit and loss</b>	<b>76.6</b>	<b>146.1</b>	<b>20.5</b>	<b>-55.1</b>		<b>188.2</b>
Tax						-23.9
<b>Profit for the period</b>						<b>164.2</b>
<b>Income distribution</b>						
External income	2,085.4	1,144.5	143.7	354.9	757.9	4,198.9
Internal income	0.3	0.6	334.9	714.8	-1,050.6	-
<b>Total operating income/expense</b>	<b>2,085.8</b>	<b>1,145.1</b>	<b>191.2</b>	<b>1,069.7</b>	<b>-292.8</b>	<b>4,198.9</b>

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

Jan. 1, 2010 – Jun. 30, 2010, SEK M	Insurance operations	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	2,583.2					2,583.2
Reinsurers' portion of premiums earned	-826.8					-826.8
<b>Premiums earned after ceded reinsurance</b>	<b>1,756.4</b>					<b>1,756.4</b>
Interest income		2,910.3				2,910.3
Interest expenses		-2,327.4			28.0	-2,299.4
<b>Net interest income</b>		<b>582.9</b>			<b>28.0</b>	<b>610.9</b>
Investment income, net	208.2	60.3	-39.1		-28.0	201.5
Commission income	13.3	359.7				373.0
Other operating income	77.9	73.2	126.3	1,196.8	-346.3	1,127.8
<b>Total operating income</b>	<b>2,055.8</b>	<b>1,076.1</b>	<b>87.2</b>	<b>1,196.8</b>	<b>-346.3</b>	<b>4,069.6</b>
Claims payments before ceded reinsurance	-1,629.1					-1,629.1
Reinsurers' portion of claims payments	419.4					419.4
<b>Claims payments after ceded reinsurance</b>	<b>-1,209.7</b>					<b>-1,209.7</b>
Commission expense	-219.1	-443.3		0.1	0.7	-661.6
Staff costs	-170.6	-151.4	-22.2	-408.2	4.8	-747.6
Other administration expenses	-305.0	-319.8	-86.9	-808.9	340.8	-1,179.8
Loan losses		-28.3				-28.3
Other expenses	-53.3			-50.0		-103.3
<b>Total expenses</b>	<b>-1,957.8</b>	<b>-942.9</b>	<b>-109.0</b>	<b>-1,267.0</b>	<b>346.3</b>	<b>-3,930.4</b>
<b>Operating profit/loss for company management</b>	<b>98.0</b>	<b>133.2</b>	<b>-21.8</b>	<b>-70.2</b>		<b>139.2</b>
Revaluation of owner-occupied property			-34.6			-34.6
<b>Operating profit/loss in profit and loss</b>	<b>98.0</b>	<b>133.2</b>	<b>-56.5</b>	<b>-70.2</b>		<b>104.5</b>
Tax						-38.1
<b>Profit for the period</b>						<b>66.4</b>
<b>Income distribution</b>						
External income	2,040.6	1,067.5	-44.0	900.2	105.2	4,069.6
Internal income	15.1	8.6	131.2	296.5	-451.5	-
<b>Total operating income/expense</b>	<b>2,055.8</b>	<b>1,076.1</b>	<b>87.2</b>	<b>1,196.8</b>	<b>-346.3</b>	<b>4,069.6</b>

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

**The Insurance business segment** pertains to non-life insurance and life assurance; life represents only a small portion. The Länsförsäkringar Alliance's internal and external reinsurance and run-off of previously underwritten international reinsurance are also included. The largest portion of the run-off business was divested during the first half of 2009. Goodwill for all associated companies and the Group is included in the Insurance business segment.

**The Banking business segment** pertains to deposits and lending operations.

**The Asset Management business 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. Expenses for asset management are also included. The internal follow-up also includes a change in value of owner-occupied property that is otherwise recognised in other comprehensive income.

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

**NOTE 3 ASSETS AND LIABILITIES HELD FOR SALE**

In June 2009, Länsförsäkringar Sak AB and the Norwegian insurance company, Gjensidige Forsikring BA, signed an agreement pertaining to the divestment of Länsförsäkringar International AB. The transaction was concluded during the second half of 2009. Länsförsäkringar International AB conducted non-life insurance operations in Latvia and Lithuania under the name Nordicia.

The operation that was divested had an impact on the interim report for the first half of 2009 by the amount below.

Assets, SEK M	Jun. 30, 2009
Property and equipment	0.2
Reinsurers' portion of technical reserves	1.0
Bonds and other interest-bearing securities	45.1
Other assets	32.1
Prepaid expenses and accrued income	7.1
Cash and bank balances	50.9
<b>TOTAL ASSETS</b>	<b>85.5</b>

**Liabilities**

Technical reserves	87.7
Other liabilities	20.3
Accrued expenses and deferred income	20.1
<b>TOTAL LIABILITIES</b>	<b>128.2</b>

Profit/loss, SEK M	Jan. 31, 2009 –Jun. 30, 2009
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Premiums earned after ceded reinsurance	36.0
Investment income, net	0.3
Other operating income	0.5
<b>Total operating income</b>	<b>36.8</b>
Claims payments after ceded reinsurance	–33.5
Commission expense	–6.8
Staff costs	–9.6
Other administration expenses	–27.1
Other expenses	–53.3
<b>Total expenses</b>	<b>–130.3</b>
<b>Operating loss</b>	<b>–93.5</b>
Tax	–5.6
<b>LOSS FOR THE PERIOD</b>	<b>–99.1</b>

Loss for the period includes divestment costs and revaluation of assets and liabilities	–79.1
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**NOTE 4 RELATED-PARTY TRANSACTIONS**

