



2009

Länsförsäkringar AB  
Annual Report



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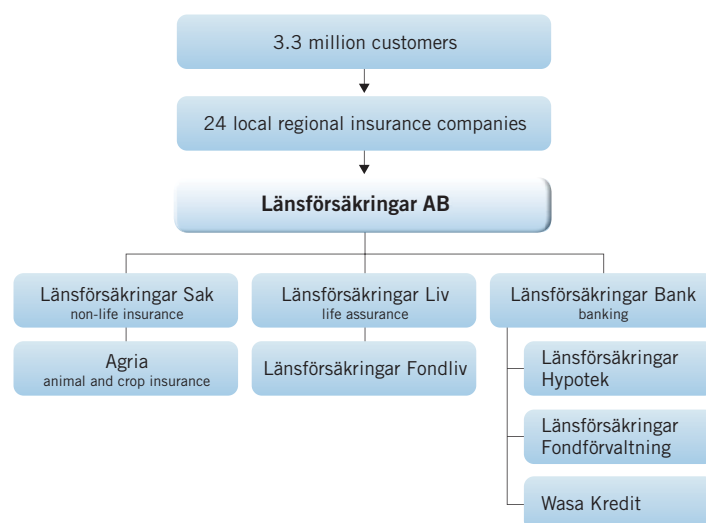


# Länsförsäkringar AB

## – 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 Alliance'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 and other financial solutions for corporate customers and private individuals.



## 2009 in brief

- Net profit for the year amounted to SEK 693 M (loss: 3,395) before tax and SEK 509 M (loss: 2,480) after tax. The return on shareholders' equity amounted to 7% (neg: 29).
- The technical result for the non-life insurance operations improved to SEK 426 M (327). Operating profit improved to SEK 505 M (loss: 3,003).
- The bank's operating profit improved to SEK 258 M (245). Net interest income declined to SEK 1,148 M (1,211) and loan losses remained low, amounting to SEK 50 M (65).
- Solvency capital in the Länsförsäkringar AB Group totalled SEK 8,710 M (7,907).
- The net worth of the Länsförsäkringar AB share amounted to SEK 1,279 (1,186) at year-end.
- Net profit for the year for the Life Assurance Group amounted to SEK 17,922 M (loss: 30,126). Net investment income totalled SEK 14,465 M (expense: 17,596). The total return for life-assurance customers with traditional management amounted to 2.3% (neg: 0.6).

## FIVE-YEAR SUMMARY

Länsförsäkringar AB, Group <sup>1)</sup>	2009	2008	2007	2006	2005
Profit/loss before tax, SEK M	693	-3,395	1,270	821	2,100
Solvency capital, SEK M	8,710	7,907	11,652	10,713	9,703
Total assets, SEK M	157,005	130,554	116,241	91,184	80,478
Return on shareholders' equity, %	7	-29	10	8	19

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

Länsförsäkringar Sak, Group <sup>1)</sup>	2009	2008 <sup>2)</sup>	2007	2006	2005
Premiums earned after ceded reinsurance, SEK M	3,524	3,020	1,545	1,158	1,045
Technical result for the insurance operations, SEK M	460	256	298	277	271
Profit/loss before appropriations and tax, SEK M	635	-3,108	1,051	591	1,856

<sup>1)</sup> In accordance with legally restricted IFRS.

<sup>2)</sup> Included in the Agria Group as of 2008.

Agria Djurförsäkring, Group <sup>1)</sup>	2009	2008	2007	2006	2005
Premiums earned after ceded reinsurance, SEK M	1,549	1,252	1,089	948	844
Technical result for the insurance operations, SEK M	119	55	104	45	61

<sup>1)</sup> In accordance with legally restricted IFRS.

Länsförsäkringar Bank, Group	2009	2008	2007	2006	2005
Deposits from the public, SEK M	37,365	35,090	29,735	24,379	21,535
Lending to the public, SEK M	99,582	78,564	67,040	53,884	47,094
Operating profit, SEK M	258	245	238	198	154

Länsförsäkringar Liv, Group	2009	2008	2007	2006	2005
Premium income, SEK M <sup>1)</sup>	11,879	10,719	10,794	10,141	9,472
Net profit/loss for the year, SEK M	17,922	-30,126	11,361	7,646	4,584
Collective consolidation, %	107	105	114	114	114
Solvency ratio, %	137	114	152	136	126

<sup>1)</sup> In accordance with the Swedish Insurance Federation's definition.

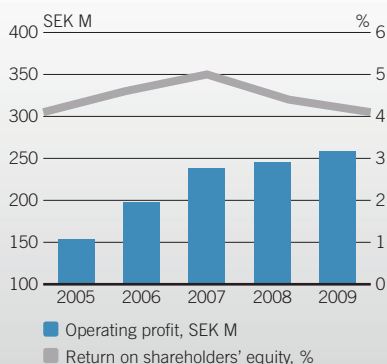
## CREDIT RATING

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 <sup>1)</sup>	Standard & Poor's	AAA	-
Länsförsäkringar Hypotek <sup>1)</sup>	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 <sup>2)</sup>	-

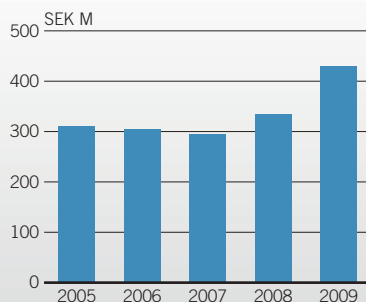
<sup>1)</sup> Pertains to the company's covered bonds. In December 2009, Standard & Poor's introduced a new rating method for covered bonds. In conjunction with this new method, the covered-bond programmes of essentially all international and Swedish issuers were added to a watchlist and given negative forecasts, including Länsförsäkringar Hypotek's covered bonds.

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

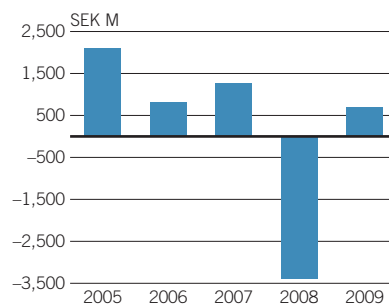
## OPERATING PROFIT AND RETURN ON SHAREHOLDERS' EQUITY, BANK



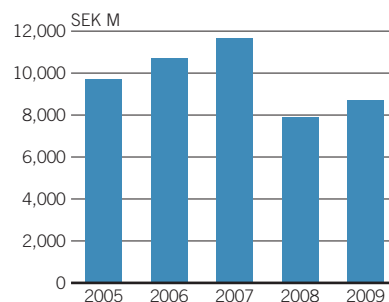
## TECHNICAL RESULT, NON-LIFE INSURANCE OPERATIONS



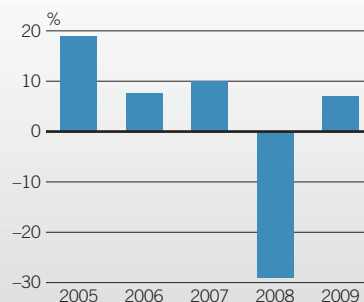
## PROFIT/LOSS BEFORE TAX, LÄNSFÖRSÄKRINGAR AB, GROUP



## SOLVENCY CAPITAL, LÄNSFÖRSÄKRINGAR AB, GROUP



## RETURN ON SHAREHOLDERS' EQUITY, LÄNSFÖRSÄKRINGAR AB, GROUP



*President's comments:*

# Stronger position for the financial hub

Länsförsäkringar AB has a stable foundation, and in 2009, we achieved all of our overall goals. We successfully surpassed the targets we had established for both business volumes and the return on shareholders' equity. We retained our profitability and robust key figures in all three business areas throughout the financial crisis. We also reported a significantly improved result for our non-life insurance operations, mainly due to the success of Agria. The bank's business volumes far surpassed the goal for the year. The life-assurance company further strengthened its key figures, despite a weak total return. In contrast, investment income in the non-life insurance operations was gratifyingly strong due to a favourable return on investments in interest-bearing loans. We also achieved the planned efficiency-enhancement gains for the Development, IT and Service units. We reduced the costs of the services that the regional insurance companies purchase from us by 10% during the year.

## Streamlined tasks

In 2009, Länsförsäkringar AB became part of a more clearly defined organisation with streamlined tasks. Our role in the value chain of the Länsförsäkringar Alliance is to act as the financial hub of the Alliance, to conduct joint business operations and pursue strategic development activities on behalf of the regional insurance companies, and to serve as a competence centre for the companies. We establish development potential for the regional insurance companies, which provides them with the right conditions to focus on customer meetings and local decision-making.

## More clearly defined boundaries

The approach of both the local and joint operations is based exclusively on the best interests of the customers. However, this requires a clear division between the various parties involved. Each individual regional insurance company is owned by its non-life insurance customers. In turn, the regional insurance companies own various joint operations, including banking and life-assurance companies. To enhance efficiency and generate economies of scale, certain operations, such as IT, marketing and development, are coordinated among the regional insurance companies and the joint companies. This way of working requires clearly defined boundaries with regard to control and interests. It goes without saying that no one should benefit at the expense of others. Transparency and clarity in communications with the business environment are equally important. In 2010, we plan to take additional measures to clarify the various roles and areas of control and to improve communication, all to describe and clarify the necessary limitations.

## High long-term return for pension customers

In 2008, Länsförsäkringar reported the lowest level of decline among life-assurance companies during the worst financial crisis experienced in modern times. In 2009, however, we had a lower return than most of our competitors. This provides us with an excellent example of the impact that extreme market fluctuations can have in a single year. And of how relatively insignificant and misleading it can be to look at the return from a specific year when savings horizons span several decades. While it is true that we missed

out on some of the upturn that occurred in 2009, we also avoided the massive fall that hit the world's stock markets the year before. Our customers have been among the winners, regardless of whether we consider the results from a couple of years or 20 years back.

What is important is our long-term respect for customers' money, and this is always based on a relatively cautious investment strategy. The reason that the return for 2009 was only 2.3% was that, when making investment decisions, we aimed to safeguard our collective consolidation in preparation for the planned demutualisation. If this had not been the case, we would have opted for a larger proportion of equities at an earlier point. We have now raised our goal with regard to the return to our life-assurance and pension customers, and are continuing our long-term work from a position of strength. The life-assurance company's collective consolidation and solvency ratios are strong, as are its market positions; we are the market leader in the private pension market and number two in the area of occupational pension.

## Demutualisation a failure

One major disappointment in 2009 was that the demutualisation of the life-assurance company to a profit-distributing company could not be completed. The Swedish Financial Supervisory Authority deemed our crediting principles to be too strict and rejected Länsförsäkringar Liv's demutualisation application in October. After Länsförsäkringar Liv changed its approach to comply with the Swedish Financial Supervisory Authority's standpoint regarding the principles governing the values to be credited, the Swedish Financial Supervisory Authority

announced in November that there was no longer any obstacle to demutualisation as of January 1, 2010. However, due to the pressure on the time schedule and the uncertainty regarding future solvency regulations, Länsförsäkringar decided to postpone the demutualisation process and will return in spring 2010 with a decision as to how the matter will be pursued.

### **Strength in joint non-life insurance operations**

The concessions for most of the non-life insurance operations in the Länsförsäkringar Alliance are held directly by the respective regional insurance company. Of the Alliance's total premiums earned amounting to nearly SEK 18 billion, SEK 3.5 billion were encompassed by Länsförsäkringar AB. Profitability is favourable, and the joint businesses play a crucial role in ensuring the overall strength of the Länsförsäkringar Alliance's non-life insurance operations. Premiums earned increased during the year, with the most substantial growth reported for Agria's animal insurance, along with medical insurance. Agria holds a leading position in a growing market, with a share of 60%. Agria International conducts animal insurance operations in the UK, Norway and Finland, a line of business that is undergoing considerable growth – premiums earned tripled during the year. The market for insurance in the healthcare area is increasing steadily, and Länsförsäkringar is also a leader in this area, with a market share for medical insurance of nearly 40%.

### **Bank experienced strong growth**

The continued expansion of the bank is another reason to feel glad and an area in which our long-term strategy has yielded results. We are completely in line with the goals we established for the banking operations. Business volumes increased 25% in 2009, and we are now Sweden's fifth largest retail bank. I would also argue that our fund offering is the most attractive in Sweden today. At the same time, we have adopted a position in the Swedish bank market as a perhaps somewhat boring, but secure and reliable bank. The bank's growth is also of considerable strategic significance for Länsförsäkringar's focus

on full-service customers. We want more of our customers to see the advantages of choosing us for more of their banking and insurance commitments. Customer meetings often begin with a banking transaction and from there grow into a long-term and strong relationship.

### **Position of strength**

Länsförsäkringar AB serves as the strong financial hub of the Länsförsäkringar Alliance. The financial connection between Länsförsäkringar AB and the 24 regional insurance companies is extremely strong; in 15 years, the solvency capital in the Länsförsäkringar AB Group has risen from slightly less than SEK 500 M to SEK 9 billion, which means that it now represents a significant portion of the regional insurance companies' investment assets.

Due to the strength of its owners – the 24 regional insurance companies – Länsförsäkringar AB currently has a strong foundation. The solvency level of the Alliance's coordinated non-life insurance operations was generally strong, with a solvency margin of 174% and capital of slightly more than SEK 30 billion. In addition, the joint brand of the group of companies also provides invaluable capital. In Länsförsäkringar AB, a higher priority is assigned to risk awareness and profitability than to volume trends. One example of this commitment to risk awareness was our effort to boost our risk control resources in 2009, and a member of the Group management is now responsible for these issues.

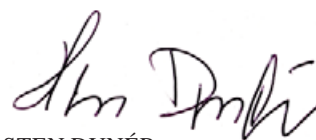
### **Tradition and change**

My vision is for Länsförsäkringar to become one of the largest banks for private customers within ten years. For this goal to become a reality, the life-assurance operations must continue to perform positively. We must also strengthen and clarify our identity. The Länsförsäkringar brand is a unique platform from which to plan the future. Our goal is to maintain the distinctive character we have developed through our approach of mutuality and local proximity. We instil a sense of security and represent stability, qualities that we plan to strengthen further.

At the same time, change is required. We must grow in the savings market and

develop our savings products. In general, we must become better at pursuing matters that are important to our customers; we must become engaged in the debate on the need for private savings capital, on the interplay between the private and public sectors with regard to social insurance systems and on competition in the market for collectively bargained occupational pension plans, also referred to as the "tick-box market." Although we are currently experiencing favourable growth in the areas of banking and life assurance, profitability must improve. Wasa Kredit's services must be integrated into our own products to ensure that they are included in the regional insurance companies' customer meetings in a natural manner. In 2009, we lost nearly 1% of our household insurance customers to various banks. Competition is extremely intense and in many respects must be addressed as a serious pricing issue. At Länsförsäkringar AB, we must continue to enhance our efficiency and reduce our costs. We must further boost our competence in the area of non-life insurance and, most importantly, if we are to achieve our ambitious growth targets in the banking operations, we must strengthen the banking expertise of the entire Länsförsäkringar Alliance.

Stockholm, March 2010



STEN DUNÉR

President of Länsförsäkringar AB





*Following the introduction of a more streamlined organisation on January 1, 2009, Länsförsäkringar AB and its subsidiaries further contributed to enhancing the competitiveness of the Länsförsäkringar Alliance during the year and at the same time reduced the expenses. The tasks include conducting joint banking and insurance operations, pursuing strategic development activities and providing 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 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 7.8% to SEK 1,279 in 2009. 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**

A number of measures were implemented in Länsförsäkringar AB's operational organisation in 2008 to further strengthen competitiveness and reduce costs. A new organisation came into effect on January 1, 2009 in which the operations were streamlined into three business units – Non-life insurance, Life assurance and Banking – and three support functions – 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 main tasks: responsibility for all services required by the regional insurance companies and responsibility for the shared service resources in Länsförsäkringar AB. By streamlining its operations and distributing service and administrative resources among the various subsidiaries and operations in Länsförsäkringar AB, the company has reduced its operating expenses by approximately 8%.

### **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 cus-

tomers relations. Cooperation between the three core operations also creates economies of scale since the costs for such activities as payment handling and safety 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. This is why certain operations are considered best-suited to joint concessions. The 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 shareholders' equity is to be at 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. Normally, 30% of the Group's net profit for the year after tax is to be paid on the condition that a credit rating of A can

be justified for the Group's credit-rated units. Länsförsäkringar AB endeavours to maintain a balance between capital strength and risk-taking whereby a minimum credit rating of A can be justified.

