2010

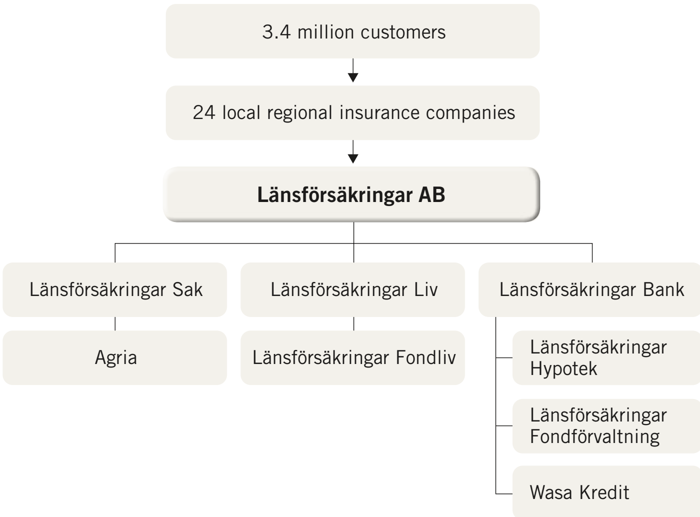
Länsförsäkringar AB
Annual Report

Contents

Länsförsäkringar AB
– Hub of the Länsförsäkringar Alliance

Länsförsäkringar AB is the financial hub of the Länsförsäkringar Alliance. Länsförsäkringar AB's tasks are to conduct joint banking and insurance operations, pursue the Group's strategic development activities and provide service in areas that generate economies of scale and efficiency for the owners – the 24 regional insurance companies.

Through a clear role in the value chain of the Länsförsäkringar Alliance, Länsförsäkringar AB contributes to increasing competitiveness and reducing costs, thereby creating possibilities for the regional insurance companies to be successful in their respective markets. Customer contact always occurs at the local regional insurance companies. The Länsförsäkringar Alliance offers a wide range of insurance, pension solutions, banking services, real-estate brokerage and other financial solutions for corporate customers and private individuals.



2010 in brief

- Net profit for the year in the Länsförsäkringar AB Group amounted to SEK 536 M (693) before tax and SEK 418 M (509) after tax. The return on equity amounted to 5.6% (6.6).
- The technical result for the non-life insurance operations amounted to SEK 193 M (426). Operating profit totalled SEK 323 M (505).
- The bank's operating profit rose to SEK 345 M (258). Net interest income rose to SEK 1,363 M (1,148) and loan losses remained low, amounting to SEK 60 M (50).
- Solvency capital in the Länsförsäkringar AB Group totalled SEK 10,613 M (8,710).
- The net worth of the Länsförsäkringar AB share amounted to SEK 1,356 (1,279) at year-end.
- Net profit for the year for the Life Assurance Group amounted to SEK 3,716 M (18,106). The total return for life-assurance customers with traditional management amounted to 4.1% (2.3). Despite a return that did not meet expectations, customers' insurance capital displayed a positive trend during the year since the bonus rate was at an average of 6.2%. Länsförsäkringar Liv is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB.

FIVE-YEAR SUMMARY

Länsförsäkringar AB, Group[1]	2010	2009	2008	2007	2006
Profit/loss before tax, SEK M	536	693	–3,395	1,270	821
Solvency capital, SEK M	10,613	8,710	7,907	11,652	10,713
Total assets, SEK M	173,850	157,005	130,554	116,241	91,184
Return on equity, %	6	7	–29	10	8

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

Länsförsäkringar Sak, Group	2010	2009	2008	2007	2006
Premiums earned after ceded reinsurance, SEK M	3,769	3,524	3,020	2,634	2,106
Technical result for the insurance operations, SEK M	173	460	256	402	322
Operating profit/loss, SEK M	313	635	–3,108	1,191	708

Länsförsäkringar Bank, Group	2010	2009	2008	2007	2006
Deposits from the public, SEK M	41,590	37,365	35,090	29,735	24,379
Loans to the public, SEK M	117,910	99,582	78,564	67,040	53,884
Operating profit, SEK M	345	258	245	238	198

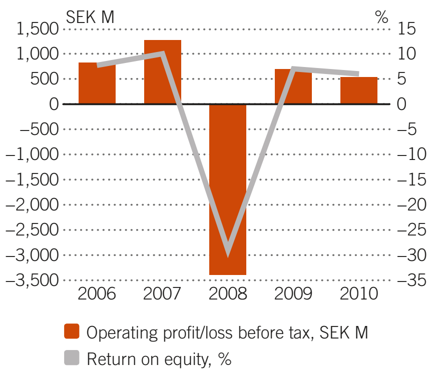
Länsförsäkringar Liv, Group	2010	2009	2008	2007	2006
Premium income, SEK M[1]	12,893	11,879	10,719	10,794	10,141
Net profit/loss for the year, SEK M	3,716	18,106	–30,126	11,361	7,646
Collective consolidation, %	107	107	105	114	114
Solvency ratio, %	141	137	114	152	136

1) In accordance with the Swedish Insurance Federation's definition.

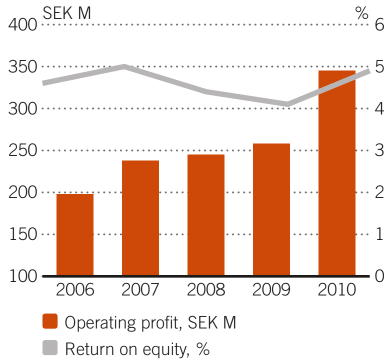
CREDIT RATING

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[1]	Standard & Poor's	AAA	–
Länsförsäkringar Hypotek[1]	Moody's	Aaa	–
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[2]	–

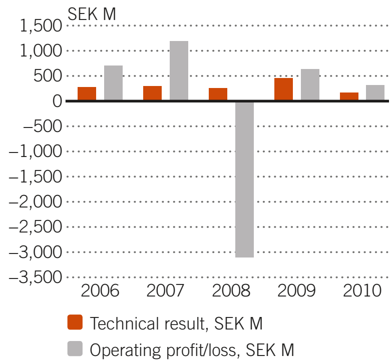
1) Pertains to the company's covered bonds.
2) pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.



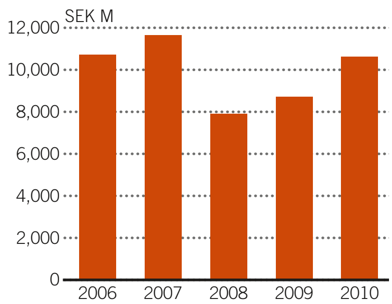
OPERATING PROFIT/LOSS AND RETURN ON EQUITY, LÄNSFÖRSÄKRINGAR AB GROUP
Operating profit for the Länsförsäkringar AB Group amounted to SEK 536 M and the return on equity to 6%. Operating profit for the banking operations improved, while earnings for non-life insurance declined as a result of higher claims costs and lower investment income. The financial crisis had a substantial impact on earnings in 2008.



OPERATING PROFIT AND RETURN ON EQUITY, BANK
Operating profit rose 34% to SEK 345 M and return on equity strengthened to 4.9%. The average return on equity in the past five years is 4.7%.



PROFIT/LOSS FOR NON-LIFE INSURANCE OPERATIONS
The lower technical result in 2010 was due to lower costs of capital and higher claims costs in Agria's UK operations. Major run-off gains were reported in 2009.



SOLVENCY CAPITAL
After the negative impact of the financial crisis on earnings in 2008, solvency capital strengthened due to the positive trend in operating profit. The Parent Company received a contribution of SEK 1.3 billion from a new share issue, which further strengthened solvency capital.

Länsförsäkringar AB and its subsidiaries form the financial hub of the Länsförsäkringar Alliance and, on behalf of the regional insurance companies, conduct business activities, strategic development activities and serve as a competency centre for these companies. This role means that ultimately our task is to create development potential for the regional insurance companies thereby providing them the right conditions for focusing on and developing local customer meetings. At the same time, the scope of this task means that Länsförsäkringar AB is one of the largest financial groups in Sweden.

PRESIDENT'S COMMENTS

The financial hub that creates development potential

We conduct our business activities in non-life insurance, life assurance and banking units. Most of the Länsförsäkringar Alliance's non-life insurance business is underwritten directly in the regional insurance companies, and SEK 3.8 billion of the total premiums earned of slightly more than SEK 18 billion was underwritten in the Länsförsäkringar AB Group. It is also where the concession for underwriting animal, medical and specialist insurance, for example, is held. Furthermore, the non-life insurance unit manages the Länsförsäkringar Alliance's internal and external reinsurance and takes out assumed international reinsurance. The Liv Group is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB. The Life Assurance Group manages a total of SEK 172 billion on behalf of its customers: SEK 118 billion for traditional-management customers and SEK 54 billion for unit-linked insurance customers. The bank is continuing to grow and we are currently Sweden's fifth largest retail bank with a business volume of SEK 232 billion and almost 830,000 customers.

The Länsförsäkringar AB Group stands on a stable foundation. The cost situation improved during the year. Combined with an increase in business volumes, we are continuing to improve the relationship between expenses and income. Our non-life insurance operations surpassed established targets by a healthy margin, except for Agria's international business which was negatively affected by higher reserves. Gratifyingly, the bank posted strong earnings. The life-assurance company reported historically high levels of business volumes, but we need to improve returns to traditional-management customers. Extensive efforts are being made in the area of IT on discontinuing use of outdated systems, standardisation and concentration to reduce expenses.

Greenhouse for new business

Growth is the only way forward for a company – the alternative is stagnation. The Länsförsäkringar Alliance has enjoyed an even and cyclic rate of development for many years, always based on changes in society and demand from our customers. New business has been initiated, grown, become profitable and a natural and important part of the regional insurance companies' local offering. Länsförsäkringar AB's role has been to serve as a "greenhouse" in this process. The development phase for new business has been 10 to 20 years and in the past 15 years we have added both banking services and real-estate brokerage to our existing operations. I am convinced that we will see similar advances in the forthcoming years.

Although we live in pace with social development and new demands, there are some changes that will never be made at Länsförsäkringar. We will never compromise on our small-scale approach. We will never move away from local decision-making, local customer meetings, local claims adjustment or presence and commitment to the local community. Because if we did, we would no longer be Länsförsäkringar. That is why we do not need to return to our roots – simply because we have never left them. Länsförsäkringar today has, and has always had, full focus on growing in the local market in which we can, and do, operate.

Clear customer advantages

Growth takes place by persuading more of our existing customers to see the advantages of combining a broad range of commitments with their regional insurance company. We have a uniquely strong base of three million non-life insurance customers, and satisfied non-life insurance customers at that. The growth potential of the existing customer base is immense since we simultaneously and cohesively offer banking, insurance and real-estate brokerage services. There is a clear customer advantage inherent in each of these three areas.

In one way, we are like the other banks; we offer all of the services you need to save and borrow money and make payments. In another way, we are different; We are a bank that carries the same values that Länsförsäkringar has always had. One that is close by, and does not offer customers financial products that they do not need. Instead it is one that helps customers and their families build up secure finances.

Real-estate brokerage is a comprehensive concept. We assist those selling their properties in finding buyers who have already arranged everything with the bank and sorted out insurance, etc., to make the sale quick and painless. And those looking for a new home do not need to contact different companies to complete the purchase and arrange loans and insurance.

For the customers that have insurance with the 24 regional insurance companies, we can always be found in close proximity with local decision-making. Decisions are made by someone who lives where our customers live. Each branch has a claims adjuster who also knows local workmen and workshops. Local claims adjustment is a clear example of Länsförsäkringar's best competitive advantage: closeness and local decision-making.

They go together

Banking, insurance and real-estate brokerage go together for us. Everyone needs sound private finances with private savings, for example, to buy a home or save money and increase wealth. What you buy – be it a car or a home – needs to be protected. At Länsförsäkringar, customers can do everything under one roof. You walk through the door and receive assistance in all areas that essentially go together: banking, insurance and real-estate brokerage services. Länsförsäkringar AB has a major responsibility for supporting this work approach in the regional insurance companies and thus contributes to persuading customers to see the advantages.

New regulations positive for customers

Legislators focus more on the best interests of customers and society when new regulations are initiated. As a customer-owned company, it is entirely natural that legislators are concentrating on strengthening the position of customers based on a consumer perspective. This is a condition for a healthy and efficient market economy and unrestricted competition. The financial industry is an industry of trust and must be characterised by heightened transparency and higher morals and ethics than other industries. It is natural for Länsförsäkringar that the financial industry must lead developments given that we work in the area of security for individuals and companies.

We are pleased that the new regulations strengthen consumer protection and the customer's position. We are convinced that this is a condition for long-term, successful business activities.

More bank in the brand

The single greatest challenge faced today is to incorporate more banking services into our brand. We know that bank customers want a bank that represents our values. But we have not clearly and consistently explained that we are also a proper bank. We are perceived to be an insurance company that offers only a few banking services. We will drastically change this view. A platform has been created for seriously challenging the large banks and the conditions – our broad insurance customer base and the best customer ratings - provide us with unique opportunities. The core of the task is to persuade the majority of existing customers to choose Länsförsäkringar as their bank. Reliable banks that are close to customers and have a long-term approach will be winners in the future bank market. We will be one of these winners.

Three priorities

To summarise our challenges, we need to advance in three areas. We will focus on banking services and incorporate more bank into the brand. We will expand our savings offering and launch banking services for small businesses. In the future, the bank will be the Länsförsäkringar Alliance's key business area. We must have an efficient earnings capacity to be able to continuously make investments and return this money to customers in the form of a strong bank and an attractive insurance offering, based on local presence. Our earnings capacity that in the past was founded on the non-life insurance operations will increasingly be moved to the banking operations in the future.

We will improve returns for our savings customers, which is the second area of priority. Savings should always be measured over the long term and from this standpoint our savings customers with traditional pension management, and also those savings in investment funds, received high returns compared with competitors. However, this year we experienced lower returns in the traditional life assurance operations. Measures are now being taken to improve and strengthen returns, but it is equally as important to offer a more even level of returns.

The third issue for the future involves the level of operating expenses in the Länsförsäkringar Alliance's non-life insurance operations, which are higher than many of our competitors. We will enhance efficiency and reduce costs to boost our attractiveness and retain our leading position in the market. We are starting in IT by discontinuing use of outdated systems, standardising and concentrating. The focus for non-life insurance is to retain a leading market position and profitability. This is an immense and extremely important challenge. Efforts in other areas will be rendered more difficult without strong non-life insurance operations in the Länsförsäkringar Alliance.

The direction that we will be working towards in the next few years is crystal clear. We will broaden our offering and grow significantly and more rapidly in savings. We will enhance our banking services, not at the expense of what we already are, but by expanding customers' perceptions that we are also a bank. This is not something that simply "happens" – it must be something that really takes place. Focusing on the bank will require a massive amount of internal work in the form of increasing competencies and internal understanding of how banking and insurance go together. We will also improve returns for our savings customers.

Stockholm, March 2011

STEN DUNÉR
President,
Länsförsäkringar AB

The tasks of Länsförsäkringar AB and its subsidiaries are to conduct joint banking and insurance operations, pursue strategic development activities and provide service in areas that generate economies of scale and efficiency, all to create possibilities for the regional insurance companies to be successful in their respective markets.

LÄNSFÖRSÄKRINGAR AB

Joint resources create local strength

Länsförsäkringar AB is the financial hub of the Länsförsäkringar Alliance and is wholly owned by the 24 regional insurance companies, together with 14 local insurance companies. The regional insurance companies impose the same market-based return requirements on these shares as they do for listed shares and other investment assets. The value of the share rose approximately 6% to SEK 1,356 in 2010. In addition to the Parent Company, Länsförsäkringar AB, the Group encompasses Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv and its subsidiaries are not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders.

Streamlined tasks

Länsförsäkringar AB's organisation was defined based on the company's three business units – Non-life insurance, Life assurance and Banking, as well as the three support units, Development, IT and Service. Business activities are conducted with a focus on generating returns on the investments of the company's owners, the 24 regional insurance companies. The Development unit establishes clear priorities among the development needs of the Länsförsäkringar Alliance based on an overall perspective. Among other changes, all customer and concept development is now coordinated under a single function, regardless of the area of operation. The development work conducted at Länsförsäkringar AB has an overall goal – to provide the regional insurance companies with the right tools to attract more full-service customers at the local level. The Service unit has two primary tasks: responsibility for all services required by the regional insurance companies and responsibility for the shared service resources in Länsförsäkringar AB.

Clarity in the value chain

The operations of Länsförsäkringar AB are extremely important to all of the 24 regional insurance companies. Instead of developing resources at the local level, the regional insurance companies can share expenses in such areas as IT, product development, brand communication and methods for developing and strengthening customer relations. Cooperation between the three core operations also creates economies of scale since the costs for such

activities as payment handling and output data platforms can be borne jointly. This division of duties among the 24 regional insurance companies and Länsförsäkringar AB creates a clear focus for each company. 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. Economic efficiency is a basic prerequisite for this to be possible. That is why certain non-life insurance operations are considered best suited to a joint concession. This interface does not affect customer relations, which are managed by the respective regional insurance company in the same manner as a local bank or life-assurance company. This is the foundation of the Länsförsäkringar concept.

Dividend policy

Business activities are to be conducted for profit-making purposes to enable the company to pay competitive returns through growth in value and dividends to the owners. The return on Länsförsäkringar AB's equity shall be a market-based level and include a risk premium. All capital that is not required for the operations conducted by Länsförsäkringar AB must be paid back over time to the regional insurance companies in the form of dividends. The Group's capital situation in relation to the company's risk is always the basis of dividend decisions. Länsförsäkringar AB carried out an SEK 1.3 billion new share issue in 2010 aimed at strengthening the capital base. Accordingly, no dividend will be paid for the 2010 fiscal year. Länsförsäkringar AB endeavours to maintain a balance between capital strength and risk-taking whereby a minimum credit rating of A can be justified.

SHAREHOLDERS

	Number of shares			
Company	**A**	**B**	**C**	**Share of equity, %**
Länsförsäkringar Skåne	141,849	562,279	–	9.7
Länsförsäkringar Stockholm	129,212	547,075	–	9.3
Östgöta Brandstodsbolag	114,155	379,158	–	6.8
Dalarnas Försäkringsbolag	104,708	374,908	–	6.6
Länsförsäkringar Älvsborg	100,176	373,860	–	6.5
Länsförsäkringar Göteborg och Bohuslän	87,010	377,016	720	6.4
Länsförsäkringar Bergslagen	86,351	314,811	–	5.5
Länsförsäkringar Jönköping	82,812	304,480	–	5.3
Länsförsäkringar Uppsala	73,298	273,136	–	4.8
Länsförsäkringar Södermanland	58,117	207,056	–	3.7
Länsförsäkringar Skaraborg	64,058	200,646	–	3.7
Länsförsäkringar Halland	56,785	206,842	–	3.6
Länsförsäkringar Västerbotten	57,195	202,874	–	3.6
Länsförsäkringar Gävleborg	60,058	194,603	–	3.5
Länsförsäkringar Kalmar län	56,717	188,522	–	3.4
Länsförsäkringar Västernorrland	50,186	176,659	–	3.1
Länsförsäkringar Jämtland	35,795	145,214	–	2.5
Länsförsäkring Kronoberg	36,701	130,108	–	2.3
Länsförsäkringar Värmland	31,160	131,153	–	2.2
Länsförsäkringar Kristianstad	27,258	106,506	–	1.8
Länsförsäkringar Göinge	22,724	102,476	–	1.7
Länsförsäkringar Norrbotten	16,960	91,365	–	1.5
Länsförsäkringar Blekinge	23,088	76,781	–	1.4
Länsförsäkringar Gotland	16,305	46,218	–	0.9
14 local insurance companies	–	–	3,420	0.05
Total number of shares	**1,532,678**	**5,713,746**	**4,140**	**100.0**

SHARE TREND, LÄNSFÖRSÄKRINGAR AB

SEK	2010	2009	2008	2007	2006
Equity per share	1,356	1,279	1,186	1,648	1,523

The regional insurance companies are shareholders in the jointly owned company Länsförsäkringar AB. It is one of the cornerstones of the Alliance. The regional insurance companies impose the same return requirements as they do for listed shares and other investment assets.

CREDIT RATING

Company	Agency	Short-term rating	Long-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A–1(K–1)
Länsförsäkringar Bank	Moody's	A2/Stable	P–1
Länsförsäkringar Hypotek[1)]	Standard & Poor's	AAA	–
Länsförsäkringar Hypotek[1)]	Moody's	Aaa	–
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[2)]	–

1) Pertains to the company's covered bonds.

2) pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.

- *Operating profit totalled SEK 323 M (505).*
- *Investment income was positive at SEK 361 M (509).*
- *The technical result declined to SEK 193 M (426) due to the lower cost of capital and higher claims costs.*
- *Premiums earned increased to SEK 3,769 M (3,524).*
- *The expense ratio was 104% (100).*

NON-LIFE INSURANCE

Healthy growth but higher claims costs

Most of the non-life insurance operations in the Länsförsäkringar Alliance are conducted directly by the respective regional insurance company. However, some non-life insurance business, for example, animal and health insurance are administered by the jointly owned Länsförsäkringar AB. Of the Länsförsäkringar Alliance's total premiums earned of SEK 18.2 billion, SEK 3.8 billion is in Länsförsäkringar AB and the remainder in the 24 regional insurance companies. Länsförsäkringar Sak plays a central role in ensuring the strength of the Länsförsäkringar Alliance's non-life insurance operations. The non-life insurance market in 2010 continued to feature fierce competition and price pressure. The market is expanding and growth was primarily seen in motor, household and homeowner, accident and health insurance. The year was mainly dominated by the cold and snowy winter in the first and fourth quarters which impacted earnings with high claims costs. These mainly involved damage from the snowy and freezing weather, but also increased costs for motor insurance claims.

Earnings and profitability

The technical result amounted to SEK 193 M (426) and the combined ratio weakened to 104% (100).The decline was mainly due to the unusually cold and snowy winter months at the start and end of the year and the higher reserves in Agria International. Business volumes rose 7% during the year. The increase is primarily attributable to the animal, accident and health insurance businesses. Most of the growth in the animal insurance business derived from the international operations. Operating profit totalled SEK 323 M (505).

Trends in the capital market

During the year, the non-life insurance operations' investment assets remained distributed between mainly interest-bearing assets comprising government bonds, supplemented with a relatively high percentage of credit and corporate bonds, which had a positive impact on returns for the year. Investment income amounted to SEK 361 M (509).

Commercial insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to its corporate customers with specialised liability, cargo and property insurance solutions. The recycling insurance for wind-power turbines evoked widespread interest, although developments were hampered by the insurance solution not yet having been given approval as an alternative for guaranteeing the future phase-out of wind-power turbines. The liability insurance market is small with a multitude of companies, making competition for the small number of customers intense. Premium levels are low but the operations displayed a positive trend. Sales of seller liability insurance are increasing, largely due to the expansion of Länsförsäkringar Fastighetsförmedling. Request for quotes are rising in the cargo section in line with the upswing in the economy. Nevertheless, company sales remain at relatively low levels while price pressure is persistently high, thus reducing premium volumes.

Agria Djurförsäkring

Premiums earned for own account amounted to SEK 1,795 M (1,549) and the technical result was a loss of SEK 10 M (profit: 119). Operating profit declined to SEK 10 M (150). The deviation in profit compared with the preceding year was attributable to the higher reserves in the UK insurance operation. Competition intensified in animal insurance and many companies have promoted animal insurance as part of their total offering. The market is continuing to grow and through Agria Djurförsäkring Länsförsäkringar held its leading position in the market with a share of 57.8%.

Länsförsäkringar conducts animal insurance operations in the UK, Norway and Finland via Agria International. The operations in Finland were divested during the year and preparations were made for an establishment in Denmark. Earnings in 2010 were adversely affected by higher reserves in the UK branch and the loss amounted to SEK 94 M (profit: 15). A number of measures in premiums, conditions and deductibles were taken, which will stimulate higher and stable profitability. International business is expanding and premium income rose 23% to SEK 588 M (479).

Health insurance

Premiums earned for own account in the health insurance area amounted to SEK 902 M and profit totalled SEK 70 M. The personal-risk insurance market is continuing to grow, particularly in health care insurance, although the growth rate slowed. About 390,000 people currently have health care insurance and the predominant proportion of these policies are paid by employers. Many small businesses view waiting lists and long-term sick leave as strong motivators for taking out health care insurance for their employees. Competition in the market is intensifying and price pressure has been severe but a trend of rising premiums and stricter conditions can now be discerned. Länsförsäkringar argued strongly in support of changes to conditions and deductibles in insurance, which had a positive impact on the claims frequency. Despite these changes, the most recent customer survey showed that customer satisfaction had improved compared with the preceding year. With a balanced health care business and the market's most satisfied customers, Länsförsäkringar has a solid base to meet intensifying competition. Länsförsäkringar is already a market leader, with a market share of 31%. In the group insurance sector, Länsförsäkringar is taking the first step toward modernising the group life assurance and group health insurance market. The aim is to create insurance policies that are better tailored to current society. Accordingly, the new group insurance policies have higher amounts of insurance and the terms are adapted to the new conditions of modern society.

Reinsurance

The Länsförsäkringar Alliance's reinsurance solutions are managed centrally by Länsförsäkringar Sak. International assumed reinsurance has also been underwritten for the past few years. The higher rate of disaster claims globally illustrates how essential reinsurance cover is. Premiums earned for own account amounted to SEK 388 M and profit for the reinsurance operations totalled SEK 43 M. Internationally assumed reinsurance posted healthy earnings despite a number of major market claims during the year, of which the largest claims were the European winter Storm Xynthia, the earthquakes in Chile and New Zealand, storms in Finland and flooding in Eastern Europe. As a result of these claims, market premiums stabilised. Volumes and earnings were negatively impacted by the strong SEK since all income is in foreign currencies. The exposure level of the Länsförsäkringar Alliance's non-life insurance operations changed only marginally and the reinsurance programme was largely unchanged compared with 2009.

Insuring companies abroad

Swedish companies are increasingly establishing business activities abroad, which heightens the need for cross-border insurance solutions. Insurance policies for operations conducted outside Sweden are often subject to other rules than those that apply in Sweden, and package solutions that are customary in Sweden may be different abroad. Primarily through its involvement in the International Network of Insurance (INI), Länsförsäkringar is able to provide insurance solutions for customers with foreign risk exposures. By cooperating with other players, Länsförsäkringar can offer competitive insurance solutions in 100 countries. Länsförsäkringar's participation in the European Alliance Partners Company (Eurapco) also enables the company to assist corporate customers who plan to send employees to work abroad for shorter or extended periods.

Key figures, SEK M	2010	2009	2008	2007	2006
Premiums earned after ceded reinsurance	3,769	3,524	3,024	2,634	2,108
Profit/loss before appropriations and tax	323	505	–3,003	1,169	721
Technical result for insurance operations	193	426	327	293	313
Expense ratio	23	26	36	30	30
Claims ratio	81	75	75	76	75
Combined ratio	104	100	111	107	105

- *Länsförsäkringar manages assets of SEK 172 billion on behalf of its life-assurance and pension insurance customers: SEK 118 billion for traditional-management customers and SEK 54 billion for unit-linked insurance customers. The majority of new savings is in unit-linked insurance.*
- *Total business volumes peaked at historically high levels. New sales increased to SEK 20.2 billion (16.8) and premium income to SEK 12.9 billion (11.9). The majority of new sales and premium income derived from occupational pension, a market in which Länsförsäkringar holds a leading position.*
- *The total return in traditional life assurance amounted to 4.1% during the year; a result which did not meet expectations. A lower percentage of equities, particularly Swedish equities, and costs for interest-rate hedging were the reasons behind the low return. Despite the low return in traditional life assurance in 2010, customers' insurance capital displayed a positive trend since the bonus rate was at an average of 6.2%.*
- *Key figures strengthened during the year. The solvency ratio on December 31, 2010 amounted to 141% (137), collective consolidation to 107% (107) and debt coverage ratio to 122% (114).*

LIFE ASSURANCE AND PENSION INSURANCE

Strong key figures the basis for long-term results

In 2010, Länsförsäkringar was highly successful in the market and new sales rose to SEK 20.2 billion (16.8). Occupational pensions accounted for most of the sales volumes in Länsförsäkringar's product offering and more than 75% of sales were occupational pensions in 2010. The distribution between management forms has been relatively stable in recent years with an excess of unit-linked insurance. More than 55% of sales in 2010 was attributable to unit-linked insurance.

Premium income

Premium income continued to display a positive trend amounting to SEK 12,893 M (11,879), up 9%. Premium income has shifted to unit-linked insurance in recent years and accounted for almost 50% of unit-linked insurance in 2010. The increase in total premium income was largely derived from occupational pension plans and endowment insurance.

Managed assets

The Länsförsäkringar Liv Group's managed assets rose from SEK 161 billion to SEK 172 billion during the year. The largest increase in managed assets was seen in unit-linked insurance where rising fund prices combined with net inflows underpinned the increase for the year. Managed assets in unit-linked insurance amounted SEK 54 billion (46) in December 2010.

Greater customer satisfaction

Länsförsäkringar's life-assurance customers are the most satisfied according to the Swedish Quality Index's 2010 customer satisfaction survey. The index surveys customer satisfaction among Swedish life-assurance customers to analyse their opinions of the goods and services provided by their insurance company. Both companies and private individuals are surveyed. Länsförsäkringar has the most satisfied customers in the occupational pension market with a rating of 72.3, up 1.6 percentage units compared with the 2009 survey. The rating for the private market improved to 69.3, resulting in a second place.

Earnings and profitability

Profit for the Länsförsäkringar Liv Group for 2010 amounted to SEK 3,716 M (18,106). The major difference is due to earnings in 2009 being boosted by a rising discount rate, while the technical liabilities of traditional management were discounted by the market interest rate. Interest-rate changes also had an impact on earnings in 2010. The low market rates during the first six months of the year fell, which increased liabilities and weakened earnings. The situation was the reverse in the autumn with falling interest rates and improved earnings. Positive investment income and risk and administration gains also contributed to earnings.

Administration result

The target of achieving an administration gain was attained in 2010. Higher income and active work on expenses improved the relationship between income and expenses. Primarily the rebating of commissions from fund managers accounted for the increase in income. The rise in managed assets in unit-linked insurance led to an increase in the rebating of commissions. Higher managed assets also resulted in an increase in capital fees. In terms of expenses, long-term measures to optimise the organisation and enhance the efficiency of processes resulted in lower costs. A number of efficiency-enhancement projects were concluded in 2010, which generated lower costs in both the short and long term.

Risk results

The trend in risk-related transactions remained positive. These transactions totalled slightly more than SEK 1 billion, measured in premium income, and generated positive earnings. The majority of transactions comprise sick leave and premium exceptions and the remainder mortality risk.

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

Earnings for traditional life assurance

Profit for Länsförsäkringar traditional life-assurance, which administers insurance under traditional management, amounted to SEK 4,044 M (17,880). Similar to the entire Länsförsäkringar Liv Group, changes in technical liabilities and positive investment income contributed to profit. The surplus in the risk operations and the administration result also contributed to profit.

The total return in traditional life assurance amounted to 4.1% (2.3) for 2010; a result which did not meet expectations. Returns for the year were primarily hampered by an excessively low percentage of equities and insufficient proportion of Swedish equities, combined with expenses for protecting commitments to policyholders for the hedging of falling interest rates. Investments in housing bonds, mainly government bonds, and too short maturity periods in fixed-income investments also impeded earnings. However, this situation was partly offset by the positive contributions made by successful credit investments, investments in the unit-linked life assurance company and Private Equity. To improve the returns on customers' savings, work is focusing on implementing a number of measures to strengthen both the liabilities and assets in the balance sheet. In the long term, these measures will improve return levels and thus contribute to achieving the goal of maintaining a high bonus rate and being one of the top three companies in terms of returns. Despite a relatively low return in 2010, customers' insurance capital displayed a positive trend during the year since the bonus rate was at an average of 6.2%.

Key figures – traditional life assurance

The solvency ratio was 141% (137) on December 31, 2010. The solvency ratio shows the value of the company's assets in relation to the guaranteed commitments to customers. The measure is theoretical since it reflects a situation if the entire capital assured were to be paid on a single day. Despite this, the measure provides a relatively accurate view of a life-assurance company's financial position and strength.

Collective consolidation amounted to 107% (107) on December 31, 2010. Collective consolidation is a measurement of a life-assurance company's ability to distribute a bonus. Collective consolidation describes the market value of the company's assets in relation to the guaranteed commitments and the preliminary bonus allocation.

Earnings for unit-linked insurance

Profit for Länsförsäkringar Fondliv amounted to SEK 132 M (0). The improvement was mainly due to higher income from capital fees and rebating of commissions from fund managers. A positive net flow and increased fund values contributed to a substantial rise in insurance capital during the year, from SEK 46 billion to SEK 54 billion. The 18% rise in insurance capital heavily contributed to rising income. In terms of expenses, long-term measures to optimise the organisation and enhance the efficiency of processes resulted in lower costs. A number of efficiency-enhancement projects were concluded in 2010, which generated lower costs in both the short and long term.

Funds for the majority of customers with savings in unit-linked insurance displayed a positive trend, rising an average of slightly more than 6%. The trend in Sweden funds and funds investing in growth markets were particularly positive. The best fund for 2010 in Länsförsäkringar's offering was Länsförsäkringar Fastighetsfond (property fund) which rose 48% during the year. Many of the external funds in the offering also performed very positively during the year, for example Lannebo's Small Cap Fund and Sweden Fund.

Key figures	2010	2009	2008	2007	2006
Premium income, SEK M[1]	12,893	11,879	10,719	10,794	10,141
Total assets, SEK M	174,429	163,184	150,216	162,793	153,255
Total return, traditional life assurance, %	4.1	2.3	–0.6	6.7	8.0
Collective consolidation, %	107	107	105	114	114
Solvency ratio, %	141	137	114	152	136

1) In accordance with the Swedish Insurance Federation's definition.

- *According to the 2010 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied retail mortgage customers and Sweden's most satisfied retail bank customers.*
- *Operating profit rose to SEK 345 M (258), due to an increase of SEK 1,363 M (1,148) in net interest income.*
- *Loan losses remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05).*
- *The number of customers increased to 826,000 (759,000) and business volumes rose to SEK 232 billion (204).*

BANK

Profitable growth and the most satisfied customers

The number of Länsförsäkringar Bank customers rose 9% to 826,000 (759,000). The number of customers who have Länsförsäkringar as their primary bank rose 15% to 223,000 (194,000) and of these customers, 92% (90) also have insurance and/or a pension with Länsförsäkringar. The number of products per customer is rising.

Earnings and profitability

Profit before loan losses rose 32% to SEK 405 M (308) and operating profit increased 34% to SEK 345 M (258), due to higher net interest income. Return on equity strengthened to 4.9% (4.1). Operating profit rose a total of 7% to SEK 1,387 M (1,301) and operating expenses declined 1% to SEK 982 M (992) due to lower IT and administrative expenses.

Sweden's most satisfied bank customers

According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the sixth time in seven years and Sweden's most satisfied retail bank customers for the sixth consecutive year. Länsförsäkringar received the highest ranking in both of the surveys for the categories measured, including image, customer expectations, product range, service quality, value-for-money and loyalty. Service quality has grown in importance to mortgage customers.

Deposits

Deposits from the public rose to SEK 42 billion (37), with the increase primarily attributable to private and savings accounts. On December 31, 2010, the market share for household deposits in the Swedish market increased to 3.5% (3.4), according to data from Statistics Sweden. Länsförsäkringar retained a stable and expanding position in deposits.

Loans

Loans to the public rose to SEK 118 billion (100). Retail mortgages in Länsförsäkringar Hypotek increased to SEK 80 billion (68). All lending exposure occurred in Sweden and in SEK. The

market share for household and retail mortgages in Sweden increased to 4.4% (4.0) and the share of market growth for the year was nearly 9%, according to data from Statistics Sweden. Länsförsäkringar strengthened its position among mortgage lenders. Länsförsäkringar is also growing in the agricultural loans market and the market share rose to almost 8% (7). First-lien mortgage for agricultural properties rose to SEK 10.8 billion (7.8) and agricultural lending increased to a total of SEK 13.8 billion (10.8).

The loan portfolio, totalling SEK 118 billion (100), had a robust geographic distribution and maintained a high level of quality. A total of 81% (84) of the portfolio comprised household credits. Most of the total portfolio, 74% (75) pertained to retail mortgages, of which 81% (82) comprised collateral in single-family dwellings and 19% (18) tenant-owned apartments. Agricultural lending accounted for 12% (11) of the loan portfolio and the average agricultural commitment was low. First-lien mortgages, mainly to family-owned agricultural properties, accounted for 78% (72) of agricultural loans.

Borrowing

Debt securities in issue rose 44%, or SEK 27 billion, to SEK 89 billion (62), of which covered bonds accounted for SEK 80 billion (55). A corresponding nominal SEK 13.3 billion (0) of total borrowing was issued in the international market. The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Financing is also conducted through Länsförsäkringar Bank's programmes.

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. Loans to the public rose 20% to SEK 28 billion (23). Deposits from the public increased 11% to SEK 42 billion (37). Debt securities in issue rose 30% to SEK 10 billion (7). Operating loss totalled SEK 36 M (loss: 37). Net interest income was strengthened by higher business volumes and improved margins in deposits and rose 20% to SEK 505 M (420).

Subsidiaries

Länsförsäkringar Hypotek

Retail mortgages in the bank's mortgage institution increased 18% to SEK 80 billion (68). Retail mortgages up to 75% of the market value of the collateral are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit rose to SEK 152 M (141), attributable to a higher net interest income. Recoveries exceeded loan losses, amounting to SEK 1 M (5), net, corresponding to loan losses of 0% (neg: 0.01). The number of retail mortgage customers rose to 149,000 (134,000).

Wasa Kredit

Lending volumes increased 18% to SEK 10.7 billion (9.1). All products increased in volume, with leasing experiencing the greatest rise. Operating profit rose 21% to SEK 132 M (109). Net interest income rose 2% to SEK 452 M (442). Expenses increased 1% to SEK 369 M (364) and loan losses declined to SEK 47 M (51), net.

Länsförsäkringar Fondförvaltning

Länsförsäkringar's share of the fund market amounted to 3.9% (4.0) on December 31, 2010 according to statistics from the Swedish Investment Fund Association. The volume of managed funds rose 9%, or SEK 5 billion, to SEK 72 billion (67), primarily attributable to the value growth trend. The company manages 32 (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 98 M (50).

Key figures	2010	2009	2008	2007	2006
Deposits from the public, SEK M	41,590	37,365	35,090	29,735	24,379
Loans to the public, SEK M	117,910	99,582	78,564	67,040	53,884
Operating profit, SEK M	345	258	245	238	198
Return on equity, %	4.9	4.1	4.4	5.0	4.6
Cost/income ratio before loan losses	0.71	0.76	0.75	0.74	0.77

The responsibility for asset management has been assigned to a specialist function in Länsförsäkringar AB. At year-end, Asset Management was responsible for the management of approximately SEK 190 billion on behalf of Länsförsäkringar AB's life assurance and non-life insurance companies, Agria Djurförsäkring and a number of minor subsidiaries.

ASSET MANAGEMENT

Long-term aim for modern management model

The largest management assignments of Länsförsäkringar AB's Asset Management unit is Länsförsäkringar Liv with SEK 118 billion in investment assets, Länsförsäkringar Sak with SEK 14 billion and Agria Djurförsäkring with SEK 0.7 billion. Länsförsäkringar Fondliv also has volumes of managed funds. The maturity periods and valuation principles of liabilities differ significantly between the non-life insurance operations and the life-assurance company. This means that the various management assignments have different investment strategies with regard to such considerations as liability hedging.

The returns generated by the various management assignments in 2010 totalled 4.1% for Länsförsäkringar Liv, 4.5% for Länsförsäkringar Sak and 5.2% for Agria Djurförsäkring.

A modern and competitive management model is a prerequisite for generating a stable and high return on investment assets in the long term. Accordingly, Länsförsäkringar works continuously on developing its model to ensure that management is always at the forefront. This applies to the choice of investment assets and the methodology and approach applied. In brief, the management model is based on ensuring that various risks are implemented as efficiently, flexibly and inexpensively as possible.

Länsförsäkringar's portfolio structure for market exposure focuses on selecting the asset allocation desired in the portfolios. Great importance is attached to identifying the best method of achieving the desired market exposure. Länsförsäkringar also endeavours to identify other efficient solutions to obtain passive market exposure than via traditional management mandates. The strategy involves reducing active management mandates in markets that are broad, transparent and efficient and instead implementing simple and inexpensive passive solutions for capturing market exposure. This approach is supplemented with actively taking risk in areas in which it is deemed that managers can generate added value. This applies to both less efficient listed and non-listed markets.