SEK M	Income Jan.–Jun.	Expenses Jan.–Jun.	Receivables Jun. 30	Liabilities Jun. 30
<b>Related-party transactions 2010</b>				
Länsförsäkringar Liv				
Försäkrings AB Group	265.2	150.0	22.7	48.6
Regional insurance companies	687.0	187.9	6,320.6	9,931.9

**Related-party transactions 2009**

Länsförsäkringar Liv				
Försäkrings AB Group	264.4	116.5	27.6	15.1
Regional insurance companies	610.7	315.1	5,600.5	10,366.9

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

# Consolidated financial statements for the Parent Company

## INCOME STATEMENT FOR THE PARENT COMPANY

SEK M	Jan. 1, 2010 –Jun. 30 2010	Jan. 1, 2009 –Jun. 30 2009	Jan. 1, 2009 –Dec. 31 2009
<b>Net sales</b>	1,098.3	797.8	2,229.8
<b>Operating expenses</b>			
External expenses	–722.0	–582.8	–1,501.3
Staff costs	–425.5	–274.3	–846.1
Depreciation/amortisation and impairment of property and equipment and intangible assets	–19.8	–11.7	–38.5
<b>Operating loss</b>	<b>–69.0</b>	<b>–71.0</b>	<b>–156.1</b>
<b>Profit/loss from financial items</b>			
Profit from participations in Group companies	451.8	29.8	29.8
Interest income and similar profit/loss items	16.6	46.5	86.7
Interest expense and similar profit/loss items	–34.1	–49.0	–93.5
<b>Profit/loss after financial items</b>	<b>365.3</b>	<b>–43.7</b>	<b>–133.1</b>
Tax	17.4	19.3	39.3
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>382.8</b>	<b>–24.4</b>	<b>–93.7</b>

## BALANCE SHEET FOR THE PARENT COMPANY

SEK M	Jun. 30, 2010	Jun. 30, 2009	Dec. 31, 2009
<b>ASSETS</b>			
Intangible assets	91.1	40.2	33.6
Property and equipment	240.0	65.4	158.9
Shares and participations in Group companies	7,462.2	6,678.0	7,062.3
Other fixed assets	1,802.7	2,327.4	2,099.0
Current assets	1,081.3	709.1	1,151.6
Cash and bank balances	593.5	849.5	699.9
<b>TOTAL ASSETS</b>	<b>11,270.9</b>	<b>10,669.6</b>	<b>11,205.3</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
Shareholders' equity	8,166.6	7,687.2	7,783.9
Provisions	58.4	43.3	68.2
Long-term liabilities	114.0	114.0	114.0
Current liabilities	2,931.9	2,825.0	3,239.2
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>11,270.9</b>	<b>10,669.6</b>	<b>11,205.3</b>

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

SEK M	Jun. 30, 2010	Jun. 30, 2009	Dec. 31, 2009
Opening shareholders' equity according to the balance sheet on December 31 the year preceding the interim period	7,783.9	7,711.6	7,711.6
Group contributions paid/received	–	–	225.2
Tax attributable to items recognised against shareholders' equity	–	–	–59.3
Profit/loss for the period	382.8	–24.4	–93.7
<b>Shareholders' equity at the end of the period</b>	<b>8,166.6</b>	<b>7,687.2</b>	<b>7,783.9</b>

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

## CASH-FLOW STATEMENT FOR THE PARENT COMPANY

SEK M	Jan. 1, 2010 –Jun. 30 2010	Jan. 1, 2009 –Jun. 30 2009	Jan. 1, 2009 –Dec. 31 2009
Cash flow from operating activities	148.1	–33.8	297.2
Cash flow from investing activities	37.5	–89.9	–956.5
Cash flow from financing activities	–	–	329.5
<b>Net cash flow for the period</b>	<b>185.6</b>	<b>–123.7</b>	<b>–329.8</b>
Cash and cash equivalents at the beginning of the period	788.7	1,118.6	1,118.5
Net cash flow for the period	185.6	–123.7	–329.8
<b>Cash and cash equivalents at end of period</b>	<b>974.3</b>	<b>994.9</b>	<b>788.7</b>
Parent Company's cash and cash equivalents in Länsförsäkringar Bank	–380.7	–145.4	–88.8
<b>Cash and bank balance in the Parent Company's balance sheet</b>	<b>593.5</b>	<b>849.5</b>	<b>699.9</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 the Swedish Financial Reporting Board's recommendation RFR 2.3 Accounting for Legal Entities and statements issued pertaining to listed companies. The regulations in RFR 2.3 stipulate that the Parent Company, in the annual accounts for the legal entity, shall apply all EU-approved IFRS 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 amendments 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 2009 Annual Report.

### NOTE 2 RELATED-PARTY TRANSACTIONS

SEK M	Income Jan.–Jun.	Expenses Jan.–Jun.	Receivables Jan.–Jun.	Liabilities Jan.–Jun.
<b>Related-party transactions 2010</b>				
Group companies	923.6	546.6	94.5	625.7
Länsförsäkringar Liv Försäkrings AB, Group	265.2	1.3	18.2	4.2
Regional insurance companies	519.3	31.2	291.4	1,919.1
<b>Related-party transactions 2009</b>				
Group companies	231.4	298.1	223.9	775.6
Länsförsäkringar Liv Försäkrings AB, Group	93.3	0.4	6.5	0.4
Regional insurance companies	558.1	52.7	264.8	1,928.2

During the second half of 2009, Länsförsäkringar IT Center AB merged with Länsförsäkringar AB, which has an impact on comparison between periods.

The President affirms that this report provides a true and fair view of the Parent Company's and the Group's operations, financial position and earnings and describes the material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm, August 25, 2010

Sten Dunér  
President

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