#### SHAREHOLDERS

Company	Number of shares			Share of equity, %
	A	B	C	
Länsförsäkringar Skåne	141,849	468,566	–	9.7
Länsförsäkringar Stockholm	129,212	451,139	–	9.2
Östgöta Brandstodsbolag	114,155	304,919	–	6.7
Dalarnas Försäkringsbolag	104,708	312,423	–	6.6
Länsförsäkringar Älvsborg	100,176	311,550	–	6.5
Länsförsäkringar Göteborg och Bohuslän	87,010	294,047	600	6.1
Länsförsäkringar Jönköping	82,812	253,733	–	5.3
Länsförsäkringar Bergslagen	86,351	244,870	–	5.3
Länsförsäkringar Uppsala	73,298	227,613	–	4.8
Länsförsäkringar Skaraborg	64,058	218,295	–	4.5
Länsförsäkringar Södermanland	58,117	172,547	–	3.7
Länsförsäkringar Västerbotten	57,195	167,635	–	3.6
Länsförsäkringar Gävleborg	60,058	162,169	–	3.5
Länsförsäkringar Halland	56,785	160,886	–	3.5
Länsförsäkringar Kalmar län	56,717	157,102	–	3.4
Länsförsäkringar Västernorrland	50,186	147,216	–	3.1
Länsförsäkringar Jämtland	35,795	121,012	–	2.5
Länsförsäkring Kronoberg	36,701	108,423	–	2.3
Länsförsäkringar Värmland	31,160	109,294	–	2.2
Länsförsäkringar Kristianstad	27,258	88,755	–	1.8
Länsförsäkringar Göinge	22,724	85,397	–	1.7
Länsförsäkringar Norrbotten	16,960	91,365	–	1.7
Länsförsäkringar Blekinge	23,088	63,984	–	1.4
Länsförsäkringar Gotland	16,305	38,515	–	0.9
14 local insurance companies	–	–	2,850	0.04
<b>Total number of shares</b>	<b>1,532,678</b>	<b>4,761,455</b>	<b>3,450</b>	<b>100.0</b>

#### SHARE TREND, LÄNSFÖRSÄKRINGAR AB

SEK	2009	2008	2007	2006	2005
Shareholders' equity per share	1,279	1,186	1,648	1,523	1,410

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 <sup>1)</sup>	Standard & Poor's	AAA	–
Länsförsäkringar Hypotek <sup>1)</sup>	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 <sup>2)</sup>	–

<sup>1)</sup> Pertains to the company's covered bonds.

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



- *The technical result amounted to SEK 426 M (327).*
- *The combined ratio improved by 11 percentage points to 100%.*
- *The claims ratio was 75%.*
- *Premiums earned increased to SEK 3,524 M (3,024).*
- *Operating profit improved to SEK 505 M (loss: 3,003).*

### *Non-life insurance:*

# Strong earnings and business improvement

Most of the non-life insurance operations in the Länsförsäkringar Alliance are conducted directly by the respective regional insurance company. Certain non-life insurance operations are conducted by Länsförsäkringar Sak on behalf of the regional insurance companies, such as medical insurance, animal insurance, liability insurance and cargo insurance. Of the Länsförsäkringar Alliance's total premiums earned of SEK 17.8 billion, SEK 3.5 billion were reported by Länsförsäkringar Sak and the remainder by the 24 regional insurance companies. Länsförsäkringar Sak plays a central role in ensuring the strength of the Länsförsäkringar Alliance's non-life insurance operations. In recent years, the market for non-life insurance has been characterised by the recession, and like other players in the industry, Länsförsäkringar has been impacted by lower premiums and more intense competition for customers.

At the start of the year, the investment allocation of the non-life insurance business included a high percentage of government bonds. As the financial crisis abated and initial indications of the alleviation of the downturn emerged, investments were made credit bonds and commercial papers with higher anticipated returns.

### **Earnings and profitability**

Premiums earned increased 16% to SEK 3.5 billion. Animal insurance was the primary area of growth, along with accident and medical insurance. The technical result from non-life insurance operations rose 30% to SEK 426 M. Positive investment income contributed to operating profit increasing to SEK 505 M (loss: 3,003). The claims ratio was unchanged at 75%.

### **Commercial insurance trends**

Länsförsäkringar Sak supplements the regional insurance companies' offering to its corporate customers with specialised liability, cargo and property insurance solutions. During the year, the company focused on insurance solutions targeting

the area of renewable energy, including the introduction of a new insurance product for wind power plants in the Swedish market. Recycling insurance for wind power plants was also introduced and is intended to ensure that the plants are dismantled once they are spent and that the land is restored. Competition in the area of liability insurance intensified during the year, thereby exposing the market to price pressure. Nevertheless, business improved due to an increased number of requests for quotes from insurance brokers. The situation in the transport sector improved somewhat toward the end of the year, and the number of requests for quotes increased. Sales were roughly in line with 2008.





### Healthcare area

Premiums earned for own account in the healthcare area amounted to SEK 885 M and profit totalled SEK 86 M. The market for insurance in the healthcare area is expanding rapidly, and demand for medical insurance solutions is increasing substantially. Approximately 370,000 people in Sweden are currently covered by private medical insurance. Companies' operations are exposed to substantial disruptions if employees are absent due to illness. With medical insurance, employees quickly receive the care they require and can thus return to work sooner. Länsförsäkringar is a market leader in area of medical insurance, with a market share of 38%. A clear trend in medical insurance is that claims costs are increasing substantially. To be able to continue offering companies' employees solid insurance at a reasonable price, Länsförsäkringar has opted to introduce a deductible for initial doctor's appointments instead of significantly increasing its premium. The goal is to maintain a stable price level over time.

### Animal insurance

Agria Djurförsäkring reported a positive earnings trend and the company's technical result rose SEK 68 M to SEK 119 M (55). The increase was attributable to higher business volumes as a result of premium hikes and an expanded portfolio, as well as lower claims costs. Premiums earned increased to SEK 1,549 M (1,252). Agria holds a leading position in a growing market, with a share of 60% (60). Agria's operations through its animal insurance activities in Norway and the UK and through partners in Finland, Iceland

and the Åland Islands were also developed. The business is growing significantly and its premiums earned tripled during the year, amounting to SEK 301 M. While the main growth occurred in the UK operations, the Norwegian operations also experienced strong customer growth.

### Reinsurance

Premiums earned for own account amounted to SEK 434 M and profit for the reinsurance operations totalled SEK 57 M, a clear improvement compared with 2008 and the strongest result to date. Internationally assumed transactions yielded a positive result. The market is relatively stable, with marginal changes in premiums, and was not impacted by any major claims. The Länsförsäkringar Alliance's non-life insurance operations remained stable, with few changes to the company's exposures, and the reinsurance cover for 2009 was largely unchanged.

### Run-Off

Two subsidiaries of the run-off company, WASA International Försäkrings AB and Återförsäkrings AB Stockholm, were sold to the UK run-off specialist Compre UK Holdings. The companies were transferred to the buyer in April.

### Länsförsäkringar International

Until November 2009, Länsförsäkringar Sak conducted non-life insurance operations in Latvia and Lithuania through its subsidiary Länsförsäkringar International Försäkrings AB. Prior to being sold to Gjensidige Forsikring BA, the operation, which was formed in 2008, reported premium income of SEK 78 M. The sale was prompted by deteriorating market conditions.

### Insuring companies abroad

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

	2009	2008	2007	2006	2005
Premiums earned after ceded reinsurance	3,524	3,024	2,634	2,108	1,889
Profit/loss before appropriations and tax	505	-3,003	1,169	721	1,930
Technical result for insurance operations	426	327	293	313	315
Expense ratio	26	36	30	30	27
Claims ratio	75	75	76	75	80
Combined ratio	100	111	107	105	107



- *Länsförsäkringar is the leader in the private pension market, measured in new sales, and the second largest player in the occupational pension market.*
- *The company's key figures remained strong. The solvency ratio was 137% (114) on December 31, 2009 and collective consolidation amounted to 107% (105).*
- *Profit for Länsförsäkringar Liv amounted to SEK 17,922 M (loss: 30,126). This substantial earnings improvement was mainly attributable to changes to the value of technical reserves as a result of higher long-term interest rates.*
- *The total return amounted to 2.3%. During the year, the allocation strategy was directed to a lower risk level, focusing on retaining a solvency margin of more than 105. The percentage of equities was gradually increased during the autumn.*

*Life assurance and pension insurance:*

# Strong key figures the basis for long-term results

Although Länsförsäkringar Liv 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 is the leader in the private market, measured in new sales. Länsförsäkringar is the second largest player in the occupational pension market

and increased its market share from 11.9 to 14.1%. One of the major contributing factors was the strong sales conducted through independent insurance brokers.

## Earnings and profitability

Profit for Länsförsäkringar Liv for 2009 amounted to SEK 17,922 M (loss: 30,126). This substantial earnings improvement was mainly attributable to changes to the value of technical reserves as a result of higher long-term interest rates. Long-term interest rates rose during the year, which meant that the valuations of liabilities declined. At the same time as liabilities decreased, assets did not incur any corresponding negative effects. The total return

in traditional management for 2009 amounted to 2.3%. During the period, assets were allocated based on the aim of maintaining a low level of risk and strong key figures.

## Solvency and collective consolidation

The key figures remained strong. The solvency ratio was 137% (114) on December 31, 2009 and collective consolidation amounted to 107% (105).

## Business volumes

New sales for 2009 were slightly higher than the level for the year-earlier period at SEK 16,777 M (16,553). The market share of the total life-assurance sales market,



measured in new sales, amounted to 9.9% (9.5) on December 31, 2009. Länsförsäkringar is a leader in the private pension market, with a market share of 15.4% (16.6), and the second largest player in the occupational pension market.

Länsförsäkringar Liv's premium income continued to rise. Premium income as defined by the Swedish Insurance Federation amounted to SEK 11,879 M (10,719) in 2009. The largest increase was seen in the product groups occupational pension and collective agreement pension. Previous successes in agreement procurements for the collective agreement pension product area were the main reason for the increase in premium income. Länsförsäkringar is an eligible manager in all collective pension areas, including SAF-LO for private-sector workers, ITP for private-sector salaried employees and PA-KFS for employees of municipal companies.

Managed assets increased to SEK 151 billion (133) during the year. The largest increase in managed assets was in fund management where rising fund prices contributed to the increase. As of December 2009, managed assets in fund management amounted SEK 46 billion (32).

### Collective agreement pension market

Länsförsäkringar increased its new sales in the collective agreement pension market and premium income rose substantially in 2009. The collective agreement pension market is expected to grow in future years in pace with an increasing number of people being encompassed by defined-contribution pension agreements and provisions per individual increasing in certain collective agreement areas. The

trend is moving toward more procurement processes through pension selection centres, which will lead to higher pensions for the insured but also pressed margins for pension managers. However, given that there are fewer eligible managers, premiums will be higher for those selected as a pension manager compared with earlier.

### Return

Throughout the financial crisis, Länsförsäkringar has pursued a policy of cautious allocation which governed investments of customers' money. Länsförsäkringar was the company that noted the smallest losses in 2008, although returns for 2009 were low. The total return for the traditionally managed portfolio amounted to 2.3% (neg: 0.6). The relatively weak return level was a result of Länsförsäkringar's desire to ensure solvency in its investment decisions prior to the planned demutualisation process. The average total return for the past five years amounts to 6.1%. The extreme market fluctuations experienced in recent years have clearly demonstrated the value of this long-term approach – looking at the return for a single year is both misleading and uninteresting with a savings horizon of several decades. The results are a continued high level of collective consolidation, a lack of

a need for recovery and an even and stable return. The risk level has risen in line with the financial crisis abating, yet the cautious approach remains in place.

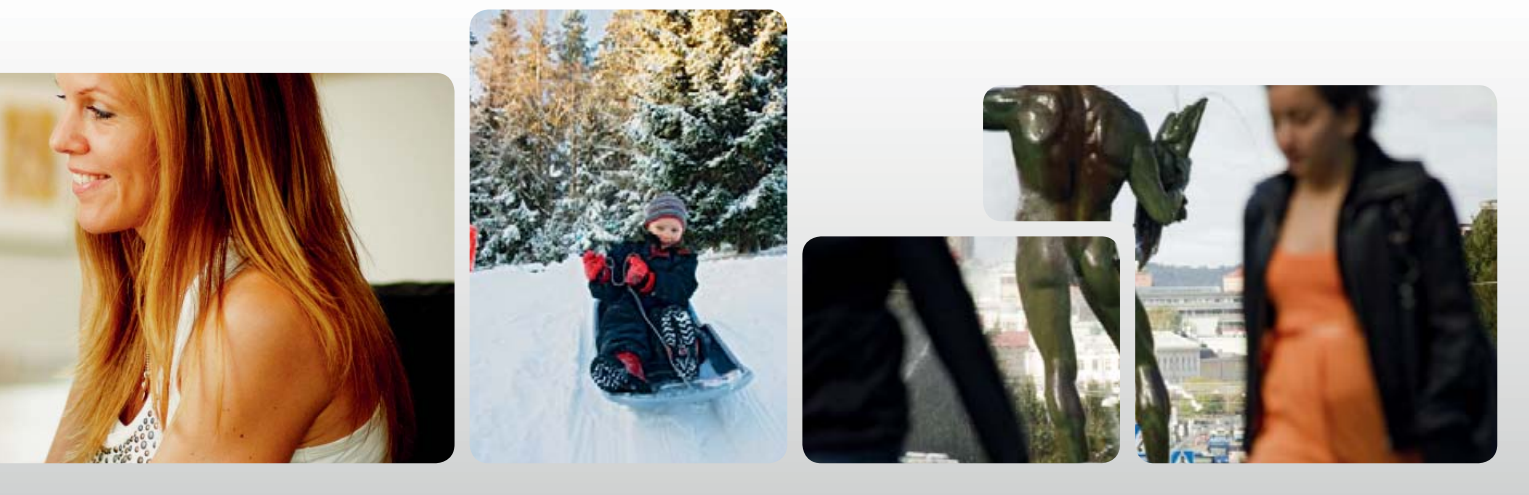
Länsförsäkringar's aim is to have the most attractive fund offering in Sweden. On average in 2009, insurance savings funds performed better than comparable funds in eight out of 12 fund categories.

### Demutualisation of Länsförsäkringar Liv

The Swedish Financial Supervisory Authority deemed Länsförsäkringar's approach to crediting principles to be too strict and rejected Länsförsäkringar Liv's demutualisation application in October. After Länsförsäkringar Liv changed its approach to agree with the Swedish Financial Supervisory Authority's standpoint on the matter of the principles governing the values to be credited, the Swedish Financial Supervisory Authority announced in November that there was no longer any obstacle to demutualisation as of January 1, 2010. However, due to the uncertainty regarding future solvency regulations and other considerations, Länsförsäkringar decided to postpone the demutualisation process and will return in spring 2010 with a decision as to how the matter will be pursued.

Key figures	2009	2008	2007	2006	2005
Premium income, SEK M <sup>1)</sup>	11,879	10,719	10,794	10,141	9,420
Total assets, SEK M	162,989	150,216	162,793	153,255	140,681
Total return, traditional life assurance, %	2.3	-0.6	6.7	8.0	14.7
Collective consolidation, %	107	105	114	114	114
Solvency ratio, %	137	114	152	136	126

<sup>1)</sup> In accordance with the Swedish Insurance Federation's definition measured as rolling 12-month figures.