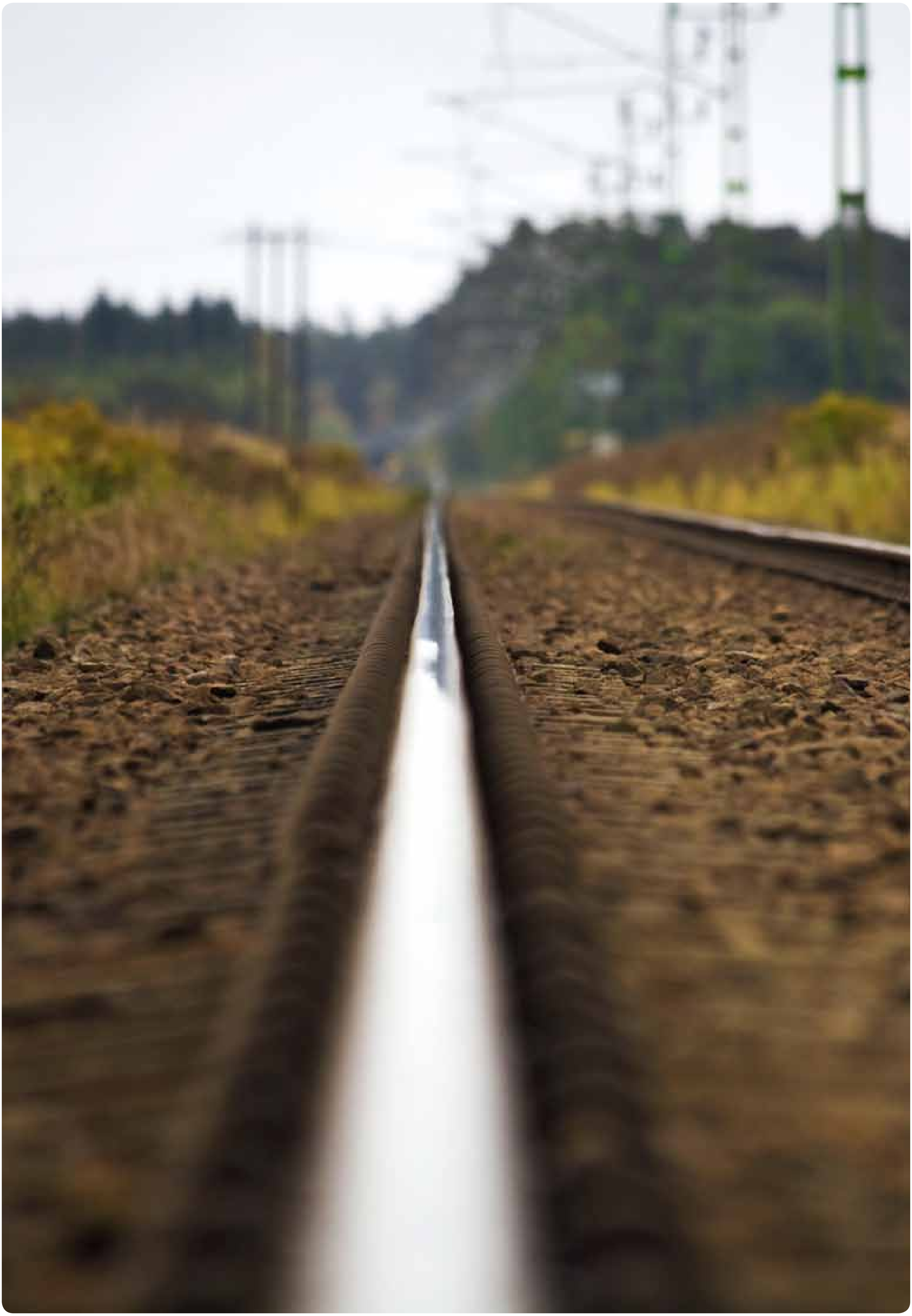
The derivative strategies are an efficient way of hedging certain key figures in 2010. With manoeuvrable asset allocation, the portfolios could be quickly adapted to changes in the market conditions.

The long-term approach that the life-assurance company adopts in its management makes it possible to increase returns in the long term by investing in assets that are not tradable in the short-term, known as alternative investments. In recent years, Länsförsäkringar Liv has focused intently on this class of asset and has invested an increasing amount in private equity, properties and diversified strategies.

It is essential to have the best managers to generate high returns. This applies to listed portfolios, but is even more important for unlisted portfolios, where managers' results vary more significantly. It has been shown that few active managers succeed in surpassing indexes in such well-functioning and transparent markets as the US and Europe. Instead, Länsförsäkringar chooses to seek out the best active managers in inefficient markets in which it is highly likely that excess returns and index returns can be expected.

Optimised organisation

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



Länsförsäkringar AB works continuously to reduce the environmental impact of its offices and business activities. The environmental impact is both direct and indirect. Extensive activities have been initiated to reduce paper dispatches to customers by 80% – while simultaneously improving the level of information quality.

Environmental awareness – an integrated part of the operations

Länsförsäkringar AB contributes to strengthening the work of the regional insurance companies to reduce the number of claims and minimise the effects of incurred damage. Damage that does not occur does not have any impact on the environment. Another important role is to provide customers with information regarding the possible environmental impact of Länsförsäkringar's operations. Commitment to environmental issues contributes to a more ecologically sustainable society.

Video conferences reduce travel

The company emits such substances as carbon dioxide through its business travel by car, bus, train or air. To reduce impact on the environment, train travel is increasingly used for business trips. The company-car policy approves only environmentally friendly cars and in 2010 Länsförsäkringar AB achieved the target of having 100% of environmentally friendly company cars in accordance with the company policy's definition. Company bicycles and bus cards are available for use by all employees during working hours to reduce car and taxi travel. Another way of reducing the impact of travel on the environmental is not to travel at all. During the year, Länsförsäkringar AB made further investments in video conferencing technology to cut down on travel time and protect the environment.

Target of 80% reduction in paper dispatches

As an insurance and banking company, Länsförsäkringar AB consumes vast amounts of paper. Forests are needed for the manufacture of paper and such production impacts the environment. Accordingly, the use of forests and paper production should be conducted on an ecologically sustainable basis. The forest is a renewable resource and important since it reduces carbon dioxide and produces oxygen. Paper dispatched not only involves the paper itself, but also the printing process, envelopes and transportation, all of which have individual impacts on the environment. Länsförsäkringar AB has set the target of reducing volumes of paper dispatches by 80%, to be achieved over a number of years, by changing communication with customers. Far-reaching efforts were conducted in 2010 to analyse all dispatches and ascertain how they can be changed, which resulted in activities that will be implemented in forthcoming years. Digital solutions are being developed to reduce paper consumption and the development of the Internet channel provides many opportunities to reduce paper dispatches while simultaneously improving information quality.

Energy consumption

The direct impact on the environment in the form of emissions of carbon dioxide and other substances is being reduced by continuing to enhance the efficiency of heating and cooling systems, the use of low-energy lighting and electricity produced from hydroelectric power. Energy is used efficient by having a smart lighting system in place which adjusts office lights according to the time of day and amount of external light. Although renewable electricity is used, it is important to continuously work with energy efficiency to contribute to an overall change in energy consumption.

Insurance products for a non-toxic environment

Länsförsäkringar AB has developed and for many years provided recycling insurance for agricultural operations that reducing the amount of environmentally harmful waste and scrap generated by the agricultural sector. In 2010, 1,800 tonnes of hazardous waste and 6,500 tonnes of scrap from agricultural and rural properties were recycled. Furthermore, wind-farm insurance is offered and includes the most environmentally friendly way of recycling of the wind-power turbines after they are closed down.

Emissions of environmentally harmful substances

For the external environment, each claim that can be avoided is important. Fire or water damage mean that destroyed materials need to be replaced, transportation is required and energy must be used to clean up the water. Water damage in a bathroom can generate 300 kg of carbon emissions in addition to many other environmentally harmful substances. Länsförsäkringar works continuously on developing its claims prevention work to minimise claim incidents and reduce the consequences of incurred claims.

Supporting research

Länsförsäkringar AB participates in many different research projects. One of the projects concluded in 2010 was "Ceramics in timber joist frames." Länsförsäkringar AB is also involved in a project being conducted by the Royal Institute of Technology about renovation methods for piping systems.

Länsförsäkringar supports scientific research to enhance its knowledge. The Board of the Research Fund decided to award grants to ten research projects in the field of safer housing in 2010. Donations were approved for a total of slightly more than SEK 8 M to universities and colleges across Sweden. Many of these projects are significant to environmental work, for example "Vulnerability to flooding" and "Water draining for safer populated environments."

Spreading knowledge

Länsförsäkringar AB works both nationally and internationally to spread knowledge from its own operations and from its partnerships with other organisations to reduce the impact on the environment. This could involve the impact of an insurance claim on the external environmental, how one type of material can make a different to the environment and how the choice of materials can reduce claim incidents, and how the environment is affected by the climate, etc. Information meetings and training courses are regularly held with the contractors hired by Länsförsäkringar.

Länsförsäkringar discusses with relevant industry organisations and the National Housing Board how industry and government authority rules can be structured to ensure that they promote fire and water damage-safe construction to create a safer, healthier and more environmentally sound living environment. Cooperation also takes place with other Nordic authorities and research institutes to ensure rapid access to the most up-to-date research results.

Systematic work

Länsförsäkringar has had an ISO 14001-certified environmental management system for many years. This certification is a guarantee that systematic environmental activities are carried out. Regular audits of environmental work ensure that such activities are continuously developed.

Other examples of Länsförsäkringar's environmental work and measures to reduce the company's environmental impact include the following:

- Annual follow-up of the PVC industry intended to promote environmentally friendly improvements and increase the level of recycling of, for example, plastic mats in wet rooms.
- Further development of an environment and quality-rating tool for assessing the environmental and quality work of, for example, building contractors and sheet-metal and lacquer shops.
- The Länsförsäkringar Alliance provides claims statistics for "The Water Survey," a national survey on the causes of water damage. The goal of the survey is to continuously follow up on and rapidly identify causes of water damage.

Competent and motivated employees are needed to achieve the goals in the business plan and to enhance competitiveness. Clear processes for performance management and the provisions of skills ensure that the company is able to develop in accordance with both the short and long-term aims of the business plans.

EMPLOYEES

Involvement and clear target contract create motivated employees

Länsförsäkringar AB's employees participate in a structural business control process, which includes an established business planning model. A performance management model that clearly links to the targets for the short- and long-term objectives of the business plan is in place to connect the business planning process to employee performance.

Individual targets for employees are identified in discussions between employees and their managers. Based on Länsförsäkringar AB's shared values, the agreement is documented in the employee's target contract. Future work duties, career aspirations and professional roles are discussed every year in a bid to make employees more active in the planning of their own skills development and career planning. Internal mobility develops both individuals and the organisation.

An employee survey is carried out annually to study employee perceptions of performance conditions. The results of the survey are used both as a benchmark and to further improve conditions. Employees' 2010 performance experience led to a result of 4.1 of a maximum of 5. The percentage of employees who responded to the survey was 84%.

Remuneration model governed by company values

A new remuneration policy was drawn up during the year. The basis of the remuneration model is that it should contribute to favourable conditions for Länsförsäkringar AB to be able to perform its task from the owners. The model should encourage excellent performance and contribute to making Länsförsäkringar AB an attractive employer that can compete for the requisite competencies in the market.

The structure and level of remuneration is to be consistent with the company's values, meaning it should be reasonable, moderate and well balanced. It should encourage a positive organisational culture and also be open and transparent.

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

Only fixed salaries are paid to company management and managers.

Manager supply

A key component of the manager supply process is the annual manager survey. Long-term management supply is ensured by identifying individuals with the drive and capacity to attain senior managerial positions within three years. This approach also enhances equality between women and men in the management structure.

To further ensure future managers, an Assessment Center training course was arranged jointly with the regional insurance companies and some ten employees will undergo a young talent management development programme in 2011. Seven trainees were also recruited to the 2011 trainee programme as project managers and controllers. The trainee programme has operated since 2001 and plays a crucial role in attracting new talent and strengthening the employer brand among students.

Leadership development

A range of different initiatives have been carried out in the past few years to develop leadership. Four meetings for about 200 managers were arranged in 2010. These meetings had the clear aim of develop leadership based on an overall approach and creating understanding for business, the market and market strategy. Values and performance management are other important areas that were discussed. Employee views of leadership were evaluated in a survey and for 2010 resulted in a score of 3.9 of a maximum of 5.

A female manager from the IT unit was nominated for the Ruter Dam one-year Management Development Programme for Women Managers. Participation in the Ruter Dam programme has been a focus area for many years in a bid to have more women take on senior managerial roles. In addition, there is an internal network for women. The aim is to create a solid recruitment base for future female managers.

Eurapco (European Alliance Partners Company) organises training courses for presidents, senior-level managers and specialists for which Länsförsäkringar AB nominates a candidate each year.

Sickness absence down 40%

Sickness absence declined by slightly more than 40% between 2006 and 2010. Total sickness absence in 2006 was at 4.3% and this figure fell to only 2.5% in 2010. Long-term and primarily proactive health care and fitness efforts have yielded results. Besides the range of different preventive health care activities and the option of exercising during working hours, a key measure was the introduction of health care insurance in 2006. This insurance policy provides rapid access to specialist health care and employees receive medical advice and follow-ups through the sickness reporting service.

Other factor contributing to the decline was the efficient and routine-based sickness absence management procedure. Through a rehab leader, managers receive professional advice and assistance in assessing whether any support activities are required, and if so, the type necessary.

The results for the health area of the 2010 employee survey showed that employee perception of their good health and balance in life was 4.1 of a maximum of five, the perception of being fully health was 4.3 of a maximum of five, and a score of 4.1 a maximum of five was recorded for employees enjoying their work.

An attractive employer

Länsförsäkringar AB participates in the Länsförsäkringar Alliance's joint efforts in student profiling to further advance positions in the competition for business-critical competencies. For the eighth consecutive year, Länsförsäkringar was named the insurance industry's most attractive employer in Universum's Företagsbarometer survey. Overall, Länsförsäkringar's position improved from 36th to 31st in this year's ranking of the most attractive employer in all categories.

Universum's Karriärbarometer survey measures the career expectations and employer preferences of the Young Professionals category – university graduates with 1-8 years of professional experience up to the age of 40. Länsförsäkringar's ranking in this survey also improved, from 48th to 42nd. In both of these surveys Länsförsäkringar was the most attractive employers in the banking sector after the four major banks.

Employee statistics Länsförsäkringar AB

Employees	2010	2009
Permanent employees, total	1,509	1,480
of whom men	683	665
of whom women	826	815
Permanent employees recruited during the year	136	43
Permanent employees who transferred to another company in the Länsförsäkringar Alliance	10	8
Permanent employees who left during the year	139	55

Age range, all employees	2010	2009
0–30 years	105	100
31–40 years	426	439
41–50 years	515	483
51–60 years	370	379
61–	93	79
Average age, women	45	45
Average age, men	45	45

	2010		2009	
Age range, managers	Female managers	Male managers	Female managers	Male managers
0–30 years	0	4	2	4
31–40 years	25	30	31	36
41–50 years	33	47	30	44
51–60 years	17	32	22	34
61–	2	3	0	4
Total	**77**	**116**	**85**	**122**
Total	**193**		**207**	

Average age, managers 2010 2009	2010	2009
Women	45	44
Men	46	45

	2010		2009	
Gender distribution among management and Board	Women	Men	Women	Men
President	2	7	3	6
Management teams [1]	20	39	28	44
Board members [2]	14	51	17	60

[1] Includes union representatives
[2] Regular members including union representatives

Sickness absence, %	2010	2009
Total sickness absence as a percentage of ordinary working hours	2.5	2.5
Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more	34.8	36.5

Sickness absence by gender, %	2010	2009
Men	1.5	1.6
Women	3.4	3.3

Sickness absence by age category, %	2010	2009
Up to age 29 years of age	3.4	3.1
30–49 years	2.1	2.3
50 years of age or older	3.1	2.9

Total sickness absence, %	2010	2009	2008	2007	2006
	2.5	2.5	3.4	3.8	4.3

Owner control

The owner control in the Länsförsäkringar Alliance is part of the multi-faceted interaction between the regional insurance companies. The regional insurance companies are simultaneously members of a federation, principals and users of Länsförsäkringar AB's services, distributors of Länsförsäkringar AB's products and owners of Länsförsäkringar AB.

In the interaction between the regional insurance companies, owner control not only involves controlling the joint operations, but also ensuring that all regional insurance companies assume their part of the responsibility for the development of the operations in which they have jointly invested. The development of joint business and the growth plans in recent years have led to the owner control of the regional insurance companies vis-à-vis Länsförsäkringar AB increasingly becoming a focus issue. The internal owner control has become an increasingly important element of the interaction between the regional insurance companies.

Foundations of owner control

Länsförsäkringar AB is a limited liability company and also the Parent Company of a financial Group, with shares owned individually in various holdings by the 24 regional insurance companies and 14 local insurance companies. Each of the regional insurance companies is, as owner, responsible for ensuring that well-functioning owner control is in place vis-à-vis Länsförsäkringar AB. The Boards of Directors of the regional insurance companies are formally responsible for owner control.

Based on the federal organisation and the purpose of the ownership of Länsförsäkringar AB, the regional insurance companies have together created joint forms for owner control. Forms that comply with the requirements usually imposed on owner control and that at the same time take into account the federal conditions of the cooperation between the companies.

Owner control at Länsförsäkringar AB has clear advantages compared with the owner control of many larger financial groups, since all of the regional insurance companies have the same clear purpose for their ownership, conduct active operations and, collectively, hold sufficient financial capacity to ensure long-term ownership.

Owner-control logic

Today, the logic of the owner control concerns the relationship between the Boards of the regional insurance companies, Länsförsäkringar AB's General Meeting, the regional insurance companies' owner consortium and Länsförsäkringar AB's Board of Directors.

Länsförsäkringar AB's General Meeting and the regional insurance companies' owner consortium jointly comprise the forum for the regional insurance companies' owner control of Länsförsäkringar AB. The duties of the General Meeting are formally regulated in laws and the Articles of Association. The duties of the consortium are regulated in the regional insurance companies' consortium agreement.

Strictly speaking, there boundaries between owner control and administration of the company between the General Meeting and Board. The federal structure of the Länsförsäkringar Alliance and the task that Länsförsäkringar AB has in the Länsförsäkringar Alliance provide particular conditions and possibilities for owner control through the consortium and the representation of the regional insurance companies on the Board of Directors of Länsförsäkringar AB. As a result, the regional insurance companies' owner control not only takes place through the General Meeting, but also the consortium and through the regional insurance companies' representation on the Board of Länsförsäkringar AB.

Länsförsäkringar AB's Board is elected by the General Meeting, which comprises representatives for all shareholders. The Board is elected based on a process controlled by the owners through a Nomination Committee appointed by the General Meeting. The composition and mandate period, etc. of the Nomination Committee are regulated in the Articles of Association. The Chairman of the consortium is responsible for the process of renewing the Nomination Committee.

The primary task of the Nomination Committee is to propose the election of members to the Board of Directors of Länsförsäkringar AB. Accordingly, the Nomination Committee lays the foundation of owners' control of the operations in Länsförsäkringar AB. As part of its role, the Nomination Committee is to represent the owners and the intentions of the owners with Länsförsäkringar AB, and to ensure that the best competencies are utilised in the composition of Länsförsäkringar AB's Board.

The owners' task to the Nomination Committee is described in a separate, documented instruction that is adopted by the General Meeting. It is important that there is a clear boundary between the Nomination Committee and the Board. The Nomination Committee works independently from the Board on behalf of the owners. At the same time, it is vital that the Nomination Committee and Board Chairman work closely together, in order to maintain the quality of the process and to avoid polarisation. One example of this is the Board's annual evaluation of its work. The evaluation is documented and provided to the Nomination Committee and thereby also comprises the basis of the Nomination Committee's evaluation of the Board.

Länsförsäkringar AB's Board serves as the representative of the owners in the framework given by the owners' intentions with the operations. In other words, Länsförsäkringar AB's Board pursues the strategies and targets that the owners agree on at any time and performs the owners' assignments. At the same time, Länsförsäkringar AB's Board is highly responsible for safeguarding the capital invested by the regional insurance companies in Länsförsäkringar AB.

The regional insurance companies' assignment to Länsförsäkringar AB's Board is decided in the consortium and is documented in, for example, the Länsförsäkringar Alliance's steering documents. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, hereby submit the Annual Report and consolidated financial statements for the 2010 fiscal year. The registered office of the company is in Stockholm.

Ownership and Group structure

Länsförsäkringar AB is wholly owned by the 24 regional insurance companies and 14 local insurance companies. In addition to the 24 regional insurance companies, the Länsförsäkringar AB Group, including the Länsförsäkringar Liv Group, comprises the Länsförsäkringar Alliance. Länsförsäkringar AB endeavours to have the most efficient and well-defined Group structure possible. In 2010, Länsförsäkringar EFEL Skadeförsäkring AB was merged with its Parent Company Länsförsäkringar Sak Försäkrings AB, Länsförsäkringar EFEL Livförsäkring AB was liquidated, a dormant company was liquidated and another divested. The liquidation of Wasa Försäkring Run Off AB was initiated.

Länsförsäkringar Liv Försäkringsaktiebolag (publ), referred to below as Länsförsäkringar traditional life-assurance, 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. A summary of the Life Assurance Group's income statement and balance sheet is provided on page 89.

Focus of operations

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.

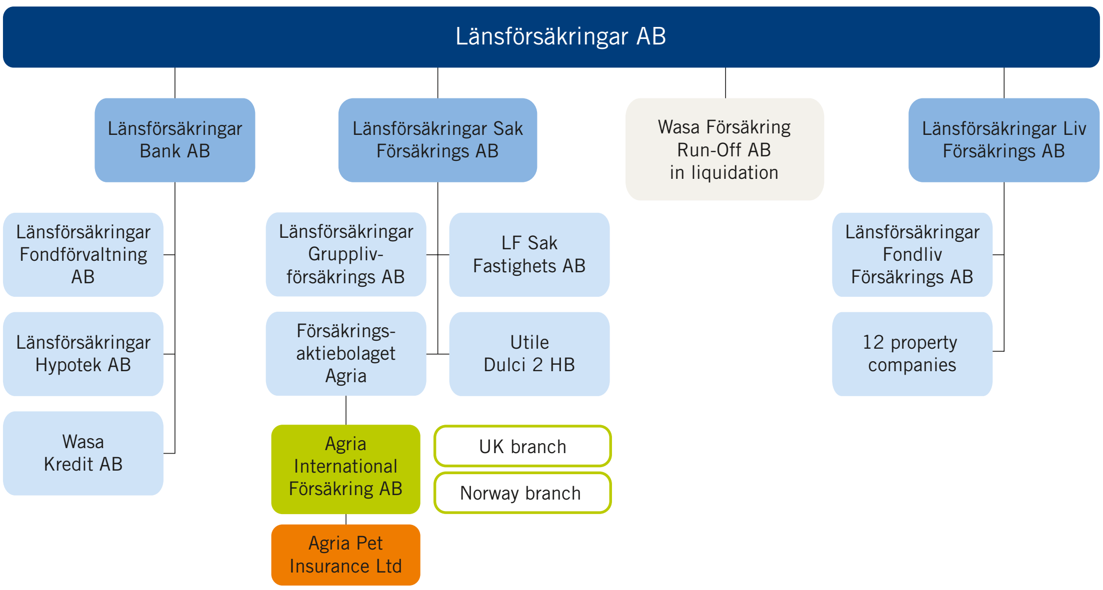
Länsförsäkringar AB has three main tasks:

- to conduct business activities in non-life insurance, life assurance and banking operations, where it is not suitable to conduct such operations locally
- to conduct development work
- to provide service to the regional insurance companies in various areas in which economies of scale and efficiency arise

Business activities are carried out in the Non-life insurance, Life assurance and Banking business units, whose task is to conduct business and assume responsibility for direct product-related support for the regional insurance companies based on the expertise of the unit. The financial control of the business units is primarily based on the owners' yield requirements and a high level of risk awareness.

In addition to the business units, operations are conducted in three support functions: Service, Development and IT.

Länsförsäkringar AB Group structure, December 31, 2010



Lines of business

Non-life insurance

The majority of non-life insurance business in the Länsförsäkringar Alliance is underwritten in the regional insurance companies with local concessions. The Länsförsäkringar AB Group has concessions for such areas as animal, health and special insurance, with total premiums earned amounting to SEK 3,769 M. Länsförsäkringar Sak also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance.

Premiums earned after ceded reinsurance rose 7% compared with the preceding year and amounted to SEK 3,769 M (3,524). The increase is mainly due to higher volumes of animal, accident and health insurance products.

Claims payments after ceded reinsurance amounted to SEK 2,768 M (2,391). One of the reasons for the higher cost is the increase in motor insurance claims caused by the severe winter. The volume of international animal insurance rose in 2010, which led to higher claims costs.

The technical result for the insurance operations amounted to SEK 193 M (426). The change is primarily due to high run-off gains in 2009.

The total return on investment assets in the insurance operations in 2010 amounted to 4.3% (6.2).

Assumed reinsurance, comprising active reinsurance business and run-off business, also generated a profit during the year. Internationally assumed transactions continued to post favourable results and the market situation is stable despite transactions being impacted by a number of major market claims during the year.

The exposure level of the Länsförsäkringar Alliance's non-life insurance changed only marginally and the reinsurance programme was largely unchanged compared with 2009.

Försäkringsaktiebolaget Agria continued to develop its business both in Sweden and internationally and remains a market leader in the animal-insurance market, with a market share of 58% in Sweden.

Life-assurance and pension insurance

Although the Länsförsäkringar Liv Group is wholly owned by Länsförsäkringar AB, the company is not consolidated in Länsförsäkringar AB since it is operated in accordance with mutual principles. Länsförsäkringar offers its customers four different management forms for pension and endowment insurance. Traditional management, as well as alternative forms known as New World management and Insured Pension, are offered through Länsförsäkringar Liv, and Unit-linked insurance through Länsförsäkringar Fondliv.

Länsförsäkringar manages SEK 172 billion on behalf of its life-assurance and pension insurance customers: SEK 118 billion for traditional-management customers and SEK 54 billion for unit-linked insurance customers. The majority of new savings is in unit-linked insurance. The insurance capital of the unit-linked life assurance company rose 18% in 2010 due to higher business volumes and favourable returns.

Profit for the Länsförsäkringar Liv Group amounted to SEK 3,716 M (18,106) in 2010, largely derived from positive investment income and a positive risk and administration gains. Earnings in 2009 were driven up by a rising discount rate, which is the reason for the large difference in earnings. Interest-rate changes also had an impact of SEK 400 M on earnings in 2010, since current liabilities for traditionally managed pensions are calculated based on prevailing market rates. The low market rates during the first six months of the year fell, which increased liabilities and weakened earnings. The situation was the reverse in the autumn with falling interest rates and improved earnings. The interest-rate level at year-end was slightly higher than at the beginning of the year, which meant that the discount effect on technical liabilities in traditional management had a positive impact on earnings.

The total return in traditional management amounted to 4.1% for 2010; a result which did not meet expectations. Returns for the year were primarily hampered by an excessively low percentage of equities and insufficient proportion of Swedish equities, combined with expenses for protecting commitments to policyholders for the hedging of falling interest rates. Investments in housing bonds, mainly government bonds, and too short maturity periods in fixed-income investments also impeded earnings. However, this situation was partly offset by the positive contributions made by successful credit investments, investments in the unit-linked life assurance company and private equity.

To improve the returns on customers' savings, work is focusing on implementing a number of measures to strengthen both the liabilities and assets in the statement of financial position. In the long term, these measures will improve return levels and thus contribute to achieving the goal of maintaining a high bonus rate and being one of the top three companies in terms of returns.

There is a long-term connection between favourable total returns and the ability to offer customers a high bonus rate. The average bonus rate since Länsförsäkringar's traditional life-assurance operations were started in 1985 has been 8.8%. In 2010, the average bonus rate was 6.2% and on June 1 the rate was raised from 5 to 7%. The bonus rate is among the best in the industry in both the long and short term.

Profit for Länsförsäkringar Fondliv amounted to SEK 132 M (20). The improvement was mainly due to higher income from capital fees and rebating of commissions from fund managers. Higher premium income in the unit-linked life assurance company during the year also contributed to the substantial increase in insurance capital from SEK 46 billion to SEK 54 billion. The 18%

rise in insurance capital heavily contributed to rising income. In terms of expenses, long-term measures to optimise the organisation and enhance the efficiency of processes resulted in lower costs. A number of efficiency-enhancement projects were concluded in 2010, which will generate lower costs in both the short and long term.

Bank

The banking operations offer banking services, primarily to private individuals and farmers. Sales, advisory services and customer services are carried out through the 125 (116) branches of the 24 regional insurance companies and via the Internet and telephone. Länsförsäkringar is the fifth retail bank in Sweden and business volumes, which comprise deposits, investment fund volumes and loans, rose to SEK 232 billion (204) on December 31, 2010. According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth time in seven years and Sweden's most satisfied retail mortgage customers for the sixth consecutive year. Sales successes continued with the number of customers in the Bank Group rising 67,000, or 9%, to 826,000 (759,000) and the number of retail mortgage customers increasing 15,000, or 11%, to 153,000 (138,000).

Total lending in the Bank Group rose 18%, or SEK 18 billion, to SEK 118 billion (100). Retail mortgages in the subsidiary Länsförsäkringar Hypotek AB increased 18%, or SEK 12 billion, to SEK 80 billion (68). According to Statistics Sweden, the market share for household loans and mortgages amounted to 4.4% (4.0) and the share of market growth during the year was nearly 9%. First-lien mortgage for agricultural and forestry properties rose 38% to SEK 11 billion (8) and agricultural loans increased a total of 27% to SEK 14 billion (11). The finance company Wasa Kredit AB offers lending products in such forms as leasing and instalments. Wasa Kredit AB's lending volumes increased 18% to SEK 11 billion (9).

The loan portfolio totalling SEK 118 billion (100), which is found solely in Sweden, have a favourable geographic spread and continued to maintain a high level of quality. A total of 81% (84) of the portfolio comprised household credits. Most of the total portfolio, 74% (76) pertained to retail mortgages, of which 81% (82) comprised collateral in single-family dwellings and 19% (18) tenant-owned apartments. Agricultural loans accounted for 12% (11) of the loan portfolio, with 78% (72) of agricultural loans comprising first-lien mortgages mainly to family-owned agricultural properties.

Loan losses, which primarily pertain to Wasa Kredit AB's loan portfolio, remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05). The reserve amounted to SEK 286 M (308), corresponding to 0.24% (0.30) compared with lending. The lower reserves and impaired loans are mainly due to the higher credit quality of Wasa Kredit's loan portfolio. Impaired loans fell to SEK 209 M (213), corresponding to a percentage of impaired loans of 0.17% (0.21).

Deposits increased 11% to SEK 5 billion to SEK 42 billion (37), corresponding to a market share of 3.5% (3.4), according to Statistics Sweden. Länsförsäkringar Fondförvaltning AB manages a fund volume of SEK 72 billion (67) in 32 (30) mutual funds with different investment orientations AB. The market share totalled 3.9% (4.0), according to statistics from the Swedish Investment Fund Association, making Länsförsäkringar the fifth largest player in the Swedish fund market.

The primary financing in the capital market takes place through the subsidiary Länsförsäkringar Hypotek using covered bonds. The Group's debt securities in issue rose 44%, or SEK 27 billion, to SEK 89 billion (62) during the year, of which covered bonds accounted for SEK 80 billion (55). Liquidity is favourable, and the liquidity portfolio, which amounted to a nominal SEK 26 billion (27), comprised investments in SEK with extremely high credit quality. The liquidity of the investments is very high.

The Länsförsäkringar Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach 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 capital adequacy ratio according to Basel II amounted to 13.5% (14.8) and the Tier 1 ratio to 11.8% (12.5). The target level for Tier 1 ratio is 12 percentage points when Basel II is fully implemented. The target level for the Tier 1 ratio is permitted to vary +/– 0.5 percentage points.

Länsförsäkringar Bank has an unchanged credit rating with a stable outlook from both Standard & Poor's and Moody's.

The Länsförsäkringar Bank Group's operating profit increased 34% to SEK 345 M (258). Net interest income rose 19% to SEK 1,363 M (1,148), attributable to the increase in business volumes and improved margins. The return on average equity strengthened to 4.9% (4.1), and the cost/income ratio before loan losses was 0.71 (0.76).

Corporate governance

The Board of Länsförsäkringar AB is responsible for the company's organisation and for the administration of the company's affairs. This responsibility includes establishing an appropriate organisation, overall goals and strategies for the company's operations as well as guidelines for operational control and management. The Board of Länsförsäkringar AB also has corresponding responsibilities at the Group level. This entails that the Board must ensure that established goals and strategies are coordinated and result in optimal utilisation of the Group's resources to meet the requirements of the owners, the 24 regional insurance companies.

In view of the fact that the different lines of business within the Group operate under somewhat varying legal requirements, the Board has the important task of ensuring that a balance is constantly maintained between the different financial interests that exist within the Group, so that no single grouping of interests is unduly favoured at the expense of another. The Board also prepares and approves a separate Group instruction detailing the Group's organisation and clarifying the division of responsibilities between the various governing bodies and officers within the

Group. The Board has established Internal Audit, Risk Control and Compliance functions. For further information regarding corporate governance issues, refer to the Corporate Governance Report on page 90.

Significant events during the year

Solvency II – enhanced security

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, in 2009. These new rules place more rigorous demands on how companies identify and manage their risks. Also, the rules stipulate that the requirements for minimum buffer capital placed on insurance companies will be significantly more closely linked to the scope of the company's risks. The regulatory changes are extensive, affect a number of areas and, in many respects, are manifested as substantially more detailed rules than the currently applicable provisions. The rules are expected to come into effect on January 1, 2013.

Länsförsäkringar AB and its subsidiaries have participated in the Solvency II preparations for several years. Following a preliminary study in 2008, a project on Solvency II preparations has been conducted since the start of 2009. An increasing number of employees will be involved in the preparations. The work involves individual preparations and also influencing the content of the new rules. In 2010, Länsförsäkringar responded to calls for comments and participated in tests of the reporting, structure and documentation of the internal model. In parallel, preparatory work is being carried out in the local regional insurance companies and coordinated with Länsförsäkringar AB wherever economies of scale can be generated and efficiency enhanced.

Länsförsäkringar has a positive attitude to the modernisation of the rules for the insurance sector under Solvency II. However, the preparations for Solvency II demand extensive work and expenses for the Länsförsäkringar AB Group's insurance companies. Measures need to be taken in terms of the development of work processes and guidance documents and the management of data inventories and calculation procedures. The reviews of processes that are underway will lead to enhanced efficiency and improved internal control.

The preparatory work for Solvency II is initially focusing on ensuring compliance with the regulations. Alongside this work, efforts are being made in the preparations to optimise business and customer value as far as possible, which may be achieved by taking the opportunity to improve the forms for the governance, management and control of risks and the allocation of capital to become even better at meeting customer needs. The purpose is to both ensure the efficiency of the work processes and to generate improved calculation tools for balancing risk limitation with opportunities for yielding returns. A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Swedish Financial Supervisory Authority prior to application. The intention for the Group's insurance companies is to have partially internal models approved in a bid to work with measurements of capital requirements that are more consistent with the company's risks than the provisions of the standard formula. A request for a preliminary examination of the partially internal models for the Group's insurance companies was submitted to the Swedish Financial Supervisory Authority in January 2011.

The Boards of Länsförsäkringar AB and its subsidiaries have been continuously involved in the preparatory work, in the form of training in such issues as Board responsibilities, internal governance and control and the use of internal models, as well as deciding on the approach and plan of the preparatory work and determining the scope of internal models.

Life Assurance Inquiry

The Swedish government appointed a Life Assurance Inquiry in the autumn of 2010. The Inquiry will analyse the transfer option for insurance savings and certain other life assurance issues with the main aim of strengthening the interests of insurance policyholders. Länsförsäkringar has a positive attitude to the Inquiry and see the advantages in having a clearer set of regulations for demutualisation and surplus handling.

Key events after the end of the fiscal year

New President of Länsförsäkringar Bank AB

Rikard Josefson was appointed the new President of Länsförsäkringar Bank AB. Rikard Josefson succeeds Mats Ericsson who will become the President of Länsförsäkringar Fastighetsförmedling AB on March 1, 2011. The Representative for the President, Anders Borgcrantz, will serve as Acting President from March 1, until Rikard Josefson takes office, not later than after the summer.

New branch in Denmark

Agria International Försäkring AB opened a new branch office in Denmark on January 1, 2011, under the name Agria Dyreforsikring. The company already has branch offices in Norway and the UK.

Expectations regarding future development

Swedish companies are increasingly establishing business activities abroad, which heightens the need for cross-border insurance solutions. Insurance policies for operations conducted outside Sweden are often subject to other rules than those that apply in Sweden, and package solutions that are customary in Sweden may be different abroad. Primarily through its involvement in the International Network of Insurance (INI), Länsförsäkringar is able to provide insurance solutions for customers with foreign risk exposures. Länsförsäkringar can offer competitive insurance solutions in 100 countries through partnerships.

The Swedish government appointed a parliamentary inquiry into the social insurance system. The directives that the inquiry will work from are broad and it is to consider both unemployment insurance and the idea of medical insurance independent from the government budget. The task of the Inquiry is to present proposals on a financial sustainable insurance system that takes into account an aging population and thereby contribute to healthy government finances. The review should also shed light on the "interaction between public, collectively agreed and private insurances."

The insurance industry appointed an independent Industrial Injury Commission through the Swedish Insurance Federation. The Commission's task is to investigate the possibility of creating a new type of industrial injuries insurance that contains drivers for reducing the number of workplace injuries, offers quicker and improved rehabilitation and leads to better coordination between all of the parties involved. The Industrial Injury Commission will perform a detailed study of the current industrial injury system and propose the structure of a new industrial injury insurance policy. The central premise is ensuring the best interests of the individual's future. The task is to be completed by August 31, 2012.

Länsförsäkringar is actively following these inquiries since any changes may require the creation of new types of insurance policies for companies and private individuals.

Risks and risk management

The Länsförsäkringar AB Group's operations give rise to different types of risks. The majority of these risks arise in the Group's subsidiaries. A description of the Group's total risks and how they are controlled and managed is provided in Note 2 Risks and risk management. The Group's risk profile was relatively stable in 2010. The banking operations have grown more quickly than the non-life insurance operations, which is why the credit risk in lending has risen slightly as a percentage of the Group's total risk.

The risks that arose directly in the Parent Company were primarily attributable to the Parent Company's financing, investments in liquidity and the business support operations conducted in the Parent Company on behalf of the subsidiaries and the regional insurance companies.

The company implemented a SEK 1,284 M share issue to its owners, the regional insurance companies, in 2010. The issue was primarily financed by repaying portions of a loan from these insurance companies to the company. Some SEK 505 M of the loan remains after the share issue. The Parent Company also has a subordinated loan totalling SEK 114 M from some of the regional insurance companies.

The Parent Company has lent a total of SEK 1,250 M to Länsförsäkringar Bank AB in subordinated loans with varying tenures at interest rates converted every three months (STIBOR-related).

The Parent Company's interest-rate risk is low since the fixed-interest periods of the borrowing and investments are short. The maturity periods for loans and investments differ from the fixed-interest periods. The loans to Länsförsäkringar Bank fall due for payment in 2018 (SEK 680 M) and in 2017 (SEK 280 M), and SEK 290 M has an indefinite term, whereas loans of SEK 619 M from the regional insurance companies are due for payment in 2011.

The Parent Company's liquidity on December 31, 2010 comprised short-term, interest-bearing investments and cash and cash equivalents totalling SEK 597 M (678). A benchmark portfolio has been determined for the management of the Parent Company's financial assets. At year-end, this entailed that the largest portion was to be invested in interest-bearing assets and a smaller portion in equities. As of December 31, 2010, equity-related assets amounted to SEK 34 M (30).

Employees

Länsförsäkringar AB's vision and values, combined with the task from the regional insurance companies, serve as a guide for all of the business operations in the Group. Motivated and competent employees are vital to having satisfied customers and achieving overall objectives. Structured HR activities are necessary for this and for ensuring access to competencies in the short and long term. Consequently, the joint HR processes also safeguard opportunities for positively developing the Group's companies in line with the owners' ambitions.

Employees participate in a structural business control process, which includes an established business planning model. A performance management model that links the targets for short and long-term employee performance to the objectives of the business plans is in place to connect the business planning process to employee performance.

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

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

A new remuneration policy was drawn up during the year. As previously, all employees of the Länsförsäkringar AB Group shall be have market-based employment terms and conditions. The structure and level of remuneration should correspond to the Group's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

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

Information regarding the average number of employees, salary and remuneration, as well as details of salary and other remuneration to senior executives and auditors' fees, is provided in Notes 6 and 7 for the Parent Company and Notes 12 and 13 for the Group.

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (2009:7) regarding remuneration policies in insurance companies, stock exchanges, clearing organisations and institutes for issuing electronic money, the Board of Directors is to adopt a remuneration policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

Long-term management supply is ensured by identifying individuals with the drive and capacity to attain senior managerial positions within three years. This approach also enhances equality between women and men in the management structure. An Assessment Center training course was held and some ten employees will undergo a young talent management development programme in 2011. Seven trainees were also recruited to the 2011 trainee programme as project managers and controllers.

Long-term and proactive health care and healthy living activities, health care insurance available to all employees, a range of different preventive health care activities and the option of exercising during working hours are measures that contributed to total sickness absence totalling only 2.6% (2.6).

Environment

Environmental aspects are an integral part of the Länsförsäkringar AB's and its subsidiaries' operations, and the companies work continuously on reducing the environmental impact of their office and business activities. The environmental impact is both direct and indirect. The company's direct environmental impact derives primarily from business travel and the consumption of electricity, heating and paper. The indirect impact arises mainly from the damage that affects the regional insurance companies' customers. Länsförsäkringar AB contributes to strengthening the work of the regional insurance companies to reduce the number of claims and minimise the effects of incurred damage. Damage that does not occur does not have any impact on the environment. Two environmental audits are performed every year to ensure constant improvements to environmental activities. Länsförsäkringar AB, its subsidiaries and the regional insurance companies have ISO 14001:2004 certification.

Earnings and financial position

Share price trend for the Länsförsäkringar AB share

The value of the share rose 6% in 2010. As can be seen in the five-year summary, equity per Länsförsäkringar AB share has fallen 11% since 2006. Due to the financial crisis, the share price declined 28% in 2008. The company has paid dividends to shareholders over a five-year period, with the dividend corresponding to 5% of the decline in value since 2006.

Group

Consolidated operating profit amounted to SEK 536 M (693) and net profit for the year after tax totalled SEK 418 M (509). The return on equity (ROE) amounted to 5.6% (6.6). The decline in profit was mainly due to weaker earnings in the Insurance segment and lower investment income.

Operating profit for the Banking segment rose SEK 87 M to SEK 345 M (258), primarily attributable to higher volumes and improved deposit and loan volumes. Operating profit for the Insurance segment declined SEK 233 M to SEK 193 (426), largely due to higher run-off gains in 2009 compared with 2010. The international animal insurance operations are expanding and premium income rose 23% to SEK 588 M. The loss for the UK branch was SEK 94 M, primarily due to higher claim reserves. The Group's net investment income amounted to SEK 322 M (520). Other operations improved their operating loss to SEK 112 M (loss: 138).

The Group's premiums earned after ceded reinsurance amounted to SEK 3,769 M (3,524) and net interest income totalled SEK 1,436 M (1,241). Expenses in the Länsförsäkringar AB Group, excluding claims payments, declined to SEK 5,552 M (5,215).

The Länsförsäkringar AB Group's total assets increased to SEK 173,850 M (157,005). Equity amounted to SEK 9,831 M (8,058) following the SEK 1,284 M new share issue on December 30, 2010 to shareholders. Solvency capital rose SEK 1,903 M in 2010 to SEK 10,613 M (8,710) and the Group's solvency margin was 278% (228).

Parent Company

The Parent Company reported a profit of SEK 319 M (loss: 133) after financial items and a profit of SEK 341 M (loss: 94) after tax. Income rose SEK 120 M to SEK 2,350 M (2,230). Earnings include dividends from the subsidiaries in the amount of SEK 432 M (30). Total assets amounted to SEK 11,596 M (11,205), of which equity totalled SEK 9,554 M (7,784) following the SEK 1,284 M new share issue on December 30, 2010 to shareholders.