- *Länsförsäkringar is Sweden's fifth largest retail bank. Deposits rose 6% to SEK 37 billion (35) and lending increased 27% to SEK 100 billion (79).*
- *Net interest income fell 5% to SEK 1,148 M (1,211) and operating profit rose 5% to SEK 258 M (245).*
- *Credit quality was highly favourable and the operations maintained a low risk profile. Loan losses amounted to SEK 50 M (65), net, corresponding to a loan loss level of 0.05% (0.07).*
- *Länsförsäkringar once again had Sweden's most satisfied retail bank customers and the most satisfied mortgage customers in a comparison between all Swedish banks according to the Swedish Quality Index.*

*Bank:*

# Continued strong growth with low risk profile

Länsförsäkringar continued to grow in the Swedish banking market. Retail mortgage lending and agricultural lending account for most of this growth. Business volumes continued to increase to SEK 204 billion (165). Lending to the public rose 27% to SEK 100 billion (79). Retail mortgage lending in Länsförsäkringar Hypotek increased 26% to SEK 68 billion (54). First-lien mortgages for agricultural and forestry properties increased to SEK 7.8 billion (3.2). Agricultural lending totalled SEK 10.8 M (6.5). Deposits from the public rose 6%, to SEK 37 billion (35). The volume of managed funds increased 30% to SEK 67 billion (51). Länsförsäkringar is Sweden's fifth largest

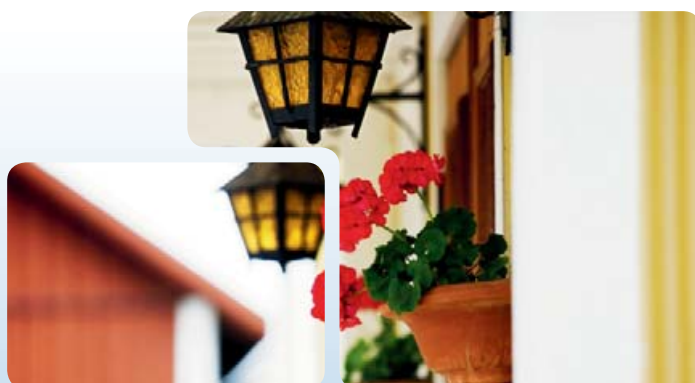
fund company with a market share of 4.2% (4.2).

According to the 2009 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied retail bank customers for the fifth time and Sweden's most satisfied retail mortgage customers for the sixth time. The number of customers rose 8% to 759,000 (700,000).

## Earnings and profitability

Operating profit rose 5% to SEK 258 M (245), an increase attributable to higher volumes, increased net profit from financial transactions and lower loan losses. The return on average shareholders' equity was 4.1% (4.4). Operating income rose a total of

6% to SEK 1,301 M (1,225), primarily due to increased net profit from financial transactions and higher volumes. Net interest income fell 5% to SEK 1,148 M (1,211), primarily due to lower deposit margins and lower yield on shareholders' equity as a result of lower market interest rates. Operating expenses increased 8%, to SEK 992 M (915). This increase was primarily attributable to the change in production system in the subsidiary Wasa Kredit, which is expected to enhance efficiency. Operating expenses were also impacted by changes in settlement methods for Group expenses and higher depreciation. The cost/income ratio was 0.76 (0.75) before loan losses and 0.80 (0.80) after loan losses.



### Loan losses

Loan losses remained low and amounted to SEK 50 M (65). Impaired loans amounted to SEK 213 M (192), corresponding to a share of impaired loans totalling 0.21% (0.22).

### Credit quality

The loan portfolio, totalling SEK 100 billion (79), maintained a high level of quality and was not appreciably impacted by the slowdown of the real economy. A total of 84% (87) of the portfolio comprises household credits. Loans are originated exclusively in Sweden and the loan portfolio has a favourable geographic spread throughout the country.

### Borrowing

Debt securities in issue rose 27%, to SEK 62 billion (49), of which covered bonds accounted for SEK 55 billion (42). The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek using covered bonds. Financing is also conducted through certificates of deposit issued by Länsförsäkringar Bank.

### Parent Company

Deposits and some lending are conducted by the Parent Company. Most of the lending and borrowing operations are conducted through the subsidiary Länsförsäkringar Hypotek. Lending to the public rose 40% to SEK 23 billion (16). Deposits from the public increased 6% to SEK 37 billion (35). Debt securities in issue amounted to SEK 7 billion (7). The Parent Company

reported an operating loss of SEK 37 M (loss: 24), which was attributable to lower net interest income. Operating income rose to SEK 480 M (469), mainly due to increased net profit from financial transactions and lower commission expense. Net interest income declined to SEK 420 M (484) and was primarily attributable to lower deposit margins.

Operating expenses rose to SEK 512 M (485), mainly due to changes in settlement methods between the Parent Company and the bank, as well as increased depreciation. Loan losses were low and amounted to SEK 5 M (8).

### Subsidiaries

#### Länsförsäkringar Hypotek

Retail mortgage lending in the bank's mortgage institution increased 26%, to SEK 68 billion (54). Up to 75% of the market value of retail mortgage loans is granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit totalled SEK 141 M (129) and was attributable to higher lending volumes and increased net profit from financial transactions. Loan losses amounted to positive SEK 5 M (0), net.

### Wasa Kredit

Wasa Kredit's lending volume totalled SEK 9.5 billion (9.0). Leasing assets increased during the year, while the unsecured loan portfolio declined somewhat. Net interest income rose to SEK 442 M (361) and operating profit to SEK 109 M (106). At the same time, expenses rose as a result of change in the production system. Loan losses declined to SEK 51 M (57), net.

### Länsförsäkringar Fondförvaltning

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 4.2% (4.2). The company's volume of managed funds increased to SEK 67 billion (51). The company manages 30 (29) investment funds with different investment orientations. Länsförsäkringar Fondförvaltning's average Morningstar rating on a three-year basis was 3.21, which was one of the strongest ratings among the major fund companies. The funds are available as direct fund savings, via various unit-linked products and through the PPM system. The company's net flow was positive during the year and amounted to SEK 3.4 billion (2.4). Operating profit rose to SEK 50 M (36).

#### Key figures

	2009	2008	2007	2006	2005
Deposits from the public, SEK M	37,365	35,090	29,735	24,379	21,535
Lending to the public, SEK M	99,582	78,564	67,040	53,884	47,094
Operating profit, SEK M	258	245	238	198	154
Return on shareholders' equity, %	4.1	4.4	5.0	4.6	4.1
Cost/income ratio before loan losses	0.76	0.75	0.74	0.77	0.79





*The responsibility for asset management has been assigned to a specialist function in Länsförsäkringar AB. At year-end, Asset Management managed approximately SEK 130 billion on behalf of Länsförsäkringar AB's life assurance and non-life insurance companies, mutual fund companies, Agria Djurförsäkring and a number of minor subsidiaries.*

*Asset management:*

# Modern management model generates long-term return

The task of Länsförsäkringar AB's Group-wide Asset Management function is to conduct asset management activities on behalf of the Länsförsäkringar AB Group. The largest management assignments are Länsförsäkringar Liv with SEK 98 billion in investment assets, Länsförsäkringar Sak with SEK 14 billion and Agria with SEK 1 billion.

The maturity periods and valuation principles of liabilities differ significantly between the non-life insurance company and the life-assurance company. This means that the various management assignments have different investment strategies with regard to such considerations as interest-rate hedging.

The returns for the various management assignments in 2009 were as follows: the

life-assurance company reported a return of 2.3%, the non-life insurance company 6.4% and Agria Djurförsäkring 6.3%.

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. The management model was put through a very hard test in 2008 and 2009 as a result of the worst financial crisis in several decades. Länsförsäkringar is thrilled to be able to say that the model is also able to succeed in difficult times with sharp declines on the stock markets. In brief, the manage-

ment 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. Considerable significance is attached to identifying the best method of achieving the desired market exposure. Länsförsäkringar also endeavours to identify additional efficient solutions to obtain passive market exposure other 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.

With manoeuvrable asset allocation, the portfolios could be quickly adapted to changes in the market conditions, which contributed to generating continued strong collective consolidation for life-assurance customers and high returns on their savings.

### Risk diversification

The single most important element in the management of the life-assurance company's portfolio is asset allocation. Risks are diversified and the total risk of the portfolio declines if investments are spread over different types of assets. Since the choice of assets has a significant impact on returns, Länsförsäkringar has allocated major resources to this area. The aim is to produce an asset portfolio – known as market exposure – that is expected to yield the highest return over time, given a specific risk level. This involves making assessments about the future in models where risk and uncertainty are identified and the consequences of different events are tested. Once the assets have been determined, these are allocated to various markets throughout the world to further diversify risk. In recent years, such diversification has been heightened by reducing investments in Sweden in favour of foreign and alternative investments.

In addition, continuous and structured risk activities are performed that result in

various types of protection strategies.

Another key component besides high returns is costs. Considerable importance is attached to identifying the best method of achieving the desired exposure to secure the desired market exposure. For example, this can take place via investments in different types of derivative instruments, instead of in individual securities as is traditionally the case, which generates added value through reduced management costs and simplified administration. Another advantage with derivative solutions is that market exposure becomes flexible and more manoeuvrable than for investments in individual securities, which means that changes in the markets can be rapidly converted into changes in asset allocation. Derivative solutions are also actively utilised to hedge the portfolios against different types of risks, such as equities risk and the risk of increases in interest rates.

The derivative strategies proved to be highly valuable in 2009. With manoeuvrable asset allocation, the portfolios could be quickly adapted to changes in the market conditions, which contributed to providing Länsförsäkringar Liv's customers with a strong solvency margin and other key financial figures.

### Long-term managers

The long-term approach Länsförsäkringar 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, primarily forest and infrastructure.

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 ineffective markets in which it is highly likely that excess returns and index returns can be expected.

### Optimal organisation

The modern management method is supported by a suitably adapted organisation. By outsourcing all operating management outsourced 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 actively to reduce the environmental impact of its offices and business activities. The company's direct environmental impact derives primarily from business travel and the consumption of electricity, heating and paper. The company's indirect impact arises mainly from the water and fire damage that affects the regional insurance companies' customers.*

## Environment:

# Active environmental work

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. Another important role is to provide the regional insurance companies with assistance in sharing knowledge with customers about environmental concerns. The aim is to pursue pro-environment measures that in turn advance the efficiency and development of the Länsförsäkringar Alliance. For example, the use of paper will be diminished in the future by developing customer information on the Internet. This will result in lower costs, improved customer service and distinct environmental gains. Based on this approach, the company's work to enhance the efficiency of the operations also comprises an environmental activity. This commitment to the environment is not an explicit strategy but a result of what Länsförsäkringar is; it forms a natural part of the company's respect for and commitment to local society.

### Environmentally friendly travel

To reduce the company's direct impact on the environment, train travel is increas-

ingly used for business trips. The company-car policy approves only environmentally friendly cars and offers the option of early replacement of company cars. During 2009, the percentage of environmentally friendly cars rose to 82%, compared with 70% in 2008. A number of company bicycles are available to employees for use during working hours. In addition, an increasing number of meetings now take place in the form of telephone, video or web conferences as a means of reducing total accumulated travel.

### Reduced flows of paper

One of the targets of the developments carried out in Länsförsäkringar AB is to reduce the flow of paper both within the company and sent to customers. To reduce the consumption of paper, digital solutions and efficient printing and copying solutions are being developed. The expansion of the Internet channel offers more opportunities to reduce the amount of paper sent to customers. For example, all terms and conditions for commercial insurance are now available in digital form on the Internet and are no longer sent to customers. Customers are also offered the option of choosing

not to have account and loan statements sent to their home address, and as many paper dispatches as possible are packaged together to reduce the flow of paper.

### Lower electricity and heating consumption

Länsförsäkringar is reducing its direct impact on the environment in the form of emissions of carbon dioxide and other substances by continuing to enhance the efficiency of heating and cooling systems and through the use of low-energy lighting and electricity produced from hydro-electric power.

### Environmentally classified properties

In 2009, Länsförsäkringar also actively participated in the Building/Living Dialogue, particularly in implementation issues associated with the Environmental Certification of Building Project. Environmental certification of properties encompasses many areas, such as energy use, hazardous substances, environmental impact and indoor environment. By participating in the Building/Living Dialogue Project and the Environmental Certification Project, Länsförsäkringar's properties





were assigned environmental certification last year.

### Environmental aspects of investment decisions

In 2009, Länsförsäkringar Liv invested SEK 500 M in the European Investment Bank's "green" bond. The bond has a credit rating of AAA and is guaranteed by the European Investment Bank. The bond yields a higher return than a Swedish government bond. The proceeds earned from this issue are to be used to invest in technology that reduces carbon emissions in Europe. This is Länsförsäkringar's second major investment that will generate a higher return while at the same time will support the environment.

### Reducing the number of claims

Since every claim that can be avoided is important to the company's indirect impact, claims-prevention activities are crucial from an environmental perspective. For example, water damage in a bathroom can generate 300 kg of carbon emissions in addition to many other environmentally hazardous substances. Länsförsäkringar AB's task is to carry out development work aimed at reducing the number of claims and the consequences of incurred claims among the regional insurance companies' customers. To increase knowledge in this area, Länsförsäkringar AB supports various scientific research projects, including a project entitled "Flooding in the city's water system: causes and measures to reduce the consequences." This project studies why flooding takes place and the actions that can be taken to reduce the number of floods and their consequences. Another project is "Cost-benefit analysis of

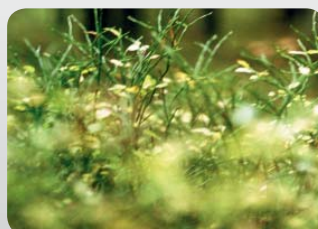
preventive actions against landslides and avalanches as a result of a changed climate." The aim of the project is to develop a risk analysis method based on risk costs and the evaluation of preventive measures against erosion, landslides and avalanches in identified developed risk areas. Among other findings, the results of the project have shown that the risk landslides and avalanches increases if higher amounts of precipitation are included in the risk assessment of the analysed areas.

Another key component in reducing the number of claims incidents is training and providing information to the contractors that Länsförsäkringar hires. Länsförsäkringar cooperates with relevant industry organisations and the National Swedish Board of Housing, Building and Planning to influence the development of industry and government authority rules to ensure that they are formulated in a way that promotes fire and water damage-safe construction to create a safer, healthier and more environmentally sound living environment. Länsförsäkringar also cooperates with other Nordic authorities and research institutes to ensure rapid access to the most up-to-date research results.

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.
- 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.

- Participation in a research project to identify deficiencies in the performance and sealing layers of ceramic surface finishes.
- Participation in a research project to develop more stable joist solutions for buildings with wooden joist systems.
- 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.
- Providing recycling insurance for agricultural operations that helps to reduce the amount of environmentally harmful waste and scrap generated by the agricultural sector.
- Development of Länsförsäkringar's products and services, such as insurance concepts for wind farms that include recycling insurance to ensure that the power plants are dealt with appropriately once they are closed down.
- Providing customers with an opportunity to invest in savings with an environmental focus through a fund for renewable energy.
- Länsförsäkringar AB has held ISO 14001 environmental management system certification for five years. This certification is a guarantee that systematic environmental activities are carried out.



*The company's ability to enhance its competitiveness and achieve the goals in the business plan depends on it having competent and motivated employees. Accordingly, Länsförsäkringar AB's management decided that Länsförsäkringar AB must become a more performance-based company and work systematically to increase internal mobility.*

*Employees:*

# Clear goals promote improvement



Länsförsäkringar AB explicitly strives to establish a corporate culture that promotes improvement. The focus is on creating a performance-based organisation whose operations are characterised by the values of Trust, Commitment and Openness.

To support this work, a model for performance management has been introduced with the aim of driving and improving employee performance. Performance is based on measurable individual targets that are identified using the annual business plan. Each employee receives a target contract, in which his or her specific agreements are documented.

Part of the model focuses on assessing employee performance using a standardised five-stage scale. Employees receive constructive feedback in order to stimulate development in an optimal manner. To be able to use resources correctly, target fulfilment is not the only key factor. How the employee progresses is also important.

The employees' perceptions of their own terms are measured through the company's annual employee survey. The survey measures the employees' level of ambition, knowledge and ability, and the amount of responsibility they may or should be given. This is compared with the employees' performance and is used to generate an index. The index for 2009 was 4.1 out of a possible 5. The percentage of employees who responded to the survey was 78%.

## **Solid performance rewarded with target-based remuneration**

A basic prerequisite for paying target-based remuneration is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Of the total target-based remuneration, 50% of is based on exceeding the joint targets established in Länsförsäkringar AB's business plan and 50% on the fulfilment of individual targets. These principles apply for all employees and managers at all levels. Employees receive a maximum target-base remuneration of SEK 12,000 and managers receive a maximum of two months' salary.

## **Development through internal mobility**

One way for employees to develop is to broaden their realm of expertise, for example, by switching positions internally. Accordingly, a system for internal mobility has begun to be introduced in the organisation. During career-development talks, future duties, job ambitions and professional roles are discussed to help employees become more active in planning their skills development in order to ensure that they are able to switch positions internally within five years. In addition to internal mobility at Länsförsäkringar AB, the structure of the Länsförsäkringar Alliance with its 24 independent regional insurance companies provides a unique internal labour market.

## **Leadership development**

To ensure the supply of future leaders, talented young employees are offered the opportunity to participate in a customised Young Talent Programme, which includes training in personal development and leadership styles, implementing change, personal efficiency, motivation and driving forces. The programme ran throughout 2008 and ended in early 2009.

A female manager from the Bank business unit was nominated for the Ruter Dam one-year management development programme for women. This has been a focus area for many years in a bid to have more women take on senior managerial roles. Länsförsäkringar also contributes as a mentor and lecturer on the management development programme and hosts company visits.

## **Reduced sickness absence and better health**

Total sickness absence in Länsförsäkringar AB, which was at 3.8% in 2007, declined to 2.5% in 2009. Contributing factors to this decline in sickness absence were the proactive healthcare process offered through rehabilitation insurance and the medical insurance provided to all employees. This insurance includes a healthcare advisory service that allows employees to call and receive personal and professional guidance year-round. The goal is to ensure that employees receive prompt care when they become ill,



enabling them to regain their health and return to work. The company also encourages employees to take a break from work, for example by exercising during work hours and by offering a favourable preventive healthcare to all employees.

### Measures to increase competitiveness and reduce costs

To improve the company's competitiveness and reduce its costs, extensive changes were implemented in autumn 2008, resulting in personnel cutbacks of 20%. The company's need for the right competencies was a critical factor in the appointment of the new organisation that came into effect on January 1, 2009. As with previous personnel reductions, Länsförsäkringar AB focused on assuming responsibility for its employees and assisting them in finding a new solution. This process included the establishment of a development programme in the resource organisation, financial support in the form of a volunteer offering and a pension offering.

During the year, slightly more than 100 people participated in the development

programme, which is designed to provide support, development opportunities and options for future solutions. The focus is on identifying new paths and alternatives for finding new work based on the employees' individual skills.

### An attractive employer

The efforts to further advance Länsförsäkringar's positions in the battle for business-critical competencies continued to yield results. For the seventh consecutive year, Länsförsäkringar was named the insurance industry's most attractive employer in Universum's Företagsbarometer survey. Overall, the company's position improved from 44th to 36th in this year's ranking of the most attractive employer in all categories. Universum's Karriärbarometer survey measures the career expectations and employer preferences among "young professionals," a category comprising university graduates averaging 30.6 years in age and with an average of four years of professional experience after concluding their studies.

Länsförsäkringar's ranking in this survey also improved, from 60th to 48th.

### Trainees ready for new challenges

This year's trainee programme ended in the autumn, and seven trainees were offered permanent employment with Länsförsäkringar as project managers, security managers, controllers and private and commercial advisors. The trainee programme also included work experience, educational visits and various study assignments. Among other experiences, the trainees participated in the launch of Länsförsäkringar Fastighetsförmedling (real-estate brokerage), took part in a project to provide upper-secondary school students with training in private finances and examined knowledge-sharing models.

Länsförsäkringar has operated its trainee programme since 2001, and the programme plays a crucial role in attracting new talent and strengthening the company's employer brand among students.

## Employee statistics Länsförsäkringar AB

Employees	2009	2008
Permanent employees, total	1,480	1,699
of whom men	665	760
of whom women	815	939

Permanent employees recruited during the year	43	119
Permanent employees who transferred to another company in the Länsförsäkringar Alliance	8	
Permanent employees who left during the year	55	135

Age range, all employees	2009	2008
0–30 years of age	100	149
31–40 years of age	439	512
41–50 years of age	483	524
51–60 years of age	379	424
61–	79	90
Average age, women	45	44
Average age, men	45	45

Age range, managers	2009		2008	
	Female managers	Male managers	Female managers	Male managers
0–30 years of age	2	4	2	1
31–40 years of age	31	36	36	39
41–50 years of age	30	44	38	52
51–60 years of age	22	34	22	39
61–	0	4	5	5
<b>Total</b>	<b>85</b>	<b>122</b>	<b>103</b>	<b>136</b>
<b>Total</b>	<b>207</b>		<b>239</b>	

Average age, managers	2009	2008
Women	44	45
Men	45	46

Gender distribution among management and Board	2009		2008	
	Women	Men	Women	Men
President	3	6	5	8
Management teams <sup>1)</sup>	28	44	29	50
Board members <sup>2)</sup>	17	60	15	69

<sup>1)</sup> Includes union representatives

<sup>2)</sup> Regular members including union representatives

Sickness absence, %	2009	2008
Total sickness absence as a percentage of ordinary working hours	2.5	3.4
Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more	36.5	51.1

Sickness absence by gender, %	2009	2008
Men	1.6	2.0
Women	3.3	4.5

Sickness absence by age category, %	2009	2008
Up to age 29 years of age	3.1	2.8
30–49 years of age	2.3	3.1
50 years of age or older	2.9	4.2

# Owner control

The internal owner control in the Länsförsäkringar Alliance is part of the multifaceted 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. 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.

The regional insurance companies as institutional owners of Länsförsäkringar AB have a number of comparative advantages: there is a reasonable number of companies, they possess in-depth knowledge of the operations, have the aim of being an active owner, have a clear purpose for their ownership, and collectively, hold sufficient financial capacity to ensure long-term ownership. It is not uncommon for institutional owners to have both different purposes with their holding and different conditions for being able to take an active role. Accordingly, such owners have different incentives for acting as owners, for example, institutional owners may have different ambitions regarding the long-term perspective of their ownership.

## Development of owner control

Owner control has become increasingly more important in line with the development of Länsförsäkringar AB's business activities. The basis of owner control in the regional insurance companies has changed over time, particularly in the past 10–15 years. Since the beginning of the 1990s, the regional insurance companies' capital tied up in Länsförsäkringar AB has increased substantially. Growth in value together with a number of share issues have increased total net wealth from almost zero to approximately SEK 8 billion. Today, the Länsförsäkringar AB share comprises a significant portion of the regional insurance companies' investment assets, for some companies as much as 30–35%. The Länsförsäkringar AB share must yield market-level returns for the individual regional insurance companies on a par with other alternative investments.

From the mid 1960s to 1994, Länsförsäkringar AB was owned via the Association of Regional Insurance Companies. The regional insurance companies' owner influence and responsibility was then exer-

cised through membership of this federation. The joint business in Länsförsäkringar AB at this time was primarily motor-vehicle insurance.

During the latter half of the 1980s and the beginning of the 1990s, the Länsförsäkringar Alliance's joint business experienced major changes. Two of the largest changes were the formation of a joint life-assurance company and transfer of insurance against material damage to a motor vehicle to local concessions. The life-assurance company was founded by the regional insurance companies and the then Länsförsäkringar AB together. At the beginning of the 1990s, the regional insurance companies decided to organise their ownership and control of the joint operations. In the first phase in 1992, all joint operations were brought together in one Group. In the second phase in 1994, the Länsförsäkringar AB share was divided up between the regional insurance companies, who became the direct shareholders. The division of the ownership of the share was based on the number of participations held in the federation, which was essentially proportional to the business that the regional insurance companies brought in to Länsförsäkringar AB.

Centralising all joint operations in a coherent Group enable more unified control of the operations. The structure with the federation as an intermediary between the regional insurance companies and Länsförsäkringar AB was considered to lead to a lack of clarity and dual control, all of which was eliminated when the share became directly owned. The regional insurance companies' incentive to invest in the joint operations also strengthened through the direct ownership of the Länsförsäkringar AB share. In this manner, the share became part of the regional insurance companies' investment assets and returns accrued to the regional insurance companies.

Voting rights were limited, such that no party was entitled to vote for more than 99 one thousandths of shares represented at the General meeting to ensure that the structure of the federation was maintained. This remains a requirement condition stipulated in Länsförsäkringar AB's Articles of Association. Some trading in shares was enabled through the introduction of Class A and Class B shares with different voting rights. This is still considered to be a condition for the regional insurance companies classifying the Länsförsäkringar AB shares as an investment asset, which is deemed desirable.

The original intention was that some trading would take place in the Länsförsäkringar AB share, such that the participating interest over time could be adjusted to the portion of business brought in to Länsförsäkringar AB. The structural transactions implemented at the end of the 1990s, primarily the acquisition of WASA, have led to the limitation of the connection between the participating interest and the portion of shared business. No trade has been conducted in the Länsförsäkringar AB share in recent years.

### Owner agreement

To regulate the regional insurance companies' ownership of Länsförsäkringar AB shares after the dividing up in 1994, a consortium agreement was prepared and signed between the regional insurance companies. In other words, this agreement was an owner agreement. Formally, a consortium was established as the forum charged with the task of administering the agreement and handling owner issues as a supplement to the General Meeting.

The consortium agreement describes such issues as the conditions for Länsförsäkringar AB's shares, regulations for share distribution, transfer of shares, contract period and termination, right of redemption to the shares if the agreement is terminated, regulations for amendments to the agreement and resolving disputes. The consortium agreement is a jointly agreed framework for the regional insurance companies' ownership of Länsförsäkringar AB shares.

### Owner-control logic

Today, the logic of the internal 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 are of course natural boundaries between owner control on the one hand and administration of the company between the General Meeting/consortium and Länsförsäkringar AB's Board on the other. 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. In addition to this, Länsförsäkringar AB's Group structure entails that the regional insurance companies' owner control of the subsidiaries of Länsförsäkringar AB is handled de facto through Länsförsäkringar AB's Board. As a result, the regional insurance companies' owner control not only takes place through the General Meeting and the consortium but also through the regional insurance companies' representation on the Board of Länsförsäkringar AB.

Länsförsäkringar AB's Board of Directors is appointed by the General Meeting comprising representatives of all owners of Länsförsäkringar AB shares. The appointment of Board members is prepared through a process that is controlled by the owners and a Nomination Committee provides support in this process. The members of the Nomination Committee are elected by the General Meeting in accordance with the regulations stipulated in Länsförsäkringar AB's Articles of Association. The Chairman of the consortium is

responsible for the process of renewing the composition of 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 in the Alliance 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 regional insurance companies' 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 2009 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 2009, Länsförsäkringar IT Center AB was merged with Länsförsäkringar AB. Länsförsäkringar International was sold during the year. Länsförsäkringar International conducted non-life insurance operations in Latvia and Lithuania until November 2009, when the operations were sold to Gjensidige Forsikring BA. In March 2009, Återförsäkringsaktiebolaget Stockholm and Wasa International Försäkringsaktiebolag were sold to Compre Holdings Ltd.

In addition, three dormant companies were liquidated during the year. The Group structure will be subject to further adjustment in 2010 to enhance its simplification and clarity.

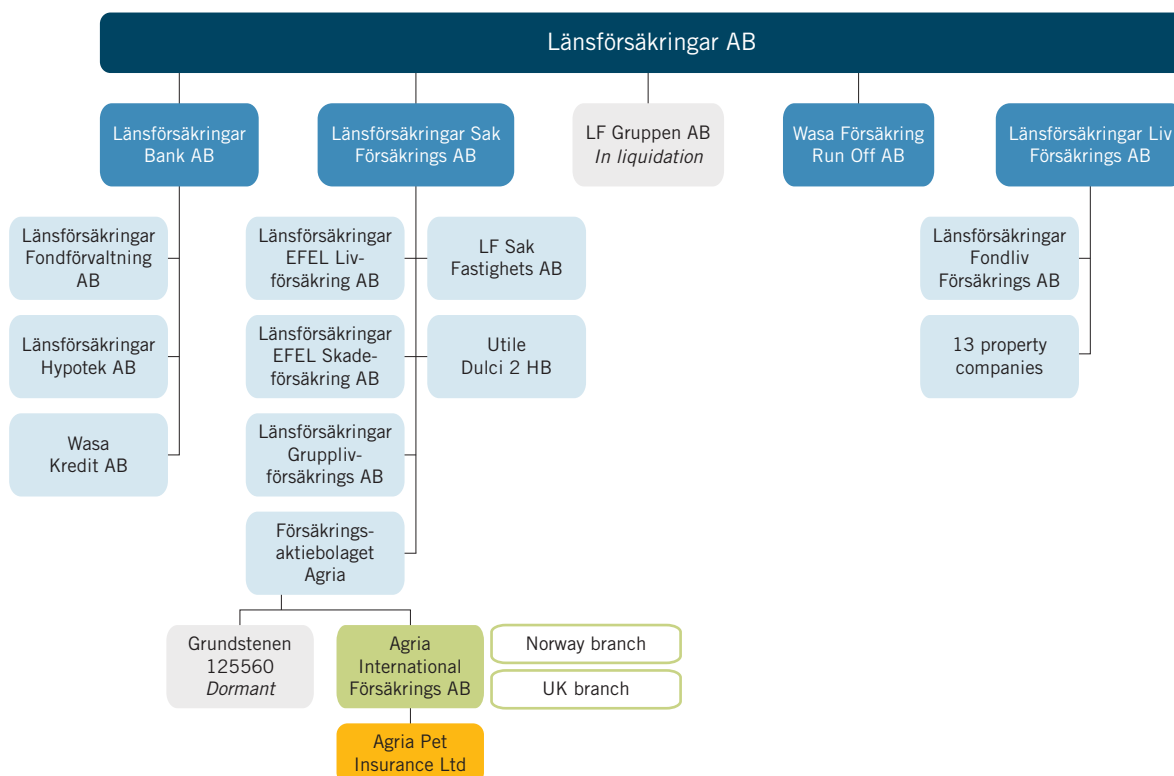
Länsförsäkringar Liv Försäkringsaktiebolag (publ), referred to below as Länsförsäkringar Liv, and its subsidiaries are wholly owned by Länsförsäkringar AB but are not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders. A summary of the Life Assurance Group's income statement and balance sheet is provided on page 90.

## Focus of operations

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

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

## Länsförsäkringar AB Group structure, December 31, 2009



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.

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

#### Service

The Service function has two main areas of responsibility:

- Responsibility for all services that the regional insurance companies purchase from Länsförsäkringar AB, except for certain services purchased directly from IT.
- Responsibility for all shared internal service resources in Länsförsäkringar AB, except for IT resources that are coordinated within IT.

#### Development

The Development unit has two main areas of responsibility:

- Responsibility for all development, in the broad sense of the word, pertaining to the customer offering, meaning products, concepts, processes and tools, regardless of business area.
- Orders development projects from IT and is responsible in this context for determining what is to be developed.

#### IT

The IT unit has three main areas of responsibility:

- Responsibility for all IT deliveries in Länsförsäkringar AB, regardless of whether the delivery is to be made using the company's own personnel or external parties.
- Responsibly for designing IT solutions based on orders from the operations.
- Proactive responsibility for ensuring that IT solutions are efficient based on an overall approach.

### 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, medical and special insurance, with total premiums earned amounting to SEK 3.5 billion.

Premiums earned after ceded reinsurance rose 17% compared with the preceding year and amounted to SEK 3,523 M (3,024). The increase was primarily attributable to higher product volumes in animal insurance and medical and accident insurance for adults.

Claims payments after ceded reinsurance amounted to SEK 2,391 M (1,953). The claims outcome was favourable in most areas during the year, with the exception of vehicle damage covered by motor-vehicle insurance.

The technical result for the insurance operations improved to SEK 426 M (327), mainly due to higher volumes.

The total return on investment assets in the insurance operations in 2009 amounted to 6.2% (neg: 12.0).

Assumed reinsurance, comprising active reinsurance business and run-off business, also generated a profit during the year. The Länsförsäkringar Alliance received very few major claims during the year. The positive claims profile strengthened the procurement of reinsurance for 2010 and the prices for external reinsurance have declined somewhat.

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 60% in Sweden. Premiums earned amounted to SEK 1,247 M and profit after tax to SEK 161 M.

#### Life-assurance and pension insurance

Länsförsäkringar Liv is the leader in the private pension market, measured in new sales, and number two in the occupational pension market, where the company's market share rose from 12% to 14%. New sales increased compared with the preceding year and amounted to SEK 16,777 M (16,553). The company's market share of the total life-assurance sales market, measured in new sales, amounted to 9.9% (9.5) on December 31, 2009.

Net profit for the year in the Länsförsäkringar Liv Group amounted to SEK 17,922 M (loss: 30,126). This substantial earnings improvement was mainly attributable to changes to the value of technical reserves as a result of higher long-term interest rates. Now that the current liability for traditionally managed pensions is expected to be based on the prevailing market interest rate, changes in long-term interest rates will have a significant influence on earnings. Moreover, a substantial improvement was reported with respect to the value of the investment assets for which the life assurance holders bear the investment risk, which was attributable to the recovery of the financial markets. Throughout the financial crisis, Länsförsäkringar has pursued a policy of cautious allocation which governed investments of customers' money. As a result, the life-assurance company remains strong with an enhanced solvency ratio and collective consolidation. The total return in traditional management for 2009 amounted to 2.3%. During the period, assets were allocated based on the aim of maintaining a low level of risk and strong key figures.