Proposed appropriation of profit

Consolidated non-restricted equity amounted to SEK 4,311 M. There is no requirement for a provision for restricted reserves. According to the statement of financial position for Länsförsäkringar AB, non-restricted equity totalling SEK 4,027,398,365 is at the disposal of the Annual General Meeting. The Parent Company's non-restricted equity does not include any unrealised gains.

The Parent Company's non-restricted equity comprises

Share premium reserve, SEK	1,188,367,307
Retained earnings, SEK	2,497,955,887
Net profit for the year, SEK	341,075,171
Non-restricted equity, December 31, 2010, SEK	**4,027,398,365**

The Board of Directors proposes that SEK 4,027,398,365 of the unappropriated earnings in the Parent Company be carried forward, of which SEK 1,188,367,307 to the share premium reserve.

The result of the year's operations and the company's position at December 31, 2010 are presented in the following financial statements for the Group and Parent Company, and the accompanying notes.

Five-year summary

Länsförsäkringar AB Group	2006	2007	2008	2009	2010
Amounts in SEK M unless otherwise stated					
GROUP					
Operating profit	821	1,270	–3,395	693	536
Net profit/loss for the year	618	922	–2,480	509	418
Return on equity, % [1)]	8	10	–29	7	6
Total assets, SEK billion	91	116	131	157	174
Number of shares, 000s	6,298	6,298	6,298	6,298	7,251
Equity per share, SEK	1,523	1,648	1,186	1,279	1,356
Solvency capital					
Equity	9,594	10,376	7,466	8,058	9,831
Deferred tax	1,004	1,162	327	538	668
Subordinated liabilities	114	114	114	114	114
Total solvency capital	**10,713**	**11,652**	**7,907**	**8,710**	**10,613**
Solvency margin, % [2)]	498	429	252	228	278
Capital base for the financial conglomerate [3)]	13,610	14,413	11,868	12,147	13,480
Necessary capital requirement for the financial conglomerate	7,656	8,088	9,364	9,303	9,970
Average number of employees	1,283	1,436	1,490	1,433	1,341
INSURANCE OPERATIONS [4)]					
Non-life insurance operations					
Premiums earned (after ceded reinsurance)	2,106	2,430	2,793	3,285	3,549
Investment income transferred from financial operations	392	421	526	435	302
Claims payments (after ceded reinsurance) [5)]	–1,350	–1,601	–1,775	–2,211	–2,596
Technical result, non-life insurance operations	**304**	**294**	**335**	**429**	**192**
Technical result, life assurance operations	9	–1	–8	–3	1
Operating profit/loss [6]	721	1,169	–3,003	505	323
Premium income before ceded reinsurance					
Non-life insurance	4,126	4,475	5,385	5,888	5,671
Life assurance	534	203	203	268	251
Premium income after ceded reinsurance					
Non-life insurance	2,150	2,512	2,951	3,575	3,605
Life assurance	1	203	190	240	219
Key figures					
Cost ratio [7)]	41	39	47	33	31
Expense ratio [8)]	30	30	36	26	23
Claims ratio [9)]	75	76	75	75	81
Combined ratio	105	107	111	100	104
Direct yield, % [10)]	0.8	1.6	2.3	1.7	1.9
Total return, % [11)]	4.9	7.2	–12.0	6.2	4.3
Financial position					
Investment assets, SEK billion [12)]	19	18	16	17	16
Technical reserves (after ceded reinsurance), SEK billion	13	14	14	14	14

Länsförsäkringar AB Group	2006	2007	2008	2009	2010
BANKING OPERATION					
Net interest income	927	1,017	1,211	1,148	1,363
Operating profit	198	238	245	258	345
Net profit for the year	139	176	177	178	245
Return on equity, % [13)]	4.6	5.0	4.4	4.1	4.9
Total assets, SEK billion	63	85	104	131	149
Equity	3,184	3,824	4,291	4,694	5,529
Cost/income ratio before loan losses [14)]	0.77	0.74	0.75	0.76	0.71
Investment margin, % [15)]	1.6	1.4	1.3	1.0	0.9
Tier 1 ratio according to Basel II, % [16)]	–	14.4	14.6	12.5	11.8
Capital adequacy ratio according to Basel II, % [17)]	–	17.2	17.7	14.8	13.5
Capital adequacy ratio according to transition rules, % [18)]	10.6,	10.6	10.4	9.7	9.4
Loan losses, % [19)]	0.07	0.07	0.07	0.05	0.05
OTHER OPERATIONS					
Income	2,061	2,210	3,049	2,219	2,184
Operating profit/loss	1,217	169	–493	–138	–112

1) Operating profit plus change in value of owner-occupied property less standard tax at 26.3% (28.0% between 2006 and 2008) in relation to average equity adjusted for new share issue and dividends.
2) Solvency capital as a percentage of premium income after ceded reinsurance.
3) The financial conglomerate comprise the Parent Company Länsförsäkringar AB, all of the 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 Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. The capital base is calculated in accordance with the aggregation method.
4) The earnings, financial position and key figures of the insurance operations are recognised in accordance with Chapter 6, Section 2 of the Swedish Annual Accounts Act for Insurance Companies and Chapter 6, Section 2 of FFFS 2008:26, the regulation and general advice of the Swedish Financial Supervisory Authority.
5) Excluding claims adjustment costs.
6) The operating profit for the insurance operations includes the Länsförsäkringar Sak Group's investment income and other non-technical income and expenses.
7) Operating expenses include claims adjustment costs as a percentage of premiums earned after ceded reinsurance.
8) 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.
9 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.
10) 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 year.
11) 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 year.
12) 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.
13) Operating profit less standard tax at 26.3% (28.0% between 2006 and 2008) in relation to average equity adjusted for dividends.
14) Total expenses before loan losses in relation to total income.
15) Net interest in relation to average total assets.
16) Tier 1 capital at year-end in relation to the closing risk-weighted amount.
17) Closing capital base in relation to the closing risk-weighted amount.
18) In accordance with Basel I for 2006.
19) Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

Consolidated financial statements

Consolidated income statement

SEK M	Note	2010	2009
Premiums earned before ceded reinsurance		5,926.2	5,771.5
Reinsurers' portion of premiums earned		–2,157.1	–2,247.9
Premiums earned after ceded reinsurance	4	**3,769.1**	**3,523.7**
Interest income	5	5,634.4	5,320.7
Interest expense	6	–4,198.2	–4,079.6
Net interest income		**1,436.2**	**1,241.1**
Investment income, net	7	322.4	520.0
Commission income	8	1,109.6	1,012.9
Other operating income	9	2,218.1	2,000.7
Total operating income		**8,855.4**	**8,298.4**
Claims payments before ceded reinsurance		–4,238.6	–3,553.0
Reinsurers' portion of claims payments		1,470.4	1,162.4
Claims payments after ceded reinsurance	10	**–2,768.2**	**–2,390.6**
Commission expense	11	–1,491.1	–1,352.7
Staff costs	12	–1,406.2	–1,474.0
Other administration expenses	13, 14	–2,594.1	–2,338.2
Loan losses	15	–60.1	–50.4
Total expenses		**–8,319.7**	**–7,605.9**
Operating profit		**535.7**	**692.5**
Tax on net profit for the year	16	–117.6	–183.6
Net profit for the year		**418.1**	**508.9**
Earnings per share before and after dilution, SEK	17	62	81

Consolidated statement of comprehensive income

SEK M		2010	2009
Net profit for the year		**418.1**	**508.9**
Other comprehensive income	35		
Translation differences for the year from foreign operations		–19.8	3.9
Revaluation of owner-occupied property		94.8	60.1
Change for the year in fair value of available-for-sale financial assets		28.8	40.7
Available-for-sale financial assets transferred to net profit for the year		–	6.8
Tax attributable to other comprehensive income components	16	–32.5	–28.3
Total other comprehensive income for the year, net after tax		**71.3**	**83.1**
Comprehensive income for the year		**489.4**	**592.0**
Total comprehensive income attributable to:			
Parent Company's shareholders		489.4	592.0

Consolidated statement of financial position

SEK M	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Goodwill	18	338.0	353.1
Other intangible assets	19	880.8	870.9
Deferred tax assets	38	191.2	355.3
Property and equipment	20	110.7	97.8
Owner-occupied property	21	2,414.7	2,297.2
Shares in Länsförsäkringar Liv Försäkrings AB	22	514.5	514.5
Shares and participations in associated companies	23	23.1	22.7
Reinsurers' portion	37	6,346.6	5,917.3
Investment property	24	7.0	118.0
Loans to the public	25, 26	117,910.2	99,581.6
Shares and participations	27	962.3	1,330.7
Bonds and other interest-bearing securities	28	31,569.5	33,819.3
Treasury bills and other eligible bills	29	4,170.0	1,999.8
Derivatives	30	1,208.7	1,268.7
Change in value of hedge portfolios	31	140.6	767.9
Other receivables	32	2,040.7	1,622.3
Prepaid expenses and accrued income	33	2,028.3	1,309.8
Cash and cash equivalents	34	2,993.3	4,758.2
Total assets		**173,850.0**	**157,005.2**
EQUITY AND LIABILITIES			
Equity	35		
Share capital		725.1	629.8
Other capital contributed		5,989.6	4,801.3
Reserves		227.7	156.4
Retained earnings, including net profit for the year		2,888.8	2,470.7
Total equity		**9,831.2**	**8,058.2**
Subordinated liabilities	36	114.0	114.0
Technical reserves	37	19,936.3	19,691.3
Deferred tax liabilities	38	858.9	893.2
Other provisions	39	292.0	317.8
Debt securities in issue	40	88,595.4	61,022.3
Deposits from the public	41	41,570.8	36,980.6
Due to credit institutions	42	4,981.2	21,232.4
Derivatives	30	2,130.6	1,254.1
Change in value of hedge portfolios	31	–392.4	762.1
Other liabilities	43	2,231.2	3,802.3
Accrued expenses and deferred income	44	3,700.8	2,876.9
Total equity and liabilities		**173,850.0**	**157,005.2**

For information about pledged assets and contingent liabilities, refer to Note 45.

Consolidated statement of changes in shareholders' equity

	Share capital	Other capital contributed	Reserves: Translation reserve	Revaluation reserve	Fair value reserve	Retained earnings including net profit for the year	Total equity
Opening equity, January 1, 2009	629.8	4,801.3	–50.1	134.5	–11.1	1,961.8	7,466.2
Comprehensive income for the year							
Net profit for the year						508.9	508.9
Other comprehensive income			3.9	44.3	34.9		83.1
Comprehensive income for the year			**3.9**	**44.3**	**34.9**	**508.9**	**592.0**
Closing equity, December 31, 2009	**629.8**	**4,801.3**	**–46.2**	**178.8**	**23.8**	**2,470.7**	**8,058.2**
Opening equity, January 1, 2010	629.8	4,801.3	–46.2	178.8	23.8	2,470.7	8,058.2
Comprehensive income for the year							
Net profit for the year						418.1	418.1
Other comprehensive income			–19.8	69.9	21.2		71.3
Comprehensive income for the year			**–19.8**	**69.9**	**21.2**	**418.1**	**489.4**
Shareholders' contribution							
New share issue	95.3	1,188.4					1,283.7
Closing equity, December 31, 2010	**725.1**	**5,989.6**	**–66.0**	**248.7**	**45.1**	**2,888.8**	**9,831.2**

Consolidated statement of cash flows

SEK M	Note	2010	2009
Operating activities			
Profit before tax		535.7	692.5
Adjustment for non-cash items	52	638.5	–767.9
Tax paid		–2.5	–1.5
Cash flow from operating activities before changes in working capital		**1,171.6**	**–76.9**
Cash flow from changes in working capital			
Change in investment property		129.9	175.8
Change in shares and participations, bonds and other interest-bearing securities and derivatives		3,032.5	–13,349.9
Increase(–)/Decrease(+) in operating receivables		–22,162.9	–20,860.5
Increase(+)/Decrease(–) in operating liabilities		–11,132.0	15,040.3
Cash flow from operating activities		**–28,960.9**	**–19,071.2**
Investing activities			
Acquisition of subsidiaries	52	–	0.0
Divestment of subsidiaries	52	–	–7.1
Purchase of intangible assets		–219.1	–128.8
Purchase of property and equipment		–161.8	–133.7
Divestment of property and equipment		2.1	15.6
Cash flow from investing activities		**–378.7**	**–254.0**
Financing activities			
New share issue		12.6	–
Change in debt securities in issue		27,573.1	12,544.2
Cash flow from financing activities		**27,585.7**	**12,544.2**
Net cash flow for the year		–1,753.9	–6,780.9
Cash and cash equivalents, January 1		4,758.2	11,542.7
Exchange-rate differences in cash and cash equivalents		–11.0	–3.5
Cash and cash equivalents, December 31		**2,993.3**	**4,758.2**

The new share issue implemented in December 2010 increased equity by SEK 1.283.7 M. of which SEK 12.6 M were paid in cash and SEK 1.271.1 M were issued through loan conversions.

Notes to the consolidated financial statements

Amounts are stated in SEK M unless specified otherwise.

NOTE 1 ACCOUNTING POLICIES

Compliance with standards and legislation

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 are applied. The Group follows the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company applies the same accounting policies as the Group except for the cases described under the Parent Company's Note 1 Accounting policies. The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

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

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. Accordingly, the financial statements are presented in SEK, rounded to the nearest million, unless otherwise stated.

The statement of financial position has been presented based on liquidity. Assets and liabilities are recognised at cost, with the exception of investment property, owner-occupied property and the major portion of the Group's holding of financial instruments that are either measured at fair value or at an adjusted amortised cost.

The accounting policies for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated.

Judgments and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that management make judgments and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the financial statements. These judgments and estimates, as made by management, are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgments and estimates.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

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

The mutual funds that were established by and are more than 50% owned by the Länsförsäkringar AB Group are included in the consolidated financial statements in accordance with IFRS. A non-controlling interest's share of such a fund is added to the company's own fund holding with the same amount recognised as other liabilities. At the closing of the 2010 accounts, the Länsförsäkringar AB Group did not own more than 50% of any of the established mutual funds.

Länsförsäkringar AB's holding in Länsförsäkringar Liv Försäkringsaktiebolag (publ) (referred to below as "Länsförsäkringar Liv") is not classified as a holding in a subsidiary in accordance with the definition in IAS 27 Consolidated and Separate Financial Statements and, accordingly, is not consolidated. Instead, Länsförsäkringar Liv is recognised and valued as unlisted shares in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Länsförsäkringar Bank AB (referred to below as "Länsförsäkringar Bank") has chosen to recognise compensation to the regional insurance companies as a commission expense. The regional insurance companies are compensated for their work with Länsförsäkringar Bank's customer-related matters in each of the regional insurance companies' geographic areas.

The types of category and valuation techniques selected and applied to financial instruments affect recognition in the accounts and are described below.

Significant sources of estimation uncertainty

Significant sources of uncertainty in estimates mainly comprise impairment requirements for loan losses. Loans identified on an individual basis as impaired, and accordingly on which impairment losses are to be recognised, are valued at the present value of future cash flows discounted by the original effective rate. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are firstly used as support in making estimates of expected future cash flows. Such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows. Secondly, other models are used based on historic experience.

Any impairment requirements on loans that are not deemed to require individual impairment loss recognition are indentified and valued collectively. Firstly, a method is used which is based on the information collated and processed under the framework of capital adequacy work, and secondly, estimates are based on historical values and experience-based adjustments of these values to the current situation. Determining that a loss event has occurred for a group of receivables entails higher uncertainty since several different events may have an impact.

When calculating technical reserves, an actuarial estimate of anticipated additional costs for incurred claims and expenses for claims that may be incurred during the remaining term of the insurance policy is made.

Changed accounting policies caused by new or amended IFRSs

The changes applied by the Group since January 1, 2010 are described below. Other changes to IFRS applicable from 2010 did not have any significant effect on the consolidated financial statements.

Business combinations and consolidated financial statements

From 1 January 2010, the Group applies revised IFRS 3 Business Combinations and revised IAS 27 Consolidated and Separate Financial Statements. These amended accounting policies include the following changes: The definition of business has been changed, transaction costs attributable to business combination have been expensed, contingent consideration has been determined at fair value on the acquisition date and effects of revaluations of liabilities related to contingent consideration have been recognised as an income or expense in profit and loss. Other new items include the introduction of two alternative methods to recognise non-controlling interests and goodwill, either at fair value, meaning the inclusion of goodwill in the non-controlling interest, or that the non-controlling interest forms a part of net assets. The choice between these two methods is to be made individually for each acquisition. Furthermore, additional acquisitions that take place after a controlling influence has been obtained are to be considered as owner transactions and recognised directly in equity, which entails a change to the Group's current policy whereby the surplus amount is recognised as goodwill.

The revised policies did not have any retroactive effect on the company's financial statements, meaning that no amounts in the financial statements were changed.

Presentation of the financial statements

In IASB's annual improvements process, which was published in May 2010, the requirements in IAS 1 Presentation of Financial Statements were amended in regard to the presentation of the statement of changes in shareholders' equity. The company has chosen to apply these changes in advance, from the Annual Report 2010. The changes entail that reconciliation in the statement of changes in shareholders' equity of changes for the year of each component of equity, such as reserves for other comprehensive income, does not need to specify each item in other comprehensive income. The company has chosen, as was permitted according to this amendment, to provide disclosures with such a detailed reconciliation of the reserves and other components in equity in a note, rather than the statement of changes in shareholders' equity. Such detailed reconciliation was also provided in a note in the 2009 Annual Report, but appears to be required in the statement of changes in shareholders' equity in accordance with the version of IAS 1 that was to apply for 2010 without the abovementioned early application. In accordance with the formulations in the amended IAS 1, the previous line for comprehensive income for the year in the statement of changes in shareholders' equity has been divided with separate specification of net profit for the year, and other comprehensive income for the year. The amended presentation is applied for the current year and the comparative year. The changes have not resulted in any adjustments to the amounts in financial statements.

New IFRS and interpretations that have not yet taken effect

Of the following new or amended standards and interpretive statements, IFRS 7 and IFRS 9 have not yet been adopted by the EU, while IFRIC 19 has been adopted by the EU. They will take effect in future fiscal years and were not applied in advance in the preparation of these financial statements.

- IFRS 7 Financial instruments: Disclosures. New disclosure requirements have been added regarding financial assets that have been derecognised in their entirety or in part, meaning that further information will need to be provided regarding the Group's repurchase agreement. The amendment will not lead to any change in recognised amounts. The EU is expected to approve the changes during the second quarter of 2011, and the change will come into effect in the fiscal year starting July 1, 2011 or later.
- IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement by 2013 at the latest. The IASB has published the first two parts of at least three parts of the project that will jointly comprise IFRS 9. The first part addresses the classification and measurement of financial assets. In November 2010, the IASB published the parts of IFRS 9 that pertain to the classification and measurement of financial liabilities. Most of the regulations are consistent with the previous IAS 39 rules, except regarding financial liabilities that are voluntarily measured at fair value according to the fair value option. The change in value for these liabilities is to be divided into changes attributable to own creditworthiness and changes in reference interest rate. The categories of financial assets under IAS 39 will be replaced by categories: measured at fair value or amortised cost. Amortised cost is to be utilised for instruments held as part of a business model the goal of which is to collect the contractual cash flows. These cash flows are to comprise payments of principal and interest on the principal outstanding on specified dates. Other financial assets are to be measured at fair value and the Fair Value Option under IAS 39 will be retained. Changes in fair value are to be recognised in profit, except for changes in value of equity instruments that are not held for trading and for which a decision has been made to initially recognise the changes in value in other comprehensive income. Changes in value of derivatives in hedge accounting are not affected by this part of IFRS 9 and are to continue to be recognised in accordance with IAS 39. The standard will affect the Group's category of available-for-sale financial assets that are not permitted to continue to be recognised in other comprehensive income when IFRS 9 is applied. Similarly, unlisted shares which are currently recognised at costs are to be measured at fair value under IFRS 9.Under IFRS 9, financial liabilities measured at fair value shall be recognised in other comprehensive income. This change will not have any impact on the financial statements since the Group does not have any liabilities measured at fair value. A decision regarding reclassification will not be made until the new regulations have been established. Only then can the effects be calculated.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments provides guidance on recognising loans converted to shares. The value of the equity instruments is to be included in the consideration provided to repay the liability and the instruments shall initially be measured at their fair value. If the instru-

ments can be measured reliably, they should be measured at the fair value of the liability extinguished. Differences between the carrying amount of the repaid liability and the value of the equity instrument are to be recognised in profit and loss. The interpretive statement is to be applied to fiscal years commencing July 1, 2010 or later, with retroactive application from the start of the earliest comparative year. The interpretation has been approved by the EU.

Other than those described above, no other new or revised IFRSs and interpretations that have not yet come into effect are expected to have any significant effect on the financial statements.

Consolidated financial statements

Consolidation principles

The consolidated financial statements encompass the accounts for the Parent Company and the companies in which the Parent Company, directly or indirectly, has a controlling influence. A "controlling influence" means the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial benefits. This usually involves a requirement of more than 50% of the number of votes per participation, although a company also exercises a controlling influence when it has the right to appoint the majority of Board members.

Shares that potentially carry voting rights that can be utilised or converted without delay are taken into account in assessing the existence of a controlling influence. If on the acquisition date a subsidiary meets the requirements to be classified as held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the subsidiary is recognised in accordance with this standard.

In the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity.

Subsidiaries

Acquisitions on January 1, 2010 or later

Subsidiaries are recognised in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the identifiable assets and assumed liabilities, as well as any non-controlling interests, on the acquisition date. Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, arising are recognised directly in profit and loss.

For business combinations whereby consideration transferred, any non-controlling interests and the fair value of previously owned participations (for step acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are recognised separately, the difference is recognised as goodwill. If the difference is negative, known as a bargain purchase, it is recognised directly in profit and loss.

Consideration transferred in conjunction with the acquisition does not include payments pertaining to settlement of previous business relationships. This type of settlement is recognised in profit and loss.

Contingent consideration is recognised at fair value on the acquisition date. If the contingent consideration is classified as an equity instrument, no remeasurement takes place and settlement takes place in equity. Other contingent consideration is remeasured at each reporting date and the change recognised in profit and loss.

Non-controlling interests arise if the business combination does not comprise a 100% acquisition of the subsidiary. There are two options for recognising non-controlling interests. These are: recognising non-controlling interest's proportionate share of net assets, or recognising the non-controlling interest at fair value, meaning that the non-controlling interest has a share of goodwill. The choice between these two different options for recognising non-controlling interests can be made on an acquisition-by-acquisition basis.

In step acquisitions, goodwill is determined on the date on which the controlling influence arises. Previous holdings are measured at fair value and the change in value in profit and loss.

Holdings remaining following a divestment leading to the loss of a controlling influence are measured at fair value and the change in value in profit and loss.

Acquisitions between January 1, 2006 and December 31, 2009

For acquisitions that took place between January 1, 2006 and December 31, 2009, where the cost exceeds the fair value of acquired assets and assumed liabilities and contingent liabilities that are recognised separately, the difference is recognised as goodwill. When the difference is negative, it is recognised directly in profit and loss.

Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, arising are included in cost.

Acquisitions prior to January 1, 2006

For acquisitions that took place prior to January 1, 2006 (the date of the transition to IFRS), goodwill, after impairment testing, was recognised at a cost corresponding to the carrying amount in accordance with previously applied accounting policies. The classification and accounting treatment of business combinations occurring prior to January 1, 2006 were not restated in accordance with IFRS 3 when the Group's opening IFRS balance sheet was prepared at January 1, 2006.

The financial statements of subsidiaries are included in the consolidated financial statements from the acquisition date until the date on which the controlling influence ceases.

If the subsidiary's accounting policies were not the same as the consolidated accounting policies, they were adjusted to consolidated accounting policies.

Losses attributable to non-controlling interests are distributed to non-controlling interest, except that non-controlling interests will be recognised as a debit item under equity.

Special purpose enterprises

Special purpose enterprises are included in the consolidated financial statements when the financial significance of the business relationships between a Group company and a special purpose enterprise indicates that the Group company exercises a controlling influence over the special purpose enterprise.

The Länsförsäkringar AB Group has made the assessment that a mutual fund is a special purpose enterprise if the following conditions are met:

- The mutual fund was founded and is managed by a company in the Group.
- The Group owns more than 50% of the shares in the mutual fund.

Accounting of associated companies

Associated companies are companies in which the Group has a significant influence, but not a controlling influence, over operational and financial control, usually through holdings of participations of between 20% and 50% of the number of votes. Participations in associated companies are recognised in the consolidated financial statements in accordance with the equity method from the date on which the significant influence was obtained. The equity method entails that the value of the shares in the associated companies recognised in the Group corresponds to the Group's participations in the associated companies' equity and consolidated goodwill as well as any other remaining values of consolidated surpluses or deficits. Dividends received from associated companies reduce the carrying amount of the investment. The Group's participations in associated companies' net profit after tax and non-controlling interests adjusted for any depreciation/amortisation, impairment or dissolution of acquired surpluses or deficits are recognised in profit.

Any differences arising from the acquisition between the cost of the holding and the owner company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities are recognised in accordance with IFRS 3 Business Combinations.

When the Group's share of recognised losses in the associated company exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also deducted against long-term financial balances without collateral, which in their financial significance comprise the portion of the owner company's net investment in the associated company. Continued losses are not recognised unless the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied until the date on which the significant influence ceases. Unrealised gains arising from transactions with associated companies are eliminated to the extent corresponding to the participation in the company owned by the Group. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that no impairment requirement exists.

The reporting dates and accounting policies for associated companies are the same as those applied in the Group.

Related parties

Legal entities closely related to the Länsförsäkringar AB Group include associated companies, companies within the Länsförsäkringar Liv Group, the regional insurance companies and other related companies. Legal entities closely related to the Parent Company Länsförsäkringar AB also include its subsidiaries. Related key persons are Board members, senior executives and their close family members.

Associated companies include all associated companies owned by the Länsförsäkringar AB Group and the Länsförsäkringar Liv Group. Other related parties comprise Länsförsäkringar Mäklarservice AB and Länsförsäkringar Fastighetsförmedling AB, which are wholly owned within the Länsförsäkringar Alliance.

The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 24 regional insurance companies, with subsidiaries, and 14 local insurance companies, which together own 100% of Länsförsäkringar AB. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within Länsförsäkringar.

Operating segments

The Group's division of operating segments corresponds to the structure of the internal reports that the company's chief operating decision maker uses to monitor the operations and allocate resources between operating segments. The Group identified Group management as the company's chief operating decision maker. Accordingly, for the Länsförsäkringar AB Group, the reports on the earnings of the various segments of the operations that are received by Group management form the basis of segment reporting. This led to an accounting policy in the operating segments deviating from a policy applied in the consolidated financial statements. Changes in the fair value of owner-occupied property in segments in the Länsförsäkringar AB Group are recognised in operating profit instead of in other comprehensive income.

Pricing between the Group's segments is based on market conditions for the business operations of Insurance, Banking and Other Activities. Länsförsäkringar AB's company management establishes the service level pertaining to intra-Group transactions involving goods and services. Decisions about prices to be applied to the forthcoming year are made during the annual business planning process.

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key. Länsförsäkringar AB's company management arranges with the service levels and costs for the sale of goods and services to intra-Group companies jointly with a service committee comprising representatives from the insurance companies. Based on these discussions, the Board of Länsförsäkringar AB makes decisions on external pricing.

Segment information is provided only for the Group, in accordance with IFRS 8 Operating Segments.

Foreign currency

Transactions in foreign currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. The functional currency is the currency in the primary financial environments in which the Group companies conduct their operations, which means that the financial statements are presented in Swedish kronor. Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction.

Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate that applies on the balance-sheet date. Non-monetary assets and liabilities are translated to the rate in effect on the date of the transaction.

Exchange-rate differences arising due to the translation of balance-sheet items in foreign currency to the functional currency are recognised in profit and loss as exchange-rate gains or losses.

Translation of the financial statements of foreign operations

The Group has small foreign operations in the form of a Norwegian branch, an associated company in Switzerland and a subsidiary and a branch in the UK. Assets and liabilities in branches and subsidiaries are translated to SEK at the exchange rate prevailing on the balance-sheet date. Income and expenses are translated to the Group's reporting currency at an average exchange rate comprising an approximation of the exchange rate applicable on the date of the transaction. Translation differences arising in the translation of branches' and subsidiaries' currencies are recognised against other comprehensive income as a translation reserve. In the event of a divestment of a foreign operation, the attributable accumulated translation differences are realised less currency hedges in the consolidated income statement.

Impairment

The carrying amounts of the Group's assets are assessed on every balance sheet-date to determine whether there are any indications of impairment. IAS 36 Impairment of Assets is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39 Financial Instruments: Recognition and Measurement, property recognised at fair value in accordance with IAS 40 Investment Property and deferred tax assets in accordance with IAS 12 Income Taxes. The carrying amounts of the exempted assets above are tested according to the respective standard.

Impairment tests for property and equipment and intangible assets and participations in subsidiaries and associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36 Impairment of Assets. The recoverable amounts of goodwill and intangible assets that are not finished for use are calculated annually. If it is not possible to determine the substantially independent cash flow of a specific asset, the assets shall be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flow known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses are charged against profit and loss. The impairment of assets attributable to a cash-generating unit is initially distributed to goodwill. Proportional impairment losses on the other assets included in the unit are subsequently recognised.

The recoverable amount is the higher of fair value less selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

Impairment tests for financial assets

On each reporting occasion, the company evaluates whether objective evidence exists that a financial asset is in need of impairment. Objective evidence comprises observable circumstances that have occurred and have a negative effect on the possibility to recover the cost, as well as a significant or extended reduction in the fair value of an investment in an instrument classified as an available-for-sale financial asset.

The recoverable amount for assets belonging to the categories of investments held to maturity and loan receivables and accounts receivable, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

Reversal of impairment losses

An impairment loss is reversed if there is an indication that the impairment requirement no longer exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. However, impairment losses on goodwill are never reversed. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation and amortisation where applicable, if no impairment had been applied.

Impairment losses on investments held to maturity or loan receivables and accounts receivable recognised at amortised cost are reversed if a later increase of the recoverable amount can objectively be attributed to an event that occurred after the impairment was applied.

Impairment of equity instruments classified as available-for-sale financial assets that were previously recognised in profit and loss cannot subsequently be reversed in profit and loss. The impaired value is the value from which subsequent revaluations are made, which are recognised against other comprehensive income.

Impairment of interest-bearing instruments, classified as available-for-sale financial assets, are reversed in profit and loss if the fair value increases and the increases can objectively be attributed to an event that occurred after the impairment was applied.

Income

Income is recognised when:

- the income can be calculated in a reliable manner,
- it is probable that the financial benefits related to the transaction will accrue to the company,
- the degree of completion on the balance-sheet date can be calculated in a reliable manner, and
- the expenses that have arisen and the expenses that remain to complete the service assignment can be calculated in a reliable manner.

Income is measured at the fair value of the amount that has been received or will be received. Income is recognised in accordance with the percentage of completion method, meaning that income is recognised on the basis of the degree of completion of the assignment or the service on the balance-sheet date.

Income from sales of properties

Income from sales of property is normally recognised on the date of taking possession unless the risks and benefits were transferred to the purchaser on an earlier occasion. Control of the asset may have been transferred prior to the date of taking possession and, if this is the case, the income from the sale of the property is recognised at this earlier date. The agreement reached between the parties regarding the risks and the benefits and the commitment in the ongoing management are taken into consideration in determining the date of income recognition. Consideration is also given to circumstances that may impact the outcome of the transaction that are outside the control of the seller or the purchaser.

Rental income

Rental income from investment property and owner-occupied property is recognised in profit and loss based on the conditions of the lease contract. The total cost for benefits provided is recognised as a reduction in rental income distributed over the lease period.

Other income

Income from assignments is recognised when the financial outcome of performed assignments can be reliably calculated and the financial benefits accrue to the company (primarily on a current account basis). Income is recognised in profit and loss according to the percentage of completion method. Income is paid in the form of cash and cash equivalents.

Amounts received on behalf of another entity are not included in the company's income. The criteria for income recognition are applied individually to each transaction.

Premium income

Premium income in the non-life insurance operations is recognised as the total gross premium for direct insurance and assumed reinsurance deposited or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year. Premiums for insurance periods commencing after the end of the fiscal year are also recognised as premium income, if according to contract they fall due for payment during the fiscal year.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums that are not confirmed by the policyholder and premiums for recently signed insurance contracts are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

Premiums earned

Premiums earned are recognised as the portion of premium income attributable to the accounting period. The portion of premium income from insurance contracts pertaining to periods after the balance-sheet date is recognised as "Provision for unearned premiums" in the statement of financial position. "Provision for unearned premiums" is usually calculated by strictly allocating premium income based on the term of the underlying insurance contract. Reinsurers' portion of premium income is also allocated and the portion attributable to the period after the balance-sheet date is recognised as a receivable "Reinsurers' portion of technical reserves, unearned premiums."

Interest income and interest expense

Interest income and interest expense presented in the income statement comprise interest on financial assets and liabilities in the Bank Group that is measured at amortised cost, including interest on impaired loans, and interest from financial assets classified as available-for-sale financial assets. Interest income from financial assets measured at fair value in profit and loss according to the fair value option in the Bank Group is also recognised here.

For interest-rate derivatives that hedge financial assets, paid and accrued interest is recognised as interest income, and for interest-rate derivatives that hedge financial liabilities, these are recognised as part of interest expense. Unrealised changes in the value of derivatives are recognised in the item "Investment income, net"

Interest income on receivables and interest expense on liabilities are calculated and recognised through application of the effective interest method or, if it is considered appropriate, through application of a method that results in interest income or interest expense that is a reasonable estimate of the result that would be achieved using a calculation based on the effective interest method. Interest income and interest expense include, where appropriate, allocated amounts of fees received, which are included in the calculation of effective interest, transaction costs and any discounts and other differences between the original value of the receivable/liability and the amount settled at maturity. Interest expense includes allocated amounts of issue expenses and similar direct transaction costs for loans raised.

Investment income, net

Both the impact on earnings that has arisen from investment activities and the Bank Group's net gains/loss from financial transactions are recognised in the item "Investment income, net." The investment activities includes interest income on bank funds, interest-bearing securities and receivables, dividend income, exchange-rate gains/losses, interest expense on loans, realised and unrealised gains/losses on financial investment assets and derivative instruments, rental income and expenses on investment property, profit shares in associated companies, depreciation/amortisation and impairment of shares and participations as well as external expenses for asset management.

For the Bank Group, realised and unrealised changes in value of derivative instruments which are financial hedging instruments, but for which hedge accounting is not applied, and unrealised changes in the fair value of derivatives to which fair value hedge accounting is applied, and unrealised changes in fair value of hedged items with regard to hedged risk in the hedging of fair value are included. The ineffective portion of hedging instruments and exchange-rate changes are also recognised in the item "Investment income, net."

Realised profit and loss is calculated as the difference between the purchase consideration received and the value in the statement of financial position at the time of the sale. Any impairment losses on available-for-sale financial assets are recognised in this item. Unrealised profit and loss comprises changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised changes in value is reversed as unrealised profit and loss.

Commission income and commission expense

Commission income is derived from various types of services provided to customers. The manner in which the commission income is recognised depends on the purpose for which the fee was charged. The fees are recognised in income in line with the provision of the services or in conjunction with the performance of a significant activity. Fees charged continuously, such as advising fees and financial guarantees, are recognised as income in the period in which the service was provided. Fees charged for significant activities, for example securities commission and card commission, are recognised in income when the activity has been completed.

Commission expense is dependent on the transaction and is recognised in the period in which the services are received. Commission expense includes compensation to the regional insurance companies for their work with the Group's customer-related issues in each of the regional insurance companies' geographic areas of operation. Commission expense deriving from financial assets or financial liabilities not measured at fair value in profit and loss comprises commission to the regional insurance companies.

Claims payments

The expenses during the period for incurred claims, both those reported to the company and those not reported, are recognised as claims payments. Total claims payments include claims paid during the period and changes in provisions for claims outstanding and reinsurers' portion of provisions for claims outstanding.

Remuneration to employees

Current remuneration

Current remuneration to employees is calculated without discount and recognised as an expense when the related services are received.

The Group recognises the anticipated cost of bonus payments and other variable remuneration when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration after termination of employment

Pension plans

The Group has both defined-contribution and defined-benefit pension plans, some of which have assets in separate foundations. These plans are usually financed through payments from the respective Group company. The Group is generally covered by the FTP plan, which does not depend on any payments from employees.

Defined-benefit pension plans

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

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

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

The carrying amount of pensions and similar commitments recognised in the statement of financial position corresponds to the present value of the commitments at year-end, less the fair value of plan assets, unrecognised actuarial gains or losses and unrecognised expenses for service during earlier periods. When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of the unrecognised actuarial losses and unrecognised expenses for service during earlier periods and the present value of future repayments from the plan or reduced future deposits to the plan.

When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during earlier periods is recognised in profit and loss straight-line over the average period until the remuneration is earned in its entirety. An expense is recognised directly in profit and loss if the remuneration has been fully earned.

When there is a difference between how the pension cost is determined in the legal entity and in the Group, a provision or receivable pertaining to a special employer's contribution based on this difference is recognised. The present value of the provision and the receivable is not calculated.

All expenses for defined-benefit pension plans are recognised as staff costs in operating profit.

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions.

The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans.

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

Remuneration for termination of employment

An expense for remuneration in conjunction with the termination of employment is recognised only if the company is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and the number of employees who may accept the offer can be reliably estimated.

Loan losses

The item “Loan losses” in the income statement comprises confirmed and probable loan losses. Confirmed loan losses pertain to the entire receivable when there is no realistic possibility of recovery. Probable loan losses pertain to impairment for the year for the loan losses based on a calculated recoverable amount when there is an indication that impairment is required. Recoveries comprise reversed amounts of loan losses that were previously recognised as confirmed. Prior years’ confirmed and probable loan losses are reversed when no impairment requirement is deemed to exist any longer.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in net profit for the year, except when the underlying transaction is recognised in other comprehensive income or against equity with the related tax effect recognised in other comprehensive income or equity.

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

Deferred tax is calculated based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill or in differences arising at first recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. Nor are temporary differences attributable to participations in subsidiaries and associated companies not expected to be reversed in the foreseeable future taken into consideration. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Any additional income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition of operations and the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities.

Goodwill is measured at cost less any accumulated impairment. Goodwill is distributed to cash-generating units and is tested for impairment at least once annually. Goodwill that has arisen in conjunction with the acquisition of associated companies is included in the carrying amount of participations in associated companies.

Other intangible assets

Other intangible assets comprise proprietary and acquired intangible assets with determinable useful lives. These assets are recognised at cost less accumulated amortisation and impairment. Amortisation is commenced when the asset becomes available for use.

The Group’s proprietary intangible assets are recognised only if all of the following conditions are fulfilled:

- the expenses for the asset can be reliably calculated
- it is technically and commercially usable and sufficient resources exist to complete development and thereafter use or sell the intangible asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses. Other development expenses are recognised as an expense when they arise.

The periods of amortisation are determined based on a useful life of five to ten years. Amortisation takes place in the income statement according to the straight-line method. Impairment requirements are tested annually as described in the section on “Impairment” above.

Additional expenses for capitalised intangible assets are recognised as an asset in the statement of financial position only when these expenses increase the future financial benefits of the specific asset to which they pertain.

Property and equipment

Equipment

Equipment is recognised at cost less accumulated depreciation and any accumulated impairment. Depreciation takes place according to the straight-line method over the asset’s expected useful life, commencing when the asset becomes available for use. Depreciation and any scrapping and divestments are recognised in profit and loss. The useful life for computer equipment is three years and five years for office equipment and cars. The depreciation method and the residual values and useful lives of the assets are re-tested every year-end.

Impairment requirements are tested annually according to the principles described in the section on “Impairment” above.

Owner-occupied property

Owner-occupied property is recognised in accordance with the revaluation method.

Land and buildings owned by the Länsförsäkringar AB Group and that are used for administrative purposes are recognised at their revalued amounts, which corresponds to fair value less accumulated depreciation and adjustments due to revaluations on the date of revaluation. Fair value is based on the prevailing prices in an active market for similar properties in the same location and of the same standard, supplemented by a cash-flow statement. The valuation is performed twice a year by an external independent appraiser. Changes in value are recognised against other comprehensive income and accumulated after tax in the revaluation reserve in equity. If the increase comprises a reversal of a previously recognised decrease in value of the same asset, the increase is recognised as a reduced cost in profit and loss. If revaluation results in a reduction in the carrying amount, the reduction is recognised in profit and loss. However, the reduction is recognised in other comprehensive income to the extent that any existing balance in the revaluation reserve is attributable to the asset.

Owner-occupied property comprises a number of components with various useful lives. The main division is land and buildings. The land component is not depreciated since its useful life is deemed to be unlimited. However, the buildings comprise several components with varying useful lives.

The useful lives of these components are deemed to vary between ten and 100 years. The following main groups of components have been identified and form the basis of the depreciation of buildings.

Frame	100 years
Roof, façade, windows	50 years
Frame supplementation	40 years
Fixtures and fittings	40 years
Exterior surface	20 years
Permanent equipment, service facilities etc. in buildings	10 years

The depreciation methods used and the residual values and useful lives of the assets are re-tested every year-end.

Additional expenses are added to the cost only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are recognised as an expense in the period in which they arise.

The key factor in the assessment of whether an additional expense is to be added to the cost is whether the expense pertains to the replacement of identified components, or parts thereof, in which case such expenses are capitalised. The expense is also added to the cost in the case of the creation of new components.

Any carrying amounts of replaced components, or parts of components, that have not been depreciated are discarded and expensed in conjunction with the replacement. Repairs are continuously expensed.

Investment property

Investment property is property that is held for the purpose of receiving rental income or an increase in value or a combination of these two purposes. Investment property is initially recognised at cost, which includes expenses directly attributable to the acquisition. Investment property is recognised at fair value in the statement of financial position.

The valuation of the property portfolio was performed by an external appraiser. The valuation primarily uses a location-price analysis based on sales of similar properties during the year. The location-price analysis was supplemented with a cash-flow statement and a residual value calculated at present value at the end of the calculation period.

Valuations are usually performed once a year. Internal valuations are performed continuously during the year which may give rise to revaluations in the event of major deviations from the most recent external valuation. Since valuation is based on fair value, depreciation is not applied to property.

Additional expenses are added to the carrying amount only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are recognised as an expense in the period in which they arise. The key factor in the assessment of whether an addition expense is to be added to the carrying amount is whether the expense pertains to the replacement of identified components, or parts thereof, in which case such expenses are capitalised. The expense is also added to the carrying amount in the case of the creation of new components. Repairs are expensed as such expenses arise.