The solvency ratio was 137% (114) on December 31, 2009. The solvency ratio shows the value of the company's assets in relation to the guaranteed commitments to customers. Collective consolidation was 107% (105) on December 31, 2009, meaning there is a surplus of 7% compared with customers' insurance capital.

The importance of insurance brokers is continuing to increase and Länsförsäkringar works continually to improve this significant cooperation area. Total premium income as defined by the Swedish Insurance Federation amounted to SEK 11,879 M (11,247). The largest increase was seen in the product groups Occupational pension and Collective agreement pension.

#### Bank

The banking operations offer banking services, primarily to private individuals and farmers. Sales, advisory services and customer services are carried out through the 116 (110) branches of the 24 regional insurance companies and via the Internet and



telephone. Länsförsäkringar is Sweden's fifth largest retail bank. The company's business volumes, which comprise deposits, fund volumes and lending, amounted to SEK 204 billion (165) on December 31, 2009. According to the 2009 Swedish Quality Index (SQI), Länsförsäkringar had Sweden's most satisfied retail bank customers for the fifth time and Sweden's most satisfied retail mortgage customers for the sixth time. The number of customers in the Bank Group rose by 59,000, or 8%, to 759,000 (700,000) and the number of retail mortgage customers increased by 20,000, or 16%, to 138,000 (118,000).

Total lending in the Bank Group rose 27%, or SEK 21 billion, to SEK 100 billion (79). Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek AB increased 26%, or SEK 14 billion, to SEK 68 billion (54). According to Statistics Sweden, the market share for household and mortgage lending amounted to 4.0% (3.5) and the share of market growth during the year was nearly 11%. The finance company Wasa Kredit AB offers lending products in such forms as leasing and instalments. Lending volumes in Wasa Kredit AB amounted to SEK 9.5 billion (9.0).

Deposits increased 6%, or SEK 2 billion, to SEK 37 billion (35), corresponding to a market share of 3.4% (3.2), and the share of market growth was nearly 9%, according to Statistics Sweden. Länsförsäkringar Fondförvaltning AB manages a fund volume of SEK 67 billion (51) in 30 (29) mutual funds with different investment orientations AB. The company's market share totalled 4.0% (4.2), 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. Debt securities in issue rose 27%, or SEK 13 billion, to SEK 62 billion (49), of which covered bonds accounted for SEK 55 billion (42). The company's liquidity is favourable, and the liquidity portfolio, which amounted to SEK 27.2 billion (20.6), comprised investments in SEK with extremely high credit quality. The liquidity of the investments is very high.

The Bank Group's operating profit increased 5% to SEK 258 M (245). Net interest income fell 5% to SEK 1,148 M (1,211), primarily due to lower deposit margins and a weaker yield on shareholders' equity as a result of lower market interest rates. The return on average shareholders' equity was 4.1% (4.4), and the cost/income ratio before loan losses was 0.76 (0.75).

### 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.

### Key events during the year

#### Streamlined tasks

To further strengthen the company's competitiveness and reduce its costs, a new operating organisation was introduced in the Länsförsäkringar AB Group as of January 1, 2009. The operations have been streamlined to three business units, Non-life insurance, Life assurance and Banking, and three support units, Development, IT and Service. By streamlining its operations and distributing service and administrative resources among the various subsidiaries and operations in Länsförsäkringar AB, the company has reduced its operating expenses by approximately 8% for comparable items.

#### Demutualisation of Länsförsäkringar Liv

The Swedish Financial Supervisory Authority deemed Länsförsäkringar's crediting principles to be too strict and rejected Länsförsäkringar Liv's demutualisation application in October. After Länsförsäkringar Liv changed its approach to agree with the Financial Supervisory Authority's standpoint on the matter of the principles governing the values to be credited, the Swedish Financial Supervisory Authority announced in November that there was no longer any obstacle to demutualisation as of January 1, 2010. However, due to the uncertainty regarding future solvency regulations, Länsförsäkringar decided to postpone the demutualisation process and will return in spring 2010 with a decision as to how the matter will be pursued.

#### Solvency II

An initiative known as Solvency II is currently being implemented in the EU, including updated legislation for insurance operations. As part of this initiative, a directive was adopted in 2009. The objective of the directive is to strengthen the connection between solvency requirements and the risks for insurance companies, to provide increased security for insurance policyholders and to contribute to a stable and effective insurance market in the EU. Solvency II emphasises the importance of a more risk-based approach to regulating insurance companies. The regulations are planned to take effect on October 31, 2012.

The final wording of the solvency requirements has not yet been disclosed. In 2009, the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), which is assisting the European Commission in its preparations for

Solvency II, proposed significantly stricter requirements than had previously been discussed. This has created a sense of uncertainty in the insurance industry regarding the new regulations and their effect. Industry representatives have argued that the requirements in the proposal are excessively strict and thus run the risk of exposing policyholders to higher premiums and poorer access to insurance cover.

### Key events after the end of the fiscal year

#### New President

On February 5, 2010, Sten Dunér was appointed as the new President of Länsförsäkringar AB. Sten Dunér previously served as the company's CFO and has been the Acting President since October 23, 2009, when former President Håkan Danielsson resigned from his position.

### Expectations regarding future development

The ongoing changes implemented since autumn 2008, which have focused on risk control and creating the conditions for increased competitiveness, continue to characterise the work being carried out in the Länsförsäkringar AB Group.

Profitability in the insurance operations is healthy, and growth will continue to be based on the local operations and the expansion of the company's uniquely strong relations with its existing customers. Service and development are to support these business activities. Respect for customers' money results in a focus on active risk work concentrated on high collective consolidation in life assurance and a high solvency margin in non-life insurance, a strong cost/income ratio, a low risk profile and favourable credit quality in the banking operations, and low internal expenses.

By applying a modern and competitive management model, Asset Management at Länsförsäkringar AB will continue to generate stable and high long-term returns on investment assets for life-assurance customers and non-life insurance groups, based on the risk level deemed to be appropriate taking capital strength and market evaluations into account.

Healthcare is another important focus area in which growth will take place based on a position of strength. Länsförsäkringar is now a leader in medical insurance, with a market share of approximately 38%. Agria's operations through its animal insurance activities in Norway and the UK and through partners in Finland, Iceland and the Åland Islands were also further developed.

The bank's continued growth is not at the expense of profitability, but takes place organically by developing the segments that have been established. While the main focus is the offering to retail customers, the concept is being developed in such a way that small companies can also be included.

The short and long-term earnings forecasts for the Länsförsäkringar AB Group are relatively favourable. The anticipated increased business volumes and measures implemented to enhance the efficiency of the operations are expected to impact the company's key figures. Although measures have been taken to reduce the company's investment risks, there remains a sensitivity toward the capital markets, particularly toward interest-rate trends. While rising interest rates and increased inflationary

pressure would have a negative impact on profitability in the non-life insurance operations, this would be offset by a decline in margin pressure due to higher short-term interest rates. In the long term, rising interest rates are expected to be advantageous for the overall profitability of the Länsförsäkringar AB Group.

### 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. The Group's risk profile was relatively stable in 2009.

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 operations can give rise, for example, to liquidity variations.

In conjunction with the company's 2008 repayment of a loan totalling EUR 300 M, which had been raised in the international capital market, a loan amounting to SEK 1,776 M was raised with the regional insurance companies. The majority of this loan, specifically SEK 1,656 M, was extended at the beginning of this year and falls due in mid-2010.

The Parent Company has lent Länsförsäkringar Bank a total of SEK 1,250 M in subordinated loans with varying maturity periods 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. With regard to the maturity dates of the loans raised, 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 borrowing falls due for payment in 2010, except for subordinated loans from the regional insurance companies, which amount to SEK 114 M and are due for payment in 2011.

The Parent Company's liquidity on December 31, 2009, with short-term, interest-bearing investments and cash and cash equivalents totalling SEK 678 M (1,067). 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, 2009, equity-related assets amounted to slightly more than SEK 30 M (29).

### Employees

The Länsförsäkringar AB Group explicitly strives to establish a corporate culture that promotes improvement. The focus is on creating a performance-based organisation whose operations are characterised by the values of Trust, Commitment and Openness. To support this work, a model for performance management has been introduced with the aim of driving and improving employee performance. Performances are based on measurable individual targets that are identified using the annual business plan. Each employee receives a target contract, in which his or her specific agreements are documented.

The employees' perceptions of their own performance terms are measured through the company's annual employee survey. This is compared with the employees' performance and is used to generate a performance index.

A prerequisite for paying target-based remuneration to employees is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Of the total target-based remuneration, 50% of is based on exceeding the joint targets established in the business plan and 50% on the fulfilment of individual targets.

Information regarding the average number of employees, salary and remuneration for the Group, 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 13 and 14 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.

## Environment

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. Another important role is to provide customers with information regarding the possible environmental impact of Länsförsäkringar's operations. The aim is to pursue pro-environment measures that in turn advance the efficiency and development of the Länsförsäkringar Alliance. The objective of the work on enhancing competitiveness at a lower cost is also to reduce the impact on the environment. For example, the use of paper will be diminished in the future by developing customer information on the Internet. This will result in lower costs, improved customer service and distinct environmental gains. Länsförsäkringar AB has ISO 14001 Environmental Management Systems certification.

## Earnings and financial position

### Share price trend for Länsförsäkringar AB

As can be seen in the five-year summary, the net worth of the Länsförsäkringar AB share has declined 9% since 2005. In addition, the dividends paid in 2006 and 2007 corresponded to a 6% increase in value. The value of the share rose 8% in 2009.

### Group

Consolidated operating profit amounted to SEK 693 M (loss: 3,395) and net profit for the year after tax totalled SEK 509 M (loss: 2,480). The return on shareholders' equity (ROE) amounted to 6.6%. The earnings improvement was primarily due to increased investment income, which amounted to SEK 520 M (expense: 3,161).

The banking and non-life insurance operations contributed to this earnings improvement. The bank's operating profit increased SEK 13 M to SEK 258 M, while the non-life insurance operations' profit rose SEK 21 M to SEK 426 M.

The Group's premiums earned after ceded reinsurance amounted to SEK 3,524 M (3,024) and net interest income totalled SEK 1,241 M (1,340). Expenses in the Länsförsäkringar AB Group, excluding claims payments, declined to SEK 5,215 M (6,026).

The Länsförsäkringar AB Group's total assets increased to SEK 157,004 M (130,554). Shareholders' equity amounted to SEK 8,058 M (7,466). Solvency capital rose SEK 803 M in 2009 to SEK 8,710 M and the Group's solvency margin was 228% (252).

### Parent Company

The Parent Company reported a loss of SEK 133 M (loss: 136) after financial items and a loss of SEK 94 M (loss: 8) after tax. These earnings included SEK 30 M (354) in dividends from the subsidiaries. The Parent Company's total assets amounted to SEK 11,205 M (10,879), of which shareholders' equity accounted for SEK 7,784 M (7,712).

### Proposed appropriation of profit

Consolidated non-restricted shareholders' equity amounted to SEK 2,724 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 2,352,805,974 is at the disposal of the Annual General Meeting. The Parent Company's non-restricted shareholders' equity includes unrealised gains in the amount of SEK 5.6 M (loss: 28.5).

#### The Parent Company's non-restricted equity comprises

Retained earnings, SEK	2,446,547,697
Net loss for the year, SEK	-93,741,722
<b>Non-restricted shareholders' equity, December 31, 2009, SEK</b>	<b>2,352,805,974</b>

The Board of Directors propose that SEK 2,352,805,974 of the unappropriated earnings in the Parent Company be carried forward.

The result of the year's operations and the company's position at December 31, 2009 are presented in the following consolidated and Parent Company income statements and balance sheets, and the accompanying notes.





## Five-year summary

Länsförsäkringar AB Group excluding Länsförsäkringar Liv <sup>1)</sup>	2005	2006	2007	2008	2009
Amounts in SEK M unless otherwise stated					
<b>Group</b>					
Operating profit/loss	2,100	821	1,270	-3,395	693
Net profit/loss for the year	1,861	618	922	-2,480	509
Return on shareholders' equity, % <sup>2)</sup>	19	8	10	-29	7
Total assets	80,478	91,184	116,241	130,554	157,005
<b>Solvency capital</b>					
Shareholders' equity <sup>3)</sup>	8,878	9,594	10,376	7,466	8,058
Deferred tax	686	1,004	1,162	327	538
Subordinated liabilities	139	114	114	114	114
<b>Total solvency capital</b>	<b>9,703</b>	<b>10,713</b>	<b>11,652</b>	<b>7,907</b>	<b>8,710</b>
Number of shares, 000s	6,298	6,298	6,298	6,298	6,298
Shareholders' equity per share, SEK	1,410	1,523	1,648	1,186	1,279
Solvency margin, %	497	498	429	252	228
Capital base for the financial conglomerate		13,610	14,413	11,868	12,147
Capital requirement for the financial conglomerate		7,656	8,088	9,364	9,303
Average number of employees	1,230	1,283	1,436	1,490	1,433
<b>Insurance operations<sup>4)</sup></b>					
Premiums earned (after ceded reinsurance)	1,889	2,106	2,430	2,793	3,285
Investment income transferred from financial operations	422	392	421	526	435
Claims payments (after ceded reinsurance) <sup>5)</sup>	-1,504	-1,350	-1,601	-1,775	-2,211
Operating expenses <sup>6)</sup>	-514	-868	-992	-1,324	-1,080
Other income and expenses	18	24	34	115	-
<b>Technical result, non-life insurance operations</b>	<b>310</b>	<b>304</b>	<b>294</b>	<b>335</b>	<b>429</b>
Technical result, life assurance operations	5	9	-1	-8	-3
Remaining investment income <sup>7)</sup>	1,760	414	790	-3,330	80
<b>Operating profit/loss<sup>7)</sup></b>	<b>1,930</b>	<b>721</b>	<b>1,169</b>	<b>-3,003</b>	<b>505</b>
<i>Premium income before ceded reinsurance</i>					
Non-life insurance	3,905	4,126	4,475	5,385	5,888
<i>Premium income after ceded reinsurance</i>					
Non-life insurance	1,952	2,150	2,512	2,951	3,575
Life assurance	1	1	203	190	240
<b>Key figures</b>					
Cost ratio	40	41	39	47	33
Expense ratio <sup>8)</sup>	27	30	30	36	26
Claims ratio <sup>9)</sup>	80	75	76	75	75
Combined ratio	107	105	107	111	100
Total return, % <sup>10)</sup>	10.3	4.9	7.2	-12.0	6.2
<b>Financial position</b>					
Investment assets <sup>11)</sup>	20,592	18,894	18,476	15,717	16,566
Technical reserves (after ceded reinsurance)	13,717	13,266	13,728	14,215	13,774

Länsförsäkringar AB Group excluding Länsförsäkringar Liv <sup>1)</sup>	2005	2006	2007	2008	2009
<b>Banking operations</b>					
Net interest income	873	927	1,017	1,211	1,148
Operating profit	154	198	238	245	258
<b>Net profit for the year</b>	<b>109</b>	<b>139</b>	<b>176</b>	<b>177</b>	<b>178</b>
Total assets	51,661	62,538	85,094	104,136	131,297
Shareholders' equity	2,851	3,184	3,824	4,291	4,694
Return on shareholders' equity, % <sup>2)</sup>	4.1	4.6	5.0	4.4	4.1
Investment margin, %	1.9	1.6	1.4	1.3	1.0
Cost/income ratio before loan losses	0.79	0.77	0.74	0.75	0.76
Capital adequacy ratio according to Basel II, %	-	-	-	17.7	14.8
Capital adequacy ratio according to transition rules, %	11.3 <sup>12)</sup>	10.6 <sup>12)</sup>	10.6	10.4	9.7
Loan losses, %	0.10	0.07	0.07	0.07	0.05
<b>Other operations</b>					
Income	1,836	2,061	2,210	3,049	2,219
Operating profit/loss	152	1,217	169	-493	-138

<sup>1)</sup> The Länsförsäkringar Liv Group is not consolidated since the company is operated in accordance with mutual principles. However, the life-assurance companies are included in the insurance group.