Both unrealised and realised changes in value are recognised in profit and loss.

Financial assets and liabilities

Recognition and derecognition in the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to this in accordance with the instrument's contractual conditions. A financial asset is derecognised from the statement of financial position when the rights in the contract are realised, expire or the company loses control of them. A financial liability is derecognised from the statement of financial position when the obligation in the contract is met or eliminated in another manner.

A financial asset and a financial liability are offset and recognised as a net amount in the statement of financial position only when a legal right exists to offset the amounts and the intention is present to settle the item in a net amount or simultaneously realise the asset and settle the liability.

Business transactions in the monetary, bond and equities markets are recognised in the statement of financial position on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date. Loan receivables are recognised in the statement of financial position when the loan amount is paid to the borrower. Loan commitments are not recognised in the statement of financial position. Instead, they are valid for three months and are recognised as a commitment in the Note entitled "Pledged assets, contingent liabilities and contingent assets."

In genuine repurchase transactions, the asset remains in the statement of financial position of the selling party and payments received are recognised as liabilities. Sold securities are recognised as pledged assets. Leased securities remain in the statement of financial position as securities and are recognised as pledged assets.

Measurement

IAS 39 Financial Instruments requires that derivatives be measured at fair value and also provides an option for using fair value in the financial reporting.

Financial instruments are initially recognised at the instrument's fair value with the addition of transaction costs. This does not apply to derivatives and instruments that belong to the category of financial assets are measured at fair value in profit and loss, excluding transaction costs. Foreign financial investment assets are valued in their original currency and are subsequently translated at the closing rate of exchange. Exchange-rate differences that arise are recognised as exchange-rate gains/losses.

Methods for determining fair value

Financial instruments listed on an active market

For financial instruments listed on an active market, fair value is determined based on the listed buying-rate of the asset on the balance-sheet date with no additions for transaction costs (for example, brokerage commission) on the acquisition date. A financial instrument is considered to be listed on an active market if listed prices are readily available on an exchange, from a trader, broker, industry organisation, company providing up-to-date price information or and regulatory authority and these prices represent actual and regularly occurring market transactions based on commercial terms. Any future transaction costs arising in conjunction with divestments are not taken into account. The fair value of financial liabilities is determined based on the selling rate.

Instruments listed on an active market are found in the items "Shares and participations," "Bonds and other interest-bearing securities," "Treasury bills and other eligible bills" and "Derivatives" in the statement of financial position. The largest portion of the Group's securities holding is assigned a fair value at prices listed on an active market.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the company determines the fair value by using a valuation technique. The valuation techniques applied are based on market data as far as possible, whereas company-specific information is used a little as possible. The company regularly calibrates its valuation techniques and tests their validity by comparing the outcomes of the valuation techniques with prices from observable, relevant market transactions in the same or similar instruments. Valuation techniques are used for derivative instruments (OTC derivatives). The valuation techniques used for OTC derivatives comprise analyses of discounted cash flows.

The valuation techniques applied are calibrated such that on initial recognition the fair value amounts to the transaction price and changes in fair value are subsequently recognised continuously based on changes that occur in the underlying market-risk parameters.

Unlisted shares are recognised at fair value according to the valuation principles applied by industry organisations in Europe and the US. The item "Shares and participations" also includes the asset class "Alternative investments," which comprise units in funds that buy, develop and sell unlisted companies (private equity) and hedge funds. Valuation data is obtained from the various funds and valuation complies with the guidelines of the European Private Equity and Venture Capital Association.

The unlisted financial assets measured at fair value are recognised at level 3 of the valuation hierarchy in the note on fair value valuation techniques. Holdings of unlisted equities are recognised at cost for cases in which it is not possible to determine fair value reliably. The reason that it may not be possible to measure the fair value of these holdings reliably is that company management believes that uncertainty surrounding future cash flows and the risk adjustment required to the discount rate is too great. The company does not intent to divest its unlisted equities in the near future. The carrying amount of unlisted equities whose fair values could not be reliably measured totals SEK 10.2 (10.2).

Classification

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument, but also on the options contained in IAS 39. The classification determines how the financial instrument is measured after initial recognition as described below.

Financial assets measured at fair value in profit and loss

This category comprises two sub-groups: financial assets held for trading and other financial assets that the company has initially decided to place in this category according to the fair value option. Investments in this category are measured at fair value, with resultant gains or losses recognised in profit and loss under the item "Investment income, net."

Loan receivables and accounts receivable

Loans receivable and accounts receivable are financial assets that are not derivatives, that have fixed or fixable payments and that are not listed on an active market. These are represented by the items "loans to credit institutions," "loans to the public " and "Other receivables" in the statement of financial position. For further information, see the separate section on lending.

Investments held to maturity

Investments held to maturity are financial assets and comprise interest-bearing securities with fixed or determinable payments and determined terms that are traded on an active market and that the company expressly intends and has the capacity to hold to maturity. Assets in this category are measured at amortised cost.

Available-for-sale financial assets

The category of available-for-sale financial assets includes financial assets that have not been classified in any other category or financial assets that the company initially decided to classify in this category. This category includes such items as Länsförsäkringar Bank's liquidity surplus and holdings in Länsförsäkringar Liv Försäkrings AB. The shares in Länsförsäkringar Liv Försäkrings AB are measured at cost since they cannot be reliably measured at fair value.

Assets in this category are continuously measured at fair value, with unrealised changes in value recognised in other comprehensive income and accumulated in the fair value reserve in equity. Assets are recognised in profit and loss once the changes in value have been realised and when any impairment losses arise. Exchange-rate differences for monetary items are recognised in profit and loss. An assessment of whether any impairment has occurred takes place prior to the end of each reporting period. Objective circumstances, such as the credit rating of the issuer and market trends, are taken into account to evaluate future cash flows.

Furthermore, interest on interest-bearing instruments is recognised in accordance with the effective interest method in profit and loss similar to dividends on shares. Any transaction costs for these instruments will be included in the cost on initial recognition and thereafter included in the continuous valuations.

Derivatives

All derivatives are recognised at fair value. The principle for recognising a gain or loss depends on whether the derivative is specified as a hedging instrument and, if this is the case, the nature of the item that is hedged. Gains and losses on derivatives that are not hedge classified are recognised in profit and loss.

Financial liabilities measured at fair value in profit and loss

This category includes financial liabilities held for trading and other financial liabilities that the company has initially decided to place in this category according to the Fair Value Option.

This category includes the Group's derivatives at negative fair value with exceptions for derivatives that have been identified and effective hedging instruments. Changes in fair value are recognised in profit and loss.

Other financial liabilities

This category includes loans and other financial liabilities, for example, accounts payable. The liabilities are measured at cost which, when hedge accounting is applied, is adjusted for changes in fair value regarding the hedged risk (for further information, refer to the section on hedge accounting below.)

Hedge accounting

The Group's derivative instruments, which comprise interest and currency swaps, and purchased interest caps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. All derivatives are measured at fair value in the statement of financial position.

To avoid misleading earnings effects due to financial hedging, Länsförsäkringar Bank has chosen to apply hedge accounting. The hedge-accounting strategy defined and applied by the bank is portfolio hedging of fair value in the loan and borrowing portfolio, and a one-to-one hedging of bond portfolios. Fair value hedge accounting means that the hedged item is measured at fair value with respect to the hedged risk and that the change in fair value is recognised in profit and loss for both the hedging instrument and the hedged item.

The change in the value of the derivative is recognised in profit and loss together with the change in the value of the hedged item under "Investment income, net."

Unrealised changes in the value of hedging instruments are also recognised as "Investment income, net," whereas interest coupons (accrued, received and paid) are recognised among interest income if the hedged item is an asset or portfolio of assets or among interest expense if the hedged item is a liability or portfolio of liabilities. The application of portfolio hedging is based on the version of IAS 39 adopted by the EU, known as the "carve out" version.

To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured reliably. Hedge accounting can only be applied if the hedge relationship can be expected to be highly effective and subsequently to have had an effectiveness in the range of 80–125%. In the event that the conditions for hedge accounting are no longer met, the derivative instrument is recognised at fair value with the change in value in profit and loss. For a small number of financial hedges for which the earnings consequence of not applying hedge accounting is deemed more limited, hedge accounting is not applied due to the extra administrative work involved in hedge accounting.

Other financial hedges comprise currency risk associated with borrowing and hedging of interest-rate risk in bonds that carry fixed interest rates. The Group also includes hedges with interest-rate ceilings for interest-rate risk associated with borrowing at floating interest rates. The loans are recognised at amortised cost and the interest-rate ceiling is recognised at fair value in profit and loss.

The portfolio method that is applied implies that the lending and interest swaps used in the hedging instrument are distributed to various time pockets based on the contractual timing of interest renegotiation or maturity.

Evaluation of hedge relationships occurs at least quarterly on the official reporting occasions, but can also be carried out monthly if required. Each identified hedge relationship is expected to be effective over the entire lifetime of the hedge relationship. Effectiveness is tested using two different methods: one forward-looking (prospective) assessment and one retrospective evaluation. Ineffectiveness is recognised in profit and loss.

Financial management risk

An account of market, counterparty, concentration and liquidity risk is provided in Note 2.

Loans

These assets are measured at amortised cost. Amortised cost is determined based on the effective rate calculated on the acquisition date. Accounts receivable and loan receivables are recognised in the amount at which they are expected to be received, meaning after deductions for impairment of impaired loans.

Impaired loans

A loan or account receivable is considered impaired if a payment is more than 60 days overdue or if there is reason to expect that the counterparty cannot meet its undertaking. The portion covered by collateral is not deemed to be an impaired loan.

Impairment of loan losses

An assessment is made on each balance-sheet date as to whether objective circumstances exist suggesting that a financial asset or group of financial assets requires impairment. Loans identified on an individual basis as impaired, and accordingly on which impairment losses are to be recognised, are measured at the present value of future cash flows including the fair value of the collateral, less any selling expenses discounted by the original effective rate. Any impairment requirements on loans that are not deemed to require individual impairment loss recognition are indentified and valued collectively.

Impairment is conducted as an allocation to the reserve for loan losses. When a financial asset is impaired due to loan losses, a provision account is used. If the impairment requirement declines in subsequent periods, the maximum impairment carried out is reversed.

Individual reserves are reversed when a loan receivable is derecognised from the statement of financial position. Impairment for losses on guarantees is recognised as a provision.

In profit and loss, the impairment of loan receivables is recognised as loan losses, carried out as a write-off of loan losses confirmed during the year or as an allocation to the reserve for loan losses.

Reserve methods

Individual reserves include:

- For retail exposure in the banking and mortgage operations, impairment losses are recognised individually, regardless of the size of the loan, if such impairment has been identified. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are used as support in making estimates of expected future cash flows. Such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows.
- For other exposures in the banking and mortgage operations, individual assessments are performed on loans that individually total significant amounts.
- For leasing and hire purchase, individual assessments are performed on all loans that are more than 60 days past due, regardless of the size of the loan.

Collective reserves:

- For retail exposures in the banking and mortgage operations, reserves are made collectively when a measureable decline has occurred in the expected future cash flows from group of loans that were individually identified as requiring impairment losses. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are also used in determining this additional collective reserve. Similar to individual impairment losses, such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows.
- Collective impairment losses are recognised on other exposures in the banking and mortgage operations that are not individually significant. The collective valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.
- The reserve requirement for loan receivables in the leasing and hire purchase operations that are more than 20 days but less than 60 days past due is calculated under the guidance of previous experience of the amount of losses for the group in question.

Takeover of collateral

The banking and mortgage operations have not taken over any collateral. The collateral is directly sold in the event of insolvency. For the leasing and hire purchase operations, collateral that can be sold is taken over. Collateral is valued based on an external valuation and is recognised under reductions in impairment of loan losses

Confirmed losses

Confirmed loan losses are those losses whose amount is regarded as finally established through acceptance of a composition proposal, through other claim remissions or through bankruptcy. In the cases of loans to private individuals, for which all collateral has been realised and the assessment has been made that no additional funds will be received, the Credit Committee makes a decision on whether to confirm the loan loss. The receivable is derecognised from the statement of financial position and is recognised as a confirmed loss in profit and loss.

Leasing

Lease agreements are classified in the consolidated financial statements either as financial or operational leasing. Financial leasing exists if the financial risks and benefits associated with ownership have essentially been transferred to the lessee. If this is not the case, then this is a matter of operational leasing.

The Bank Group's assets that are leased under financial lease agreements are not recognised as property and equipment since the risks associated with ownership are transferred to the lessee. Instead, the lease agreements are recognised as loans to the lessee regarding future leasing fees. Initially, an amount corresponding to the present value of all minimum lease payments to be paid by the lessee is recognised and any guaranteed residual value accrues to the lessor. Payments received from these agreements are recognised in part as repayment of lease receivables and in part as interest income.

The Group is a lessor and to a slight extent also lessee in the form of external lease contracts classified as operational leading and where expenses are recognised as rents.

In addition, the Group is, to a limited extent, a lessee of company cars and office equipment. These expenses are recognised in their entirety as rental charges. These rental changes are recognised straight line over the leasing period.

Prepaid acquisition costs

Selling expenses that have a distinct link to signed insurance contracts are recognised as assets, prepaid acquisition costs, and are depreciated over their useful lives. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogenous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. The selling expenses that are to be capitalised are commission expenses. In the non-life insurance operations, the capitalised cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

Insurance contracts

Insurance contracts are contracts in which the insurance company undertakes a significant insurance risk for the policyholder by agreeing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts. Insurance products that do not involve a sufficiently significant level of insurance risk are to be classified as non-insurance contracts. An analysis of these was performed in the Group's insurance companies and resulted in all insurance contracts being classified with insurance risk. Some insurance contracts of minor value were identified for which the risk is not transferred to another party. Since these are of marginal value, all contracts have been classified according to the concept of materiality as insurance contracts.

The insurance companies in the Group perform a loss survey of connections in their insurance provisions to ensure that the carrying amounts of the provisions are sufficiently high for the expected future cash flow.

Reinsurance

Contracts signed between the Group's insurance companies and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. Assumed reinsurance is classified in the same manner.

For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the reinsurers' portion of technical reserves and deposits with companies that have ceded reinsurance. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Liabilities in reinsurance primarily comprise settlements against regional insurance companies and premiums to be paid for reinsurance contracts.

The reinsurers' portion of technical reserves corresponds to the reinsurers' responsibility for technical reserves in accordance with signed contracts. The insurance companies assess the impairment requirements of assets for reinsurance contracts twice a year. If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment loss is expensed in profit and loss.

Technical reserves

Technical reserves comprise "Provision for unearned premiums and unexpired risk" and "Provision for claims outstanding."

Changes in technical reserves for the period are recognised in profit and loss. Changes attributable to the translation of the provision items to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under the item "Investment income, net."

Provision for unearned premiums and unexpired risks

Provision for unearned premiums is designed to cover the expected claims and operating expenses during the remaining time to maturity of insurance contracts already in force. The calculation includes an estimate of the expected costs for claims that may occur during the remaining term of the insurance policies and the management costs during the period.

Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. For certain products with small volumes, unearned premiums are not calculated as a share of the premium income.

The cost estimate is based on experience, but consideration is also given to both the observed and forecast trend in relevant costs.

Unexpired risks refers to the risk that the payment requirements of the insurance contracts and the costs will not be covered by unearned premiums and expected premiums after the end of the fiscal year.

If the premium level of insurance contracts already entered into is deemed to be insufficient, a provision is made for unexpired risks. The change for the period in "Provision for unearned premiums and unexpired risks" is recognised in profit and loss.

Life-assurance provision

The life-assurance provision is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity, overheads and loading for contingencies.

Provision for claims outstanding

The provision for claims outstanding should cover anticipated costs for claims for which final settlement has not been completed, including claims that have occurred but have not yet been reported to the company. The provision includes anticipated future cost increases plus all expenses for claims adjustment and is based on statistical methods for most claims. An individual assessment is made in the case of major claims and claims involving complex liability conditions.

With the exception of health and accident insurance for children and claims annuities, the provision for claims outstanding is not discounted. In the case of health and accident insurance for children, discounting at a rate of 3.0% is applied. The provision for disability and claims annuities is discounted in line with customary life-assurance methods and measured at market value using current interest rates under FFFS 2008:23. The effect of interest-rate revaluations is recognised as a financial expense or income.

For third-party liability insurance, provisions are made for claims adjustment costs according to the unit cost principle. Provisions for claims adjustment costs for other types of insurance are made proportionally against the provision for claims incurred.

The provision for claims incurred but not reported (IBNR) encompasses costs for claims that have been incurred but are unknown to the company. The amount is an estimate based on historical experience and claims outcomes.

Other provisions

A provision is recognised in the statement of financial position when the Group has an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of when a payment is made is significant, provisions are calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is probable that an outflow of resources will be required.

Loan commitments

A loan commitment can be:

- a one-sided commitment from the company to issue a loan with terms and conditions determined in advance in which the borrower can choose whether he/she wants to accept the loan or not, or
- a loan agreement in which both the company and the borrower are subject to terms and conditions for a loan that begins at a certain point in the future. Loan commitments are not recognised in the statement of financial position.

Issued irrevocable loan guarantees are valid for three months and are recognised as a commitment under the Note entitled "Pledged assets, contingent liabilities and contingent assets."

Financial guarantees

Guarantee agreements issued by the Group, which primarily comprise leasing guarantees and credit guarantees, entail that a commitment to compensate the holder when the holder incurs a loss due to a specific debtor not making due payments to the holder in accordance with applicable contractual conditions.

Financial guarantee agreements are initially recognised at fair value, which normally means the amount that the company received as compensation for the guarantee issued. When the agreement is subsequently valued, the liability for the financial guarantee is recognised at the higher of the amounts to be recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount that was originally recognised less deductions for accumulated allocations, recognised in accordance with IAS 18 Revenue.

Cash flows

The statement of cash flows was prepared in accordance with the indirect method. Reported cash flow includes only transactions that result in outgoing payments.

NOTE 2 RISKS AND RISK MANAGEMENT

Conducting business activities involves risk-taking. Knowledge about risks is a core area of expertise in the banking and insurance industries.

An increasingly sophisticated and changeable financial market, and more detailed public regulations, impose more and more rigorous demands on financial companies and their risk management, in particular. The ultimate owners of Länsförsäkringar are also the company's customers. Accordingly, activities to govern, manage and control the business operations' risks are of immediate importance to customers and provide unequivocal customer value.

Focus and aims of risk management

The Länsförsäkringar AB Group conducts development, service and business activities on behalf of its owners. Specific business activities involve risk-taking through the extensive range of banking and insurance products offered by the Group. The management of risk-taking shall contribute to ensuring that financial products can be provided at a favourable return and at a controlled risk level.

Confidence in the Group's ability to fulfil its commitments is of central importance. This applies generally and specifically to ensuring the Bank Group's and the Parent Company's lending and Länsförsäkringar Sak's position as an insurer for both direct transactions and as a receiver of reinsurance. The Länsförsäkringar AB Group endeavours to maintain a balance between capital strength and risk taking such that a minimum credit rating of A can be justified. This serves as a general indicator of the Group's risk tolerance. The Group's dividend policy states as a condition for dividends to be paid that a credit rating of A can be justified for the Group's credit-rated units.

The risks in the operations are to be managed contentiously but not necessarily minimised. Risk management is to be an integrated part of the business governance. For this reason, risk-taking is controlled in such a manner that the conditions for returns and the level of risk are suitably balanced.

The Group's operations include non-life insurance as well as life assurance and banking activities. The life-assurance operations are found in a wholly owned company that is operated in accordance with mutual principles. The company is not consolidated in the Annual Report. Its risks are carried by the company's customers. Accordingly, the life-assurance company's risks are not encompassed by the description in this note.

Risk exposure

The following factors characterise the Group's risk taking:

- The operations primarily focus on private individuals and small and medium-sized businesses, directly or mediated by the regional insurance companies, and have few major commitments entailing risk with large companies.
- The operations are conducted in Sweden. An exception is made for animal insurance where the Group strives to utilise its experience and strong position in the Swedish market to successively develop profitable operations in certain other countries in northern Europe.
- The risks taken in non-life insurance are reinsured to a relatively high extent; retention is relatively low.
- Extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance. The operations involve a significantly high gross level of counterparty exposure but are not deemed to entail any major net risks.
- A certain exposure to the equities market in Länsförsäkringar Sak's investment assets is usually taken, on the condition that the company's capital strength permits this.
- Loans in the Group's banking operations primarily pertain to households and to a smaller extent to farmers and small businesses.

The Group's largest risk exposures at an aggregated level are considered to be the Group's commitments in third-party liability insurance and the mortgages operations.

The following summary provides an overview of the Group's risk exposure.

RISK EXPOSURE FOR THE LÄNSFÖRSÄKRINGAR AB GROUP

SEK billion	Dec. 31, 2010	Change from Dec. 31, 2009
Investments	**44**	**– 3**
Shares and equity-related assets	1	0
Interest-bearing assets including loans to credit institutions and cash/bank balances	39	–2
Property-related assets	2	0
Other investment assets	2	–1
Loans to the public	**118**	**18**
Segment distribution:		
Retail mortgages	87	12
Agricultural loans	14	3
Unsecured loans	5	1
Leasing	5	1
Hire purchase	4	0
Multi-family dwellings	2	1
Other	1	0
Reinsurers[1]	**7**	**1**
Other assets	**5**	**1**
Total assets	**174**	**17**

[1] Reinsurers' portion of technical reserves and receivables from reinsurers.

SEK billion	Dec. 31, 2010	Change from Dec. 31, 2009
Equity	**10**	**2**
Technical reserves, gross	**20**	**0**
Third-party liability	9	0
Commercial and property	1	0
Accident and health	2	0
Animal and crop insurance	1	0
Other direct insurance	1	0
Assumed reinsurance	6	0
Deposits and borrowing from the public	**41**	**4**
Debt securities in issue	**89**	**28**
Due to credit institutions	**5**	**–16**
Other liabilities	**9**	**– 1**
Total equity and liabilities	**174**	**17**

Risk management organisation

The Board of Directors of Länsförsäkringar AB assumes overall responsibility for the management and follow-up of risk in the Group in its capacity as the Board of the Group's Parent Company. Correspondingly, the Boards of the subsidiary Groups are responsible for the risks in their respective business operations. Guidance documents regarding risk-taking are adopted in the legal entities at the different levels of the entire Länsförsäkringar AB Group.

An aggregated risk profile for the Group is reported to the Parent Company's Board of Directors every quarter.

The Länsförsäkringar AB Group has a joint Finance Committee at Board level. The Finance Committee is a forum for financial analyses of the business environment and macroeconomic analyses. The Committee prepares and coordinates issues concerning asset management to be presented to the Board of each subsidiary for decision. The Committee also ensures compliance with investment orientations decided by the Boards and established targets.

At the Group management level, the Risk Committee addresses general issues regarding risk-taking, risk management and the balance between risk taking and use of capital in the Länsförsäkringar AB Group. The person responsible for reporting on risk to the Risk Committee is the Chief Risk Officer, who is responsible for the strategic and standardised risk control through the Group.

Ongoing management and follow-ups of different risks are performed in the business operations. Insurance risks are managed by each insurance company. Risks in the insurance companies' investment assets are managed by the Group-wide asset management unit on behalf of the insurance companies and credit risk in lending is managed in the Bank Group.

The management and monitoring of different risks takes place in the operating activities within the frameworks established by the Boards of each company and which are broken down into more detailed regulations regarding authorisation to take risks and obligations to monitor them.

Each individual Board in the Group's non-life insurance operations, Länsförsäkringar Sak Försäkrings AB (referred to as "Länsförsäkringar Sak") and its subsidiaries, decides on the framework for risk-taking by taking such action as adoption investment guidelines and determining the different classes of assets that are to make up the investment portfolios. Furthermore, these Board's decided on the extent of reinsurance coverage. Länsförsäkringar Sak has a Risk and Finance Committee at management level that discusses the level and composition of risk-taking.

Each individual Board in the Group's banking operations, Länsförsäkringar Bank and its subsidiaries, decides on such issues as credit and financial policy with guidelines for managing liquidity risks. Länsförsäkringar Bank has an Asset Liability Committee whose primary task is to monitor the Länsförsäkringar Bank Group's capital and finance issues.

The Risk Control functions, which are responsible for the independent risk control, are separate from the business operations; each Risk Control function is responsible for keeping the company's President and Board continuously informed of the company's overall risk situation.

The Group's Compliance Officers work with preventing the risk of non-compliance with regulations and monitoring that the operations are being conducted in accordance with applicable regulations.

The Internal Audit, which reports directly to the Boards of the Parent Company and subsidiaries, examines and evaluates the internal control of the operations.

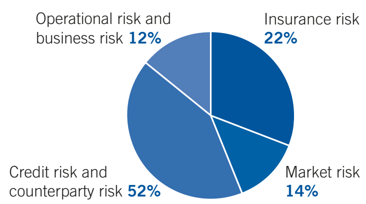
Risk modelling and reporting

The Länsförsäkringar AB Group utilises a variety of analysis tools and simulation models in its risk management activities.

An aggregated risk profile for the Group, which is reported to the Parent Company's Board of Directors every quarter, is presented as a risk model based on Basel II rules and draft Solvency II regulations. The model for the calculation of the bank's risks is was based on the actual Basel II capital requirement regulations, with credit risk calculated in accordance with the advanced risk-classification method for the majority of the Bank Group's loan portfolio. An approach similar to the draft Solvency II capital requirement regulations for insurance companies was utilised for the non-life insurance companies' insurance risk and the market risks in the non-life insurance companies and the Parent Company. The risk model is calibrated to show risk such that the highest probability of a less favourable outcome occurring within 12 months is 0.5%.

The diagram below shows the distribution of risk in the Länsförsäkringar AB Group on December 31, 2010 classified by primary types of risk following the model utilised for 2010. Diversification effects in the non-life insurance operations between insurance risk, counterparty risk and market risk have been distributed proportionally. The total risk distribution between the primary types of risk was stable during the year compared with a rising share of credit risk for the Group due to the banking operations expanding more than the other operations.

LÄNSFÖRSÄKRINGAR AB GROUP, RISK PROFILE, DECEMBER 31, 2010



More advanced risk models are used in each operation.

Länsförsäkringar Bank calculates the capital requirement for the majority of its loan portfolio by applying the advanced Internal Ratings-based Approach (IRB approach) under the Basel II regulations. This Approach has been applied to retail exposure since the Basel II regulatory framework came into effect in February 2007. Permanent exemptions have been granted for applying the Approach to exposures to governments, local governments, county councils and banks. For other components of the loan portfolio, advanced models will be implemented during the period up to January 1, 2012. From 2010, the bank has permission to use the basic IRB Approach for agricultural exposures.

Länsförsäkringar Sak has had a simulation model for simultaneous analysis of non-life insurance risks and market risks for many years. Models of this nature may under the Solvency II rules, following approval by the Swedish Financial Supervisory Authority, be approved for the calculation for legal capital requirements, in the same way as credit risk models may be approved under the Basel II rules for banks. Work is currently underway to revise and develop the previous model to convert it into a model that meets the requirements imposed by Solvency II and that can be approved as a partial internal model

Risk, capital and solvency

The management of risk taking is closely related to the control of the use of the Group's capital. A plan for the financing of the Group's operations is prepared annually in conjunction with business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of equity and liabilities in the Group, is to ensure that the Group has a sufficient buffer of capital and sufficient liquidity at any time.

The connection between the level of risk and the capital requirement is becoming increasingly clear in the statutory solvency rules for both the insurance and banking segments.

In the majority of cases, the Group's insurance companies had a capital base exceeding the statutory solvency margin by several hundred percent. Those insurance companies obliged to submit reports under the Swedish Financial Supervisory Authority's traffic-light model reported significant capital surpluses in relation to the requirements imposed by the test.

On December 31, 2010, the Länsförsäkringar Bank Group had a capital adequacy ratio of 9.4%, compared with the statutory requirement of a minimum of 8%. Excluding the supplements that are applied to the transition years according to the Basel II regulations, the capital adequacy ratio was 13.5%. The Tier 1 ratio was 11.8% compared with the established target of 12%, with a deviation of +/– 0.5 percentage points permitted.

Following a decision by the Financial Supervisory Authority, the Länsförsäkringar AB Group, including the Länsförsäkringar Liv Group, is classified as a financial conglomerate in accordance with the Swedish Financial Conglomerates (Special Supervision) Act. A special capital requirement applies to such conglomerates. The Länsförsäkringar AB Group fulfils this requirement by a substantial margin.

Solvency II – risk-based regulations from 2013

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, in 2009. These new rules place more rigorous demands on companies' risk management. Also, the rules stipulate that the requirements for minimum buffer capital placed on insurance companies will be significantly more closely linked to the scope of the company's risks. The regulatory changes are extensive, affect a number of areas and, in many respects, are manifested as substantially more detailed rules than the currently applicable provisions. The rules are expected to come into effect on January 1, 2013.

Länsförsäkringar AB and its subsidiaries have participated in the Solvency II preparations for several years. Following a preliminary study in 2008, a project on Solvency II preparations has been conducted since the start of 2009. An increasing number of employees will be involved in the preparations. The work involves individual preparations and also influencing the content of the new rules. In 2010, Länsförsäkringar responded to calls for comments and participated in tests of the reporting, structure and documentation of the internal model.

Länsförsäkringar has a positive attitude to the modernisation of the rules for the insurance sector under Solvency II. However, the preparations for Solvency II demand extensive work and expenses for the Länsförsäkringar AB Group's insurance companies. Measures need to be taken in terms of the development of work processes and guidance documents and the management of data inventories and calculation procedures. The reviews of processes that are underway will lead to enhanced efficiency.

The preparatory work for Solvency II is initially focusing on ensuring compliance with the regulations. Alongside this work, efforts are being made to optimise business and customer value as far as possible, which may be achieved by taking the opportunity to improve the forms for the governance, management and control of risks and the allocation of capital. The purpose is to both ensure the efficiency of the work processes and to generate improved calculation tools for balancing risk limitation with opportunities for yielding returns.

CLASSIFICATION OF RISK IN LÄNSFÖRSÄKRINGAR AB GROUP, INCLUDING LÄNSFÖRSÄKRINGAR LIV GROUP

Non-life insurance risk
- Premium risk
- Reserve risk
- Disaster risk

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

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

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

Credit risk in lending

Operational risk

Business risk

Concentration risk outside investment assets

Liquidity risk, including financing risk

Other risks

A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Swedish Financial Supervisory Authority prior to application. The intention for the Group's insurance companies s to have partially internal models approved in a bid to work with measurements of capital requirements that are more consistent with the company's risks than the provisions of the standard formula.

Classification of risks

The following section describes the Länsförsäkringar AB Group's (excluding the life-assurance operations) total risks and how they are controlled and managed. Information is provided on the size of the exposure for specific risks. The table shows the classification of risk determined for application at Group level and in the insurance companies. The Bank Group uses classifications that deviate from this in certain minor points.

Non-life insurance risk and life-assurance risk

The purpose of non-life insurance operations is to transfer risk from the policyholder to the insurer. The insurer collects premiums from a large number of policyholders and undertakes to compensate them if an insured loss occurs. Correct pricing of insurance contracts is crucial for earnings in insurance operations. However, there is an inherent uncertainty in insurance operations such that unfavourable results may occur. To handle this uncertainty, reinsurance is used to reduce the fluctuation in the earnings of insurance operations. The insurance operations in the Group comprise the insurance classes Accident and Health, Commercial and Property, Motor Vehicle, Third-party Liability, Marine, Air and Cargo, Animal insurance, Assumed Reinsurance, Group Life and Employment Group Life assurance. Where appropriate, the Boards of the Group's companies limit insurance risks through decisions on the highest permissible retention for different types of insurance risks and on the categories of reinsurer that may be used for ceded reinsurance. The risks in non-life insurance operations comprise premium risks, reserve risks and disaster risks. The Group's life-assurance risks comprise risk of paying life assurance, mortality risk and risk of morbidity.

Premium risk

Premium risk is the risk of losses occurring as a result of the premium not covering the operating expenses and costs for new claims.

In the insurance classes of third-party liability, accident and animal insurance, a large number of independent risks are added, resulting in a favourable balancing of risk, provided that the premium tariffs reflect the actual risk differences among the various groups in the insurance collective. Tariffs and insurance conditions are monitored regularly and adjusted when required. In other lines

SENSITIVITY ANALYSIS

Impact on profit before tax, SEK M	2010	2009
10% lower premium level	–377	–352
10% increased claims frequency or higher average claim	–277	–239
1% higher annual claims inflation	–658	–663

REINSURANCE PER CLAIM INCIDENT

	2010		2009	
SEK M	Retention	Cover	Retention	Cover
Third-party liability insurance	2	300	2	300
Liability insurance	20	300	20	300
Cargo insurance	10	200	10	200
Accident insurance	20	250	20	250
Marine	20	200	10	200

ESTIMATED CLAIMS COSTS BEFORE REINSURANCE, PER CLAIM YEAR

	Claim year							
SEK M	2004	2005	2006	2007	2008	2009	2010	Total
Länsförsäkringar Sak Försäkrings AB Group, excluding life-assurance operations								
At end of claim year	2,129	1,371	1,516	1,713	1,804	2,121	2,409	
One year later	2,084	1,373	1,608	1,662	1,788	2,131		
Two years later	2,011	1,403	1,581	1,567	1,786			
Three years later	2,063	1,363	1,536	1,556				
Four years later	1,930	1,338	1,522					
Five years later	1,891	1,333						
Six years later	1,883							
Estimated claims costs	1,883	1,333	1,522	1,556	1,786	2,131	2,409	
Accumulated claims payments	1,566	1,164	1,345	1,350	1,488	1,706	1,598	
Provision for claims payments	317	170	177	206	298	425	811	2,404
Provision for claims payments, older year classes								5,102
Provision for claims payments for assumed reinsurance								6,462
Total provision for claims payments, gross								**13,968**
Claims annuities reserve, gross								3,794
Claims adjustment reserve, gross								337
Provision for claims outstanding								**18,099**
Provision for claims payments, reinsurers' portion								**–6,146**
Claims annuities reserve, reinsurers' portion								**0**
Claims adjustment reserve, reinsurers' portion								**–7**
Provision for claims outstanding, reinsurers' portion								**–6,153**
Provision for claims outstanding, for own account								**11,946**

are monitored regularly and adjusted when required. In other lines of business, risk selection rules and risk inspection are the key instruments for monitoring premium risk, alongside premium calculation. The Group also follows detailed internal underwriting guidelines (risk selection rules) to ensure correct assessment and quantification of the risk that is being underwritten. An important element in this regard is the inspection of new and existing risks. In conjunction with inspection, claims-prevention measures are also implemented in the form of advisory services and the installation of preventive products, thereby further improving the company's risk. In an effort to limit the risk in insurance operations, the Group has insured itself against the risk of very large claims through ceded reinsurance. The Group's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product.

In the case of individual risks with a risk amount exceeding the reinsurance cover, reinsurance is purchased on an individual risk basis. Most reinsurance agreements extend for one calendar year. Cover for third-party liability insurance is adjusted to match the limits defined in the Swedish Traffic Damage Act. For claims insured abroad, there is supplementary insurance that provides unlimited cover.

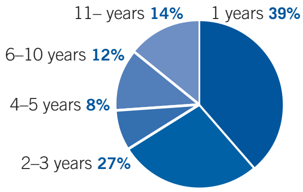
Reserve risk

Reserve risk is the risk of losses occurring as a result of a negative outcome from the run-off of incurred claims outstanding.

The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 19.9 billion. An estimate of the cost of claims outstanding – about SEK 18.4 billion – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in third-party liability insurance, which accounts for a large portion of the Group's undertaking. In this case, there is considerable uncertainty concerning the future cost trend, due to the fact that legislation and official decisions can affect the distribution of costs for third-party liability claims between the insurance companies and society, and that the prospects for rehabilitation are difficult to assess in many cases.

The trend in reserves is tracked continuously by means of various key figures and using comparisons with other insurance companies. The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. Another significant element in the follow-up work is the regular reviews of claims outstanding that are performed. The Group's non-life insurance portfolio has a relatively high duration given the large percentage of third-party liability insurance transactions, which is why changes in claims inflation have a significant impact on reserve requirements. The following diagram shows how the expected payments of claims outstanding, calculated at present value, are distributed according to tenure.

ESTIMATED DISTRIBUTION OF TENURE OF EXPECTED PAYMENTS OF CLAIMS OUTSTANDING, GROSS, CALCULATED AT PRESENT VALUE, DEC. 31, 2010



Disaster risk

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

The Group has low exposure to disaster risks for own account. The Group administrates common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural disasters. The experience gained from Hurricane Gudrun in 2005 showed that the disaster risk modelling performed previously had underestimated the consequences of forest damage. In cooperation with external institutions for risk modelling, the disaster-risk calculations have been updated. Cover was raised in 2008 to SEK 7 billion and this level of cover was the same in 2009 and 2010. In addition, there is internal Group reinsurance amounting to about an additional SEK 3.5 billion for the same type of damage, which comes into effect if damage exceeds the level covered by the external reinsurance.

Life-assurance risk

The Group's life-assurance risk derives from the claims annuities operations which are subject to the risk of paying life assurance, and the operations of Länsförsäkringar Grupplivförsäkrings AB are subject to the mortality risk and morbidity. The risk of paying life assurance, mortality risk and risk of morbidity is the risk of losses occurring as a result of the insured living longer, the mortality of the insured being higher and the morbidity of the insured being higher than assumed. Life-assurance risks are relatively minor in relation to the Group's non-life insurance risks.

Market risk

Market risks arise in the Länsförsäkringar AB Group primarily through decisions made on the management of the non-life insurance companies' and the Parent Company's investment assets. Market risks also occur in the Bank Group's operations to a certain extent in the form of differences in fixed-interest periods between assets and liabilities, although such market risks comprise a small portion of the Länsförsäkringar AB Group's total market risks.

In the management of the non-life insurance companies' and Parent Company's assets, assessments are made of the potential for a favourable return and the risk level involved in the creation of investment strategies and for investment decisions of a more operational nature. The main asset classes in portfolio management are equities, interest-bearing securities, alternative investments and property.

A portfolio composition is defined to serve as the starting point for distributing investments among asset classes and regions. Analyses of the expected future returns and the risk level for the asset classes that may be included in the investment portfolios are performed continuously.

Market risks in asset management are controlled by decisions in the Boards of each company concerning the proportion that is initially to be invested in each asset class and the extent to which the actual portfolio may deviate from the defined portfolio. In this way, the Boards take a position on the level of risk applying to investment operations and the degree of freedom allowed to the operational management organisation in its efforts to raise the return by deviating from the portfolio defined by the Board.

Derivative instruments are increasingly utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile.

SENSITIVITY ANALYSIS

Impact on profit before tax, SEK M	2010	2009
1% higher interest rate, nominal interest rates	–75	7
1% higher real interest rate (impact on claims annuities)	–94	19
10% lower share prices[1]	–188	–95
10% lower property prices[2]	–1	–12
10% weaker SEK	–5	–9

[1] Includes 10% lower price of hedge funds.
[2] For the effect of changed property prices, the difference between the impact on profit and the impact on equity is that the effect of a decline in the fair value of the office property utilised by the Group is recognised directly against equity. A 10% decline in the value of the property results in a decrease in equity, after 26.3% standard tax, amounting to approximately SEK 178 M (169).

The predominant proportion of the item "Other" in the segment reporting for specific risk categories below refers to items in the Parent Company.

Interest-rate risk

Interest-rate risk is the risk that the net value of assets, liabilities and insurance undertakings may decline due to changed market interest rates.

With the exception of claims annuities, the value of insurance undertakings according to applicable accounting policies for non-life insurance is not determined based on the market interest rate. Accordingly, the interest-rate risk reported in the sensitivity analysis pertains to assets, liabilities and claims annuities.

The desired interest-rate risk in the investment assets of the non-life insurance companies is described and a desired target decided for the duration with a rebalancing interval. Derivative instruments, such as interest-bearing swap contracts, are used to manage interest-rate risk.

The Bank Group has established a limit for the highest permissible interest-rate risk, which is relatively low compared with the normal total interest-rate risk in the entire Group. Whenever possible, fixed lending should be matched by means of corresponding borrowing or through interest-rate derivatives. In principle, this means that no time differences should exist. In practice, this is impossible, so the Board has established interest-rate risk limits. However, these limits are so conservative that the basic principle for matching still applies. The Financial Policy defines interest-rate risk as a parallel shift in the yield curve of 100 points. On December 31, 2010, an increase in market interest rates of 1 percentage point would have increased the net value of interest-bearing assets and liabilities, including derivatives, by SEK 52 M (36).

The fixed-interest periods for the Länsförsäkringar AB Group's assets and liabilities are presented in the table on page 52

Equities risk

Equities risk is the risk that the value of assets may decline due to falling share prices.

Investment shares are found in the non-life insurance companies' and the Parent Company's investment assets. Exposure to equities risk is decided with exposure by region. In certain, selected regions, investments are subsequently made with a number of asset managers to reduce the manager risk in individual regions. For the regions/markets that are not invested in by several asset managers, investments are made in the desired market index.

Equities risk was kept at a relatively low level throughout 2010.

Property risk

Property risk is the risk that the value of assets declines due to falling property prices.

Property investments are essentially found exclusively in the non-life insurance company. The Group's property risk overwhelmingly derives from the ownership of the office property in Stockholm that the Group utilises for its operations and whose fair value amounts to approximately SEK 2.4 billion (2.3).

Credit-spread risk

Credit-spread risk is the risk that the value of assets declines due to increases in the difference between market interest rates on bonds with credit risks and government securities.

Credit-spread risk is managed by a decision that the counterparty shall have a credit rating that is deemed to be sufficient. Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions.

BONDS AND OTHER INTEREST-BEARING SECURITIES CLASSIFIED BY RATING

DEC. 31, 2010, SEK M	AAA Swedish Government	AAA other	AA	A	BBB	BB	B or lower
Insurance[1]	3,994	1,307	963	917	623	671	933
Banking	4,170	–	21,203	–	–		–
Other[1]	–	–	–	–	–		–
Total	**8,164**	**1,307**	**22,166**	**917**	**623**	**671**	**933**

[1] Excluding investments in hedge funds in "Insurance" and "Other" totalling SEK 949 M and excluding intra-Group investments in bonds.

DEC. 31, 2009, SEK M	AAA Swedish Government	AAA other government securities	AAA övriga	AA	A	BBB or lower
Insurance[1]	3,932	–	255	1,204	914	–
Banking	3,996	–	17,618	–	3,087	–
Other[1]	–	–	–	–	–	–
Total	**7,928**	–	**17,873**	**1,204**	**4,001**	–

[1] No information about the ratings of interest-rate funds is available for 2009. Interest-rate funds in "Insurance" and "Other" total SEK 3,181 M and exclude intra-Group investments in bonds.