<sup>2)</sup> Profit before tax plus change in surplus value of owner-occupied property less standard tax at a rate of 26.3% (28.0) as a percentage of average shareholders' equity adjusted for dividends.

<sup>3)</sup> Shareholders' equity restated in accordance with IFRS amounted to SEK 8,866 M, excluding minority interests, on January 1, 2006.

<sup>4)</sup> 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 the Swedish Financial Supervisory Authority's statement FFFS 2008:26. Information for 2008 deviates from the information about the Insurance business segment in Note 3 Profit per business segment, in which the comparative figures have been restated wherever possible in accordance with the new business segments resulting from the reorganisation.

<sup>5)</sup> Excluding claims adjustment costs from 2006.

<sup>6)</sup> Including claims adjustment costs from 2006.

<sup>7)</sup> Länsförsäkringar AB and Länsförsäkringar IT Center AB are included in 2005.

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

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

<sup>10)</sup> Total return is calculated as the sum of all direct yields and changes in the value of the investment portfolio in relation to the average value of the investment assets during the year.

<sup>11)</sup> Investment assets comprise owner-occupied property, shares and participations in associated companies, investment property, loans to Group companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and bank balances, and interest-bearing long-term liabilities.

<sup>12)</sup> In accordance with Basel I.

The Länsförsäkringar AB Group has applied International Financial Reporting Standards (IFRS) since January 1, 2007. Information in the five-year summary has been restated for 2006 in accordance with IFRS. Information for 2005 is recognised in accordance with previously applied accounting policies.

The direct yield ratio is not calculated, since it is no longer used as a key figure in the insurance industry.



## Consolidated financial statements and notes

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## Consolidated income statement

SEK M	Note	2009	2008
Premiums earned before ceded reinsurance		5,771.5	5,392.8
Reinsurers' portion of premiums earned		-2,247.9	-2,368.8
<b>Premiums earned after ceded reinsurance</b>	<b>5</b>	<b>3,523.7</b>	<b>3,024.0</b>
Interest income	6	5,320.7	7,463.2
Interest expense	7	-4,079.6	-6,123.4
<b>Net interest income</b>		<b>1,241.1</b>	<b>1,339.8</b>
Investment income, net	8	520.0	-3,160.8
Commission income	9	1,012.9	1,061.2
Other operating income	10	2,000.7	2,320.4
<b>Total operating income</b>		<b>8,298.4</b>	<b>4,584.5</b>
Claims payments before ceded reinsurance		-3,553.0	-3,268.7
Reinsurers' portion of claims payments		1,162.4	1,315.7
<b>Claims payments after ceded reinsurance</b>	<b>11</b>	<b>-2,390.6</b>	<b>-1,953.0</b>
Commission expense	12	-1,352.7	-1,423.5
Staff costs	13	-1,474.0	-1,749.0
Other administration expenses	14, 15	-2,238.2	-2,655.2
Loan losses	16	-50.4	-65.1
Other expenses	17	-100.0	-133.7
<b>Total expenses</b>		<b>-7,605.9</b>	<b>-7,979.4</b>
<b>Operating profit/loss</b>		<b>692.5</b>	<b>-3,394.9</b>
Taxes on net profit for the year	18	-183.6	915.3
<b>Net profit/loss for the year</b>		<b>508.9</b>	<b>-2,479.6</b>
Earnings per share before and after dilution, SEK	19	81	-394
Profit per business segment	3		

## Consolidated statement of comprehensive income

SEK M		2009	2008
<b>Net profit/loss for the year</b>		<b>508.9</b>	<b>-2,479.6</b>
<b>Other comprehensive income</b>	<b>36</b>		
Translation differences for the year from foreign operations		3.9	-47.1
Revaluation of owner-occupied property		60.1	-103.7
Change for the year in fair value of available-for-sale financial assets		40.7	-14.6
Available-for-sale financial assets transferred to net profit for the year		6.8	-
Change for the year in fair value of cash-flow hedge		-	20.5
Tax attributable to other comprehensive income components	18	-28.3	30.2
<b>Total other comprehensive income for the year, net after tax</b>		<b>83.1</b>	<b>-114.7</b>
<b>Comprehensive income/expense for the year</b>		<b>592.0</b>	<b>-2,594.3</b>
<b>Total comprehensive income/expense attributable to:</b>			
Parent Company's shareholders		592.0	-2,594.3

No portion of income is attributable to minority shareholders

## Consolidated statement of financial position

SEK M	Note	Dec. 31, 2009	Dec. 31, 2008
<b>Assets</b>			
Goodwill	20	353.1	350.6
Other intangible assets	21	870.9	1,006.0
Deferred tax assets	39	355.3	600.8
Property and equipment	22	97.8	100.7
Owner-occupied property	23	2,297.2	2,205.2
Shares in Länsförsäkringar Liv Försäkrings AB	24	514.5	514.5
Shares and participations in associated companies	25	22.7	20.9
Reinsurers' portion of technical reserves	38	5,917.3	5,889.2
Investment property	26	118.0	280.2
Lending	27, 28	99,581.6	78,563.8
Change in value of hedge portfolios	32	767.9	1,131.9
Shares and participations	29	1,238.1	1,316.2
Bonds and other interest-bearing securities	30	35,819.2	21,070.4
Derivatives	31	1,268.7	2,761.6
Other receivables	33	1,714.9	1,969.1
Prepaid expenses and accrued income	34	1,309.8	1,230.1
Cash and bank balances	35	4,758.2	11,542.7
<b>Total assets</b>		<b>157,005.2</b>	<b>130,554.0</b>

### Shareholders' equity, provisions and liabilities

<b>Shareholders' equity</b>	<b>36</b>		
Share capital		629.8	629.8
Other capital contributed		4,801.3	4,801.3
Reserves		156.4	73.3
Retained earnings, including net profit for the year		2,470.7	1,961.8
<b>Total shareholders' equity</b>		<b>8,058.2</b>	<b>7,466.2</b>
Subordinated liabilities	37	114.0	114.0
Technical reserves	38	19,691.3	20,104.4
Deferred tax liabilities	39	893.2	927.9
Other provisions	40	317.8	425.1
Debt securities in issue	41	61,022.3	48,478.1
Deposits from the public	42	36,980.6	34,623.7
Liabilities to credit institutions	43	21,232.4	9,112.6
Derivatives	31	1,254.1	2,001.5
Change in value of hedge portfolios	32	762.1	1,024.6
Current tax liabilities		-	1.5
Other liabilities	44	3,802.3	3,697.4
Accrued expenses and deferred income	45	2,876.9	2,577.1
<b>Total shareholders' equity, provisions and liabilities</b>		<b>157,005.2</b>	<b>130,554.0</b>

For information regarding pledged assets, refer to Note 46.

## Consolidated statement of changes in shareholders' equity

	Shareholders' equity attributable to Parent Company's shareholders							Total	Minority interests	Total shareholders' equity
	Share capital	Other capital contributed	Translation reserve	Revaluation reserve	Hedging reserve	Fair value reserve	Retained earnings including net profit for the year			
Opening shareholders' equity, January 1, 2008	629.8	4,801.3	-2.9	206.1	-14.8	-0.4	4,757.0	10,376.1	0.0	10,376.1
Adjustment for changed accounting policy							-38.5	-38.5		-38.5
Adjusted shareholders' equity, January 1, 2008	629.8	4,801.3	-2.9	206.1	-14.8	-0.4	4,718.5	10,337.6	0.0	10,337.7
Comprehensive income/expense for the year			-47.2	-71.6	14.8	-10.8	-2,479.6	-2,594.3		-2,594.3
Acquisition of minorities									-0.0	-0.0
Dividend at SEK 44 per share							-277.1	-277.1		-277.1
<b>Closing shareholders' equity, December 31, 2008</b>	<b>629.8</b>	<b>4,801.3</b>	<b>-50.1</b>	<b>134.5</b>	<b>-</b>	<b>-11.1</b>	<b>1,961.8</b>	<b>7,466.2</b>	<b>-</b>	<b>7,466.2</b>
Opening shareholders' equity, January 1, 2009	629.8	4,801.3	-50.1	134.5	-	-11.1	1,961.8	7,466.2	-	7,466.2
Comprehensive income for the year			3.9	44.3		34.9	508.9	592.0		592.0
<b>Closing shareholders' equity, December 31, 2009</b>	<b>629.8</b>	<b>4,801.3</b>	<b>-46.2</b>	<b>178.8</b>	<b>-</b>	<b>23.8</b>	<b>2,470.7</b>	<b>8,058.2</b>	<b>-</b>	<b>8,058.2</b>

## Consolidated statement of cash flows

SEK M	Note	2009	2008
<b>Operating activities</b>			
Profit/loss before tax		692.5	-3,394.4
Adjustment for non-cash items	53	-767.9	4,741.4
Tax paid		-1.5	-229.0
<b>Cash flow from operating activities before working capital changes</b>		<b>-76.9</b>	<b>1,118.0</b>
<b>Cash flow from working capital changes</b>			
Investments in investment assets, net		-13,174.1	1,406.6
Increase(-)/Decrease(+) in operating receivables		-20,860.5	-11,202.6
Increase(+)/Decrease(-) in operating liabilities		15,040.3	14,574.7
<b>Cash flow from operating activities</b>		<b>-19,071.2</b>	<b>5,896.7</b>
<b>Investing activities</b>			
Acquisition of subsidiaries	53	0.0	-411.3
Divestment of subsidiaries		-7.1	-
Purchase of intangible assets		-128.8	-191.1
Purchase of property and equipment		-133.7	-40.2
Divestment of property and equipment		15.6	4.2
<b>Cash flow from investing activities</b>		<b>-254.0</b>	<b>-638.4</b>
<b>Financing activities</b>			
Dividends		-	-278.9
Change in debt securities in issue		12,544.2	-337.5
<b>Cash flow from financing activities</b>		<b>12,544.2</b>	<b>-616.4</b>
Net cash flow for the year		-6,780.9	4,641.7
Cash and cash equivalents, January 1		11,542.7	6,915.8
Exchange-rate differences in cash and cash equivalents		-3.5	-14.8
<b>Cash and cash equivalents, December 31</b>		<b>4,758.2</b>	<b>11,542.7</b>

## 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 1.2 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.

#### Change in accounting policies

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority concerning insurance companies' selection of interest rates for the calculation of technical reserves (FFFS 2008:23), the 2008 opening balance of the provision for claims annuities has been recalculated. Since this entails a change to the accounting policies, the effect totalling SEK 38 M has been recognised against shareholders' equity.

#### 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.

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 Group 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. 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. There was such a fund with a 52% holding in the 2009 annual accounts. The minority share of this fund was added to own fund holdings and recognised at the same amount as other liabilities.

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

The Bank has chosen to recognise remuneration to the regional insurance companies as 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**

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.

Loan losses in the banking operations are primarily assessed collectively because the loans do not amount to significant amounts individually. The collective valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.

### **Changed accounting policies caused by new or amended IFRSs**

The changes applied by the Group since January 1, 2009 are

described below. Other changes to IFRS applicable from 2009 did not have any significant effect on the consolidated financial statements.

### **Presentation of the financial statements**

The Group has applied the amended statement IAS 1 Presentation of Financial Statements (2007) since January 1, 2009. The amendment entails that income and expenses that were previously recognised directly in shareholders' equity now be recognised in other comprehensive income, which the Länsförsäkringar AB Group presents in a separate statement entitled "Statement of comprehensive income," directly after the income statement. The statement of changes in shareholders' equity has also been changed. The company has chosen to use the new terms as amended by IAS 1 (2007), namely "statement of comprehensive income," "statement of financial position," "statement of changes in shareholders' equity," and "statement of cash flows."

Comparative periods have been changed throughout the Annual Report to correspond to the new presentation. Since these changes affect only the presentation, no amounts – those pertaining to earnings per share or other items in the financial statements – have been altered.

### **Disclosure regarding segments**

The Group has applied IFRS 8 Operating Segments, which replaces IAS 14 Segment Reporting, since January 1, 2009. IFRS 8 introduces a management perspective to the division and presentation of operating segments. IAS 14, however, was based on business segments or geographic segments following a model based on risks and opportunities. The new policies are described in more detail under accounting policies below. The standard was applied in accordance with its transition rules, which involved adjusting information for the comparative year to the requirements of IFRS 8, despite the Länsförsäkringar AB Group restructuring and introducing a new organisation on January 1, 2009. Internal monitoring in 2008 took place according to the organisation in effect at the time but has been revised for the new organisation.

The application of IFRS 8 has meant that the Länsförsäkringar AB Group has greater flexibility in the segments monitored by Group management compared with the segment division identified under IAS 14. It is not necessary for the accounting policies to be the same as in the Group's statutory financial statements but reconciliations must be performed. 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 are recognised in operating profit instead of in other comprehensive income.

### **Disclosure regarding financial instruments**

Amendments to IFRS 7 Financial Instruments: Disclosures applicable from January 1, 2009 affect the Group's financial statements from the 2009 Annual Report. The amendments mainly involve new disclosure requirements regarding financial instruments measured at fair value in the statement of financial income. The instruments are divided into three levels depending on the quality of the inputs used in fair-value measurement. The division of inputs used

in fair-value measurement determines the manner in which and the types of disclosures that are to be provided about the instrument. Level 3, which has the lowest quality of inputs, entails more extensive disclosure requirements than the other two levels. These disclosure requirements primarily affected Note 49. In addition, the amendment to IFRS 7 entails changes to disclosures of liquidity risk.

Under the IFRS 7 transition rules, comparative disclosures do not need to be provided for the disclosures required by the changes during the first year of application. The company has decided to voluntarily provide comparative information for 2008 for the new disclosures now required from the amendment. Since these changes do not impact how carrying amounts are determined, no adjustments have been made to amounts in the financial statements.

#### **Borrowing costs**

The Group has applied the amendments to IAS 23 Borrowing Costs since January 1, 2009. The amendments entail that the Group capitalise borrowing costs in the costs of qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009. Instead of being capitalised, borrowing costs were previously charged to earnings in the period to which are attributable. The amendment is applied prospectively in accordance with the IAS 23 transition rules. This change did not entail any significant impact on the figures.

#### **New IFRS and interpretations that have not yet taken effect**

New international accounting standards, amendments to standards and interpretations of these standards that take effect from 2010 will be applied once they are applicable. The Group does not apply recently adopted standards in advance. The new and revised standards and interpretation statements described below will take effect in future fiscal years.

Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements entail the following changes: the definition of operations is changed, transaction costs attributable to business combination are expenses, conditional purchase considerations are to be determined at fair value on the acquisition date and effects of revaluations of liabilities related to conditional purchase considerations are to be recognised as an income or expense in net profit for the year. Another new feature is that there are two options for recognising minorities and goodwill, either at fair value – meaning that goodwill is included in the minority – or the minority comprising a portion 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 shareholders' equity, which entails a change to the Group's current policy whereby the surplus amount is recognised as goodwill. The revised and amended standards will be applied from January 1, 2010. These changes will have only prospective effects.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement by 2013 at the latest. The IASB has published the first 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. The categories of

financial assets under IAS 39 will be replaced by two 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. A decision regarding reclassification will not be made until the new regulations have been established. Only then can the effects be calculated.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement addresses "eligible hedged items" and clarifies the application of the hedge account principles for cash-flow hedges of highly probable forecast transactions with a call option and the alternatives for hedging identifiable components in a hedged item. The amendment is to be applied to fiscal years commencing after June 30, 2009 and is not expected to have a major impact.

A number of amendments and interpretations were also issued that are not deemed to have impacted the Group's financial accounting:

- IFRS 2 Share-based Payment
- IAS 24 Related Party Disclosures, regarding the definition of the term "related parties"
- IAS 32 Financial instruments: Presentation
- IFRIC 12 Service Concession Arrangements
- IFRIC 14/IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, regarding future contributions to cover minimum funding requirements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments provides guidance on recognising loans converted to equities.