The category "AAA Swedish Government" also includes securities guaranteed by the Swedish Government.

Currency risk

Currency risk is the risk that the net value of assets, liabilities and insurance undertakings declines due to fluctuations in exchange rates. The Group's significant foreign currency exposure is found only in the non-life insurance companies.

Decisions on the size of currency exposure are made in light of prevailing market conditions.

GROUP'S NET EXPOSURE IN FOREIGN CURRENCY

Currency, equivalent in SEK M	Dec. 31, 2010	Dec. 31, 2009
EUR	–700	87
USD	–540	–9
GBP	–258	22
PLN	207	–
TRY	192	–
IDR	131	–
RUB	134	–
NOK	47	1
Other currencies	740	–11
Total	**– 47**	**90**

The total net currency exposure on December 31, 2010 amounted to less than 1% of the total investment assets in the non-life insurance companies and the Parent Company jointly.

Counterparty risk

Counterparty risk pertains to the risk that counterparties are unable to fulfil their undertaking and that any collateral provided does not cover the receivable, except regarding the Bank Group's lending operations. The Group's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives.

Regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. Minimum requirements stipulated for the choice of reinsurer include that reinsurers shall have at least an A credit rating from Standard & Poor's for transactions with long settlement periods and at least a BBB credit rating for other types of business. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers.

EXPOSURE TO REINSURERS PER RATING CATEGORY
The division refers to purchased, external cover for 2010

%	2010	2009
AAA	0.5	3
AA	23	28
A	76	69
BBB	0.5	1
BB or lower	0	0
Total	**100**	**100**

Counterparty risks in financial derivatives are managed through regulations for approved exposure to counterparties. The size of the permitted exposure depends on the rating of the counterparty. Exposure is limited on the basis of ISDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure

COUNTERPARTY RISKS IN FINANCIAL DERIVATIVES PER RATING CATEGORY
Calculated based on the market value of the derivative

DEC. 31, 2010, SEK M	AAA	AA	A	BBB or lower	Total
Insurance operations	–	28	59	–	87
Banking	–	40	482	–	522
Other	–	–	–	–	–
Total	–	**68**	**541**	–	**609**

DEC. 31, 2009, SEK M	AAA	AA	A	BBB or lower	Total
Insurance operations	–	1	23	–	24
Banking	–	99	1,144	–	1,243
Other	–	–	–	–	–
Total	–	**100**	**1,167**	–	**1,267**

No collateral has been pledged by any counterparty to any significant extent for the Group's receivables under financial derivatives or reinsurance contracts.

Counterparty risks also arise through the insurance companies' and Parent Company's deposits in accounts in external banking institutions, totalling slightly more than SEK 1.5 billion (1.7).

Credit risk in the lending operations

Credit risk is defined as the risk of incurring losses as a result of a counterparty not being able to fulfil its commitments to the Bank Group and the risk that the counterparty's pledged collateral will not cover the company's receivables. Credit risk in the loan operations pertains only to the Bank Group.

The loan operations of the Bank Group are conducted only with borrowers in Sweden and mainly comprise mortgages, loans to farmers, hire purchase and leasing operations. The vast majority of the Bank Group's loan portfolio comprises loans for private housing in the form of single-family homes and tenant-owned apartments. First-lien mortgages with loan-to-value ratios amounting to less than 75% of the market value at the time the mortgage is granted account for the largest percentage of this product type. Lending takes place through the 24 regional insurance companies, which provides a local presence close to the customer. Low loan-to-value ratios, combined with a favourable geographic distribution and local presence, are the core pillars in ensuring that the loan portfolio maintains a high level of credit quality.

Loans to the agricultural and forestry segment continued to rise in 2010. The loan segment is a complement to the bank's mortgages since a large share pertains to loans to family-owned farming and forestry businesses. The banking operations carry out balanced and consistent loan origination, with a strong system support.

The banking operations' loan origination is to achieve favourable and homogenous credit quality. The maximum lending levels for various types of loans and limits for the regional insurance company's loan origination are stipulated in the guidelines of the bank's Board of Directors. Decision-making authorities are dependent on the size of the loans. The banking operations impose strict requirements in terms of customer selection and customers' repayment capacity.

The Bank Group calculates all retail exposures in accordance with the advanced Internal Ratings-based Approach (IRB), which corresponds to predominant proportion of the Bank Group's loan portfolio. This means that a considerable portion of its credit exposure is calculated using a method that aims to identify and classify risk for each individual counterparty. The bank received permission in December 2009 to use the basic IRB Approach for the portion of the loan portfolio pertaining to agricultural operations. The Standardised Approach is used for other exposures.

BANK GROUP LOANS BY SECTOR

	Dec. 31, 2010			Dec. 31, 2009		
Loan receivables, SEK M	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Retail sector	109,233	–222	109,011	92,847	–240	92,607
Corporate sector	8,723	–64	8,659	6,862	–68	6,794
Credit institutions	1,530		1,530	3,216		3,216
Public sector	236		236	170		170
Other	4		4	11		11
Total	**119,726**	**–286**	**119,440**	**103,106**	**–308**	**102,798**
Loans approved but not disbursed			4,671			812
Overdraft facilities approved but not utilised			1,755			1,775
Unutilised card loans and financial guarantees			750			812
Total credit risk exposure in the Bank Group's lending			**126,616**			**106,197**

BANK GROUP LOANS BY SECTOR

Loan receivables, SEK M	Dec. 31, 2010	Dec. 31, 2009
Retail mortgages	87,414	75,035
Agricultural loans	13,786	10,816
Unsecured loans	4,911	4,383
Leasing	5,180	4,198
Hire purchase	4,079	3,571
Multi-family dwellings	1,994	1,358
Other	832	529
Credit institutions	1,530	3,216
Total	**119,726**	**103,106**

The average commitment amounted to SEK 0.9 million (0.9). Some 34% (37) of customers have a commitment of less than SEK 1 million. Only 8% (7) of customers have a commitment of more than SEK three million.

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223).

BANK GROUP'S IMPAIRED LOANS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Retail sector	141	155
Corporate sector	68	58
Total	**209**	**213**

BANK GROUP'S NON-PERFORMING LOAN RECEIVABLES NOT INCLUDED IN IMPAIRED LOANS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Receivables 10–19 days past due	0	0
Receivables 20–39 days past due	265	311
Receivables 40–59 days past due	8	8
Total	**273**	**319**

A loan receivable is considered impaired if a payment is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking. A loan receivable, whose capital is covered by collateral, is not considered an impaired loan. A defaulted loan receivable is a receivable on which the borrower has defaulted by more than ten days. This analysis pertains exclusively to loans to the public.

There are no loans within the banking operations whose terms were renegotiated during the year and that would otherwise have been recognised as impaired.

Agreements concerning payment plans are made to a limited extent within the leasing and hire purchase operations if it is deemed beneficial for the customer and lessor.

IMPAIRMENT OF BANK GROUP'S RECEIVABLES, DECEMBER 31, 2010

	Individually assessed receivables		Collectively assessed receivables		Total	
SEK M	2010	2009	2010	2009	2010	2009
Retail sector	95	99	127	141	222	240
Corporate sector	40	45	24	23	64	68
Total	**135**	**144**	**151**	**164**	**286**	**308**

Operational risk

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

Operational risk analyses are performed annually in the operating activities. A mainly joint method and reporting format are used in these analyses, although some of the work performed in the Länsförsäkringar Bank group follows a more detailed method. Operational risks are identified, the consequences evaluated and probability assessed. Action plans are prepared for material risks, which are regularly followed up. Each Risk Control function facilitates analyses, compiles and reports on results and follows up action plans.

Common system support is used for incident management. A continuity plan for the Group is adopted annually. The Group's units adopt continuity plans for their specific business operations.

Business risk

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

Business risks are managed at management and Board level through analyses and decisions prior to making strategic choices on the direction of the operations, and in the annual business planning process and also when trends in the Group's markets so warrant risk management actions. The specific business risks that are deemed to be the most important at any time are continuously monitored at management level.

Concentration risk

Concentration risk is the risk of losses occurring as a result of assets and undertakings vis-à-vis policyholders not being highly diversified.

Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per reinsurer, per counterparty in financial derivatives and per counterparty in the Bank Group's liquidity management, by discretionary reinsurance of the insured, very large individual risks and by the diversification of the Group's investment assets. The Group's management and Board frequently study reports on the Group's major areas of exposure and risk concentrations.

From 2004, most of Länsförsäkringar's third-party liability insurance has been underwritten by the local regional insurance companies. Claims incurred for insurance underwritten up to and including 2003 is run-off within Länsförsäkringar Sak. The reserve risk in the Group's non-life insurance operations remains relatively heavily concentrated to third-party liability insurance transactions. Of the total technical reserves before ceded reinsurance of SEK 19.9 billion (19.9), 44% (46) refers to the third-party liability insurance class of insurance.

The Bank Group's loan portfolio largely comprises mortgages to private individuals and in other respects primarily comprises other loans to private individuals and farmers and leasing operations, and is not considered to contain any significant concentration risk.

The Group's investment assets in the non-life insurance companies and the Parent Company are very highly diversified. As of December 31, 2010, the office property in Stockholm utilised by the Group comprised a major investment asset. The value of this property represented approximately 14% of the value of the non-life insurance companies' and the Parent Company's total investment assets. The largest exposure in other respects pertains to the four largest Swedish Bank Groups and primarily derives from investments in housing bonds and current investments of the Bank

Group's liquidity. The single largest share investment pertains to the Eureko insurance company and represents slightly more than 2% of the investment assets.

Liquidity risk, including financing risk

Liquidity risk, including financing risk, is the risk that the company's undertakings cannot be fulfilled due to a shortage of cash and cash equivalents or that these undertakings can be fulfilled only by raising borrowings at significantly higher costs than usual.

Management of the Länsförsäkringar AB Group's liquidity risk is based on management taking place in each subsidiary group and the Parent Company, rather than at Group level. The nature of the operations differs between the banking operations and insurance operations and there are legal restrictions on for the scope of internal loans. In practice, liquidity risk for the Länsförsäkringar AB Group is primarily an issue for the Länsförsäkringar Bank Group and the Parent Company. The non-life insurance companies' liquidity risk is limited since most investment assets are available at short notice and a significant portion of the commitments have long durations.

The Bank Group conducts active liquidity risk management to ensure that the financing of the lending operations is not jeopardised. The aim is to attain a favourable spread of financing sources. Liquidity is continuously planned and internal regulations on the lowest permissible liquidity are in place.

Länsförsäkringar Bank Group's liquidity portfolio amounted to SEK 25.7 billion on December 31, 2010. The liquidity portfolio comprises investments in SEK with very high credit quality. The distribution of the liquidity portfolio had the following exposure: 15% to the government and 80% to covered bonds. The remaining 5% pertained to day-to-day loans.

The Länsförsäkringar Sak Group's liquidity was highly favourable at year-end. Liquid assets in the form of cash and bank balances and securities with high liquidity totalled approximately SEK 12.3 billion (12.9), whereas short-term liabilities and payments of insurance contracts, gross before reinsurance, expected to be incurred within one year amounted to SEK 10.1 billion (9.0).

The Parent Company's liquidity is mainly affected by dividends and Group contributions from subsidiaries, any requirements for contributions to be made to subsidiaries, dividends to owners and interest payments on loans. The Parent Company's liquidity was favourable at year-end, with short-term, interest-bearing investments and cash and cash equivalents totalling SEK 597 M.

MATURITY STRUCTURE OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES

The table present undiscounted nominal amounts, SEK M

Dec. 31, 2010 SEK M	On demand	Not more than 3 months	More than 3 months but less than 1 year	1–5 years	More than 5 years	Without maturity	Total nominal value	Carrying amount
INSURANCE								
Bonds and other interest-bearing securities	–	89	99	1,393	2,389	4,909	8,878	10,165
Other assets	1,114	14	49	–	–	4,453	5,630	5,630
Total assets, Insurance	**1,114**	**103**	**148**	**1,393**	**2,389**	**9,361**	**14,508**	**15,795**
Other liabilities	87	13	–	–	–	348	447	448
Total liabilities, Insurance	**87**	**13**	–	–	–	**348**	**447**	**448**
Net assets and liabilities, Insurance	**1,027**	**90**	**148**	**1,393**	**2,389**	**9,014**	**14,061**	**15,347**
Derivatives, nominal value, net, Insurance	–	2	–	–	–	–	2	
Net exposure, Insurance	**1,027**	**92**	**148**	**1,393**	**2,389**	**9,014**	**14,063**	
BANK								
Loans	–	963	3,312	8,520	105,488	–	118,283	117,910
Bonds and other interest-bearing securities	–	–	2,800	17,775	–	–	20,575	21,203
Other assets	279	2,686	–	2,550	–	3,636	9,150	9,420
Total assets, Bank	**279**	**3,648**	**6,112**	**28,845**	**105,488**	**3,636**	**148,008**	**148,534**
Deposits	30,298	9,220	1,001	128	–	–	40,648	41,590
Debt securities in issue	–	5,072	15,283	55,164	12,460	–	87,979	89,248
Other liabilities	30	5,172	–	–	290	5,674	11,166	–
Total liabilities, Bank	**30,329**	**19,465**	**16,285**	**55,292**	**12,750**	**5,674**	**139,793**	**130,838**
Net assets and liabilities, Bank	**–30,050**	**–15,816**	**–10,173**	**–26,446**	**92,739**	**–2,038**	**8,215**	**17,696**
Derivatives, nominal value, net, Bank	–	293	–293	1,014	252	–	1,266	
Net exposure, Bank	**–30,050**	**–15,523**	**–10,466**	**–25,432**	**92,991**	**–2,038**	**9,481**	
OTHER								
Bonds and other interest-bearing securities	–	–	–	–	–	192	192	192
Other assets	45	–	–	–	–	8,472	8,518	8,518
Total assets, Other	**45**	–	–	–	–	**8,665**	**8,710**	**8,710**
Other liabilities	–	–	602	–	–	–	602	602
Total liabilities, Other	–	–	**602**	–	–	–	**602**	**602**
Net assets and liabilities, Other	**45**	–	**–602**	–	–	**8,665**	**8,108**	**8,108**
TOTAL								
Intra-Group eliminations						–7,912	–7,912	–7,912
Net assets and liabilities, Total	**–28,978**	**–15,727**	**–10,627**	**–25,054**	**95,128**	**7,728**	**22,472**	**33,239**
Derivatives, nominal value, net, Total	–	295	–293	1,014	252	–	1,268	
Net exposure, Total	**–28,978**	**–15,431**	**–10,919**	**–24,040**	**95,380**	**7,728**	**23,740**	

Information regarding issued loan commitments is presented in Note 45 Pledged assets and contingent liabilities. No loan commitments have a term of more than three months. For further information, refer to Länsförsäkringar Bank's 2010 Annual Report.

FIXED-INTEREST PERIODS FOR ASSETS AND LIABILITIES – INTEREST-RATE EXPOSURE

The table presents the interest maturity structure at carrying amount

Dec. 31, 2010 SEK M	Not more than 1 month	More than 1 months but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 years but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total carrying amount[1)]
INSURANCE									
Loans	–	–	–	–	–	–	–	–	–
Bonds and other interest-bearing securities	46	43	96	4	1,170	267	3,631	4,909	10,165
Other assets	1,116	11	24	25	–	–	–	12,828	14,004
Total assets, Insurance	**1,162**	**54**	**120**	**29**	**1,170**	**267**	**3,631**	**17,736**	**24,169**
Deposits	–	–	–	–	–	–	–	–	–
Debt securities in issue	–	–	–	–	–	–	–	–	–
Other liabilities	87	12	–	–	–	–	–	22,341	22,440
Equity	–	–	–	–	–	–	–	2,683	2,683
Total liabilities and equity, Insurance	**87**	**12**	**–**	**–**	**–**	**–**	**–**	**25,023**	**25,123**
Net assets and liabilities, Insurance	**1,074**	**42**	**120**	**29**	**1,170**	**267**	**3,631**	**–7,287**	**–954**
Interest-rate derivatives, nominal value, net, Insurance	–	–	–	–	–1,867	2,167	–1,991		
Net exposure, Insurance	**1,074**	**42**	**120**	**29**	**–697**	**2,434**	**1,640**	**–7,287**	
BANK									
Loans	62,756	21,952	4,213	5,726	16,395	5,346	1,676	–154	117,910
Bonds and other interest-bearing securities	–	–	2,830	–	9,961	8,412	–	–	21,203
Other assets	2,840	–	–	–	–	2,821	–	3,760	9,421
Total assets, Bank	**65,596**	**21,952**	**7,044**	**5,726**	**26,356**	**16,579**	**1,676**	**3,606**	**148,534**
Deposits	33,191	6,205	241	778	780	273	–	83	41,550
Debt securities in issue	1,566	20,568	7,968	388	19,812	25,271	12,907	97	88,576
Other liabilities	4,949	–	–	–	–	–	–	5,968	10,917
Equity	–	–	–	–	–	–	–	5,529	5,529
Total liabilities and equity, Bank	**39,706**	**26,773**	**8,208**	**1,166**	**20,592**	**25,543**	**12,907**	**11,677**	**146,572**
Net assets and liabilities, Bank	**25,890**	**–4,820**	**–1,165**	**4,560**	**5,764**	**–8,965**	**–11,231**	**–8,072**	**1,962**
Interest-rate derivatives, nominal value, net, Bank	–265	–13,846	1,893	–4,542	–4,861	10,223	10,919		
Net exposure, Bank	**25,625**	**–18,666**	**728**	**18**	**903**	**1,258**	**–312**	**–8,072**	
OTHER									
Loans	–	–	–	–	–	–	–	–	–
Bonds and other interest-bearing securities	–	–	–	–	–	–	–	201	201
Other assets	51	–	–	–	–	–	–	895	946
Total assets, Other	**51**	**–**	**–**	**–**	**–**	**–**	**–**	**1,096**	**1,147**
Deposits	–	–	–	–	–	–	–	21	21
Debt securities in issue	–	–	–	–	–	–	–	19	19
Other liabilities	–	–	488	114	–	–	–	–106	496
Equity	–	–	–	–	–	–	–	1,619	1,619
Total liabilities and equity, Other	**–**	**–**	**488**	**114**	**–**	**–**	**–**	**1,553**	**2,155**
Net assets and liabilities, Othe	**51**	**–**	**–488**	**–114**	**–**	**–**	**–**	**–457**	**–1,008**
TOTAL									
Loans	62,756	21,952	4,213	5,726	16,395	5,346	1,676	–5,292	112,772
Bonds and other interest-bearing securities	46	43	2,926	4	11,131	8,679	3,631	5,110	31,570
Other assets	4,007	11	24	25	–	2,821	–	22,620	29,509
Total assets, Total	**66,809**	**22,007**	**7,164**	**5,755**	**27,526**	**16,845**	**5,307**	**22,438**	**173,850**
Deposits	33,191	6,205	241	778	780	273	–	104	41,571
Debt securities in issue	1,566	20,568	7,968	388	19,812	25,271	12,907	117	88,595
Other liabilities	5,036	12	488	114	–	–	–	28,203	33,853
Equity	–	–	–	–	–	–	–	9,831	9,831
Total liabilities and equity, Total	**39,793**	**26,785**	**8,696**	**1,280**	**20,592**	**25,543**	**12,907**	**38,254**	**173,850**
Net assets and liabilities, Total	**27,016**	**–4,778**	**–1,532**	**4,475**	**6,934**	**–8,698**	**–7,600**	**–15,817**	**–**
Interest-rate derivatives, nominal values, net, Total	–265	–13,846	1,893	–4,542	–6,728	12,390	8,928		
Net exposure, Total	**26,750**	**–18,625**	**361**	**–67**	**205**	**3,692**	**1,328**	**–15,817**	

1) Assets and liabilities in each of the business areas of Insurance, Bank and Other are not as large due to Group adjustments between these business areas.

NOTE 3 EARNINGS PER SEGMENT

January 1, 2010 – December 31, 2010

SEK M	Insurance operations	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	5,926.2					5.926.2
Reinsurers' portion of premiums earned	–2,157.1					–2,157.1
Premiums earned after ceded reinsurance	**3,769.1**					**3,769.1**
Interest income		5,634.4				5,634.4
Interest expense		–4,271.6			73.4	–4,198.2
Net interest income		**1,362.8**			**73.4**	**1,436.2**
Investment income, net	308.7	10.0	151.1		–52.6	417.2
Commission income	190.8	918.8				1,109.6
Other operating income	125.9	169.0	260.5	2,184.4	–521.7	2,218.1
Total operating income	**4,394.5**	**2,460.6**	**411.6**	**2,184.4**	**–500.9**	**8,950.2**
Claims payments before ceded reinsurance	–4,238.6					–4,238.6
Reinsurers' portion of claims payments	1,470.4					1,470.4
Claims payments after ceded reinsurance	**–2,768.2**					**–2,768.2**
Commission expense	–421.0	–1,073.7		–0.2	3.8	–1,491.1
Staff costs	–299.7	–311.4	–53.1	–736.4	14.2	–1,386.4
Other administration expenses	–712.6	–670.1	–154.2	–1,540.0	482.9	–2,594.1
Loan losses		–60.1				–60.1
Total expenses	**–4,201.5**	**–2,115.3**	**–207.3**	**–2,276.7**	**500.9**	**–8,299.8**
Operating profit/loss for company management	**193.0**	**345.3**	**204.3**	**–92.3**	**–**	**650.4**
Less pension provisions				–19.8		–19.8
Less revaluation of owner-occupied property			–94.8			–94.8
Operating profit/loss in profit and loss	**193.0**	**345.3**	**109.5**	**–112.1**	**–**	**535.7**
Tax						–117.6
Net profit for the year						**418.1**
Income distribution						
External income	4,392.8	2,501.7	–59.0	1,161.2	953.5	8,950.2
Internal income	1.7	–41.2	470.6	1,023.2	–1,454.3	–
Total operating income	**4,394.5**	**2,460.6**	**411.6**	**2,184.4**	**–500.9**	**8,950.2**

January 1, 2009 – December 31, 2009

SEK M	Insurance operations	Bank	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	5,771.5					5,771.5
Reinsurers' portion of premiums earned	–2,247.9					–2,247.9
Premiums earned after ceded reinsurance	**3,523.7**					**3,523.7**
Interest income		5,320.7				5,320.7
Interest expense		–4,172.4			92.8	–4,079.6
Net interest income		**1,148.3**			**92.8**	**1,241.1**
Investment income, net	445.4	100.5	174.1		–139.8	580.1
Commission income	238.4	774.4				1,012.9
Other operating income	138.7	147.5	262.2	2,219.3	–766.9	2,000.7
Total operating income	**4,346.1**	**2,170.7**	**436.3**	**2,219.3**	**–813.9**	**8,358.5**
Claims payments before ceded reinsurance	–3,553.0					–3,553.0
Reinsurers' portion of claims payments	1,162.4					1,162.4
Claims payments after ceded reinsurance	**–2,390.6**					**–2,390.6**
Commission expense	–485.2	–870.2		0.0	2.7	–1,352.7
Staff costs	–313.1	–305.1	–50.0	–812.9	7.1	–1,474.0
Other administration expenses	–731.3	–687.3	–179.4	–1,544.3	804.1	–2,338.2
Loan losses		–50.4				–50.4
Total expenses	**–3,920.2**	**–1,913.0**	**–229.3**	**–2,357.2**	**813.9**	**–7,605.9**
Operating profit/loss for company management	**425.9**	**257.7**	**207.0**	**–137.9**	**–**	**752.6**
Less revaluation of owner-occupied property			–60.1			–60.1
Operating profit/loss in profit and loss	**425.9**	**257.7**	**146.9**	**–137.9**	**–**	**692.5**
Tax						–183.7
Net profit for the year						**508.9**
Income distribution						
External income	4,342.7	2,159.5	–49.9	1,698.0	208.2	8,358.5
Internal income	3.5	11.2	486.2	521.3	–1,022.1	–
Total operating income	**4,346.1**	**2,170.7**	**436.3**	**2,219.3**	**–813.9**	**8,358.5**

NOTE 3 EARNINGS PER SEGMENT, cont.

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

Income is primarily attributable to Sweden, with a small portion from Norway and the UK. A small portion of income for 2009 was also attributable to divested operations in Latvia and Lithuania.

The Insurance operating 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 divestment business was divested during 2009.

The Banking operating segment pertains to deposits and lending operations.

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. Internal expenses for asset management are 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, development in Group companies and regional insurance companies, as well as administration of securities funds and costs for joint functions. The internal monitoring does not include Group-wide adjustment for defined-benefit pensions calculated according to IAS 19.

The Insurance operating segment comprises non-life insurance with income from external customers totalling SEK 4,149 M (4,079) and life assurance with income from external customers totalling SEK 243.2 M (263.3).

For the Banking operating segment, the product offering to external customers is in line with the legal structure within the Länsförsäkringar Bank Group. Income from external customers pertains to bank products totalling SEK 701.1 M (473.6), for mortgage products totalling SEK 446.4 M (473.7), for leasing and instalment totalling SEK 697.2 M (666.2) and for fund products totalling SEK 657.0 M (546.0).

NOT 4 PREMIUMS EARNED AFTER CEDED REINSURANCE

	2010	2009
Non-life insurance		
Premium income, direct insurance, Sweden	2,722.3	2,852.4
Premium income, direct insurance, other EEA	556.2	508.7
Premium income, assumed reinsurance	2,392.6	2,526.8
Change in provision for unearned premiums	–36.1	–309.8
Change in premium for unexpired risks	40.3	–73.8
Total premiums earned before ceded reinsurance	**5,675.3**	**5,504.2**
Premiums for ceded reinsurance	–2,066.2	–2,313.2
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	–59.6	93.5
Total reinsurers' portion of premiums earned	**–2,125.8**	**–2,219.7**
Total premiums earned after ceded reinsurance	**3,549.5**	**3,284.5**
Life assurance		
Periodic premium income, group insurance, direct life assurance, contracts that carry no bonus entitlement, Sweden	250.7	267.8
Change in life-assurance provision before ceded reinsurance	0.2	–0.5
Total premiums earned before ceded reinsurance	**250.9**	**267.3**
Premiums for ceded reinsurance	–31.3	–28.1
Total premiums earned after ceded reinsurance	**219.6**	**239.2**
Total premiums earned after ceded reinsurance	**3,769.1**	**3,523.7**

NOT 5 INTEREST INCOME

	2010	2009
Loans to credit institutions	8.2	34.4
Loans to the public	3,183.9	3,148.9
Interest-bearing securities	721.5	436.2
Derivatives		
– Hedge accounting	1,719.1	1,663.9
– Non-hedge accounting	1.5	37.3
Other interest income	0.2	0.0
Total interest income	**5,634.4**	**5,320.7**
of which interest income on impaired loans	1.6	12.4
of which interest income from financial items not measured at fair value	3,214.1	3,219.9
Average interest rate on loans to the public during the year, %	2.7	3.5

NOTE 6 INTEREST EXPENSE

	2010	2009
Due to credit institutions	–74.1	–105.6
Deposits and borrowing from the public	–244.8	–419.7
Interest-bearing securities	–2,188.9	–47.4
Subordinated liabilities	–6.6	–1,646.7
Derivatives		
– Hedge accounting	–1,622.0	–1,761.3
– Non-hedge accounting	–11.6	–61.3
Other interest expense	–50.2	–37.6
Total interest expense	**–4,198.2**	**–4,079.6**
of which interest expense from financial items not measured at fair value	–2,564.6	–2,349.7
Average interest rate on deposits from the public during the year, %	0.6	1.2

NOTE 7 INVESTMENT INCOME, NET

	2010	2009
Interest income	295.9	278.2
Dividends	76.5	4.8
Profit, investment property		
Rental income	3.0	12.8
Expenses	–2.3	–12.6
Total profit, investment property	**0.7**	**0.2**
Realised profit, net		
Investment property	–6.0	–66.3
Interest compensation	43.8	82.0
Shares and participations	153.6	75.8
Interest-bearing securities	123.9	216.9
Derivatives	31.3	–
Other financial assets	–22.9	–28.8
Other financial liabilities	–64.2	–4.8
Total realised profit, net	**259.5**	**274.8**
Unrealised profit, net		
Investment property	–96.0	–87.8
Shares and participations	–87.6	241.7
Interest-bearing securities	–396.3	–185.7
Derivatives	–516.9	–359.9
Other financial assets	–585.9	–72.7
Other financial liabilities	1,547.7	828.9
Total unrealised profit, net	**–134.9**	**364.5**
Exchange-rate gains/losses, net	12.3	14.2
Interest expense	–174.9	–221.8
Participations in associated companies	1.6	1.8
Depreciation/amortisation and impairment of shares and participations	–	–115.5
Asset management expenses	–14.4	–81.2
Investment income, net	**322.4**	**520.0**

NOT 7 INVESTMENT INCOME, NET, cont.

	2010	2009
Profit/loss by valuation category		
Derivative assets intended for risk management, non-hedge accounting	–148.2	–564.9
Other financial assets measured at fair value in profit and loss	544.5	629.1
Derivative liabilities intended for risk management, non-hedge accounting	–5.8	28.7
Derivatives in hedge accounting	31.3	–
Other financial liabilities measured at fair value in profit and loss	–22.3	–3.9
Available-for-sale financial assets[1]	33.4	68.3
Loan receivables and accounts receivable	24.4	–36.3
Financial liabilities at amortised cost	–63.2	470.6
Change in fair value of derivatives that are hedging instruments in a hedge of fair value	–521.5	71.9
Change in fair value of hedged items with regard to the hedged risk in hedges of fair value	494.8	–85.9
Non-financial items not included in investment income, net		
Translation, non-life annuity reserve	–77.4	–54.8
Asset management expenses	–14.4	–81.2
Other non-financial items	46.8	81.5
Total investment income, net	**322.4**	**520.0**

Interest rates and dividends are included in earnings per measurement category.

[1] Total net gains on available-for-sale financial assets amounted to SEK 62.2 M (109.0), of which SEK 28.8 M (40.7) M was recognised against other comprehensive income.

NOTE 8 COMMISSION INCOME

	2010	2009
Payment mediation	81.1	75.4
Lending commission	72.9	67.2
Deposit commission	6.9	6.6
Financial guarantees	0.2	0.2
Securities commission	679.9	558.2
Card operations	75.2	67.0
Commission and profit shares in ceded reinsurance	190.8	238.4
Other commission	2.6	–0.2
Total commission income	**1,109.6**	**1,012.9**
of which commission income from financial items not measured at fair value	155.2	141.0

NOTE 9 OTHER OPERATING INCOME

	2010	2009
Service income, regional insurance companies	1,186.5	1,140.0
Other service income	516.9	602.9
Other income	514.7	257.8
Total other operating income	**2,218.1**	**2,000.7**

NOTE 10 CLAIMS PAYMENTS

	2010			2009		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
Non-life insurance						
Claims paid	–3,810.5	944.4	–2,866.1	–3,658.4	1,046.9	–2,611.4
Claims annuities paid	12.3	–	12.3	70.3	–	70.3
Change in provision for claims incurred and reported	528.0	22.7	550.6	328.8	101.0	429.8
Change in provision for claims incurred and not reported	–782.4	489.9	–292.5	–99.5	–	–99.5
Total	**–4,052.8**	**1,457.0**	**–2,595.7**	**–3,358.8**	**1,147.9**	**–2,210.9**
Life assurance						
Claims paid	–155.5	12.2	–143.3	–182.7	18.2	–164.5
Change in provision for claims outstanding	–30.3	1.1	–29.2	–11.5	–3.7	–15.2
Total	**–185.8**	**13.3**	**–172.5**	**–194.2**	**14.5**	**–179.7**
Total non-life insurance and life assurance	**–4,238.6**	**1,470.4**	**–2,768.2**	**–3,553.0**	**1,162.4**	**–2,390.6**

NOTE 11 COMMISSION EXPENSE

	2010	2009
Payment mediation commission	–82.6	–78.1
Securities commission	–363.4	–299.6
Card operations	–80.2	–70.3
Remuneration to regional insurance companies	–577.8	–459.8
Commission, direct insurance	–129.4	–140.1
Commission, assumed reinsurance	–209.1	–259.2
Other commission	–48.6	–45.6
Total commission expense	**–1,491.1**	**–1,352.7**
of which commission expense from financial items not measured at fair value	–531.3	–412.4

Remuneration to the regional insurance companies refers to their work with the Bank Group's customer-related issues in the geographical area of operations of each regional insurance company. This solution creates a local presence and market awareness. From the customer's perspective, the regional insurance companies serve as local banks. The assignment, associated issues and remuneration are regulated in partnership agreements signed by the parties.

Remuneration pertaining to the bank is primarily calculated as the difference between an established internal interest rate and customer interest rate calculated on each company's deposits and lending volumes under management. Percentage remuneration based on the market value and the fund's management fee is paid for fund volumes under management.

NOTE 12 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Average number of employees	2010	2009
Sweden		
Men	618	648
Women	664	689
Total Sweden	**1,282**	**1,337**
Lithuania		
Men	–	9
Women	–	7
Total Lithuania	**–**	**16**
Latvia		
Men	–	7
Women	–	6
Total Latvia	**–**	**13**
Norway		
Men	1	1
Women	1	1
Total Norway	**2**	**2**
UK		
Men	10	16
Women	47	49
Total UK	**57**	**65**
Total number of employees		
Men	629	681
Women	712	752
Total	**1,341**	**1,433**

Salaries, other remuneration and social security expenses

Other employees	2010	2009
Salaries and remuneration	752.4	768.4
of which variable remuneration	13.1	31.2
Social security expenses	444.4	480.9
of which pension costs	186.1	210.5
Total	**1,196.8**	**1,249.3**

Board of Directors and other senior executives, 37 (33)	2010	2009
Salaries and remuneration	54.9	57.3
of which variable remuneration	–	4.9
Social security expenses	42.6	47.0
of which pension costs	20.4	23.5
Total	**97.5**	**104.3**

Total salaries, other remuneration and social security expenses	2010	2009
Salaries and remuneration	807.3	825.7
of which variable remuneration	13.1	35.9
Social security expenses	487.0	527.9
of which pension costs	206.4	234.0
Total	**1,294.3**	**1,353.6**

Variable remuneration

Variable remuneration is paid to all employees who are not managers, with the exception of employees within the Compliance, Risk Control and Internal Audit functions. A basic prerequisite for the outcome of variable remuneration is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Half of the remuneration is based on exceeding the joint goals in Länsförsäkringar AB Group's business plan and the other half on the degree to which the individual goals in the goal contract were achieved. A maximum of SEK 12,000 may be paid to employees per year, if all the prerequisites are fulfilled.

In addition to the above, there are a number of managers and specialists in Länsförsäkringar AB Group's Asset Management, for whom a maximum of one to six months' salary may be paid. All deviations in addition to the level of two months' salary must be dealt with in Länsförsäkringar AB's Remuneration Committee and resolved by Länsförsäkringar AB's Board of Directors. A basic prerequisite for the outcome is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. One third of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and two thirds on the degree to which the individual goals in the goal contract were achieved. Some 40% of the outcome will be paid during the following year and 60% will be paid three years later. Under the conditions stated in the Remuneration Policy, the Board may decide to reduce the portion of the variable remuneration that will be paid later.

There are also certain functions where commission arises. These are based on sales income and are regulated in a collective or individual agreement.

The variable remuneration above pertains to the recognised expense for the year. The amount includes estimated variable remuneration for 2010, as well as deviation pertaining to estimated costs for 2009.

Of the above amount pertaining to variable remuneration, SEK 2.6 M (7.1) is attributable to the insurance operations and the remaining SEK 10.5 M (28.8) is attributable to the other operations.

Sickness absence, %	2010	2009
Total of overall working hours	2.6	2.6
Total of overall working hours for men	1.5	1.6
Total of overall working hours for women	3.6	3.4
Absence for employees aged 29 or younger	3.5	3.0
Absence for employees aged 30–49	2.2	2.3
Absence for employees aged 50 or older	3.1	2.9
Percentage pertaining to absence during a consecutive period of 60 days or more	35.5	36.9

Remuneration to the Board of Directors

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

Remuneration of senior executives

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

Severance pay

A mutual period of notice of six months applies for the President and other senior executives. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. Alternatively, a mutual period of notice of three months is applied, and if termination of employment is issued by the company, severance pay corresponding to 24 months' salary will be paid in addition to the period of notice.

NOTE 12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for the Executive Vice President is 60 years. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium shall amount to 18% of pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 60, 62 or 65. If the retirement age is 65, the pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. If the retirement age is 60 or 62, the pensions between 60, 62 and 65, respectively, are defined-contribution pensions and are expected to be paid at approximately 70% of pensionable salary. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Preparation and decision-making process applied in relation to the issue of remuneration to senior executives

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to senior executives. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. Decisions regarding remuneration and other terms and conditions of employment for the President are made by the Board of Directors. Decisions regarding remuneration to other employees who are members of company management and who report directly to the President may be delegated by the Board to the Board Chairman or the President. If decisions are delegated to the President, he shall keep the Chairman informed of the content of such decisions.

Composition of Remuneration Committee

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

Policies for remuneration to senior executives

Senior executives in the Länsförsäkringar AB Group shall have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

The pension solution shall be solely premium-based with a premium provision of 35% of the monthly salary. A transition to this policy shall occur successively and as soon as possible.

Other benefits

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

Loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	Dec. 31, 2010	Dec. 31, 2009
Board members	32.6	47.8
President and Executive Vice Presidents	19.2	11.2
Other senior executives	16.6	10.5
Total loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives	**68.4**	**69.5**

Loans granted comprise personnel loans and other loans. Personnel loans are maximised at SEK 500,000 and carry loan terms comparable to what applies to other employees in the Group. The interest rate for employees is the repo rate less 0.5 percentage points, but can never be lower than 0.5%. The interest benefit is calculated in accordance with the Swedish National Tax Board's rules and is included in the amount for other benefits as above. The terms and conditions of other loans are market-based.

Number of women among senior executives, %	Dec. 31, 2010	Dec. 31, 2009
Board members	26	13
Other senior executives	37	38

NOTE 13 FEES AND REMUNERATION TO AUDITORS

	2010	2009
KPMG AB		
– audit assignment	–10.3	–10.0
– audit activities in addition to the audit assignment	–0.9	–0.8
– tax consulting	–1.4	–0.8
– other assignments	–3.4	–6.0
Deloitte		
- audit operations in addition to the audit assignment	–0.6	–0.5
Total fees and cost remuneration to auditors	**–16.7**	**–18.1**

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities in addition to the audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the abovementioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

NOTE 14 OTHER ADMINISTRATION EXPENSES

	2010	2009
Other administration expenses		
Costs for premises	–176.7	–148.7
Depreciation/amortisation	–373.7	–320.8
IT costs	–1,106.0	–1,058.1
Consultant costs	–295.4	–267.9
Marketing	–230.4	–220.3
Telephone and postage	–105.4	–111.3
Other administration expenses	–306.4	–211.0
Total other administration expenses	**–2,594.1**	**–2,338.2**
Administration expenses in insurance operations classified by function		
Expenses for acquisitions	–481.0	–487.3
Expenses for administration	–417.9	–598.4
Expenses for claims adjustment	–289.1	–244.2
Expenses in asset and property management	–40.4	–122.4
Total administration expenses in insurance operations classified by function	**–1,228.4**	**–1,452.3**

NOTE 15 LOAN LOSSES, NET

	2010	2009
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–123.6	–92.4
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	105.3	77.6
Impairment of loan losses during the year	–109.2	–37.4
Payment received for prior confirmed loan losses	26.2	–90.2
Reversed impairment of loan losses no longer required	17.3	22.6
Covering of losses from related companies	10.0	–
Net expense for the year for individually assessed receivables	**–74.0**	**–119.8**
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
Provision/reversal of impairment for loan losses	13.9	63.7
Net expense for the year for collectively assessed receivables	**13.9**	**63.7**
Net expense for the year for fulfilment of guarantees	–	5.7
Net expense of loan losses for the year	**–60.1**	**–50.4**

All information pertains to receivables from the public.

NOTE 16 TAX ON NET PROFIT FOR THE YEAR

	2010	2009
Current tax		
Tax expenses for the period	–7.0	–6.3
Adjustment of tax expense pertaining to prior years	–3.5	0.0
Total current tax	**–10.5**	**–6.3**
Deferred tax		
Deferred tax pertaining to temporary differences	–2.3	22.4
Deferred tax revenue in loss carryforwards capitalised during the year	0.0	–
Deferred tax expense as a result of utilisation of previously capitalised tax value in loss carryforwards	–104.8	–199.7
Total deferred tax	**–107.1**	**–177.3**
Total recognised tax expense	**–117.6**	**–183.6**
Reconciliation of effective tax rate		
Profit before tax	535.7	692.5
Tax in accordance with applicable tax rate for Parent Company	–140.9	–182.1
Effect of other tax rates for foreign companies	–0.5	0.1
Tax on non-deductible costs	–13.9	–56.6
Tax on non-taxable income	36.2	89.0
Utilisation of non-capitalised loss carryforwards	–	0.4
Tax attributable to earlier years	8.4	–24.8
Other	–7.0	–9.6
Recognised effective tax on profit for the year	**–117.6**	**–183.6**
Applicable tax rate	26.3%	26.3%
Effective tax rate	22.0%	26.5%
Tax attributable to other comprehensive income		
Revaluation of owner-occupied property	–24.9	–15.8
Available-for-sale financial assets	–7.6	–12.5
Total tax attributable to other comprehensive income	**–32.5**	**–28.3**

NOTE 17 EARNINGS PER SHARE

	2010	2009
Net profit attributable to Parent Company's shareholders, SEK M	418.1	508.9
Number of shares with a quotient value of SEK 100	7,250,564	6,297,583
Earnings per share before and after dilution, SEK	**62**	**81**

Earnings per share has been calculated as net profit for the year attributable to the Parent Company's shareholders divided by the average number of shares. No previous or future dilution exists since no potential ordinary shares arose in reported periods nor were in existence on the balance-sheet date.

NOTE 18 GOODWILL

	2010	2009
Cost		
Opening cost, January 1	353.1	350.6
Exchange-rate differences	–15.1	2.5
Closing cost, December 31	**338.0**	**353.1**

No impairment losses have been recognised. The value of goodwill is tested annually on December 31.

	Länsförsäkringar Grupplivförsäkrings AB		Agria Pet Insurance Ltd	
Assumption on testing of value	**2010**	**2009**	**2010**	**2009**
Long-term growth, %	2.0	2.0	2.0	2.0
Discount rate, %	7.0	3.5	9.5	12.8
Exchange rate GBP/SEK	–	–	10.5	11.6

Testing is based on the value in use. The cash-flow estimate was done for the period 2011 and ahead. The growth assumption is based on experience and discount rates corresponding to the yield requirement on equity.

Of the goodwill value, SEK 35.0 M is attributable to Länsförsäkringar EFEL Livförsäkrings AB and SEK 144.4 M to Länsförsäkringar EFEL Skadeförsäkrings AB, which were both acquired in 2008. These two entire companies and corresponding goodwill items were transferred to Länsförsäkringar Grupplivförsäkrings AB in 2009 and Länsförsäkringar Sak in 2010, respectively. Goodwill primarily comprises expected synergies. The remaining goodwill of SEK 158.6 M (173.7) is attributable to Försäkringsaktiebolaget Agria's acquisition of the UK sales company, Pet Partners Plc 2007, later renamed Agria Pet Insurance Ltd. The aim of the acquisition is to enable the establishment of Agria's animal insurance in the UK market. The goodwill comprises customer relations not identified, products and know-how in the organisation.

NOTE 19 OTHER INTANGIBLE ASSETS

Capitalised expenditure for development and acquired intangible assets

Capitalised expenses	**Internally developed IT systems**	**Acquired IT systems**	**Acquired customer-based assets**	**Total**
Cost				
Opening cost, January 1, 2009	790.5	124.6	692.3	1,607.4
Divestments/scrapping for the year	–	–39.3	–6.5	–45.8
Exchange-rate differences for the year	0.1	–	–	0.1
Acquisitions during the year	101.3	27.5	0.0	128.8
Closing cost, December 31, 2009	**891.9**	**112.8**	**685.9**	**1,690.6**
Opening cost, January 1, 2010	891.9	112.8	685.9	1,690.6
Divestments/scrapping for the year	–	–	–5.0	–5.0
Exchange-rate differences for the year	–0.2	–0.1	–10.2	–10.5
Acquisitions during the year	130.2	88.8	–	219.0
Closing cost, December 31, 2010	**1,022.0**	**201.5**	**670.7**	**1,894.2**

NOTE 19 **OTHER INTANGIBLE ASSETS, cont.**

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Amortisation				
Opening accumulated amortisation, January 1, 2009	–340.2	–37.8	–136.4	–514.4
Divestments/scrapping for the year	–	2.1	4.8	6.9
Exchange-rate differences for the year	–0.0	–	–	–
Amortisation for the year	–90.8	–10.4	–91.9	–193.2
Closing accumulated amortisation, December 31, 2009	**–431.0**	**–46.2**	**–223.5**	**–700.7**
Opening accumulated amortisation, January 1, 2010	–431.0	–46.2	–223.5	–700.7
Divestments/scrapping for the year	–	–	5.0	5.0
Exchange-rate differences for the year	–	0.0	2.8	2.8
Amortisation for the year	–79.7	–11.5	–105.9	–197.1
Closing accumulated amortisation, December 31, 2010	**–510.7**	**–57.7**	**–321.6**	**–890.0**
Impairment				
Opening accumulated impairment, January 1, 2009	–65.8	–20.8	–	–86.6
Impairment for the year	–24.3	–8.0	–	–32.3
Closing accumulated impairment, December 31, 2009	**–90.1**	**–28.8**	–	**–118.9**
Opening accumulated impairment, January 1, 2010	–90.1	–28.8	–	–118.9
Impairment for the year	–4.4	–	–	–4.4
Closing accumulated impairment, December 31, 2010	**–94.5**	**–28.8**	**–**	**–123.3**
Carrying amount, December 31				
2009	**370.8**	**37.8**	**462.4**	**870.9**
2010	**416.8**	**115.0**	**349.1**	**880.8**

The remaining amortisation period is five years except for customer-based assets, which is eight years. The amortisation period for an acquired accounting and monitoring system with a carrying amount of SEK 95.7 M is ten years due to longer anticipated useful life. All amortisation is recognised in profit and loss as "Other administration expenses." The impairments of internally developed IT systems for 2009 refer to a system package for animal insurance and for 2010 two small banking systems. The impairment in 2009 of the acquired IT system refers to an internal reporting system. Impairments were conducted for both business and technical reasons.

NOTE 20 **PROPERTY AND EQUIPMENT**

	2010	2009
Cost		
Opening cost, January 1	373.3	423.5
Divestments/scrapping	–92.4	–94.8
Acquisitions during the year	73.1	44.4
Exchange-rate differences	–1.3	0.2
Closing cost, December 31	**352.6**	**373.3**
Depreciation		
Opening accumulated depreciation, January 1	–275.4	–322.7
Accumulated depreciation for divestments/scrapping	85.8	86.3
Depreciation for the year	–53.4	–38.8
Exchange-rate differences	1.2	–0.1
Closing accumulated depreciation, December, 31	–241.9	**–275.4**
Carrying amount, December 31	**110.7**	**97.8**

No impairment losses have been recognised.

NOTE 21 **OWNER-OCCUPIED PROPERTY**

	After revaluation Dec. 31, 2010	Before revaluation Dec. 31, 2010	After revaluation Dec. 31, 2009	Before revaluation Dec. 31, 2009
Cost, reclassified	2 699.9	2 593.9	2 512.6	2 446.8
Accumulated depreciation	–285.3	–274.1	–215.4	–209.8
Carrying amount	2 414.6	2 319.8	2 297.2	2 237.1
Fair value		**2 414.7**		**2 297.2**

Reclassification to amortised cost	**2010**	**2009**
Opening balance, January 1	2,297.2	2,205.2
Capitalised improvements	88.7	89.9
Divestments	–1.7	–5.2
Depreciation for the year according to plan before revaluation	–64.4	–52.8
Revaluation of owner-occupied property	94.8	60.1
Closing balance, December 31	**2,414.7**	**2,297.2**
Historical cost reduced by depreciation according to plan	2,009.0	1,986.4
Revaluation effect against revaluation reserve	69.9	44.3
Tax assessment values	1,143.0	981.0

Assumption on valuation at fair value	**2010**	**2009**
Current rental income/market rent, SEK M	146/158	144/158
Computed interest in discounting, %	7.9	8.0
Direct yield requirement, %	5.8	5.9

The Group applies the revaluation technique to the Group's owner-occupied property. The properties were assessed externally by valuation company CB Ricard Ellis. Fair value was calculated by applying the location-price method and a return-based cash-flow method at the end of the preceding year. During 2010, a small piece of land was divested and in 2009 the three remaining leisure properties were divested. The Group has no borrowing costs for owner-occupied property.

NOTE 22 SHARES IN LÄNSFÖRSÄKRINGAR LIV FÖRSÄKRINGSAKTIEBOLAG (PUBL)

	Corporate Registration Number	Registered office	Registered office	Share of equity %	Equity	Earnings	Carrying amount, Dec. 31, 2010	Carrying amount, Dec. 31, 2009
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	29,605	3,717	514.5	514.5

Equity and earnings pertain to the Länsförsäkringar Liv Group.

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) but is not consolidated. Subsidiaries are companies subject to a controlling influence from Länsförsäkringar AB. A "controlling influence" means the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial benefits. The life-assurance operations, which are conducted according to mutual principles through Liv Försäkringsaktiebolag (publ) and whose earnings accrue in their entirety to the policyholders, are not recognised in accordance with the purchase method since it is not possible to exercise control in order to receive financial benefits from such a life-assurance company.

Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) are classified as holdings available for sale. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing, and instead a valuation at cost was also performed after the acquisition. Impairment requirement testing is performed annually. This testing did not lead to any impairment being recognised.

NOTE 23 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	Dec. 31, 2010	Dec. 31, 2009
Carrying amount at beginning of the year	22.7	20.9
Divestments of associated companies	–1.1	0.0
Profit shares in the associated company	3.8	2.3
Other changes in the associated company's equity	–2.3	–0.5
Total shares and participations in associated companies	**23.1**	**22.7**

Accumulated impairment losses amount to SEK 3.7 M (3.7).

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Carrying amount, Dec. 31, 2010	Carrying amount, Dec. 31, 2009
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0.0	0.0
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	12.3	12.0
European Alliance Partners Company AG	CH-0203026423-1	Zürich, Switzerland	10,570	14.3	8.4	9.0
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.4	0.2
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	44.6	2.1	1.4
Total					**23.1**	**22.7**

Summary of financial information pertaining to associated companies

	2010	2009
Income	53.6	37.7
Earnings	3.8	2.3
Assets	40.3	36.3
Liabilities	17.2	16.3
Equity	23.1	22.7

The amounts presented above refer only to the Group's participating interests in associated companies. The shares and participations are unlisted. All associated companies apply the same calendar year as the financial year. The share of profit in all associated companies is included in the Asset management operating segment.

The Group is considered to have a significant influence in the European Alliance Partners Company AG despite owning a participating interest of less than 20%. The reason is because the owner company is represented on the company's Board and thereby has the right (but not a duty) to participate in all decisions made in the company, including strategic issues and issues regarding guidelines, budget, business plans and similar matters. Furthermore, a large amount of information is exchanged with the company.

NOTE 24 INVESTMENT PROPERTY

	Cost	Fair value	Floor space vacancy rate	Direct yield	Value effect
Investment property per December 31, 2010	11.4	7.0	0.0%	–0.6	–21.4
Investment property per December 31, 2009	26.3	118.0	0.0%	–1.2%	–41.0

Value effect refers to the change in fair value if the direct yield requirement is raised by two percentage points.

NOTE 24 INVESTMENT PROPERTY, cont.

Change in value for the period	Cost		Fair value	
	2010	2009	2010	2009
Opening balance, January 1	26.3	30.5	118.0	280.2
Acquisitions	–	0.6	–	–
Investment in existing properties	0.1	4.2	0.1	4.2
Divestments	–15.0	–9.0	–130.0	–180.0
Profit from adjustments of fair value		–	18.9	13.6
Closing balance, December 31	**11.4**	**26.3**	**7.0**	**118.0**

	Dec. 31, 2010	Dec. 31, 2009
Tax assessment value	2.9	134.2

The properties from 2010 and 2009 are all situated in the Municipality of Stockholm. None of the remaining office property is utilised in the company's own operations, instead it has been leased to external tenants.

The property was assessed externally by valuation company CB Ricard Ellis on December 31, 2010. Fair value was calculated by applying the location-price method and a return-based cash-flow method. The cash-flow method is based on a calculation of the present value of future cash flows in the form of operating net and the present value of the estimated residual value.

Assumption on valuation at fair value

	Current rental income/market rent, SEK 000s		Computed interest in discounting, %		Direct yield requirement, %	
Type of property	2010	2009	2010	2009	2010	2009
Residential properties	–	4,636/4,680	–	4.7	–	2.6
Office properties	572/781	560/781	9.7	9.7	7.5	7.5

Impact on profit for the period	2010	2009
Rental income	3.1	12.8
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	–2.3	–13.0

The income-statement items above are included in the item "Investment income, net."

NOTE 25 LOANS TO THE PUBLIC

	Dec. 31, 2010	Dec. 31, 2009
Loan receivables, gross	118,196.7	99,889.6
Impairment	–286.5	–308.0
Loan receivables, net	**117,910.2**	**99,581.6**
Impaired loans	208.8	212.6

Reconciliation of impairment of loan losses	2010	2009
Opening balance, January 1	–308.0	–307.2
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	107.1	77.6
Reversed impairment of loan losses no longer required	64.8	83.5
Impairment of loan losses during the year	–150.4	–161.9
Closing balance, December 31	**–286.5**	**–308.0**

Loan receivables are geographically attributable in their entirety to Sweden.

NOTE 26 FINANCIAL LEASING

Financial lease agreements specified by maturity structure where the Group is the lessor.

December 31, 2010	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	1,914.5	2,938.3	285.6	5,138.4
Unearned financial income[1]	255.1	255.3	7.6	518.0
Gross investment	2,169.6	3,193.6	293.2	5,656.4

December 31, 2009	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	1,528.2	2,319.3	304.9	4,152.4
Unearned financial income[1]	171.2	164.6	6.5	342.2
Gross investment	1,699.4	2,483.9	311.4	4,494.7

[1] Attributable to present value calculation

	2010	2009
Provision for impaired loans pertaining to minimum lease fees	40.9	46.4
Variable portion of leasing fees included in net profit for the year	8.4	–47.7

Financial leasing is included in loans to the public.

There are also a few leasing agreements for office equipment and cars where the Group is the lessee and for which the amounts are not deemed to be significant.

NOTE 27 SHARES AND PARTICIPATIONS

Carrying amount	Dec. 31, 2010	Dec. 31, 2009
Listed shares and participations	181.2	471.6
Unlisted shares and participations	781.1	859.1
Total shares and participations	**962.3**	**1 330.7**

	Dec. 31, 2010	Dec. 31, 2009
Fair value	962.3	1 330.7
Cost	631.0	858.9

For 2009, the carrying amount for listed shares declined by SEK 92.6 M due to reclassification. Cost decreased by SEK 97.8 M.

NOTE 28 BONDS AND OTHER INTEREST-BEARING SECURITIES

Carrying amount	Dec. 31, 2010	Dec. 31, 2009
Treasury bills	3,942.1	4,394.8
Mortgage institutions	22,718.5	23,117.0
Other issuers	4,909.0	6,307.6
Total bonds and other interest-bearing securities	**31,569.5**	**33,819.3**

	Dec. 31, 2010	Dec. 31, 2009
Fair value	31,569.5	33,832.4
Amortised cost	31,353.4	31,901.0
Nominal value	29,233.1	31,412.0
All securities are listed		

NOT 29 TREASURY BILLS AND OTHER ELIGIBLE BILLS

	Dec. 31, 2010	Dec. 31, 2009
Carrying amount		
Swedish government	4,170.0	1,999.8
Fair value	4,170.0	1,999.9
Amortised cost	4,240.4	1,999.8
Nominal value	3,900.0	2,000.0

NOTE 30 DERIVATIVES

	Nominal amounts		Fair values	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Derivative instruments with positive values or valued at zero				
Derivatives in hedge accounting				
Interest	47,397.0	39,894.5	643.4	828.2
Currency	1,777.7	1,394.4	401.3	332.4
Collateral received, CSA	–	–	–17.0	–522.7
Other derivatives				
Equity	16.8	338.4	0.0	0.1
Interest	14,889.4	1,803.5	3.0	2.2
Currency	9,196.5	9,146.8	177.9	628.5
Total derivatives with positive values	**73,277.4**	**52,577.6**	**1,208.7**	**1,268.7**
Derivatives with negative values				
Derivatives in hedge accounting				
Interest	61,594.0	29,263.0	1,260.1	1,164.2
Currency	10,577.1	–	827.7	–
Other derivatives				
Equity	–	559.6	–	0.5
Interest	–316.0	600.0	0.7	7.4
Currency	10,016.3	4,869.6	42.1	82.0
Total derivatives with negative values	**81,871.5**	**35,292.2**	**2,130.6**	**1,254.1**

NOTE 31 FAIR VALUE ADJUSTMENT OF INTEREST-RATE-RISK HEDGED ITEMS IN PORTFOLIO HEDGE

	2010	2009
Assets		
Carrying amount, January 1	767.9	1,131.9
Changes during the year pertaining to lending	–627.3	–364.0
Carrying amount, December 31	**140.6**	**767.9**
Liabilities		
Carrying amount, January 1	762.1	1,024.6
Changes during the year pertaining to lending	–5.9	–237.8
Changes during the year pertaining to borrowing	–1,148.6	–24.7
Carrying amount, December 31	**–392.4**	**762.1**

NOTE 32 OTHER RECEIVABLES

	Dec. 31, 2010	Dec. 31, 2009
Receivables, direct insurance	772.9	790.3
Receivables, reinsurance	175.2	178.3
Deposits with companies that have ceded reinsurance	45.1	50.5
Accounts receivable	799.1	515.0
Other receivables	248.4	88.1
Total other receivables	**2,040.7**	**1,622.3**

For 2009, the sub-item Other receivables decreased by SEK 92.6 M due to reclassification.

NOTE 33 PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2010	Dec. 31, 2009
Accrued interest and rental income	1,721.2	1,045.8
Prepaid acquisition costs	97.0	81.5
Other accrued income	119.4	53.2
Other prepaid expenses	90.7	129.2
Total prepaid expenses and accrued income	**2,028.3**	**1,309.8**

NOTE 34 CASH AND CASH EQUIVALENTS

	Dec. 31, 2010	Dec. 31, 2009
Cash and balances with central banks	84.8	80.5
Balances with other banks	2,908.5	4,677.7
Total cash and cash equivalents	**2,993.3**	**4,758.2**

NOTE 35 EQUITY

	Restricted equity		Non-restricted equity	
	Share capital	Restricted reserves	including comprehensive income for the year	Total equity
Opening equity, January 1, 2009	629.8	4,962.2	1,874.2	7,466.2
Net profit for the year			508.9	508.9
Change in translation reserve		3.9	0.0	3.9
Change in revaluation reserve			60.1	60.1
Change in fair value reserve			47.4	47.4
Tax on items recognised in other comprehensive income			–28.3	–28.3
Total other comprehensive income		**3.9**	**79.2**	**83.1**
Comprehensive income for the year		**3.9**	**588.1**	**592.0**
Transfer between restricted and non-restricted equity		–262.0	262.0	–
Closing equity, December 31, 2009	**629.8**	**4,704.1**	**2,724.3**	**8,058.2**
Opening equity, January 1, 2010	629.8	4,704.1	2,724.3	8,058.2
Net profit for the year			418.1	418.1
Change in translation reserve		–24.4	4.5	–19.8
Change in revaluation reserve			94.8	94.8
Change in fair value reserve			28.8	28.8
Tax on items recognised in other comprehensive income			–32.5	–32.5
Total other comprehensive income		**–24.4**	**95.6**	**71.3**
Comprehensive income/loss for the year		**–24.4**	**513.7**	**489.3**
Transfer between restricted and non-restricted equity		115.5	–115.5	–
New share issue	95.3		1,188.4	1,283.7
Closing equity, December 31, 2010	**725.1**	**4,795.2**	**4,311.0**	**9,831.2**

NOTE 35 EQUITY, cont.

Number of shares	2010	2009
Issued January 1	6,297,583	6,297,583
Conversion of loans, Series B shares	943,613	–
Cash issue, Series B shares	8,678	–
Cash issue, Series C shares	690	–
Issued December 31	7,250,564	6,297,583

The quotient value per share is SEK 100. All shares are ordinary shares.
Of the shares issued on January 1, 2010, 1,532,678 were Series A shares (carrying ten votes each), 4,761,455 Series B shares and 3,450 Series C shares (carrying one vote each).

Specification of the capital item Reserves in the statement of financial position
Changes in these reserves are included in comprehensive income for the year

	2010	2009
Translation reserve		
Opening translation reserve, January 1	–46.2	–50.1
Translation differences for the year	–19.8	3.9
Closing translation reserve, December 31	**–66.0**	**–46.2**
Revaluation reserve		
Opening revaluation reserve, January 1	178.8	134.5
Revaluation of owner-occupied property	94.8	60.1
Tax attributable to revaluation for the year	–24.9	–15.8
Closing revaluation reserve, December 31	**248.7**	**178.8**
Fair value reserve		
Opening fair value reserve, January 1	23.8	–11.1
Change for the year in fair value of available-for-sale financial assets	28.8	47.4
Tax attributable to change for the year	–7.6	–12.5
Closing fair value reserve, December 31	**45.1**	**23.8**

Translation reserve
The translation reserve includes all exchange-rate differences arising on the translation of the financial statements from foreign operations that have prepaid their financial statements in a different currency to the currency in which the consolidated financial statements are presented.
The Parent Company and Group present their financial statements in Swedish kronor (SEK).

Revaluation reserve
The revaluation reserve includes changes in value attributable to owner-occupied property.

Fair value reserve
The fair value reserve comprises the accumulated net change in fair value of available-for-sale financial assets until the asset is derecognised from the statement of financial position.

Other capital contributed
Refers to equity that has been provided by the owners. The item includes surpluses paid in conjunction with issues.

Restricted reserves
Restricted reserves may not be reduced through profit distribution. The statement of changes in equity for the Group includes some restricted reserves in other contributed equity and the remainder in retained earnings.

Retained earnings, including net profit for the year
Retained earnings including net profit for the year includes profits in the Parent Company, subsidiaries and associated companies.

Dividends
It is proposed that no dividends be paid in 2010.
All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back to the shareholders in the form of dividends. Of the net profit for the year after tax in the Group, 30% shall be paid on the condition that the balance between capital strength and risk-taking can be maintained. A prerequisite for dividends to be paid is that a credit rating of A can be justified for the Group's credit-rated units.

NOTE 36 SUBORDINATED LIABILITIES

	December 31, 2010	December 31, 2009
Subordinated liabilities	114.0	114.0

The subordinated liabilities comprise debenture loans from 13 regional insurance companies. The terms of the subordinated loan are fixed until December 15, 2011 and the fixed interest on the loan corresponds to the interest on government bonds with a corresponding maturity, plus a variable supplement of 0.65% (0.65). The interest rate during the year was 3.34%. The preceding year's interest rate was 4.36% up to December 15, 2009 and after that 3.34%.

NOTE 37 TECHNICAL RESERVES

	2010			2009		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance, January 1	1,519,1	215,2	1,303,9	1,259,2	155,1	1,104,1
Provisions during the period	36,5	–43,0	79,5	304,2	60,8	243,4
Insurance portfolio taken over/ceded	–15,6		–15,6	–44,2	–0,3	–43,9
Exchange-rate changes	–24,3	–0,5	–23,8	0,0	–0,3	0,4
Closing balance, December 31	**1,515,7**	**171,7**	**1,344,0**	**1,519,1**	**215,2**	**1,303,9**
of which non-life insurance	1,511,8	171,7	1,340,1	1,515,0	215,2	1,299,8
of which life assurance	3,9		3,9	4,1		4,1
Unexpired risk						
Opening balance, January 1	101,5	32,7	68,8	31,1		31,1
Provisions during the period	–40,3	–16,6	–23,7	80,0	32,7	47,3
Insurance portfolio taken over/ceded				–9,6		–9,6
Closing balance, December 31	**61,2**	**16,1**	**45,1**	**101,5**	**32,7**	**68,8**
of which non-life insurance	61,2	16,1	45,1	101,5	32,7	68,8
Claims outstanding						
Claims incurred and reported	9,287,8	2,271,3	7,016,5	10,304,6	2,744,8	7,559,8
Claims incurred and not reported	4,787,9	3,390,4	1,397,4	4,605,5	2,980,5	1,625,0
Claims annuities	3,592,6		3,592,6	3,428,0		3,428,0
Claims adjustment costs	402,4	7,7	394,7	476,0	8,9	467,1
Total opening balance, January 1	**18,070,7**	**5,669,4**	**12,401,2**	**18,814,1**	**5,734,2**	**13,079,9**
Provisions for the period	284,8	513,6	–228,9	–217,8	97,3	–315,0
Interest-rate translation of provision for claim annuities	77,4		77,4	54,8		54,8
Insurance portfolio taken over/ceded	–9,7		–9,7	–535,8	–147,5	–388,3
Exchange-rate changes	–63,6	–24,3	–39,4	–44,6	–14,5	–30,1
Closing balance, December 31	**18,359,5**	**6,158,8**	**12,200,6**	**18,070,7**	**5,669,4**	**12,401,2**
of which non-life insurance	18,098,8	6,153,0	11,945,8	17,840,4	5,664,8	12,175,6
of which life assurance	260,6	5,8	254,8	230,3	4,7	225,6
Specification of closing balance claims outstanding						
Claims incurred and reported	8,694,3	2,293,2	6,401,1	9,287,8	2,271,3	7,016,5
Claims incurred and not reported	5,523,2	3,859,0	1,664,2	4,787,9	3,390,4	1,397,4
Claims annuities	3,793,8		3,793,8	3,592,6		3,592,6
Claims adjustment costs	348,2	6,7	341,5	402,4	7,7	394,7
Total closing balance, December 31	**18,359,5**	**6,158,8**	**12,200,6**	**18,070,7**	**5,669,4**	**12,401,2**
Carrying amount at year-end	**19,936,3**	**6,346,6**	**13,589,7**	**19,691,3**	**5,917,3**	**13,774,0**
of which non-life insurance	19,671,8	6,340,8	13,331,0	19,456,8	5,912,6	13,544,2
of which life assurance	264,6	5,8	258,7	234,4	4,7	229,7
Run-off profit/loss, non-life insurance	**160,0**	**–96,6**	**63,4**	**488,3**	**–82,0**	**406,3**

Provision for claims outstanding before discounting for health and accident insurance for children amounts to SEK 31.4 M. The corresponding amount after discounting is SEK 29.9 M. The discount rate is 3.0%.

NOTE 38 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and tax liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Intangible assets	–	–	60.6	88.3	60.6	88.3
Property	–0.9	–	276.1	248.5	275.2	248.5
Financial assets	–	–	82.8	68.7	82.8	68.7
Other assets	–0.9	–0.5	–	–	–0.9	–0.5
Liabilities	–61.7	–51.4	22.8	–	–38.9	–51.4
Loss carryforwards	–201.7	–306.4	–	–	–201.7	–306.4
Untaxed reserves	–	–	490.6	490.6	490.6	490.6
Deferred tax asset (–) /deferred tax liability (+)	**–265.2**	**–358.3**	**932.8**	**896.2**	**667.7**	**537.9**
Offset	73.9	3.0	–73.9	–3.0	–	–
Net deferred tax asset (–) /deferred tax liability (+)	**–191.2**	**–355.3**	**858.9**	**893.2**	**667.7**	**537.9**

The Group has no temporary differences with tax effects in Group or associated companies.
Deferred tax assets have been recognised for tax loss carryforwards. It is anticipated that the loss will be utilised within a three-year period.

Change in deferred tax in temporary differences and loss carryforwards

2010	Amount at January 1	Currency translation	Recognised in profit and loss	Recognised in other comprehensive income	Amount at December 31
Intangible assets	88.3	–9.8	–17.9	–	60.6
Property	248.5	–	1.7	24.9	275.2
Financial assets	68.7	–	6.5	7.6	82.8
Other assets	–0.5	–	–0.5	–	–0.9
Liabilities	–51.4	–	12.5	–	–38.9
Loss carryforwards	–306.4	–	104.8	–	–201.7
Untaxed reserves	490.6	–	–	–	490.6
Deferred tax assets (–) /deferred tax liabilities (+)	**537.9**	**–9.8**	**107.1**	**32.5**	**667.7**

2009	Amount at January 1	Currency translation	Recognised in profit and loss	Recognised in other comprehensive income	Amount at December 31
Intangible assets	112.2	–	–23.9	–	88.3
Property	290.0	–	–57.2	15.8	248.5
Financial assets	67.7	–0.5	–11.0	12.5	68.7
Other assets	–16.3	0.2	15.7	–	–0.5
Liabilities	–92.6	–	41.2	–	–51.4
Loss carryforwards	–519.5	9.0	204.1	–	–306.4
Untaxed reserves	485.7	–3.5	8.4	–	490.6
Deferred tax assets (–)/deferred tax liabilities (+)	**327.1**	**5.2**	**177.3**	**28.3**	**537.9**

NOTE 39 OTHER PROVISIONS

	Dec. 31, 2010	Dec. 31, 2009
Provision for pensions being paid	58,3	39,5
Provisions for early retirement in accordance with pension agreement	67.9	69.7
Provision for contractual obligations	145.3	189.6
Other provisions	20.6	19.0
Total other provisions	**292.0**	**317.8**

Provision for contractual obligations	**2010**	**2009**
Carrying amount, January 1	189.6	172.1
Provisions made during the period	12.7	81.4
Amounts utilised during the year	–57.0	–63.6
Unutilised amount reversed during the year	0.0	–0.3
Carrying amount, December 31	**145.3**	**189.6**

Defined-benefit pension plans

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	Dec. 31, 2010	Dec. 31, 2009
Present value of wholly or partly funded commitments	31,9	28,0
Fair value of plan assets	–16.6	–16.8
Present value of unfunded commitments	38.9	41.8
The limitation amount due to the design of the plan	10.3	9.8
Present value of net commitments	**64.4**	**62.8**
Unrecognised accumulated actuarial gains (+) and losses (–)	17.7	16.0
Net amount recognised pertaining to defined-benefit plans in the statement of financial position	**82.2**	**78.9**
Provision, special employer's contribution	21.5	19.1
Other pension provisions	16.2	3.3
Total	**119.8**	**101.4**

The net amount is recognised in the following items in the statement of financial position

Other provisions	126.1	109.2
Other receivables	–6.5	–7.8
Total	**119.8**	**101.4**

NOTE 39 **OTHER PROVISIONS, cont.**

	2010	2009
Change in net liability recognised in the statement of financial position		
Opening liability, January 1	78.9	82.8
Pension costs for the year according to specification below	11.2	1.2
Settlement	–7.8	–5.2
Closing net, December 31 according to the statement of financial position	**82.2**	**78.9**
Changes in total present value for defined-benefit plans		
Commitments for defined-benefit plans, January 1	69.8	92.2
Costs for service during current period	1.4	1.6
Interest expense	1.8	2.0
Paid remuneration	1.7	–14.1
Actuarial gains (–) and losses (+)	–4.0	–11.9
Total commitments for defined-benefit plans, December 31	**70.8**	**69.8**
Change in fair value of plan assets		
Fair value of plan assets, January 1	16.8	23.0
Expected return on plan assets	–0.2	–0.3
Difference between expected and actual return (actuarial gains/losses)	0.0	–5.9
Fair value of plan assets, December 31	**16.6**	**16.8**
Composition of plan assets		
Participations in fixed-income funds	24.1	22.9
Cash and bank balances	3.4	3.3
Other assets	0.0	0.0
Liabilities	–10.9	–9.5
Total	**16.6**	**16.8**
Costs recognised in profit and loss		
Costs for service during current period	1.4	1.6
Interest expense	1.8	2.0
Expected return on plan assets	–0.2	–0.3
Effects of reductions and settlements	8.2	–2.1
Total net expenses in profit and loss	**11.2**	**1.2**
Costs are recognised in the following lines in profit and loss:		
Staff costs	11.2	1.2
Significant calculation assumptions on December 31		
Discount rate	2.7%	2.7%
Expected return on plan assets	3.0%	3.0%
Expected rate of salary increase	3.0%	3.0%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%

	2010	2009	2008	2007	2006
Historic information					
Present value of defined-benefit commitments	70.8	69.8	92.2	113.8	118.0
Fair value of plan assets	–16.6	–16.8	–23.0	–23.9	–24.3
Surplus/Deficit in the plan	54.1	53.1	69.1	89.9	93.7
Experience-based adjustment pertaining to plan assets	0.0	–	–	1.3	–0.4
Experience-based adjustment pertaining to defined-benefit commitments	4.5	10.5	13.0	1.4	–1.4

Defined-contribution pension plans

These pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	2010	2009
Expenses for defined-contribution plans	172.3	172.5

NOTE 40 DEBT SECURITIES IN ISSUE

	Dec. 31, 2010	Dec. 31, 2009
Commercial papers	4,204.9	5,925.0
Bond loans	84,292.9	54,984.0
Cashier's cheques issued	97.6	113.3
Total securities issued	**88,595.4**	**61,022.3**

NOTE 41 DEPOSITS FROM THE PUBLIC

	Dec. 31, 2010	Dec. 31, 2009
Deposits from insurance companies	2,422.4	2,596.2
Deposits from households	36,647.8	32,245.4
Deposits from other Swedish public	2,500.7	2,139.0
Total deposits from the public	**41,570.8**	**36,980.6**

NOTE 42 42 DUE TO CREDIT INSTITUTIONS

	Dec. 31, 2010	Dec. 31, 2009
Swedish banks	–	20,500.0
Other Swedish credit institutions	4,981.2	732.4
Total liabilities due to credit institutions	**4,981.2**	**21,232.4**

NOTE 43 OTHER LIABILITIES

	Dec. 31, 2010	Dec. 31, 2009
Liabilities pertaining to direct insurance	550.1	575.3
Liabilities, reinsurance	289.4	353.5
Deposits from reinsurers	40.6	44.3
Accounts payable	308.9	300.5
Interest-bearing liabilities to regional insurance companies	487.6	1,656.2
Other liabilities	554.6	872.5
Total other liabilities	**2,231.2**	**3,802.3**

NOTE 44 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31, 2010	Dec. 31, 2009
Accrued interest expense	2,548.1	1,590.7
Other accrued expenses	597.7	886.0
Prepaid rent	200.7	158.1
Other deferred income	354.2	242.0
Total accrued expenses and deferred income	**3,700.7**	**2,876.9**

NOTE 45 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec. 31, 2010	Dec. 31, 2009
Pledged assets		
Total registered investment assets on behalf of policyholders	15,082.6	14,979.3
Pledged securities in the Riksbank	1,900.0	23,040.0
Pledged securities in Euroclear	1,150.0	3,096.0
Collateral provided for derivatives	–	10.0
Loan receivables, covered bonds	76,653.7	65,111.6
Collateral paid due to repurchase agreement	4,919.2	519.2
Other collateral for securities	15.0	5.0
Bonds	157.7	153.3
Chattel mortgages, associated companies	0.3	0.3
Total pledged assets	**99,878.5**	**106,914.7**

Registered assets follow the regulations stipulated in Chapter 7, Section 11 of the Swedish Insurance Business Act. In the event of insolvency, the policyholders have a priority right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Insurance Business Act.

Loans to the public was provided as collateral for issuance of covered bonds and mortgage bonds. In the event of the company's insolvency, bond holders have preferential rights to the assets that are registered as cover pool.

	Dec. 31, 2010	Dec. 31, 2009
Contingent liabilities		
Guarantees	31.2	36.0
Part-owner of Utile Dulci 2 HB	13.0	11.8
Early retirement at age 62 in accordance with pension agreement, 80%	270.7	278.9
Letters of Credit	1.6	2.0
Total contingent liabilities	**316.5**	**328.7**
Other commitments		
Loans approved but not disbursed	4,670.9	4,595.5
Unutilised portion of overdraft facilities	1,755.1	1,283.4
Unutilised portion of credit card facilities	719.6	636.4
Total other commitments	**7,145.7**	**6,515.3**

Other pledged securities will be transferred to the pledgee in the event of bankruptcy. An assumption regarding the number of employees likely to utilise the option of early retirement was made in determining the contingent liabilities for early retirement according to pension agreements. This assumption was based on historical information. The pension agreement expires in 2017.

NOTE 46 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS AND LIABILITIES

	December 31, 2010			December 31, 2009		
Amount expected to be recovered	**within 12 months**	**after 12 months**	**Total**	**within 12 months**	**after 12 months**	**Total**
Assets						
Goodwill	–	338.0	338.0	–	353.1	353.1
Other intangible assets	167.1	713.7	880.8	151.3	719.7	870.9
Deferred tax assets	186.1	5.1	191.2	332.2	23.1	355.3
Property and equipment	56.6	54.1	110.7	34.4,	63.4	97.8
Owner-occupied property	62.8	2,351.9	2,414.7	52.2	2,245.0	2,297.2
Shares in Länsförsäkringar Liv Försäkrings AB	–	514.5	514.5	–	514.5	514.5
Shares and participations in associated companies	–	23.1	23.1	–	22.7	22.7
Reinsurers' portion of technical reserves	3,983.1	2,363.6	6,346.6	3,571.0	2,346.3	5,917.3
Investment property	–	7.0	7.0	–	118.0	118.0
Loans to the public	7,286.8	110,623.4	117,910.2	2,931.7	96,649.9	99,581.6
Shares and participations	34.1	928.1	962.3	412.7	918.0	1,330.7
Bonds and other interest-bearing securities	4,328.3	27,241.2	31,569.5	14,602.3	19,217.1	33,819.3
Treasury bills and other eligible bills	1,349.3	2,820.7	4,170.0	1,999.8	–	1,999.8
Derivatives	294.4	914.3	1,208.7	413.1	855.6	1,268.7
Change in value of hedge portfolios	–	140.6	140.6	–	767.9	767.9
Other receivables	1,953.2	87.5	2,040.7	1,536.6	85.7	1,622.3
Prepaid expenses and accrued income	2,028.3	–	2,028.3	1,309.8	–	1,309.8
Cash and cash equivalents	2,993.3	–	2,993.3	4,758.2	–	4,758.2
Total assets	**24,723.3**	**149,126.7**	**173,850.0**	**32,105.2**	**124,900.0**	**157,005.2**

	December 31, 2010			December 31, 2009		
Amount expected to be settled	**within 12 months**	**after 12 months**	**Total**	**within 12 months**	**after 12 months**	**Total**
Liabilities						
Subordinated liabilities	114.0	–	114.0	–	114.0	114.0
Technical reserves	8,696.4	11,239.9	19,936.3	7,216.2	12,475.1	19,691.3
Deferred tax liabilities	–	858.9	858.9	–	893.2	893.2
Other provisions	26.9	265.1	292.0	48.6	269.2	317.8
Debt securities in issue	20,452.0	68,143.4	88,595.4	21,436.2	39,586.1	61,022.3
Deposits from the public	6,791.4	34,779.4	41,570.8	1,489.6	35,491.0	36,980.6
Due to credit institutions	4,981.2	–	4,981.2	21,232.4	–	21,232.4
Derivatives	119.9	2,010.7	2,130.6	272.7	981.5	1,254.1
Change in value of hedge portfolios	–	–392.4	–392.4	–	762.1	762.1
Other liabilities	2,086.4	144.7	2,231.2	3,625.5	176.8	3,802.3
Accrued expenses and deferred income	3,700.8	–	3,700.8	2,876.9	–	2,876.9
Total liabilities	**46,969.1**	**117,049.7**	**164,018.8**	**58,198.1**	**90,748.9**	**148,947.0**

NOTE 47 ASSETS AND LIABILITIES BY CATEGORY

December 31, 2010	Loan receivables and accounts receivable	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Financial assets measured at fair value in profit and loss: Derivatives used in hedge accounting	Available-for-sale financial assets	Investments held to maturity	Non-financial assets	Total	Fair value
Assets									
Goodwill							338.0	338.0	
Other intangible assets							880.8	880.8	
Deferred tax assets							191.2	191.2	
Property and equipment							110.7	110.7	
Owner-occupied property							2,414.7	2,414.7	2,414.7
Shares in Länsförsäkringar Liv Försäkrings AB					514.5			514.5	514.5
Shares and participations in associated companies							23.1	23.1	
Reinsurers' portion of technical reserves							6,346.6	6,346.6	
Investment property							7.0	7.0	7.0
Loans to the public	117,910.2							117,910.2	118,146.9
Shares and participations		951.8			10.4			962.3	962.3
Bonds and other interest-bearing securities		10,366.2			21,203.3			31,569.5	31,569.5
Treasury bills and other eligible bills					4,170.0			4,170.0	4,170.0
Derivatives			180.9	1,027.8				1,208.7	1,208.7
Change in value of hedge portfolios	140.6							140.6	140.6
Other receivables	890.3						1,150.4	2,040.7	
Prepaid expenses and accrued income	180.9	48.1	21.8	992.9	575.2		209.4	2,028.3	
Cash and cash equivalents	2,993.3							2,993.3	2,993.3
Total assets	**122,115.3**	**11,366.1**	**202.7**	**2,020.7**	**26,473.5**	–	**11,671.8**	**173,850.0**	

	Financial liabilities measured at fair value in profit and loss: Held for trading	Financial liabilities measured at fair value in profit and loss: Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities						
Subordinated liabilities			114.0		114.0	114.0
Technical reserves				19,936.3	19,936.3	
Deferred tax liabilities				858.9	858.9	
Other provisions				292.0	292.0	
Debt securities in issue			88,595.4		88,595.4	89,542.0
Deposits from the public			41,570.8		41,570.8	41,610.0
Due to credit institutions			4,981.2		4,981.2	4,981.2
Derivatives	42.8	2,087.8			2,130.6	2,130.6
Change in value of hedge portfolios			–392.4		–392.4	–392.4
Other liabilities			1,064.6	1,166.6	2,231.2	
Accrued expenses and deferred income	24.2	693.3	1,893.9	1,089.3	3,700.8	
Total liabilities	**67.0**	**2,781.1**	**137,827.6**	**23,343.1**	**164,018.8**	

NOTE 47 ASSETS AND LIABILITIES BY CATEGORY, cont.

December 31, 2009	Loan receivables and accounts receivable	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Financial assets measured at fair value in profit and loss: Derivatives used in hedge accounting	Available-for-sale financial assets	Investments held to maturity	Non-financial assets	Total	Fair value
Assets									
Goodwill							353.1	353.1	
Other intangible assets							870.9	870.9	
Deferred tax assets							355.3	355.3	
Property and equipment							97.8	97.8	
Owner-occupied property							2,297.2	2,297.2	2,297.2
Shares in Länsförsäkringar Liv Försäkrings AB					514.5			514.5	514.5
Shares and participations in associated companies							22.7	22.7	
Reinsurers' portion of technical reserves							5,917.3	5,917.3	
Investment property							118.0	118.0	118.0
Loans to the public	99,581.6							99,581.6	100,569.7
Shares and participations		1,320.3			10.4			1,330.7	1,330.7
Bonds and other interest-bearing securities		11,726.5			14,051.3	8,041.6		33,819.4	33,832.5
Treasury bills and other eligible bills					1,999.8			1,999.8	1,999.8
Derivatives			108.1	1,160.6				1,268.7	1,268.7
Change in value of hedge portfolios	767.9							767.9	767.9
Other receivables	515.0						1,107.3	1,622.3	
Prepaid expenses and accrued income	111.5	81.3	1.8	581.7	249.9	74.1	209.4	1,309.8	
Cash and cash equivalents	4,758.2							4,758.2	4,758.2
Total assets	**105,734.2**	**13,128.1**	**109.9**	**1,742.3**	**16,825.9**	**8,115.7**	**11,349.0**	**157,005.2**	

	Financial liabilities measured at fair value in profit and loss: Held for trading	Financial liabilities measured at fair value in profit and loss: Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities						
Subordinated liabilities			114.0		114.0	114.0
Technical reserves				19,691.3	19,691.3	
Deferred tax liabilities				893.2	893.2,	
Other provisions				317.8	317.8	
Debt securities in issue			61,022.3		61,022.3	63,235.9
Deposits from the public			36,980.6		36,980.6	37,426.2
Due to credit institutions			21,232.4		21,232.4	21,232.4
Derivatives	42.8	1 211.3			1,254.1	1,254.1
Change in value of hedge portfolios			762.1		762.1	762.1
Other liabilities			2,091.3	1,711.0	3,802.3	
Accrued expenses and deferred income	12.0	569.8	1,095.4	1,199.6	2,876.9	
Total liabilities	**54.8**	**1 781.1**	**123,298.2**	**23,812.9**	**148,947.0**	

In 2009, a reclassification of SEK 92.6 M was conducted from Other receivables to Shares and participations.Valuation of Länsförsäkringar Liv is reported in Note 22.
Valuation techniques for shares, bonds, other eligible bills and derivatives recognised at fair value are described in Note 48. Fair value on fixed loans and deposits were calculated, discounting expected future cash flow. The discount rate was set to the current interest rate for loans and deposits. For loans with variable interest rates, fair value corresponds to the carrying amount. Debt securities in issue were recognised at amortised cost, the fair value is based on the listed price if such exists; otherwise a calculation is done in the same manner as for deposits and loans. Other financial assets and liabilities were recognised at cost.