#### **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 shareholders' equity.

### Subsidiaries

Subsidiaries are consolidated 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 and contingent liabilities. The consolidated cost is determined on the basis of an acquisition analysis performed when the acquisition takes place. As part of the analysis, the cost of the participations or operations and the fair value of acquired identifiable assets and assumed liabilities and contingent liabilities on the acquisition date are established. The cost of the subsidiary's shares or operations comprises the fair values on the acquisition date of paid assets, arisen or assumed liabilities and issued equity instruments provided as consideration in exchange for the acquired net assets and transaction costs that are directly attributable to the acquisition. For acquisitions of operations where the cost exceeds the fair value of acquired assets and assumed liabilities and contingent liabilities, the difference is recognised as goodwill. When the difference is negative, the item is recognised directly in profit and loss. 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. Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

The consolidated financial statements do not include the wholly owned company Länsförsäkringar Liv. The life-assurance operations, which are conducted according to mutual principles through Länsförsäkringar Liv 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. The shares in Länsförsäkringar Liv are classified in the category of "Available-for-sale financial assets" in the statement of financial position.

### 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' shareholders' 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 minority 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 business 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 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 business 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.

In accordance with IFRS 8 Operating Segments, segment information is provided only for the Group.

### 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 SEK. 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. The branches in Latvia and Lithuania were divested in 2009. Assets and liabilities in branches, associated companies 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, the accumulated translation differences attributable to the foreign operations 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, investment property recognised at fair value in accordance with IAS 40 Investment Property, inventories in accordance with IAS 2 Inventories, 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 the income statement. 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 minus 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.

The cash basis is applied to the recognition of premium income in the life assurance operations.

### 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 bal-

ance-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” However, unrealised positive changes in the value of forward rate agreements (FRA) for which hedge accounting is not applied are recognised in their entirety as interest income, while negative changes in value are recognised as interest expense.

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 profit/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 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 or 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 or 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 or 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 or similar institutions. 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.

Pension commitments are recognised and measured in accordance with IAS 19 Employee Benefits.

### *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 a high-quality commercial paper with a term corresponding to that of the Group's pension commitments. When there is no longer an active market for such commercial papers, the market interest rate on government bonds with a corresponding term will be used instead. The calculation is performed by 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 plans are recognised as staff costs in operating profit/loss.

### *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**

Impairment of loan receivables is recognised in profit and loss as a write-off of loan losses confirmed during the year or as an allotment to a reserve for loan losses. Impairment for losses on guarantees is recognised in the statement of financial position as a provision and as a loan loss in profit and loss. The item "Loan losses" is reduced by recoveries and reversals on prior years' confirmed/probable loan losses.

### **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 shareholders' equity with the related tax effect recognised in other comprehensive income or shareholders' 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, such as directly attributable expenses for salaries and materials. 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 of equipment is three or five years. 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. The valuation is performed by an external independent appraiser. Increases in value resulting from revaluation are normally recognised against the revaluation reserve, which is recognised as an increase in other comprehensive income and is accumulated in a separate component in shareholders' equity. If the increase comprises a reversal of a previously recognised decrease in value of the same asset, the increase is recognised as a decreased 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.

The difference between depreciation based on the revalued amount and depreciation according to the original cost is transferred from the revaluation reserve to retained earnings.

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

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 cash-flow statement and a residual value calculated at present value at the end of the calculation period.

Valuation is conducted twice a year on most properties, and once a year on other properties. 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 measured at fair value, plus a supplement for transaction costs, with the exception of derivatives and instruments that belong to the category of financial assets 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 under the balance-sheet items "Shares and participations," "Bonds and other interest-bearing securities" and "Derivatives." 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. 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 valua-

tion complies with the guidelines of the European Private Equity and Venture Capital Association.

The unlisted financial assets that are measured at fair value are recognised at level 3 of the input hierarchy described in the Note entitled "Valuation techniques for fair value."

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 intend 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 M (10.6).

#### Classification

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument, but also 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 "Lending to credit institutions," "Lending 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. 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, forward rate agreements 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, the 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 lending and borrowing portfolio and one-to-one hedging of the bond portfolio. 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.

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.

#### Lending

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 identified 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 lending 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 charges 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. Selling expenses refer to, for example, commission, expenses for marketing, salaries and

expenses for sales personnel that are related to acquisitions or renewals of insurance contracts. 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 recog-



nised 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.

#### **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.

This item also includes provisions for due disability annuities to premium exemptions. These premiums comprise the capital value of the premium that would have been paid during the period of the premium exemption. Calculations are made based on assumptions regarding mortality, morbidity, interest and operating expenses based on experience or the regulations of the Swedish Financial Supervisory Authority.

With the exception of medical and accident insurance for children and claims and disability annuities, the provision for claims outstanding is not discounted. In the case of medical 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 using unit costs. 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. Recognised cash flow includes only transactions that result in inward and outgoing payments.

**NOTE 2 RISKS AND RISK MANAGEMENT****Structure of the Länsförsäkringar AB Group's risk activities**

The Board of Directors of Länsförsäkringar AB assumes overall responsibility for the level 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.

Group management addresses the strategic and business risks faced by the Group in its business planning and wherever necessary, and makes decisions on managing these risks or presents proposals on risk management to the Board.

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.

In terms of the structure of the operations, the risks in the Länsförsäkringar AB Group are managed in the subsidiaries wherever risk arises. 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 Finance/Risk 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.

Independent functions from the business activities such as Internal Audit, Compliance and Risk Control, monitor the operations and ensure compliance with applicable regulations and within the frameworks established by each Board.

**Focus and aims of the Group's risk management**

The Länsförsäkringar AB Group conducts development, service and business activities on behalf of its owners. Financial products are provided in the business operations, which inevitably involves taking risks. The Group's management of risks shall contribute to ensuring that financial products in the prioritised areas can be provided at a favourable return and at a controlled risk level.

Confidence among stakeholders 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 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.

**The following factors characterise the Group's risk taking:**

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

## The Group's risk exposure

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

SUMMARY FOR THE LÄNSFÖRSÄKRINGAR AB GROUP		Change from
SEK billion	Dec. 31, 2009	Dec. 31, 2008
<b>Investments</b>	<b>47</b>	<b>6</b>
Shares and equity-related assets	2	0
Interest-bearing assets including loans and advances to credit institutions and cash/bank balances	41	8
Property-related assets	2	0
Other investment assets	2	-2
<b>Lending to the public</b>	<b>100</b>	<b>21</b>
<i>Segment distribution:</i>		
Mortgage lending	75	15
Agriculture	11	4
Unsecured loans	4	1
Leasing	4	0
Hire purchase	4	0
Multi-family dwellings	1	1
Other	1	0
<b>Reinsurers<sup>1)</sup></b>	<b>6</b>	<b>0</b>
<b>Other assets</b>	<b>5</b>	<b>0</b>
<b>Total assets</b>	<b>157</b>	<b>27</b>
<b>Shareholders' equity</b>	<b>8</b>	<b>1</b>
<b>Technical reserves, gross</b>	<b>20</b>	<b>0</b>
Third-party liability	9	0
Commercial and property	1	0
Medical and accident	2	0
Animal and crop insurance	1	0
Other direct insurance	1	0
Assumed reinsurance	6	0
<b>Deposits and borrowing from the public</b>	<b>37</b>	<b>2</b>
<b>Debt securities in issue</b>	<b>61</b>	<b>13</b>
<b>Liabilities to credit institutions</b>	<b>21</b>	<b>12</b>
<b>Other liabilities</b>	<b>10</b>	<b>-1</b>
<b>Total shareholders' equity and liabilities</b>	<b>157</b>	<b>27</b>

<sup>1)</sup> Reinsurers' portion of technical reserves and receivables from reinsurers.

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 mortgage lending operations.

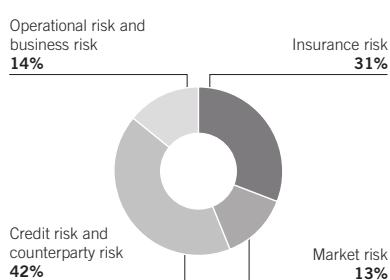
## Risk modelling and reporting

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 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 cali-

brated to show risk such that the highest probability of a less favourable outcome occurring within 12 months is 0.5%. Assumptions are made on the diversification between and within primary types of risk of approximately the same size in the draft Solvency II regulations.

The diagram below shows the distribution of risk in the Länsförsäkringar AB Group on December 31, 2009 classified by primary types of risk following the model utilised for 2009. Diversification effects have been distributed proportionally among insurance risk, credit risk, counterparty risk and market risk. The total risk distribution between the primary types of risk was relatively stable during the year. The share of credit risk rose slightly since the banking operations have grown more than other operations.

LÄNSFÖRSÄKRINGAR AB GROUP, RISK PROFILE, DECEMBER 31, 2009



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, internal models will be implemented during the period up to January 1, 2012.

Länsförsäkringar Sak has developed a Dynamic Financial Analysis model for the simultaneous analysis of non-life insurance risk and market risk. 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. Länsförsäkringar Sak intends to rework the existing DFA model so that it meets the requirements stipulated by Solvency II and 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 annual in conjunction with business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of shareholders' 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 relationship between risk and capital requirements is further highlighted in the solvency requirements imposed from the public arena. All units within the Länsförsäkringar AB Group fulfil these requirements.

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, 2009, the Länsförsäkringar Bank Group had a capital adequacy ratio of 9.7%, compared with the statutory requirement of a minimum of 8%. Excluding the supplements that are applied to the transition years of 2007–2009 according to the Basel II regulations, the capital adequacy ratio was 14.8%. The Tier 1 ratio was 12.5% compared with the established target of 12%.

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.

The amount of the Länsförsäkringar AB Group's risk-bearing capital depends on the approach selected for calculating this capital. Separate approaches are, for example, found in sets of public regulations and in rating agencies' capital models. The risk model used for reporting in the Parent Company's Board of Directors is shown in the table below. The deduction of the carrying amount of the shares in Länsförsäkringar Liv is matched by the risks in these operations being carried by the policyholders since the company is operated in accordance with mutual principles and, accordingly, Länsförsäkringar AB's risks can be considered to be the risk of the shares losing their value. The difference between the carrying amount of technical reserves and the estimated value of technical reserves according to the Solvency II regulations increased significantly during the year due to the long-term market interest rates rising from extremely low levels at the beginning of 2009.

#### LÄNSFÖRSÄKRINGAR AB GROUP, BUFFER CAPITAL

Mkr	Change from	
	Dec. 31, 2009	Dec. 31, 2008
Shareholders' equity	8,058	592
Deferred tax, net	538	211
Subordinated liabilities	114	0
Carrying amount, Länsförsäkringar Liv Försäkrings AB	-514	0
Carrying amount, FTA, less FTA according to Solvency II <sup>1)</sup>	791	698
<b>Total buffer capital</b>	<b>8,987</b>	<b>1,501</b>

<sup>1)</sup> Estimate of the difference between the carrying amount of technical reserves and the value they would be assigned when valued according to the Solvency II regulations.

The Group's capital strength is deemed to be favourable in relation to the risks arising in the Group's operations.

#### Preparations for Solvency II

An initiative known as Solvency II is currently being implemented in the EU, including updated legislation for insurance operations. A directive was adopted in 2009 and rules of application are now being prepared. The objective of the directive is to strengthen the connection between solvency requirements and the risks for insurance companies, to provide increased security for insurance policyholders and to contribute to a stable and effective insurance market in the EU. Solvency II emphasises the importance of a more risk-based approach to regulating insurance companies. The regulations modernise such areas as how technical reserves are to be calculated, how assets are to be invested, the size of the capital buffer that an insurance company is to maintain and the requirements imposed on how a company's risks are managed and controlled. The regulations are planned to take effect on October 31, 2012.

Länsförsäkringar AB and its subsidiaries have participated in the Solvency II preparations for several years. Following an analysis of necessary measures as part of preliminary study in 2008, a project on Solvency II preparations has been conducted since the start of 2009. The scope of the project will be expanded in 2010. An increasing number of employees will be involved in the preparations. The project's control group includes leading representatives for the business operations since the new regulations are expected to impact the manner in which the company's operations are managed and monitored.

#### 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 below 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. However, strategic risk and business risk, including reputation risk, are not described below. This category of risk is defined as the risk of loss as a result of business strategies and business decisions that prove to be misdirected, action by competitors, changes in the external environment and external reputation. Risks are managed at management and Board level through analyses and decisions prior to making strategic choices on the direction of the Group's operations, and in the annual business planning process and also when trends in the Group's markets so warrant risk management actions.

#### CLASSIFICATION OF RISK IN THE LÄNSFÖRSÄKRINGAR AB GROUP

Non-life insurance risk	Life assurance risk	Market risk	Counterparty risk	Credit risk in lending	Operational risk	Strategic risk and business risk, including reputation risk	Liquidity risk, including financing risk
– Premium risk	– Risk of death	– Interest-rate risk	– Reinsurers				
– Reserve risk	– Risk of paying life assurance	– Equities risk	– Counterparties in financial derivatives				
– Disaster risk		– Property risk	– Other counterparty risk				
		– Credit-spread risk					
		– Currency risk					
		– Other market risk (for example, commodities risk)					



### 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 Medical and Accident, Commercial and Property, Motor Vehicle, Third-party Liability, Marine, Air and Cargo, Animal insurance and Assumed Reinsurance. Where appropriate, the Board limits 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.

#### SENSITIVITY ANALYSIS

Impact on profit before tax, SEK M	2009	2008
10% lower premium level	-352	-302
10% increased claims frequency or higher average claim	-239	-196
1% higher annual claims inflation	-663	-803

#### Premium risk

Premium risk is the risk that claims and operating expenses for new claims are not covered by premiums earned.

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 of business, risk selection rules and risk inspection are the key instruments for monitoring premium risk, alongside premium calculation. The company 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.

#### REINSURANCE PER CLAIM INCIDENT

SEK M	2009		2008	
	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	10	200	10	200

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.

#### ESTIMATED CLAIMS COSTS BEFORE REINSURANCE, PER CLAIM YEAR

	Claim year						
SEK M	2004	2005	2006	2007	2008	2009	Total
Länsförsäkringar Sak Försäkrings AB Group, excluding life-assurance operations							
At end of claim year	2,094	1,333	1,475	1,693	1,771	2,130	
One year later	2,069	1,351	1,633	1,675	1,788		
Two years later	1,999	1,424	1,567	1,544			
Three years later	2,053	1,348	1,520				
Four years later	1,921	1,317					
Five years later	1,882						
Six years later							
Estimated claims costs	1,882	1,317	1,520	1,544	1,788	2,130	
Accumulated claims payments	1,558	1,139	1,321	1,260	1,404	1,337	
Provision for claims payments	324	178	199	285	384	793	2,162
Provision for claims payments, older year classes							5,740
Provision for claims payments for assumed reinsurance							5,952
<b>Total provision for claims payments, gross</b>							<b>13,854</b>
Claims annuities reserve, gross							3,593
Claims adjustment reserve, gross							394
<b>Provision for claims outstanding</b>							<b>17,840</b>
<b>Provision for claims payments, reinsurers' portion</b>							<b>-5,657</b>
Claims annuities reserve, reinsurers' portion							0
Claims adjustment reserve, reinsurers' portion							-8
<b>Provision for claims outstanding, reinsurers' portion</b>							<b>-5,665</b>
<b>Provision for claims outstanding, for own account</b>							<b>12,176</b>

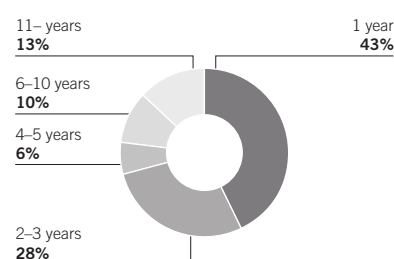
### Reserve risk

Reserve risk is the risk that the provision for claims outstanding will not suffice to cover claims incurred.

The total undertaking for current insurance policies and for claims outstanding amounts to SEK 19.7 billion. An estimate of the cost of claims outstanding – SEK 18.1 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 most 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, 2009**



### Disaster risk

Disaster risk refers to the risk 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 administers 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. The cover was increased to SEK 7 billion for 2008. In 2009, the level of cover was the same as in 2008. In addition, there is internal Group reinsurance amounting to an additional SEK 3 billion for the same type of damage, which comes into effect if damage exceeds the level covered by the external reinsurance.

### 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 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	2009	2008
1% higher interest rate, nominal interest rates	7	-247
1% higher real interest rate (impact on claims annuities)	19	215
10% lower share prices	-95	-87
10% lower property prices <sup>1)</sup>	-12	-28
10% weaker SEK	-9	-30

<sup>1)</sup> For the effect of changed property prices, the difference between the impact on profit and the impact on shareholders' equity is that the effect of a decline in the fair value of the office property utilised by the Group is recognised directly against shareholders' equity. A 10% decline in the value of the property results in a decrease in shareholders' equity, after 26.3% standard tax, amounting to approximately SEK 169 M.