NOTE 48 FAIR VALUE VALUATION TECHNIQUES

Valuation techniques applied per class of financial assets and liabilities measured at fair value.

December 31, 2010	Instruments with published price quotations (level 1)	Valuation techniques based on observable market prices (level 2)	Valuation techniques based on unobservable market prices (level 3)	Total
Assets				
Shares and participations	181.9	354.3	426.2	962.3
Bonds and other interest-bearing securities	31,569.5	–	–	31,569.5
Treasury bills and other eligible bills	4,170.0	–	–	4,170.0
Derivatives	0.5	1,208.1	–	1,208.7
Liabilities				
Derivatives	0.7	2,130.0	–	2,130.6

December 31, 2009	Instruments with published price quotations (level 1)	Valuation techniques based on observable market prices (level 2)	Valuation techniques based on unobservable market prices (level 3)	Total
Assets				
Shares and participations	471.6	842.1	6.9	1,320.5
Bonds and other interest-bearing securities	25,777.8	–	–	25,777.8
Treasury bills and other eligible bills	1,999.8	–	–	1,999.8
Derivatives	1.8	1,266.9	–	1,268.7
Liabilities				
Derivatives	0.5	1,253.6	–	1,254.1

Change level 3	Shares and participations
Opening balance, January 1, 2009	12.9
Divestments	–1.5
Recognised in profit/loss for the year	–4.6
Closing balance, December 31, 2009	**6.9**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2009.	–6.1
Opening balance, January 1, 2010	6.9
Transferred from level 2 to level 3	505.5
Divestments	–2.3
Recognised in profit/loss for the year	–84.0
Closing balance, December 31, 2010	**426.2**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2010.	–84.0

There were no significant transfers between level 1 to level 2 during the year.

On level 3, larger individual unlisted investments are measured by an independent external party. Small holdings are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. For holding in Private Equity funds, measurement is received quarterly from each fund; the measurement follows guidelines from European Private Equity and Venture Capital Association. The measurement is certified annually by each fund's external auditors.

The largest single asset at level 3 on December 31, 2010, has a value within the interval of SEK 306.6 M – SEK 371.2 M. It is recognised at the average value of SEK 338.9 M.

Profits and losses are recognised in profit and loss under Investment income, net. For further information on determination of fair value, refer to Note 1 Accounting policies.

NOTE 49 DISCLOSURES ON RELATED PARTIES

The 24 regional insurance companies have chosen to organise joint operations in the Länsförsäkringar AB Group. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within Länsförsäkringar.

Legal entities closely related to the Länsförsäkringar AB Group are considered to be the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, the 24 regional insurance companies with subsidiaries and the 14 local insurance companies. Related key persons are Board members, senior executives and their close family members

Policies for transactions

Transactions between closely related parties occur mainly as transactions of a nonrecurring nature and transactions on a continuous basis.

Transactions of a nonrecurring nature comprise the acquisitions and divestment of assets and similar transactions. They occur in limited scope. In nonrecurring transactions, the transactions are based on written agreements that comply with market standards and terms.

Transactions of a continuous nature include goods and services provided for the companies within the Länsförsäkringar AB Group and to the Länsförsäkringar Alliance for carrying out development projects and service. Transactions of this nature shall follow established routines as below.

Pricing

Pricing for business operations is on market terms. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Process and decisions

Company management within Länsförsäkringar AB, jointly with a service committee with representatives from the insurance companies, deals with the service levels and costs for the sale of goods and services to related companies. Based on these discussions, the Board of Länsförsäkringar AB makes decision on the service levels and price lists to related companies.

Related-party transactions in the Group 2010

Regional insurance companies and local insurance companies

Länsförsäkringar AB is wholly owned by the 24 regional insurance companies, together with 14 local insurance companies. A large portion of the Group's customer contact takes place through the regional insurance companies and the local insurance companies. Remuneration for the mediation of the Länsförsäkringar AB Group's insurance products is regulated in commission agreements between these parties. Commission is also paid to regional insurance companies for their work with Länsförsäkringar Bank's, Länsförsäkringar Hypotek's and Länsförsäkringar Fondförvaltning's customer-related issues in the geographical area of operations of each regional insurance company. The assignment and remuneration are regulated in partnership agreements signed by the parties. This solution creates a unique local presence and market awareness.

Länsförsäkringar AB Group manages and reconciles the Länsförsäkringar Alliance's internal and external reinsurance. The Group also carries out development projects and service for the regional insurance companies in a number of areas, such as individual claims adjustment, legal affairs and actuarial services, product and concept development and the development of IT support and other IT services.

Länsförsäkringar Mäklarservice AB

Länsförsäkringar Mäklarservice AB is jointly owned by the regional insurance companies and Länsförsäkringar Sak. The company works on behalf of the 19 insurance companies and Länsförsäkringar Sak Försäkrings AB within non-life insurance, and on behalf of all 24 insurance companies within life assurance through a number of regional broker desks.

Länsförsäkringar Liv Försäkrings AB

Länsförsäkringar Liv Försäkrings AB is wholly owned by the Länsförsäkringar AB Group. The operations are conducted in accordance with mutual policies and, accordingly, are not consolidated in Länsförsäkringar AB.

The Länsförsäkringar AB Group also has commission agreements for mediated fund transactions with the Länsförsäkringar Liv Group. Länsförsäkringar Liv Försäkrings AB purchases development and service from Länsförsäkringar AB. The primary task of the service operations shall be to provide service mainly within the areas of business analysis, accounting, office services, HR and communication.

NOTE 49 DISCLOSURES ON RELATED PARTIES, cont.

Related-party transactions 2010

	Income	Expenses	Receivables	Liabilities
Associated companies	0,2	–	–	–
Länsförsäkringar Liv Group	574.3	–314.7	63.0	148.4
Owners				
Regional insurance companies	1,328.2	–673.2	6,068.2	9,024.4
Other related parties				
Länsförsäkringar Mäklarservice AB Länsförsäkringar Fastighetsförmedling:	17.4	–11.5	0.5	18.1

Interest income and interest expense 2010

	Interest income	Interest expense
Regional insurance companies	–	–49,1

Related-party transactions 2009

	Income	Expenses	Receivables	Liabilities
Associated companies	4.2	–	–	–
Länsförsäkringar Liv Group	608.4	–279.0	96.9	31.1
Owners				
Regional insurance companies	1,258.8	–670.9	5,740.2	9,943.6
Other related parties				
Länsförsäkringar Mäklarservice AB Länsförsäkringar Fastighetsförmedling:	14.2	–10.4	0.4	23.1

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

Interest income and interest expense 2009

	Interest income	Interest expense
Regional insurance companies	–	–89,6

Agreements	Counterparty	Date
Framework IT agreement regarding appendices for production, life-cycle management, orders, projects and assignments	Länsförsäkringar Liv AB	2004
Commission agreement pertaining to customer-related work in banking and fund operations	24 regional insurance companies	2005
Agreement regarding commission for mediated fund transactions	Länsförsäkringar Fondliv AB	2007
Agreement regarding commission for mediation of insurance products	24 regional insurance companies	2007
Management agreement regarding Utile Dulci 2 HB	Humlegården Fastigheter AB	2007
Agreement regarding sales	Länsförsäkringar Mäklarservice AB	2008
Claims adjustment agreement	24 regional insurance companies	2008
Assignment agreement pertaining to development and service	Länsförsäkringar Liv AB	2009
Outsourcing agreement regarding customer-related work in banking and fund operations	24 regional insurance companies	2009
Operation and management agreement (pertaining to joint IT systems)	24 regional insurance companies	2009
Usufruct agreement pertaining to joint IT systems	24 regional insurance companies	2009

Transactions between the Länsförsäkringar AB Group and its Board and management. For information regarding remuneration to closely related key persons such as Board members and senior executives refer to Note 12 Employees, staff costs and remuneration to senior executives. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

For the Länsförsäkringar Liv Group transactions with related parties, refer to the Länsförsäkringar Liv Försäkringsaktiebolag's 2010 Annual Report.

NOTE 50 INVESTMENT COMMITMENTS

During 2009, an agreement was signed pertaining to the reconstruction of two owner-occupied properties. In 2010, SEK 87.7 M was invested in reconstruction and in 2011, SEK 40 M has been contracted.

NOTE 51 GROUP COMPANIES

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in % Dec. 31, 2010	Dec. 31, 2009
LF Gruppen AB, dormant	Sweden	–	100
Länsförsäkringar Bank AB (publ)	Sweden	100	100
Länsförsäkringar Fondförvaltning AB (publ)	Sweden	100	100
Länsförsäkringar Hypotek AB	Sweden	100	100
Wasa Kredit AB	Sweden	100	100
Länsförsäkringar Sak Försäkrings AB (publ)	Sweden	100	100
Länsförsäkringar Grupplivförsäkrings AB	Sweden	100	100
Länsförsäkringar Sak Fastighets AB	Sweden	100	100
Utile Dulci 2 HB	Sweden	100	100
Försäkringsaktiebolaget Agria (publ)	Sweden	100	100
Agria International Försäkrings AB	Sweden	100	100
Agria Pet Insurance Ltd	UK	100	100
Grundstenen 125560 AB, dormant	Sweden	–	100
Wasa Försäkring Run-Off AB	Sweden	100	100
Länsförsäkringar EFEL Skadeförsäkring AB	Sweden	–	100
Länsförsäkringar EFEL Livförsäkring AB	Sweden	–	100

The subsidiary Länsförsäkringar EFEL Skadeförsäkring AB was merged with Länsförsäkringar Sak in June 2010.

During 2010, LF Gruppen AB and Länsförsäkringar EFEL Livförsäkring AB were liquidated and Grundstenen 125560 was divested.

Participating interest refers to the share of capital, which corresponds to the number of votes for the total number of shares.

NOTE 52 SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOWS

	2010	2009
Interest paid and dividends received		
Dividends received	76.5	4.8
Interest received	318.1	278.2
Interest paid	–97.5	–167.1
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	308.5	267.6
Unrealised exchange-rate differences	119.9	–370.2
Capital gains and losses in assets	–2.1	–145.8
Technical reserves after ceded reinsurance	184.2	–413.1
Pension provisions	28.1	17.8
Other provisions	–1.6	–124.9
Other items not affecting liquidity	1.4	0.7
Total	**638.5**	**–767.9**

NOTE 52 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS, conts.

	2010	2009
Acquisition of subsidiaries		
Acquired assets		
Cash and cash equivalents	–	0.1
Total assets	**–**	**0.1**
Purchase consideration paid	–	0.1
Less acquired cash and cash equivalents	–	–0.1
Impact on cash and cash equivalents	–	**0.0**
Divestment of subsidiaries		
Divested assets and liabilities		
Intangible assets	–	35.7
Property and equipment	–	0.2
Operating receivables	–	217.0
Financial assets	–	438.7
Cash and cash equivalents	0.1	166.1
Total assets	**0.1**	**857.7**
Deferred tax	–	–0.9
Technical reserves	–	–589.2
Operating liabilities	–	–78.5
Total liabilities	**–**	**–668.6**
Purchase consideration received	0.1	159.0
Less cash and cash equivalents in the sold operations	–0.1	–166.1
Impact on cash and cash equivalents	–	**–7.1**
Cash and cash equivalents	2,993.3	4,758.2
Cash and bank balances		

Unutilised credit facilities amount to SEK 50 M (50).

NOTE 53 EVENTS AFTER BALANCE-SHEET DATE

Rikard Josefson was appointed the new President of Länsförsäkringar Bank AB. Rickard will succeed Mats Ericsson, who will become President of Länsförsäkringar Fastighetsförmedling AB on March 1, 2011. The Representative for the President, Anders Borgcrantz, will serve as Acting President from March 1, until Rikard Josefson takes office, not later than after the summer.
Agria International Försäkring AB opened a new branch office in Denmark on January 1, 2011, under the name Agria Dyreforsikring. The company already has branch offices in Norway and the UK.

NOTE 54 INFORMATION REGARDING THE PARENT COMPANY

Länsförsäkringar AB is a limited liability company registered in Sweden with its registered offices in Stockholm.

Corporate Registration Number 556549-7020

The address of the head office is Tegeluddsvägen 11–13.

The postal address is SE-106 50 Stockholm.

The consolidated financial statements 2010 comprise the Parent Company and its subsidiaries. The Länsförsäkringar AB Group also included participations owned in associated companies.

Länsförsäkringar AB is wholly owned by the 24 regional insurance companies and 14 local insurance companies.

Financial statements, Parent Company

Income statement for the Parent Company

SEK M	Note	2010	2009
Net sales	3	2,350.1	2,229.8
Operating expenses			
External expenses	4, 5, 7	–1,630.4	–1,501.3
Staff costs	6	–789.5	–846.1
Depreciation/amortisation and impairment of property and equipment and intangible assets	12,13	–49.6	–38.5
Operating loss		**–119.4**	**–156.1**
Profit/loss from financial items			
Profit from participations in Group companies	8	431.7	29.8
Interest income and similar profit/loss items	9	58.6	86.7
Interest expense and similar profit/loss items	10	–51.8	–93.5
Profit/loss after financial items		**319.1**	**–133.1**
Tax on net profit for the year	11	22.0	39.3
Net profit/loss for the year		**341.1**	**–93.7**

Net profit for the year agrees with the comprehensive income for the year

Balance sheet for the Parent Company

SEK M	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Fixed assets			
Intangible assets	12	111.0	33.6
Property and equipment	13	258.8	158.9
Financial fixed assets			
Shares and participations in Group companies	14	7,912.3	7,062.3
Loans to Group companies	15	1,250.0	1,554.9
Other securities held as fixed assets	16	525.9	523.3
Deferred tax assets	17	–	20.8
		9,688.2	**9,161.3**
Total fixed assets		**10,058.0**	**9,353.8**
Current assets			
Inventories		0.2	0.6
Current receivables			
Receivables from Group companies	27	492.2	499.5
Receivables from other related parties	27	319.4	290.8
Other receivables		46.2	108.0
Prepaid expenses and accrued income	18	49.2	58.8
		907.0	**957.1**
Current investments	19	226.3	193.8
Cash and bank balances		404.5	699.9
Total current assets		**1,538.1**	**1,851.5**
Total assets	26	**11,596.1**	**11,205.3**

Balance sheet for the Parent company, cont.

SEK M	Note	Dec. 31, 2010	Dec. 31, 2009
EQUITY, PROVISIONS AND LIABILITIES			
Equity	20		
Restricted equity			
Share capital		725.1	629.8
Statutory reserve		4,801.3	4,801.3
Total restricted equity		**5,526.3**	**5,431.0**
Non-restricted equity			
Share premium reserve		1,188.4	–
Retained earnings		2,498.0	2,446.5
Net profit/loss for the year		341.1	–93.7
Total non-restricted equity		**4,027.4**	**2,352.8**
Total equity		**9,553.7**	**7,783.8**
Provisions			
Provisions for pensions and similar commitments	21	54.6	60.6
Other provisions	22	9.5	7.6
Total provisions		**64.0**	**68.2**
Long-term liabilities			
Subordinated debt from regional insurance companies	23	–	114.0
Deferred tax liabilities	17	13.8	–
Total long-term liabilities		**13.8**	**114.0**
Current liabilities			
Accounts payable		205.6	193.4
Liabilities to Group companies	27	844.4	1,002.6
Subordinated debt from regional insurance companies	23	114.0	–
Liabilities to other related parties	27	618.6	1,803.9
Other liabilities		13.2	65.5
Accrued expenses and deferred income	24	168.7	173.8
Total current liabilities		**1,964.5**	**3,239.2**
Total equity, provisions and liabilities	26	**11,596.1**	**11,205.3**
Pledged assets and contingent liabilities	25		
Contingent liabilities		128.8	129.2

Statement of changes in shareholders' equity for the Parent Company

SEK M	Restricted equity Share capital	Restricted equity Statutory reserve	Non-restricted equity Share premium reserve	Non-restricted equity Retained earnings	Non-restricted equity Net profit/loss for the year	Total equity
Opening equity, January 1, 2009	629.8	4,801.3	–	2,288.1	–7.5	**7,711.6**
Net loss for the year					–93.7	–93.7
Appropriation of profit				–7.5	7.5	–
Merger difference				–0.0		–0.0
Group contribution paid				–43.5		–43.5
Group contributions received				209.5		209.5
Closing equity, December 31, 2009	**629.8**	**4,801.3**	**–**	**2,446.5**	**–93.7**	**7,783.8**
Opening equity, January 1, 2010	629.8	4,801.3	–	2,446.5	**–93.7**	**7,783.8**
Net profit for the year					341.1	341.1
Appropriation of profit				–93.7	93.7	–
Group contribution paid				–138.0		–138.0
Group contributions received				283.1		283.1
New share issue	95.3		1,188.4			1,283.7
Closing equity, December 31, 2010	**725.1**	**4,801.3**	**1,188.4**	**2,498.0**	**341.1**	**9,553.7**

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

Parent Company statement of cash flows

SEK M	Note	2010	2009
Operating activities			
Profit after financial items		319.1	–133.1
Adjustment for non-cash items	28	49.0	–20.7
		368.1	**–153.8**
Income tax paid		–2.4	–
Cash flow from operating activities before changes in working capital		**365.8**	**–153.8**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		0.4	1.4
Increase (–)/Decrease (+) in operating receivables		55.2	97.8
Increase (+)/Decrease (–) in operating liabilities		–204.0	351.8
Cash flow from operating activities		**217.4**	**297.2**
Investing activities			
Shareholders' contribution paid		–850.0	–400.0
Acquisition of intangible assets		–82.7	–27.5
Acquisition of property and equipment		–145.6	–125.5
Divestment of property and equipment		11.3	9.2
Divestment of subsidiaries		0.1	0.1
Divestment of financial assets		20.1	3.9
Investments in financial assets		–55.1	–416.7
Repayment of loans		304.9	–
Cash flow from investing activities		**–797.0**	**–956.5**

SEK M	Note	2010	2009
Financing activities			
New share issue		12.6	–
Loans to Group companies		–	148.3
Amortisation of loans		–17.7	–44.0
Group contributions received		204.1	225.2
Cash flow from financing activities		**199.0**	**329.5**
Net cash flow for the year		–380.6	–329.8
Cash and cash equivalents, January 1		788.7	1,118.5
Cash and cash equivalents, December 31		**408.1**	**788.7**
Parent Company's cash and cash equivalents in Länsförsäkringar Bank		–3.6	–88.8
Cash and bank balance in the Parent Company's balance sheet		**404.5**	**699.9**

The new share issue implemented in December 2010 increased equity by SEK 1,283.7 M, of which SEK 12.6 M was paid in cash and SEK 1,271.1 M was issued through loan conversions.

Notes to the financial statements for the Parent Company

Amounts are stated in SEK M unless specified otherwise.

NOTE 1 ACCOUNTING POLICIES

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) as well as recommendation RFR 2 Accounting for Legal Entities and the statements regarding listed companies by the Swedish Financial Reporting Board.

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.

Changed accounting policies

In addition to or differing from the amended accounting policies stated above for the Group, the below amendments impacted the Parent Company during 2010.

RFR 2 Accounting for Legal Entities states that the amended IAS 1 Presentation of Financial Statements must apply not later than from 2010, also pertaining to the Parent Company, with some exceptions. Since the company has no "Other comprehensive income" items, "Net profit/loss for the year" will correspond to the "Comprehensive income" for the year. Furthermore, the Parent Company will also prepare an additional balance sheet, at the beginning of the comparative year and in annual reports if retroactive amendments had any significant effect on any items in the additional balance sheet.

Differences between the Group's and the Parent Company's accounting policies

The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

The Parent Company applies the same accounting policies as the Group except in the following cases.

Classification and presentation format

For the Parent Company, the terms Balance sheet and Cash-flow Statements are used for reports that are referred to as Statement of Financial Position and Statement of Cash Flows in the Group. The income statement and the balance sheet for the Parent Company are presented following the format of the Swedish Annual Accounts Act, while the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences to the Group's financial statements that apply in the Parent Company's income statement and balance sheets comprise primarily reporting of financial income and expenses, fixed assets, equity, as well as the presence of provision as a separate heading in the balance sheet.

Subsidiaries

Shares and participations in subsidiaries are recognised at cost.

Income

Sale of goods and the execution of service assignments

Service assignments in the Parent Company are reported in accordance with Chapter 2, Section 4 of the Swedish Annual Accounts Act when the service has been completed. Until that time, work in progress pertaining to service assignments is recognised at the lower of cost and the net selling price on the balance sheet date.

Operating segments reporting

Segment reporting in the Parent Company does not correspond to that of the Group in terms of distribution and extent, instead provides information on the distribution of net sales.

Group contributions and shareholders' contributions

The company recognises paid and received Group contributions and shareholders' contributions in accordance with statement URA2 issued by the Swedish Financial Reporting Board. Shareholders' contributions are recognised directly against the equity of the recipient and are capitalised in shares and participations from the donor to the extent that impairment is not required. Group contributions are recognised according to financial implication. This entails that Group contributions that have been paid and received with the aim of minimising the Group's total tax are recognised directly against retained earnings after deductions for their current tax effect.

Leased assets

In the Parent Company, all lease agreements are recognised in accordance with the rules for operational leasing.

Borrowing costs

Borrowing costs in the Parent Company are charged to earnings for the period to which they are attributable.

Borrowing costs in the Parent Company are charged to earnings for the period to which they are attributable.

Defined-benefit pension plans

The Parent Company applies different principles for the calculation of defined-benefit plans to those stipulated in IAS 19 Employee Benefits. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

NOTE 2 RISKS AND RISK MANAGEMENT

In addition to shares and receivables in Group companies, the Parent Company also has current investments. However, these investment assets are limited in size relative to the investment assets of the Group's insurance companies. At year-end 2010, the Parent Company's holdings of investment shares and mutual fund units amounted to SEK 32.3 M (30.6). In addition, there were current interest-bearing investments and cash in the Parent Company amounting to SEK 596.7 M (678.1).

In addition to the aforementioned assets, the Parent Company's risks derive from the operations of the subsidiaries.

Refer also to the Board of Directors' Report and the Group's Note 2 Risks and Risk Management.

NOTE 3 NET SALES

Sales in the Parent Company comprise service income of SEK 2,178.1 M (2,066.3) and rental income of SEK 172.0 M (163.5) for premises and equipment for companies in the Group. The company's sales are recognised in the "Other operations" operating segment. A total of 27% (23) of sales comes from companies in the Länsförsäkringar AB Group, 22% (25) from the Länsförsäkringar Liv Group, 50% (51) from regional insurance companies and 1% (1) from external customers.

NOTE 4 EXTERNAL EXPENSES

	2010	2009
Cost of premises, Note 5		
Marketing		
Consultants		
Fees to auditors, Note 7		
IT costs		
Printed matter, telephony and postage		
Asset management expenses		
Other expenses		
Total		

Cost of premises refers primarily to rent for premises used by the Group for its operations.

Länsförsäkringar AB in turn leases premises to Group companies and external customers. Marketing costs include SEK 100.0 M (100.0) paid to the regional insurance companies for marketing activities focusing on broadening the brand.

NOTE 5 OPERATIONAL LEASING

Lease agreements in which the company is the lessee

Irrevocable lease payments pertaining to rent for premises amount to:

	2010	2009
Within one year	–162.2	–157.0
Between one year and five years	–648.7	–628.0
Longer than five years	–162.2	–314.0
Total	**–973.0**	**–1 099.0**

A rental charge of SEK 162.2 M (157.0) was recognised in profit for 2010.

The lease contracts are valid for ten years up to and including December 2016. Every time that least contracts are renewed, a basic rent level is established that is subsequently index-linked to the consumer price index.

Lease agreements in which the company is the lessor

Irrevocable lease payments pertaining to rent for premises amount to:

	2010	2009
Within one year	97.1	125.4
Between one year and five years	333.8	495.1
Longer than five years	78.9	237.8
Total	**509.8**	**858.3**

In 2010, rental income amounting to SEK 97.1 M (125.4) was recognised.

The company leases premises to both internal and external tenants. Internal lease contracts are valid for ten years up to and including December 2016.

For external tenants with rent of SEK 18.2 M (6.4), lease contracts are valid for three years up to and including 2012 with the possibility of extension.

NOTE 6 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

	2010	2009
Average number of employees, salaried employees, Sweden		
Men	367	381
Women	337	342
Total number of employees	**704**	**723**
Salaries, other remuneration and social security expenses		
Board of Directors and other senior executives, 22 (18)		
Salaries and remuneration	24.1	27.9
of which fixed salary to President	4.3	13.6
of which variable salary to President	–	0.3
of which fixed salary to other senior executives	17.0	10.2
of which variable salary to other senior executives	–	1.4
Social security expenses	18.9	19.2
of which pension costs	9.1	8.3
Total	**42.9**	**47.2**
Other employees		
Salaries and remuneration	405.4	413.4
of which variable remuneration	3.9	16.2
Social security expenses	259.2	307.5
of which pension costs	110.9	146.4
Total	**664.6**	**720.8**
Total salaries, other remuneration and social security expenses		
Salaries and remuneration	429.5	441.3
of which variable remuneration	3.9	17.9
Social security expenses	278.1	326.7
of which pension costs	120.0	154.7
Total	**707.6**	**768.0**

Variable remuneration

Variable remuneration is paid to all employees who are not managers, with the exception of employees within the Compliance, Risk Control and Internal Audit functions. A prerequisite for paying variable remuneration to employees is that the Länsförsäkringar AB Group reports positive results before tax. Half of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and the other half on the degree to which the individual goals in the goal contract were achieved. A maximum of SEK 12,000 may be paid to employees per year if all the prerequisites are fulfilled.

In addition to the above, there are a few managers and specialists within Länsförsäkringar AB's Asset Management, where a maximum of one to six months' salaries are paid. All deviations in addition to the level of two months' salary must be dealt with in Länsförsäkringar AB's Remuneration Committee and resolved by Länsförsäkringar AB's Board of Directors.

A prerequisite for paying variable remuneration to employees is that the Länsförsäkringar AB Group reports positive results before tax. One third of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and two thirds on the degree to which the individual goals in the goal contract were achieved.

Some 40% of the outcome will be paid during the following year and 60% will be paid three years later. Under the conditions stated in the Remuneration Policy, the Board may decide to reduce the portion of the variable remuneration that will be paid later.

The variable remuneration above pertains to the recognised expense for the year. The amount includes estimated variable remuneration for 2010, as well as deviation pertaining to estimated costs for 2009.

Sickness absence, %	2010	2009
Total of overall working hours	2.0	2.3
Total of overall working hours for men	1.4	1.6
Total of overall working hours for women	2.6	3.0
Absence for employees aged 29 or younger	2.0	3.7
Absence for employees aged 30–49	2.0	2.3
Absence for employees aged 50 or older	2.0	2.0
Percentage pertaining to absence during a consecutive period of 60 days or more	29.8	40.0

NOTE 6 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.

Remuneration to the Board of Directors

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

Remuneration to senior executives

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

Remuneration and other benefits paid to senior executives of Länsförsäkringar AB

2010	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Sten Dunér, President	4.3	–	0.0	1.6	5.9	38
Ann Sommer, Executive Vice President	2.5	–	0.0	1.0	3.4	34
Lars-Eric Åström, Chairman of the Board	0.5	–	–	–	0.5	–
Hans Jonsson, former Chairman of the Board	0.3	–	–	–	0.3	–
Gösta af Petersens, Deputy Chairman of the Board	0.3	–	–	–	0.3	–
Ann-Christine Norrström, Board member	0.2	–	–	–	0.2	–
Anne-Marie Pålsson, Board member	0.3	–	–	–	0.3	–
Hans Benndorf, Board member	0.2	–	–	–	0.2	–
Sune Nilsson, Board member	0.2	–	–	–	0.2	–
Mats Fabricius, Board member	0.1	–	–	–	0.1	–
Fredrik Daveby, Board member	0.1	–	–	–	0.1	–
Christer Olander, Board member	0.2	–	–	–	0.2	–
Anders Källström, former Board member	0.1	–	–	–	0.1	–
Ulf W Eriksson, former Board member	0.1	–	–	–	0.1	–
Other senior executives	–	–	–	–	–	–
Parent Company (9 people)	19.0	–	0.1	7 .5	26.6	42
Subsidiaries and Länsförsäkringar Liv (2 people)	5.7	–	–	3.3	9.0	58
Total 2010	**34.1**	–	**0.1**	**13.3**	**47.5**	**–**
Total remuneration from Parent Company	25.9	–	0.1	9.1	35.1	41
Total remuneration from subsidiaries and Länsförsäkringar Liv	8.1	–	–	4.3	12.4	50
2009						
Sten Dunér, President	2.4	0.3	0.1	1.3	4.0	56
Håkan Danielsson, former President	11.2	–	0.1	1.4	12.7	35
Ann Sommer, Executive Vice President	2.2	0.3	0.1	0.9	3.5	36
Hans Jonsson, Chairman of the Board	0.5	–	–	–	0.5	–
Gösta af Petersens, Deputy Chairman of the Board	0.3	–	–	–	0.3	–
Anders Källström, Board member	0.2	–	–	–	0.2	–
Ann-Christine Norrström, Board member	0.2	–	–	–	0.2	–
Anne-Marie Pålsson, Board member	0.3	–	–	–	0.3	–
Ulf W Eriksson, Board member	0.3	–	–	–	0.3	–
Hans Benndorf, Board member	0.2	–	–	–	0.2	–
Sune Nilsson, Board member	0.2	–	–	–	0.2	–
Lars-Eric Åström, Board member	0.2	–	–	–	0.2	–
Other senior executives (9 people)	–	–	–	–	–	–
Parent Company	10.2	1.4	0.4	5.6	17.6	44
Subsidiaries and Länsförsäkringar Liv	4.8	0.6	0.5	3.6	9.4	73
Total 2009	**33.2**	**2.6**	**1.1**	**12.8**	**49.6**	**–**
Total remuneration from Parent Company	26.3	1.7	0.5	8.3	36.8	–
Total remuneration from subsidiaries and Länsförsäkringar Liv	7.0	0.9	0.5	4.5	12.9	–

NOTE 6 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.

From 2010, no variable remuneration will be paid to the President or other senior executives. Other benefits pertain to company car and interest benefits for personal loans. Pension costs pertain to the impact on net profit for the year.

The basic salary for the former President in 2009 includes severance pay and salary during the notice of termination totalling SEK 7.1 M.

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for the Executive Vice President is 60 years. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium shall amount to 18% of pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 60, 62 or 65. If the retirement age is 65, the pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The pension between the age of 60 respective 62 and 65 is a defined-contribution plan. Pension amounting to about 70% of the pensionable salary will be paid. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Severance pay

A mutual period of notice of six months applies for the President and other senior executives. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. A mutual period of notice of three months applies to the Executive Vice President. If termination of employment is issued by the company, the President shall also be entitled to severance pay corresponding to 24 months' salaries.

Preparation and decision-making process applied in relation to the issue of remuneration to senior executives

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to senior executives. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy.

Decisions regarding remuneration and other terms and conditions of employment for the President are made by the Board of Directors. Decisions regarding remuneration to other employees who are members of company management and who report directly to the President may be delegated by the Board to the Board Chairman or the President. If decisions are delegated to the President, he shall keep the Chairman informed of the content of such decisions.

Composition of Remuneration Committee

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

Policies for remuneration to senior executives

Senior executives in the Länsförsäkringar AB Group shall have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

The pension solution shall be solely premium-based with a premium provision of 35% of the monthly salary. A transition to this policy shall occur successively and as soon as possible.

Other benefits

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

Loans to senior executives	Dec. 31, 2010	Dec. 31, 2009
Board members	12.9	14.0
President and Executive Vice Presidents	5.4	5.5
Other senior executives	16.7	10.6
Total	**35.0**	**30.1**

Loans granted comprise personnel loans and other loans. Personnel loans are maximised at SEK 500,000 and carry loan terms comparable to what applies to other employees in the Group. The interest rate for employees is the repo rate less 0.5 percentage points, but can never be lower than 0.5%. The interest benefit is calculated in accordance with the National Tax Board's rules and is included in other benefits as above. The terms and conditions of other loans are market-based.

Number of women among senior executives, %	Dec. 31, 2010	Dec. 31, 2009
Board members	25	17
Other senior executives	21	23

NOTE 7 FEES AND REMUNERATION TO AUDITORS

	2010	2009
KPMG AB		
– audit assignment	–3.4	–2.8
– audit activities in addition to the audit assignment	–0.4	–0.4
– tax consulting	–1.0	–0.3
– other assignments	–2.3	–4.4
Total	**–7.1**	**–7.9**

NOTE 8 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2010	2009
Dividends from subsidiaries	431.6	29.8
Capital gains from limited partnerships	0.1	0.1
Total	**431.7**	**29.8**

NOTE 9 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2010	2009
Interest income, Group companies	41.3	59.7
Interest income, other	6.9	10.4
Capital gains, shares and participations	8.6	1.3
Capital gains, interest-bearing securities, Group companies	0.8	0.7
Capital gains, currencies	0.1	4.7
Unrealised gains, interest-bearing securities	0.6	11.1
Dividends on shares and participations	0.4	–1.3
Total	**58.6**	**86.7**

NOTE 10 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2010	2009
Interest expense, Group companies	–2.1	–3.0
Interest expense, subordinated debt	–3.8	–5.0
Interest expense, other	–39.0	–72.9
Realised losses, interest-bearing securities	–3.8	–
Capital gains, currencies	–1.8	–7.1
Unrealised losses, interest-bearing securities	–1.2	–5.5
Total	**–51.8**	**–93.5**

NOTE 11 TAX ON NET PROFIT FOR THE YEAR

	2010	2009
Current tax		
Tax income for the period	58.9	59.2
Adjustment of tax expense pertaining to prior years	–2.4	–
Deferred tax expense (–)/tax income (+)		
Deferred tax pertaining to temporary differences	–34.6	–19.9
Total recognised tax income	**22.0**	**39.3**
Reconciliation of effective tax rate		
Profit before tax	319.1	–133.1
Tax at applicable tax rate	–83.9	35.0
Tax on non-deductible costs	–5.3	–2.5
Tax on non-taxable income	113.6	7.9
Tax attributable to earlier years	–2.4	–1.0
Recognised effective tax	**22.0**	**39.3**
Applicable tax rate	26.3%	26.3%
Effective tax rate	–6.9%	29.6%
Tax items recognised directly against equity		
Current tax on Group contributions received	58.9	59.2

NOTE 12 INTANGIBLE ASSETS

Capitalised IT costs	Internally developed	Acquired	Total
Cost			
Opening cost, January 1, 2009	1.7	63.3	65.0
Acquisitions during the year	–	27.5	27.5
Closing cost, December 31, 2009	**1.7**	**90.8**	**92.4**
Opening cost, January 1, 2010	1.7	90.8	92.4
Acquisitions during the year	–	82.6	82.6
Closing cost, December 31, 2010	**1.7**	**173.3**	**175.0**
Amortisation			
Opening accumulated amortisation, January 1, 2009	–1.0	–22.6	–23.6
Amortisation for the year	–0.3	–6.0	–6.3
Closing accumulated amortisation, December 31, 2009	**–1.4**	**–28.6**	**–30.0**
Opening accumulated amortisation, January 1, 2010	–1.4	–28.6	–30.0
Amortisation for the year	–0.3	–4.9	–5.2
Closing accumulated amortisation, December 31, 2010	**–1.7**	**–33.5**	**–35.1**
Impairment			
Opening accumulated impairment, January 1, 2009	–	–20.8	–20.8
Impairment for the year	–	–8.1	–8.1
Closing accumulated impairment, December 31, 2009	**–**	**–28.8**	**–28.8**
Opening accumulated impairment, January 1, 2010	–	–28.8	–28.8
Impairment for the year	–	–	–
Closing accumulated impairment, December 31, 201	**–**	**–28.8**	**–28.8**
Carrying amount, December 31			
2009	**0.3**	**33.3**	**33.6**
2010	**–**	**111.0**	**111.0**

The five-year amortisation period for intangible fixed assets managed in 2010 remains, with the exception of a new financial system that is anticipated to have a useful life of ten years. The residual value for this system amounted to SEK 95.7 M on December 31, 2010.

NOTE 13 PROPERTY AND EQUIPMENT

	Land and buildings	Improvement to third-party properties	Equipment	Total
Cost				
Opening cost, January 1, 2009	3.9	–	288.7	292.7
Divestments	–3.9	–	–9.2	–13.1
Scrapping	–	–	–80.9	–80.9
Acquisitions during the year	–	89.2	36.3	125.5
Closing cost, December 31, 2009	–	**89.2**	**234.9**	**324.1**
Opening cost, January 1, 2010	–	89.2	234.9	324.1
Divestments	–	–	–11.3	–11.3
Scrapping	–	–	–57.3	–57.3
Acquisitions during the year	–	87.7	57.9	145.6
Closing cost, December 31, 2010	–	**176.9**	**224.1**	**401.0**
Depreciation				
Opening accumulated depreciation, January 1, 2009	–0.1	–	–226.0	–226.1
Accumulated depreciation for divestments	0.1	–	3.6	3.7
Scrapping	–	–	80.9	80.9
Depreciation for the year	–	–	–23.7	–23.7
Closing accumulated depreciation, December 31, 2009	**–**	**–**	**–165.2**	**–165.2**
Opening accumulated depreciation, January 1, 2010	–	–	–165.2	–165.2
Accumulated depreciation for divestments	–	–	10.1	10.1
Scrapping	–	–	57.3	57.3
Depreciation for the year	–	–12.2	–32.2	–44.4
Closing accumulated depreciation, December 31, 2010	**–**	**–12.2**	**–130.1**	**–142.3**
Carrying amount, December 31				
2009	**–**	**89.2**	**69.7**	**158.9**
2010	**–**	**164.7**	**94.1**	**258.8**

No impairment losses have been recognised. Equipment includes SEK 4.0 M (4.0) representing works of art that are not depreciated.

Länsförsäkringar AB leases equipment to Group companies. The carrying amount of leased equipment totals SEK 19.7 M (23.8) and rental income was SEK 3.4 M (9.9). The rental income corresponds to the depreciation of the leased equipment. Properties divested during 2009.

NOT 14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	2010	2009
Cost		
Opening cost, January 1	10,715.0	10,330.8
Shareholders' contributions	850.0	400.0
Divestments	–94.1	–15.7
Closing cost, December 31	**11,470.9**	**10,715.1**
Impairment		
Opening accumulated impairment, January 1	–3,652.8	–3,652.8
Divestments	94.2	–
Closing accumulated impairment, December 31	**–3,558.6**	**–3,652.8**
Carrying amount, December 31	**7,912.3**	**7,062.3**

Specification of the company's holding of shares and participations in Group companies

Company name	Corporate Registration Number	Number of shares and participations	Participating interest 2010, %	Participating interest 2009, %	Carrying amount 2010	Carrying amount 2009
LF Gruppen AB (dormant)	556420-8535	1,000	–	100	–	0.1
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	100	5,214.6	4,364.6
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	2,000,000	100	100	2,448.7	2,448.7
Wasa Försäkring Run-Off AB	556563-9456	1,000	100	100	248.8	248.8
Utile Dulci 2 HB	916601-0067		0.1	0.1	0.3	0.2
Shares and participations in Group companies					**7,912.3**	**7,062.3**

All subsidiaries have their registered offices in Stockholm. Länsförsäkringar Sak Försäkrings AB owns 99.9% of Utile Dulci 2 HB. Participating interest refers to the share of capital, which corresponds to the number of votes for the total number of shares.

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ). This company is operated in accordance with mutual principles and may not pay dividends according to its current Articles of Association. As a result, the majority of the risks and rewards associated with ownership do not accrue to the owner Länsförsäkringar AB but to the life-assurance policyholders. Accordingly, this shareholding cannot be classified as a holding in a subsidiary under the definition provided in IAS 27 Consolidated and Separate Financial Statements. Divestments pertain to LF Gruppen AB, with SEK 0.1 M, and reversed impairment on earlier divested or merged companies.

NOTE 15 LOANS TO GROUP COMPANIES

	Dec. 31, 2010	Dec. 31, 2009
Subordinated debt to Länsförsäkringar Bank	1,250.0	1,250.0
Listed bonds to Länsförsäkringar Hypotek	–	304.9
Carrying amount	**1,250.0**	**1,554.9**

The loans to Länsförsäkringar Bank comprise five loans with different terms:

SEK 180.0 M maturing on May 31, 2017. Interest is fixed at the three-month STIBORFIX rate plus 1.35 percentage points from June 1, 2007 until May 31, 2012 and thereafter at 1.50 percentage points.

SEK 100.0 M maturing on December 19, 2017. Interest is fixed at the three-month STIBOR rate plus 1.30 percentage points from December 19, 2007 until December 19, 2012 and thereafter at 1.50 percentage points.

SEK 580.0 M maturing on December 17, 2018. Interest is fixed at the three-month STIBOR rate plus 370 basis points from the date of the loan on December 16, 2008 to the brake-off date, which falls five years after the date of the loan, and 555 basis points from the break-off date to the repayment date.

SEK 100.0 M maturing on September 30, 2018. Interest on the loan corresponds to STIBOR plus 240 basis points from the date of the loan until the break-off date and an additional 150 basis points from the break-off date to the repayment date.

SEK 290.0 M, perpetual. Interest is fixed at the 3-month STIBORFIX rate plus 1.99 percentage points until December 15, 2013 and thereafter at 2.99 percentage points.

NOTE 16 OTHER SECURITIES HELD AS FIXED ASSETS

	2010	2009
Opening balance, January 1	523.3	517.7
Divestment of tenant-owned apartments	–	–0.7
Acquisition of tenant-owned apartments	–	5.9
Revaluation of tenant-owned apartments	2.6	0.4
Carrying amount, December 31	**525.9**	**523.3**

Company name	Number of shares and participations	Carrying amount 2010	Carrying amount 2009
Länsförsäkringar Liv Försäkrings AB (publ)	8,000	514.5	514.5
Brf Mässen	1	3.0	3.0
Brf Igeldammen	3	4.1	2.9
Kungsholmsstrand 165	1	4.4	2.9
Total		**525.9**	**523.3**

Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) are classified as holdings available for sale. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing, and instead a valuation at cost was also performed after the acquisition, whereby impairment is continuously tested. This testing did not lead to any impairment being recognised.

All tenant-owned apartments are located in Stockholm.

NOTE 17 DEFERRED TAX ASSETS AND LIABILITIES

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Property and equipment	–	–	32.7	–	32.7	–
Current investments	–5.1	–5.0	–	–	–5.1	–5.0
Pension provisions	–13.7	–15.8	–	–	–13.7	–15.8
Deferred tax assets (–)/deferred tax liabilities (+)	**–18.8**	**–20.8**	**32.7**	**–**	**13.8**	**–20.8**
Offset	18.8	–	–18.8	–	–	–
Net deferred tax asset (–) /deferred tax liability (+)	**–**	**–20.8**	**13.8**	**–**	**13.8**	**–20.8**

Change in deferred tax in temporary differences and loss carryforwards 2010

	Amount at January 1	Recognised in profit and loss	Amount at December 31
Property and equipment	–	32.7	32.7
Current investments	–5.0	–0.2	–5.1
Pension provisions	–15.8	2.1	–13.7
Deferred tax assets (–)/deferred tax liabilities (+)	**–20.8**	**34.6**	**13.8**

Change in deferred tax in temporary differences and loss carryforwards 2009

	Amount at January 1	Recognised in profit and loss	Amount at December 31
Current investments	–7.5	2.5	–5.0
Pension provisions	–20.4	4.6	–15.8
Liabilities	–0.8	0.8	–
Deferred tax assets (–)/deferred tax liabilities (+)	**–28.7**	**7.9**	**–20.8**

Länsförsäkringar AB has no deferred tax recognised directly against equity.

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2010	Dec. 31, 2009
Accrued interest income	9.2	7.2
Prepaid expenses	40.0	51.6
Total	**49.2**	**58.8**

NOTE 19 CURRENT INVESTMENTS

	Dec. 31, 2010		Dec. 31, 2009	
	Cost	Fair value	Cost	Fair value
Unlisted shares and participations, Swedish	2.5	1.9	22.6	21.4
Listed shares and participations, foreign	20.2	–	20.2	–
Mutual fund units, Swedish	0.5	0.6	0.6	0.6
Mutual fund units, foreign	33.8	31.7	54.1	30.6
Interest-bearing securities, Swedish	191.9	192.2	140.5	141.2
Total	**249.0**	**226.3**	**238.0**	**193.8**

	Dec. 31, 2010		Dec. 31, 2009	
Specification of current investments	**Cost**	**Fair value**	**Cost**	**Fair value**
Specification of current investments				
Länsförsäkringar Fastighetsförmedling AB	2.5	1.9	2.5	1.3
Tenant-owned apartments	–	–	20.1	20.1
Summa	**2.5**	**1.9**	**22.6**	**21.4**
Listed participations, foreign				
Kaupthing Búnadarbanki hf	20.2	–	20.2	–

	Dec. 31, 2010		Dec. 31, 2009	
Specification of current investments, cont.	**Cost**	**Fair value**	**Cost**	**Fair value**
Mutual fund units, Swedish				
Länsförsäkringar Fund-in-fund Low risk	0.5	0.6	0.6	0.6
Mutual fund units, foreign				
GaveKal Platform Company Fund	33.8	31.7	54.1	30.6

	Dec. 31, 2010		Dec. 31, 2009	
	Amortised cost	Fair value	Amortised cost	Fair value
Interest-bearing securities, Swedish				
Listed bonds issued by other Swedish issuers	191.9	192.2	140.5	141.2
Total current investments	**249.0**	**226.3**	**238.0**	**193.8**

NOTE 20 EQUITY

A specification of changes in shareholders' equity is provided after the Parent Company's balance sheet.

Shares at a quotient value of SEK 100	Number of votes per share	Dec. 31, 2010 Number	Dec. 31, 2009 Number
Series A	10	1,532,678	1,532,678
Series B	1	5,713,746	4,761,455
Series C	1	4,140	3,450
Number of shares outstanding		**7,250,564**	**6,297,583**

During 2010, 952,981 shares were issued, of which 943,583 Series B shares through loan conversions and 8,708 Series B shares and 690 Series C shares through cash issue.

Restricted reserves
Restricted reserves may not be reduced through profit distribution.

Statutory reserve
The aim of the statutory reserve is to save a portion of the net profit that is not utilised to cover losses brought forward. The statutory reserve comprises restricted equity. No new transfers to the statutory reserve are required, although transfers can be made voluntarily. The statutory reserve also includes the amount of SEK 4,801.3 M that was included in the share premium reserve prior to January 1, 2006.

Non-restricted equity
Share premium reserve
When shares are issued at a premium, meaning that a higher amount than the quotient value is paid for the share, an amount corresponding to the surplus of the quotient value of the share is recognised in the share premium reserve.

Retained earnings
Retained earnings comprise profit brought forward from the preceding year and profit less deductions for any dividends paid during the year. Paid or received Group contributions after tax are also included.

NOTE 21 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	Dec. 31, 2010	Dec. 31, 2009
Provision for pensions being paid	25.5	31.3
Provisions for early retirement in accordance with pension agreement	29.0	29.4
Total provisions for pensions	**54.6**	**60.6**

No portion of the amount recognised as "Provisions for pensions" is encompassed by the Pension Obligations Vesting Act.

Defined-benefit pension plans
The Parent Company has a number of defined-benefit pension plans. The largest of these plans is a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on the individual salaries and ages in the current age groups.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

NOTE 21 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, cont.

	Dec. 31, 2010			Dec. 31, 2009		
	Pensions being paid	Provision in accordance with pension agreement	Total	Dec. 31, 2009	Provision in accordance with pension agreement	Total
Pension commitments	25.5	29.0	54.6	31.3	29.4	60.6
The change in capital value of own commitments for which there are no separated assets						
Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	31.3	29.4	60.6	34.2	7.5	41.6
Cost excluding interest expense charged to earnings	0.7	–1.2	–0.7	4.3	21.9	26.3
Interest expense	0.7	0.8	1.5	0.8	0.8	1.6
Pensions paid	–7.0	–	–7.0	–8.1	–	–8.1
Capital value at December 31	**25.5**	**29.0**	**54.6**	**31.3**	**29.4**	**60.6**
Cost of the company's own pensions						
Cost excluding interest expense	0.7	–1.2	–0.7	4.3	21.9	26.3
Interest expense	0.7	0.8	1.5	0.8	0.8	1.6
Net expenses in profit and loss	**1.4**	**–0.4**	**0.8**	**5.2**	**22.7**	**27.9**
Costs recognised as personnel expenses in profit and loss.						
Assumptions pertaining to defined-benefit commitments						
Discount rate	2.7%	2.7%		2.7%	2.7%	
Expected rate of salary increase	–	3.0%		–	3.0%	
Percentage expected to retire voluntarily at age 62		20.0%			20.0%	

Defined-contribution pension plans
The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	2010	2009
Expenses for defined-contribution plans	100.7	107.1

NOTE 22 OTHER PROVISIONS

	Dec. 31, 2010	Dec. 31, 2009
Provision for interest subsidies for personal loans to former employees who have retired	9.5	7.6

NOTE 23 SUBORDINATED DEBT FROM INSURANCE COMPANIES

	2010-12-31	2009-12-31
Subordinated liabilities (shareholder loans)	114.0	114.0

The terms of the subordinated loan are fixed until December 15, 2011 and the fixed interest on the loan corresponds to the interest on government bonds with a corresponding maturity, plus a variable supplement of 0.65% (0.65). The interest rate during the year was 3.34%. The preceding year's interest rate was 4.36% up to December 15, 2009 and after that 3.34%.

NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31, 2010	Dec. 31, 2009
Holiday pay liability	38.9	38.1
Social security expenses	12.7	12.0
Special employer's contribution	25.2	48.9
Accrued bonuses	10.5	33.3
Reserves for staff costs	23.1	30.7
Other accrued expenses	58.3	10.9
Total	**168.7**	**173.8**

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec. 31, 2010	Dec. 31, 2009
Contingent liabilities		
Early retirement at age of 62 in accordance with pension agreement	115.8	117.4
Part-owner of Utile Dulci 2 HB	13.0	11.8
Total	**128.8**	**129.2**

NOTE 26 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES

	Dec. 31, 2010				Dec. 31, 2009			
Amount expected to be recovered	within 12 months	12 months – 5 years	after 5 years	Total	within 12 months	12 months – 5 years	after 5 years	Total
Fixed assets								
Intangible assets[1]	5.2	105.8		111.0	6.0	27.6		33.6
Property and equipment[1]	44.4	214.4		258.8	25.9	133.1		159.0
Participations in Group companies		7,912.3		7,912.3		7,062.3		7,062.3
Loans to Group companies		290.0	960.0	1,250.0	304.9	290.0	960.0	1,554.9
Other securities held as fixed assets		525.9		525.9		523.3		523.3
Deferred tax assets				–		20.8		20.8
Total fixed assets	**49.6**	**9,048.4**	**960.0**	**10,058.0**	**336.8**	**8,057.1**	**960.0**	**9,353.8**
Current assets								
Inventories	0.2			0.2	0.6			0.6
Current receivables in Group companies	492.2			492.2	499.5			499.5
Receivables from other related parties	319.4			319.4	290.8			290.8
Other receivables	46.2			46.2	108.0			108.0
Prepaid expenses and accrued income	49.2			49.2	58.8			58.8
Current investments	226.3			226.3	193.8			193.8
Cash and bank balances	404.5			404.5	699.9			699.9
Total current assets	**1,538.1**			**1,538.1**	**1,851.5**			**1,851.5**
TOTAL ASSETS	**1,587.7**	**9,048.4**	**960.0**	**11,596.1**	**2,188.2**	**8,057.1**	**960.0**	**11,205.3**

	Dec. 31, 2010				Dec. 31, 2009			
Amount expected to be settled	within 12 months	12 months – 5 years	after 5 years	Total	within 12 months	12 months – 5 years	after 5 years	Total
Provisions								
Provisions for pensions and similar commitments	7.0	47.6		54.6	7.5	53.1		60.6
Other provisions		9.5		9.5		7.6		7.6
Total provisions	**7.0**	**57.0**		**64.0**	**7.5**	**60.7**		**68.2**
Long-term liabilities								
Deferred tax liabilities		13.8		13.8				–
Subordinated debt from regional insurance companies				–		114.0		114.0
Total long-term liabilities		**13.8**		**13.8**		**114.0**		**114.0**
Current liabilities								
Accounts payable	205.6			205.6	193.4			193.4
Liabilities to Group companies	844.4			844.4	1,002.6			1,002.6
Subordinated debt from regional insurance companies	114.0			114.0				–
Liabilities to other related parties	618.6			618.6	1,803.9			1,803.9
Other liabilities	13.2			13.2	65.5			65.5
Accrued expenses and deferred income	168.7			168.7	173.8			173.8
Total current liabilities	**1,964.5**			**1,964.5**	**3,239.2**			**3,239.2**
TOTAL LIABILITIES AND PROVISIONS	**1,971.5**	**70.8**		**2,042.3**	**3,246.7**	**174.7**		**3,421.4**

[1] The amount that is expected to be recovered within 12 months corresponds to depreciation/amortisation for the year.

NOTE 27 DISCLOSURES ON RELATED PARTIES

Pricing for business operations is on market terms. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the target process. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Related-party transactions 2010		Group companies	Life Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	536.6	503.5	–	1,160.4	16.9	2,217.4
	Rent, premises	43.3	12.7	–	14.4	–	70.4
	Rent, equipment	2.7	0.7	–	–	–	3.4
	Financial liabilities	41.8	–	0.1	–	–	41.8
Expenses	Services purchased	–0.7	–5.6	–	–59.5	–1.0	–66.8
	Rent, premises	–152.9	–	–	–2.1	–	–155.0
	Financial costs	–2.1	–	–	–42.6	–	–44.7
Receivables	Interest-bearing loans	1,250.0	–	–	–	–	1,250.0
	Cash and cash equivalents with Länsförsäkringar Bank	3.6	–	–	–	–	3.6
	Other receivables	488.8	35.2	–	283.7	0.5	808.2
Liabilities	Interest-bearing liabilities	258.0	–	–	601.6	–	859.6
	Other liabilities	586.4	7.0	–	123.9	0.1	717.3

Related-party transactions 2009		Group companies	Life Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	314.6	608.3	–	1,136.2	13.6	2,072.8
	Rent, premises	157.0	–	–	–	–	157.0
	Rent, equipment	1.4	0.1	–	–	–	1.5
	Financial liabilities	61.9	–	–	–	–	61.9
Expenses	Services purchased	–488.0	–15.7	–	–108.2	–	–611.9
	Rent, premises	–104.8	–14.2	–	–0.7	–	–119.7
	Financial costs	–3.0	–	–	–76.9	–	–79.9
Receivables	Interest-bearing loans	1,554.9	6.1	–	–	–	1,561.0
	Cash and cash equivalents with Länsförsäkringar Bank	88.3	–	–	–	–	88.3
	Other receivables	411.2	26.4	–	258.3	–	695.9
Liabilities	Interest-bearing liabilities	314.0	–	–	1,770.2	–	2,084.0
	Other liabilities	688.6	5.0	–	142.7	–	836.3

Länsförsäkringar AB is owned by the 24 regional insurance companies and the 14 local insurance companies. Länsförsäkringar AB with subsidiaries are organised in three business units: Sakförsäkring, Livförsäkring and Bank, as well as support functions Development, IT and Service.
Länsförsäkringar AB purchases and owns equipment that is subsequently leased to Group companies and Länsförsäkringar Liv.
Länsförsäkringar AB leases its office premises from property owner Utile Dulci 2 HB, which is a subsidiary of Länsförsäkringar Sak.
Länsförsäkringar AB has issued a subordinated loan to Länsförsäkringar Bank amounting to SEK 1,250 M (1,250). Wasa Försäkring Run-Off AB has issued loans of SEK 258 M (314) to Länsförsäkringar AB.
Länsförsäkringar Bank AB manages subsidised loans to employees on behalf of the Parent Company Länsförsäkringar AB, issued after the bank performs standard credit rating checks.
For information regarding remuneration to related key persons, such as Board members and senior executives, refer to Note 6 Employees, staff costs and remuneration to senior executives.
Related subsidiaries are specified in Note 14 Shares and participations in Group companies.

NOTE 28 SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOWS

	2010	2009
Interest paid and dividends received		
Dividends received from subsidiaries	431.7	29.9
Interest received	48.2	70.2
Interest paid	–45.0	–74.9
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	49.6	38.5
Capital gains/losses attributable to divestment of assets	–6.4	–1.3
Unrealised gains	–0.6	–11.1
Unrealised losses	1.2	5.5
Unrealised exchange gains	–0.8	–5.4
Unrealised exchange losses	1.8	7.1
Provisions	4.2	–54.0
Total	**49.0**	**–20.7**

Cash and cash equivalents comprise exclusively bank balances.
Unutilised credit facilities amount to SEK 50 M (50).

NOTE 29 INVESTMENT COMMITMENTS

During 2009, an agreement was signed pertaining to the renovation of two owner-occupied properties. During 2010, SEK 87.7 M was invested in renovation and in 2011, SEK 40 M has been contracted.

NOTE 30 FINANCIAL TRANSACTIONS NOT RECOGNISED IN THE BALANCE SHEET

Länsförsäkringar AB has external suppliers of IT operations at a cost of SEK 248.1 M. The costs also include machinery equipment required for computer operations. Some regional insurance companies and Länsförsäkringar Liv are included in the arrangement. Their remuneration to Länsförsäkringar AB is included in service revenue.

Statement from the Board

The Board of Directors and President affirm that this Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on July 19, 2002 on the application of international accounting standards. The Annual Report and consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed

Stockholm, March 29, 2011

Lars-Eric Åström
Chairman

Gösta af Petersens
Deputy Chairman

Hans Benndorf
Board member

Fredrik Daveby
Board member

Mats Fabricius
Board member

Sune Nilsson
Board member

Ann-Christin Norrström
Board member

Christer Olander
Board member

Anne-Marie Pålsson
Board member

Håkan Haraldsson
Employee Representative

Tomas Jönsson
Employee Representative

Linnéa Niklasson
Employee Representative

Sten Dunér
President

My audit report was submitted on March 29, 2011.

Stefan Holmström
Authorised Public Accountant

The Annual Report and consolidated financial statements presented above were approved for issue by the Board of Directors on March 29, 2011. The Group's income statement, statement of comprehensive income and statement of financial position, as well as the Parent Company's income statement and balance sheet are subject to approval by the Annual General Meeting to be held on May 16, 2011.

Audit report

To the Annual General Meeting of shareholders of Länsförsäkringar Aktiebolag (publ)
Corporate Registration Number 556549-7020

I have audited the annual accounts, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar AB for 2010. The company's annual accounts are included in the printed version of this document on pages 20-87. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act when preparing the consolidated financial statements. My responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration based on my audit.

I conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated financial statements as well as evaluating the overall presentation of information in the annual accounts and the consolidated financial statements. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. I also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Insurance Companies or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act and the consolidated financial statements in accordance with the Annual Accounts Act for Insurance Companies and thereby give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting policies in Sweden. The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act for Insurance Companies and give a true and fair view of the Group's results and financial position. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and the consolidated financial statements.

I recommend to the Annual General Meeting of shareholders that the income statement and balance sheet of the Parent Company and the income statement and statement of financial position of the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, March 29, 2011

Stefan Holmström
Authorised Public Accountant

Summary of the Life Assurance Group's income statement and balance sheet

INCOME STATEMENT

SEK M	2010	2009
Premium income, gross	6,724	6,189
Premium income, net	6,320	5,754
Investment income, net	8,033	14,783
Claims payments	–4,354	–4,300
Other underwriting income	352	257
Change in life assurance provision	–4,333	4,058
Operating expenses	–1,350	–1,551
Technical result, life-assurance operations	**4,670**	**19,001**
Non-technical items	–750	–841
Profit before tax	**3,920**	**18,160**
Tax	–204	–54
Net profit for the year	**3,716**	**18,106**

BALANCE SHEET

SEK M	Dec. 31, 2010	Dec. 31, 2009
Assets		
Intangible assets	1,186	1,196
Investment assets	105,872	106,781
Investment assets for which policyholders bear the investment risk	54,206	46,070
Reinsurers' portion of technical reserves	663	705
Receivables	3,008	1,502
Other assets	7,336	4,953
Prepaid expenses and accrued income	2,158	1,977
Total assets	**174,429**	**163,184**
Equity, provisions and liabilities		
Share capital	8	8
Funds plus net profit for the period	29,597	27,501
Technical reserves	84,109	83,820
Provisions for life assurance for which policyholders bear the investment risk	54,208	46,071
Provisions for other risks and expenses	380	261
Deposits from reinsurers	663	705
Liabilities	4,927	4,283
Accrued expenses and deferred income	537	535
Total equity, provisions and liabilities	**174,429**	**163,184**

Corporate Governance Report

Länsförsäkringar AB is wholly owned by the 24 customer-owned regional insurance companies, together with 14 local insurance companies.

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

- *Notice*
  Notice, publication of information prior to, attending and holding of an Annual General Meeting. Deviation from the provisions of the Code with respect to the fact that the company is not a stock market company and a limited number of shareholders.

- *Composition of the Board of Directors*
  Deviation from the provisions of the Code that at least two Board members shall be independent in relation to the company's major shareholders. According to the instruction for the Nomination Committee (see below), the Board of Directors shall be appropriately composed, with respect to the company's operations, stage of development and other circumstances, and characterised by diversity and breadth in terms of the members' competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.

- *Mandate period*
  The mandate period for Board members is, as a general rule, two years. Deviation from the provision of the Code stipulating a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a Board member irrespective of mandate period. A mandate period that is longer than one year contributes to ensuring continuity and establishing competence within the Board.

This Corporate Governance Report is unaudited.

General Meeting

The shareholder exercises its voting rights at the General Meeting. At General Meetings, no one may vote using their own or anyone else's shares for more than 99/1,000 votes represented at the Meeting. Motions are passed at General Meetings by a simple majority of votes unless the Swedish Companies Act prescribes another specific voting majority. Decisions are made at the Annual General Meeting pertaining to: the Annual Report, the election of members of the Board and auditors, remuneration to Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration to Board members presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman and other Board members, and includes remuneration for committee work. In accordance with the Code, the 2010 Annual General Meeting approved the principles for remuneration and other terms of employment for company management.

Nomination process

The General Meeting of Länsförsäkringar AB appoints a Nomination Committee, which is charged with the duty of presenting proposals for members of the Board of Directors and auditors of Länsförsäkringar AB and its directly owned subsidiaries and certain other companies, and fees to these members and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. Since the 2010 Annual General Meeting, the Nomination Committee has comprised Karin Starrin (Chairman) (Länsförsäkringar Halland), Göran Trobro (Deputy Chairman) (Länsförsäkringar Kristianstad), Ingemar Larsson (Länsförsäkringar Göteborg och Bohuslän), Anna-Greta Lundh (Länsförsäkringar Södermanland) and Björn Sundell (Länsförsäkringar Uppsala).

External auditors

In accordance with the Articles of Association, Länsförsäkringar AB shall have one auditor with one deputy auditor. Auditors are appointed for a mandate period of four years. At the 2008 Annual General Meeting, Stefan Holmström, KPMG AB, was appointed auditor and Johan Bæckström, KPMG AB, was appointed deputy auditor, both for a mandate period of four years.

Composition of Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar AB shall comprise 9–12 Board members elected by the General Meeting, with or without deputies. Board members are elected for a mandate period of two years. In addition, members appointed by trade unions are also members of the Board. The President is not a member of the Board. The company has no time limit for the length of time a member may sit on the Board and no upper age limit for Board members. The Chairman and Deputy Chairman of the Board are appointed by the Annual General Meeting.

The Board currently comprises 12 members and one deputy. Nine of the members were elected by the Annual General Meeting. Three members and two deputies were appointed by the trade unions. Nine of the members are independent in relation to the company and the management of the company.

Board responsibilities and allocation of duties

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

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board and its Chairman, the number of Board meetings, procedures for reporting on the operations reports and financial statements as well as procedures for Board meetings, notices of meetings, presentation of material, delegation of work duties within the Board and disqualification.

The Board shall remain informed about the performance of the company to continuously assess the company's financial situation and position. Through its formal work plan, the Board has established that financial reporting shall take place in accordance with established instructions and through regular Board meetings. During the year, the Board regularly reviews the earnings and sales trends, investment income, the financial position, etc., in relation to the business plan and forecasts.

In an internal Group directive, the Board has established the company's and the Group's organisation and clarified the distribution of work duties between the various units and executives in the company and the Group. Every year, the Board establishes a directive for the President as well as a large number of guidance documents for the operations.

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

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

Chairman

According to the formal work plan, the Chairman shall lead the Board's work and ensure that the Board fulfils its duties. The Chairman shall also ensure that the Board meets as required, is provided with the opportunity to participate in meetings and receive satisfactory information and documentation for decision-making, and applies an appropriate working methodology. On the basis of ongoing contact with the President, the Chairman shall also keep informed of significant events and developments within the company between Board meetings, and shall support the President in his work.

Internal audit

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

Finance Committee

The Board of Directors of Länsförsäkringar AB has appointed four of the total of eight members in a Group-wide Finance Committee for the Länsförsäkringar AB Group. The remaining members are appointed by the Boards of some of the subsidiaries. The Committee is intended to be a forum for financial analyses of the business environment and macroeconomic analysis, as well as to prepare issues concerning asset management to be presented to each Board for decision. It is also the duty of the Finance Committee to monitor compliance with established objectives, investment orientation, chains of command, etc. The Board meeting immediately following the Annual General Meeting in 2010 appointed Lars-Eric Åström (Chairman), Sten Dunér (President), Kajsa Lindståhl, and Anne-Marie Pålsson to represent Länsförsäkringar AB on the Finance Committee.

Audit Committee

The Board of Directors of Länsförsäkringar AB appointed three of the total of seven members in a Group-wide Audit Committee for the Länsförsäkringar AB Group. The remaining members are appointed by the Boards of some of the subsidiaries. The Audit Committee is responsible for preparing each Board's work on quality assurance of the company's internal control of financial reporting, compliance with regulations, other internal control issues and for occasional matters referred by each Board to the Audit Committee. Most of the members, including the Chairman are independent in relation to the company and management. The internal and external auditors, along with the company's President and CFO, usually participate in the Committee's meetings. At the Board meeting immediately following the 2010 Annual General Meeting, Gösta af Petersens (Chairman), Lars-Eric Åström and Christer Olander were appointed to represent Länsförsäkringar AB on the Audit Committee.

Remuneration Committee

The Remuneration Committee shall prepare issues on remuneration and other terms of employment for the President and the principles for remuneration and other terms of employment for company management. At the Board meeting immediately following the 2010 Annual General Meeting, Lars-Eric Åström (Chairman), Sune Nilsson and Gösta af Petersens were appointed members of the Remuneration Committee.

Meetings and attendance

The table below shows the number of meetings held in each body since the 2010 Annual General Meeting until February 2011, and the attendance by each Board member:

	Board of Directors	Finance Committee	Audit Committee	Remuneration Committee
Total number of meetings	**8**	**4**	**3**	**2**
Gösta af Petersens	8	–	2	2
Hans Benndorf	8	–	–	–
Fredrik Daveby	8	–	–	–
Sten Dunér	–	4	–	–
Christer Ekehov, deputy	0	–	–	–
Ulf W Eriksson 1)	–	–	1	–
Mats Fabricius	7	–	–	–
Håkan Haraldsson	5	–	–	–
Tomas Jönsson	6	–	–	–
Kajsa Lindståhl	–	4	–	–
Linnéa Niklasson 2)	7	–	–	–
Sune Nilsson	8	–	–	2
Christer Olander 3)	8	–	2	–
Ann-Christin Norrström	8	–	–	–
Karl-Erik Pettersson, deputy 4)	1	–	–	–
Anne-Marie Pålsson	8	4	–	–
Lars-Eric Åström 5)	8	4	2	2

1) Member of the Board and Audit Committee until May 2010.
2) Member of the Board from 2010.
3) Member of the Audit Committee from June 2010.
4) Member of the Board until 2010, thereafter a Deputy Member.

5) Member of the Audit Committee from June 2010

INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

The Board of Directors is responsible for the guidelines for the control and governance of the operations. This responsibility includes the preparation of an efficient system for risk management and internal control of financial reporting. Throughout the Group, routines and modes of action are coordinated by Group-wide regulations and guidelines that are approved and established in each subsidiary. This procedure is documented and communicated in such guidance documents as internal policies, guidelines and instructions. Such guidance documents include Group instructions, reporting instructions, financial control principles and attestation instructions.

Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, decision-making procedures and allocation of authorities and responsibilities among the various bodies that the Board of Directors, the President and management have established for the Parent Company and the Group. The control environment also includes the values and corporate culture that the Board, the President and management communicate and work from to create appropriate and efficient operations.

The Board has appointed an Audit Committee responsible for preparing the Board's quality assurance of the financial reporting. Special Audit Committees have been established by the Boards of some of the subsidiaries. The Board has also established an Internal Audit function, to support the Board in assuring that operations are conducted in accordance with the Board's decisions. The Risk control function regularly conducts risk identification, analysis and follow-up. The Compliance function continuously monitors compliance with external and internal regulations.

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

Risk assessment

Risk assessment includes identifying and analysing the source of risks affecting internal control relating to financial reporting. These risks are analysed at Group level, Group-wide level and unit level. The company and the Group are governed through common processes, in which risk management is built into every process and various methods are used to value and restrict risks and to ensure that identified risks are managed in accordance with established guidance documents.

Risk analyses are performed aimed at identifying processes associated with material risks in the financial reporting. The processed and control activities associated with key risks are assessed based on the risk analysis. The risks associated with the operations conducted within the various parts of the Group are dealt with in the part of the Group in which they arise.

Control activities

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

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

Information and communications

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

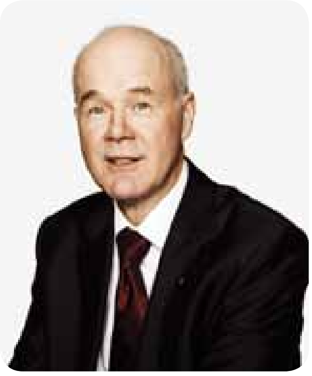
Follow-up

Every unit of the Group is involved in monitoring compliance with external and internal regulations. An independent review function – Internal Audit – has been established to assist the Board of Directors of the Group in following up the operations' compliance with decisions made by the Board of Directors. Through review and reporting, the Internal Audit shall form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit reports to the Boards of Directors of the Parent Company and the subsidiaries. In addition, every manager must ensure compliance with steering documents within his/her area of responsibility.

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


SVERIGES

Board of Directors and auditors



Lars-Eric Åström, born 1946.
Elected 2008. Chairman of the Board since 2010. Forest farmer.
Other Board assignments: Chairman of Östgöta Brandstodsbolag
Previous experience: Chairman of Södra Skogsägarna and Swedish Federation of Forest Owners, Vice Chairman of Södra Cell, Board member of LRF Skogsägarna, National Board of Directors of Federation of Swedish Farmers (LRF), LRF Skogsförvaltning AB, Ägarfrämjandet.

Gösta af Petersens, born 1947.
Elected 2004. Deputy Chairman of the Board.Farm manager.
Other Board assignments: Chairman of Länsförsäkringar Gotland, Gotlandsägg AB and Eskelunds hembageri AB.
Previous experience: President of Guteprodukter AB and Gotlands Trädgårdsprodukter.

Hans Benndorf, born 1954.
Elected 2008. President of Länsförsäkringar Stockholm.
Other Board assignments: Chairman of Insurance Industry's Pension Fund (FPK), Sörman & Partners AB and Sörman & Partners KB, Board member of Länsförsäkringar Mäklarservice and AB Huges Marina.
Previous experience: President of Länsförsäkringar Liv and Länsförsäkringar Fondliv, President of Postbanken, Vice President of Skandia Liv, Head of Foundation Marketing Technology Center, Doctor of Science in Business and Economics at Stockholm School of Economics.

Fredrik Daveby, born 1962.
Elected 2010. President of Länsförsäkring Kronoberg.
Other Board assignments: Board member of Länsförsäkring Kronoberg and Eolus Vind AB, Vice Chairman of Swedish Fire Protection Committee of Agriculture, Chairman of Hjalmar Petri Holding AB. Previous experience: Head of Members Södra Skogsägarna, Head of Development LRF, Agricultural advisor to Swedish Government Offices.

Mats Fabricius, born 1952.
Elected 2010. Master of Science in Agriculture.
Other Board assignments: Chairman of Länsförsäkringar Norrbotten, Norrbottensgården Slakteri AB, Norrbottensgården Utveckling AB and Polcirkeln Lantgård AB. Board member of Outinens Potatis AB.
Previous experience: Head of Business Area at HS Rådgivning Nord AB.

Sune Nilsson, born 1953.
Elected 2008. Consultant.
Other Board assignments: Chairman of Länsförsäkringar Göteborg och Bohuslän, Almi Väst AB, STS Travel School AB, Holisticon AG, Board member of Sigma AB.
Previous experience: CEO of Sigma AB and Mandator AB and President of PostNet AB.

Ann-Christin Norrström, born 1952.
Elected 2007.President of Länsförsäkringar Uppsala.
Other Board assignments: Board member of Länsförsäkringar Uppsala, Länsförsäkringar Fastighetsförmedling, Chairman of Uppsala Regional Office of the Stockholm Chamber of Commerce, Board member of STUNS (Foundation for cooperation between the universities in
Uppsala, the business sector and the community), Aktietorget Uppland AB, Uppsala County Administrative Board, Uppsala County Fire Protection Association and Chairman of BoCity AB.
Previous experience: Head of Risk Operations at Länsförsäkringar Gävleborg, Board member of Länsförsäkringar Liv, Forskningsfonden and Gefle Dagblad.

Christer Olander, born 1944.
Elected 2010. Senior advisor.
Other Board assignments: Chairman of Länsförsäkringar Kalmar län, Malin Olander MOOV AB, Board member of LFK Finans AB.
Previous experience: Authorised Public Accountant and partner at TRG Revision AB, Chairman of TRG Revision AB, IREV HB Institute for Education of Auditors. Training of auditors.

Anne-Marie Pålsson, born 1951.
Elected 2005. Associate Professor, Department of Economics, Lund University.
Other Board assignments: Vice Chairman of Länsförsäkringar Skåne and Board member of G L Beijer AB.
Previous experience: Research and teaching at Lund University, committee assignments, several Board appointments at Swedish National Audit Office, Institute for Future Research, Stadshypotek AB, Second Swedish National Pension Fund, Investment AB Öresund, Samhall Gripen, Färs och Frosta Sparbank and others.

Håkan Haraldsson, born 1948.
Elected 2006. Employee representative of LFP.
Other Board assignments: Chairman of Länsförsäkringar Alliance's Employee Association, LFP, employee representative of Länsförsäkringar Stockholm.

Tomas Jönsson, born 1951.
Elected 2001.
Swedish Confederation of Professional Association employee representative. Claims adjuster Non-life business unit.
Other Board assignments: Länsförsäkringar Sak Försäkrings AB, Bank and Insurance Section of Jusek.
Previous experience: Bank attorney Föreningsbanken.

Linnéa Niklasson, born 1958.
Elected 2010. FTF (Swedish Union of Insurance Employees) employee representative.
Test manager at Länsförsäkringar AB's IT department.
Other Board assignments: Deputy Member of Försäkrings AB Agria, Chairman of Försäkrings AB Agria's Profit-sharing Foundation Ekorren.

STYRELSENS SEKRETERARE
Olle Törnell, born 1958.
Head of Legal Affairs.
Previous experience: Chief Council Wasa Försäkring, bank attorney Nordbanken.

Board of Directors of Länsförsäkringar AB
Representatives of all companies in Länsförsäkringar convene every year at the Annual General Meeting and elect the Board of Directors of the jointly owned Länsförsäkringar AB, which in turn appoints the Boards of Directors of the subsidiaries. According to the Articles of Association, the Board shall consist of not fewer than eight and not more than twelve members.

AUDITORS

Auditor elected by Annual General Meeting
Stefan Holmström, Authorised Public Accountant, KPMG AB.

Deputy auditor elected by Annual General Meeting
Johan Bæckström, Authorised Public Accountant, KPMG AB.

Group Management

Sten Dunér, born 1951.
Employed 1982. President.
Previous experience: CFO and other senior positions at Länsförsäkringar AB.
Board appointments: Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank, Swedish Insurance Federation och Swedish Insurance Employers' Association (FAO). Board member of Fastighets AB Balder.

Christer Baldhagen, born 1957.
Employed 1994. Senior Vice President, Corporate Communications.
Previous experience: Director of Corporate Communications Wasa Försäkring, consultant at JKL.

Anders Borgcrantz, born 1961.
Employed 2003. President Länsförsäkringar Bank.
Board appointments: Chairman of Länsförsäkringar Hypotek and Wasa Kredit. Board member of Länsförsäkringar Fondförvaltning, BGC Holding AB, Bankgirocentralen BGC AB and Devise Business Transaction Sweden AB.

Gunilla Forsmark Karlsson, born 1958.Employed 2006. Head of Development Unit.
Previous experience: Executive Vice President of Länsförsäkringar Bank, President of Skandiabanken, President of Länsförsäkringar Mäklarservice, Executive Vice President of SEB Bolån.
Board appointments: The Council for Negotiation and Co-operation's (PTK) Education Foundation.

Carin Göransson, born 1952.
Employed 1988. Head of IT unit
Previous experience: IT strategist and Head of IT Länsförsäkringar Liv.

Gustav Karner, born 1967.
Employed 2001. CFO.
Previous experience: Head of Risk Management, Alecta pension insurance, mutual. Quantitative analyst at Handelsbanken Markets.
Board appointments: Board member of Bergvik Skog AB and Östgöta Brandstodsbolag Kapitalförvaltning AB.

Torbjörn Hultgren, born 1955.
Employed 1991. HR Director.
Previous experience: Head of President Staff Function Corporate Development, Operations Analyst FAO/FOI (National Defence Research Establishment/Swedish Defence Research).

Ann Sommer, born 1959.
Employed 1988. President of Länsförsäkringar Sak.
Previous experience: President of WASA International, President of WASA Special Försäkrings AB, President of Wasa International UK, President of Stockholm Re.
Board appointments: Chairman of Försäkrings AB Agria and Länsförsäkringar Grupplív.
Board member of Länsförsäkringar Mäklarservice, Swedish Forest Agency, SOS International, Amice (Association of Mutual Insurers and Insurance Cooperatives in Europe).

Jörgen Svensson, born 1959.
Employed 2008. President of Länsförsäkringar Liv.
Previous experience: President of Länsförsäkringar Blekinge, various managerial positions at Skandia and If.
Board appointments: Chairman of Länsförsäkringar Fondliv, Board member of Länsförsäkringar Mäklarservice.

Malin Rylander-Leijon, born 1970.
Employed 2001. CFO
Previous experience: Head of Finance & Control, Länsförsäkringar Liv and auditor at SET Revisionsbyrå.

Claes Thimrén, born 1956.
Employed 2004. CRO
Previous experience: Nordea, Ministry of Finance, Handelsbanken.

Olle Törnell, born 1958.
Employed 1992. Head of Legal Affairs.
Previous experience: Chief Counsel Wasa Försäkring and bank attorney at Nordbanken.

Håkan Haraldsson, born 1948.
Employed at Östgöta Brandstodsbolag 1988. Employee representative of LFP.
Previous experience: District manager of Östgöta Brandstodsbolag.
Board appointments: Chairman of Länsförsäkringar Alliance's Employee Association, LFP, employee representative of Länsförsäkringar Stockholm.

Tomas Jönsson, born 1951.
Employed 1986. Swedish Confederation of Professional Association employee representative. Claims adjuster Non-life business unit.
Previous experience: Bank attorney, Föreningsbanken.
Board appointments: Board member of Länsförsäkringar Sak Försäkrings AB, Bank and Insurance Section of Jusek.

Sören Westin, born 1953.
Employed 2000. Head of Service unit.
Previous experience: Head of Service unit at Länsförsäkringar AB, President of Länsförsäkringar Jämtland. President of AB Lanstidningen, member of Samhall AB's company management, licentiate of Science in Business and Economics Umea University.
Board appointments: Länsförsäkringar Fastighetsförmedling, Foundation for Research Fund of the Regional Insurance Companies and Swedish Motor Insurers.

Definitions

Direct insurance
Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Operating expenses in the insurance operations
Includes costs for marketing, sales and administration in the insurance operations.

Expense ratio in the insurance operations
Operating expenses in the insurance operations, excluding claims adjustment costs as a percentage of premiums earned after ceded reinsurance.

After ceded reinsurance
The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company. Sometimes the term "for own account" is also used.

Required solvency margin
The lowest permitted level of the capital base for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in the Swedish Insurance Business Act.

Claims payments
The cost during the fiscal year for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result, meaning the profit and loss arising in the provision for claims outstanding made in the immediately preceding year-end accounts. Run-off profit/loss arises since some of the claims in the provision are either settled during the fiscal year at amounts differing from those allocated or are revalued pending final settlement.

Technical reserves
Reserves for unearned premiums and unexpired risks, life assurance reserves and reserves for claims outstanding and comparable commitments in accordance with signed insurance contracts. For life assurance, this shall correspond to the company's guaranteed insurance commitments.

Investment income transferred from financial operations
Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the computed interest – is transferred from investment income to the insurance operations.

Capital base, bank
The capital base comprises the sum of Tier 1 and Tier 2 capital and the difference between expected losses and reserves established for probable loan losses.

Capital adequacy ratio, bank
Closing capital base as a percentage of the closing risk-weighted amount.

Cost/income ratio, bank
Total expenses in relation to total income. The cost/income ratio is calculated before and after loan losses

Solvency margin, non-life insurance
Solvency capital as a percentage of premium income after ceded reinsurance.

Solvency capital
The sum of equity, deferred tax liabilities/assets and subordinated debt.

Loan losses, bank
Probable loan losses comprise the difference between the amount of credit granted and the amount expected to be recovered, taking into account the borrower's ability to pay and the value of collateral. Actual losses are confirmed, for example, in bankruptcy proceedings or a settlement.

Loan loss, bank
Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

Cost ratio
Operating expenses in the insurance operations, including claims adjustment costs, as a percentage of premiums earned after ceded reinsurance.

Investment margin, bank
Net interest income in relation to average total assets.

Premium income
Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance business.

Premiums earned
The proportion of premium income attributable to the fiscal year.

Tier 1 capital, bank
Comprises equity, excluding fair value reserve and Tier 1 capital contributions, which following approval from the Swedish Financial Supervisory Authority may be included in Tier 1 capital. Deductions are made for intangible assets and deferred tax assets and the difference between expected losses and reserves established for probable loan losses.

Earnings per share
Net profit for the year attributable to the Parent Company's shareholders in relation to the average number of shares during the year.

Return on equity
Profit before tax plus change in surplus value of owner-occupied property less standard tax at a rate of 26.3% as a percentage of average equity adjusted for dividends.

Interest-bearing securities
Loans issued in the market by a borrower (such as the government). Long-term securities are normally termed "bonds," while short-term loans are in the form of what are commonly called "bills."

Net interest income, bank
Interest income/expense from loans to the public and credit institutions and income from interest-bearing securities minus expenses for deposits and borrowing from the public, credit institutions and expenses for interest-bearing securities.

Operating profit
Profit/loss before tax.

Technical result, non-life insurance operations
Premiums earned less claims payments and operating expenses in the insurance operations plus profit/loss from ceded reinsurance and investment income transferred from financial operations.

Claims ratio
The ratio between Claims payments, including claims adjustment costs and Premiums earned after ceded reinsurance, expressed as a percentage.

Tier 2 capital, bank
Primarily comprises fixed-term subordinated debt.

Total return ratio
The sum of direct yield, realised gains and losses, and unrealised changes in the value of assets in relation to the average fair value of managed assets.

Combined ratio
The sum of operating expenses in the insurance operations and claims payments as a percentage of premiums earned after ceded reinsurance.

Reinsurance
If an insurance company cannot, or does not wish to, assume the entire liability to policyholders, it reinsures part of its policies with other companies. In this connection, the reinsurance is said to be "ceded" by the first company and "assumed" by the second company.

Financial calendar 2011

First quarter

Interim report, Länsförsäkringar Bank	April 29
Interim report, Länsförsäkringar Hypotek	April 29

Second quarter

Interim report, Länsförsäkringar Bank	August 26
Interim report, Länsförsäkringar Hypotek	August 26
Interim review, Länsförsäkringar Alliance	August 26
Interim report, Länsförsäkringar AB	August 26

Third quarter

Interim report, Länsförsäkringar Bank	October 24
Interim report, Länsförsäkringar Hypotek	October 24
Interim review, Länsförsäkringar Alliance	October 25

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