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, 2009, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 36 M (22).

Exposure to interest-rate changes in the Länsförsäkringar AB Group is presented in the following table as fixed-interest periods for interest-bearing assets and liabilities, net.

#### FIXED-INTEREST PERIODS FOR INTEREST-BEARING ASSETS AND LIABILITIES, NET (INCLUDING DERIVATIVES) AT DECEMBER 31, 2009

The table shows the interest maturity structure with carrying amounts

Mkr	< 1 year	1–5 years	5–10 years	> 10 years	Total
Insurance <sup>1)</sup>	316	1,348	180	2,087	3,931
Bank	18,081	2,472	1,389	–	21,942
Other <sup>1)</sup>	–420	–114	–	–	–534
<b>Total</b>	<b>17,977</b>	<b>3,706</b>	<b>1,569</b>	<b>2,087</b>	<b>25,339</b>

<sup>1)</sup> Excluding investments in interest-rate funds in "Insurance" and "Other" totalling SEK 3,181 M and excluding intra-Group investments in bonds.

#### 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 for equities risk is decided based on exposure per region and by applying a re-balancing interval. 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 has been kept at a relatively low level since the end of 2008.

#### Property risk

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

Property investments are to essentially found exclusively in the non-life insurance companies. 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 2.3 billion.

#### 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. The credit-spread risk is managed in controlling documents that stipulate the approved exposure level per counterparty. 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.

#### BOND INVESTMENTS CLASSIFIED BY RATING, DECEMBER 31, 2009

Mkr	AAA Swedish Government	AAA other government securities	AAA other	AA	A	BBB or lower
Insurance <sup>1)</sup>	3,932	–	255	1,204	914	–
Bank	3,996	–	17,618	–	3,087	–
Other <sup>1)</sup>	–	–	–	–	–	–
<b>Total</b>	<b>7,928</b>	<b>–</b>	<b>17,873</b>	<b>1,204</b>	<b>4,001</b>	<b>–</b>

<sup>1)</sup> Excluding investments in interest-rate funds in "Insurance" and "Other" totalling SEK 3,181 M and excluding 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, 2009	Dec. 31, 2008
EUR	87	–243
USD	–9	247
CHF	–12	257
Other currencies	24	36
<b>Total</b>	<b>90</b>	<b>297</b>

The total net currency exposure on December 31, 2009 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

AAA	AA	A	BBB	BB or lower	Total
3%	28%	69%	1%	0%	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, DECEMBER 31, 2009**

Calculated based on the market value of the derivative

SEK M	AAA	AA	A	BBB or lower	Totalt
Insurance operations	–	1	23	–	24
Bank	–	99	1,144	–	1,243
Other	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>100</b>	<b>1,167</b>	<b>–</b>	<b>1,267</b>

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 1.7 billion.

**Credit risk in the lending operations**

Credit risk in the lending operations is defined as the risk of a borrower not being able to fulfil its commitments and the risk that any pledged collateral will not cover the receivable owed. Credit risk in the lending operations pertains only to the operations of the Bank Group.

The lending operations in the Bank Group are conducted only with borrowers in Sweden and mainly comprise mortgage loans, loans to farmers, hire purchase and leasing operations and unsecured consumer credit.

More than 80% of the Bank Group's lending portfolio comprises lending for private housing in the form of single-family homes and tenant-owned apartments accounting. 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 lending portfolio maintains a high level of credit quality.

Lending to the agricultural and forestry segment also increased substantially in 2009. The lending segment is an excellent complement to the bank's mortgage loans since a large share pertains to lending to family-owned farming and forestry businesses. Together with retail mortgages, this segment accounts for approximately 86% (85) of the Bank Group's total lending portfolio.

Loans are granted after a thorough credit appraisal, primarily based on the customer's ability to pay. The Board of Directors of the bank authorises individual units to make credit-granting decisions within specific limits.

The Bank Group calculates all retail exposures in accordance with the advanced Internal Ratings-based Approach (IRB), which corresponds to more than 84% (87) of the Bank Group's lending portfolio. The bank received permission in December 2009 to use the basic IRB Approach for the portion of the lending portfolio pertaining to agricultural operations. This Approach will start to be used in 2010. The Standardised Approach is currently used for other exposures.

**BANK GROUP'S LENDING BY SECTOR, DECEMBER 31, 2009**

Loan receivables, SEK M	Gross	Impairment	Net
Retail sector	92,847	–240	92,607
Corporate sector	6,862	–68	6,794
Credit institutions	3,216		3,216
Public sector	170		170
Other	11		11
<b>Total</b>	<b>103,106</b>	<b>–308</b>	<b>102,798</b>
Loans approved but not disbursed			812
Overdraft facilities approved but not utilised			1,775
Unutilised card loans and financial guarantees			812
<b>Total credit risk exposure in the Bank Group's lending</b>			<b>106,197</b>

**BANK GROUP'S LENDING BY SEGMENT FOR LOAN RECEIVABLES**

SEK M	Dec. 31, 2009	Dec. 31, 2008
Retail mortgage lending	75,035	60,374
Agricultural lending	10,816	6,506
Unsecured loans	4,383	3,818
Leasing	4,198	3,739
Hire purchase	3,571	3,634
Multi-family dwellings	1,358	527
Other	529	273
Credit institutions	3,216	9,831
<b>Total</b>	<b>103,106</b>	<b>88,702</b>

The average loan-to-value ratio in the Bank Group's lending portfolio is 68% (64) and the average commitment amounts to SEK 0.9 M (0.8). 37% (40) of customers have a commitment of less than SEK 1 M. Only 6% (5) of customers had a commitment of more than SEK 3 M.

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies to be included 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, 2009	Dec. 31, 2008
Retail sector	155	216
Corporate sector	58	38
<b>Total</b>	<b>213</b>	<b>255</b>

**BANK GROUP'S DEFAULTED LOAN RECEIVABLES NOT INCLUDED IN IMPAIRED LOANS<sup>1)</sup>**

SEK M	2009	2008
Receivables overdue by 10–19 days	0	0
Receivables overdue by 20–39 days	51	60
Receivables overdue by 40–59 days	5	–
<b>Total</b>	<b>56</b>	<b>60</b>

<sup>1)</sup> Excluding Wasa Kredit.

A loan receivable is considered impaired if a payment is more than 60 days past due or if the counterparty for other reasons 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 lending 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, 2009**

SEK M	Individually appraised receivables	Collectively assessed receivables	Total
Retail sector	99	141	240
Corporate sector	45	23	68
<b>Total</b>	<b>144</b>	<b>164</b>	<b>308</b>



### 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.

Each unit within the Group is responsible for preventing operational risks within its particular area of responsibility. Risk analyses are performed annually in each of the Group's units. A common system support for reporting incidents, including estimates of the costs of incidents, has been introduced and is continuously developed. Continuity plans have been prepared for the Group and most of the larger units, and crisis-management simulations are held annually to strengthen the Group's crisis-management skills.

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

The Group's Compliance Officers are assigned the task of identifying and reporting risks that may arise as a result of shortcomings in compliance with the regulations.

### Concentration risk

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 is heavily concentrated to third-party liability insurance transactions. Of the total technical reserves before ceded reinsurance of SEK 19.7 billion, 46% refers to the third-party liability insurance class of insurance.

The Bank Group's loan portfolio largely comprises mortgage lending 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, 2009, the office property in Stockholm utilised by the Group comprised a major investment asset. The value of this property represented slightly more than 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 derives from investments in housing bonds and current investments of the Bank Group's and the Parent Company's liquidity. The single largest share investment pertains to the Eureko insurance company and represents approximately 3% 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's liquidity portfolio amounted to SEK 27.2 billion on December 31, 2009. The liquidity portfolio comprises investments in SEK with very high credit quality. The distribution of the liquidity portfolio had the following exposure: 17% to the government and 65% to covered bonds. The remaining 18% primarily comprises Swedish mortgage certificates and Swedish certificates of deposit. More detailed information about the Bank Group's liquidity can be found in Länsförsäkringar Bank's Annual Report.

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 12.9 billion, whereas short-term liabilities and payments of insurance contracts, gross before reinsurance, expected to be incurred within one year amounted to SEK 9.0 billion.

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. In 2008, the Parent Company received a loan totalling SEK 1.7 billion from the regional insurance companies in conjunction with the settlement of a capital-market loan of EUR 300 M. The Parent Company's liquidity was favourable at year-end, with short-term interest-bearing investments and cash balances of SEK 678 M.

#### MATURITY STRUCTURE OF THE GROUP'S DEPOSITS AND BORROWING, DECEMBER 31, 2009

The table presents carrying amounts, SEK M

Carrying amount	On demand	< 12 months	1–5 years	> 5 years	Without maturity/change in value	Total
Insurance operations	–	–	–	–	–	–
Bank	30,825	55,937	34,551	437	4,852	126,602
Other	–	1,971	114	–	–	2,085
Eliminations	–	–1,886	–647	–	–	–2,533
<b>Group</b>	<b>30,825</b>	<b>56,022</b>	<b>34,018</b>	<b>437</b>	<b>4,852</b>	<b>126,154</b>

**NOT 3 PROFIT PER BUSINESS SEGMENT**

Jan. 1, 2009 – Dec. 31, 2009

SEK M	Insurance operations	Banking operations	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
<b>Premiums earned after ceded reinsurance</b>	<b>3,523.7</b>					<b>3,523.7</b>
Interest income		5,320.7				5,320.7
Interest expense		-4,172.4			92.8	-4,079.6
<b>Net interest income</b>		<b>1,148.3</b>			<b>92.8</b>	<b>1,241.1</b>
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
<b>Total operating income</b>	<b>4,346.1</b>	<b>2,170.7</b>	<b>436.3</b>	<b>2,219.3</b>	<b>-813.9</b>	<b>8,358.5</b>
Claims payments before ceded reinsurance	-3,553.0					-3,553.0
Reinsurers' portion of claims payments	1,162.4					1,162.4
<b>Claims payments after ceded reinsurance</b>	<b>-2,390.6</b>					<b>-2,390.6</b>
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	-1,444.3	804.1	-2,238.2
Loan losses		-50.4				-50.4
Other expenses				-100.0		-100.0
<b>Total expenses</b>	<b>-3,920.2</b>	<b>-1,913.0</b>	<b>-229.3</b>	<b>-2,357.2</b>	<b>813.9</b>	<b>-7,605.9</b>
<b>Operating profit/loss for Group management</b>	<b>425.9</b>	<b>257.7</b>	<b>207.0</b>	<b>-137.9</b>	<b>-</b>	<b>752.6</b>
Less revaluation of owner-occupied property			-60.1			-60.1
<b>Operating profit/loss in profit and loss</b>	<b>425.9</b>	<b>257.7</b>	<b>146.9</b>	<b>-137.9</b>	<b>-</b>	<b>692.5</b>
Tax						-183.7
<b>Net profit/loss for the year</b>						<b>508.9</b>
<b>Income distribution</b>						
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	-
<b>Total operating income</b>	<b>4,346.1</b>	<b>2,170.7</b>	<b>436.3</b>	<b>2,219.3</b>	<b>-813.9</b>	<b>8,358.5</b>

Jan. 1, 2008 – Dec. 31, 2008

SEK M	Insurance operations	Banking operations	Asset management	Other operations	Eliminations	Total
Premiums earned before ceded reinsurance	5,392.8					5,392.8
Reinsurers' portion of premiums earned	-2,368.8					-2,368.8
<b>Premiums earned after ceded reinsurance</b>	<b>3,024.0</b>					<b>3,024.0</b>
Interest income		7,463.2				7,463.2
Interest expense		-6,251.7			128.3	-6,123.4
<b>Net interest income</b>		<b>1,211.5</b>			<b>128.3</b>	<b>1,339.8</b>
Investment income, net	536.6	1.4	-3,674.4		-128.3	-3,264.6
Commission income	255.2	806.0				1,061.2
Other operating income	202.1	150.3	254.3	3,049.4	-1,335.7	2,320.4
<b>Total operating income</b>	<b>4,017.9</b>	<b>2,169.3</b>	<b>-3,420.1</b>	<b>3,049.4</b>	<b>-1,335.7</b>	<b>4,480.8</b>
Claims payments before ceded reinsurance	-3,268.7					-3,268.7
Reinsurers' portion of claims payments	1,315.7					1,315.7
<b>Claims payments after ceded reinsurance</b>	<b>-1,953.0</b>					<b>-1,953.0</b>
Commission expense	-482.5	-944.4			3.4	-1,423.5
Staff costs	-456.0	-331.0	-63.3	-970.2	71.6	-1,749.0
Other administration expenses	-721.3	-583.8	-172.4	-2,438.5	1,260.7	-2,655.2
Loan losses		-65.1				-65.1
Other expenses				-133.7		-133.7
<b>Total expenses</b>	<b>-3,612.8</b>	<b>-1,924.2</b>	<b>-235.7</b>	<b>-3,542.4</b>	<b>1,335.7</b>	<b>-7,979.4</b>
<b>Operating profit/loss for Group management</b>	<b>405.0</b>	<b>245.0</b>	<b>-3,655.8</b>	<b>-493.0</b>	<b>-</b>	<b>-3,498.7</b>
Less revaluation of owner-occupied property			103.7			103.7
<b>Operating profit/loss in profit and loss</b>	<b>405.0</b>	<b>245.0</b>	<b>-3,552.0</b>	<b>-493.0</b>	<b>-</b>	<b>-3,394.9</b>
Tax						915.3
<b>Net profit/loss for the year</b>						<b>-2,479.6</b>
<b>Income distribution</b>						
External income	3,960.6	2,153.1	-3,877.3	1,368.0	876.4	4,480.8
Internal income	57.2	16.2	457.2	1,681.4	-2,212.0	-
<b>Total operating income</b>	<b>4,017.9</b>	<b>2,169.3</b>	<b>-3,420.1</b>	<b>3,049.4</b>	<b>-1,335.7</b>	<b>4,480.8</b>

**NOTE 3 PROFIT PER BUSINESS SEGMENT, cont.**

Income is primarily attributable to Sweden, a small portion from Norway and the UK and a small portion of divested operations from Latvia and Lithuania.

The Insurance business segment pertains to non-life insurance and life assurance operations, life insurance 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 business segment pertains to deposits and lending operations.

The Asset Management business segment pertains to the Group's investment income, excluding the banking portion and the income portion that is transferred to the insurance segment in accordance with the policies applied in the Group's insurance companies. 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 business segment pertains to service and administration of securities funds and costs for joint functions.

The distribution in business segments changed compared with the preceding year. This is partly due to the new principles in IFRS 8 Operating Segments, and partly a new organisation within the Länsförsäkringar AB Group from January 1, 2009. Comparative figures were consequently amended wherever possible. The IFRS 8 amendment entails that segment reporting will apply the structure that is reported to Group Management and the Board. As a result, some service expenses and Group-wide expenses were transferred from Insurance to Other operations and the asset management operation has formed a separate operating segment. The reorganisation signifies that the service operation that previously existed in the insurance operation is now included in Other operations. Furthermore, the securities administration that was previously included in Bank was transferred to Other operations. Employees that are responsible for the transferred operations have been employed in the Parent Company since January 1, 2009.

**NOTE 4 ACQUISITIONS OF OPERATIONS****Acquisitions of operations 2009**

During 2009, the Länsförsäkringar AB Group did not acquire any operations.

**Acquisitions of operations 2008**

EFEL Livförsäkring AB and EFEL Skadeförsäkring AB

On July 1, 2008 Länsförsäkringar Sak Försäkrings AB acquired the insurance operations from the Federation of Swedish Farmers (LRF) in the form of two companies, EFEL Livförsäkring AB and EFEL Skadeförsäkring AB. The acquired insurance operations comprise individual and group life assurance, medical and accident insurance. The reason that the acquisition took place is to pursue the growth strategy in this area.

**Effects of the acquisition**

The companies that were newly formed in 2008 were included in the Group during the second half of the year. During the period, the life-assurance company contributed SEK 34.0 M and the non-life insurance company SEK 75.2 M to the Group's income and SEK 0.5 M and SEK 1.2 M, respectively, to the Group's earnings after tax in 2008. The total full-year volumes measured in premiums for both companies amounted to SEK 260 M. Both companies were formed in May 2008, which is why information cannot be provided on how the Group's profit/loss and income would have been affected if the acquisition had occurred in January 2008.

**The acquired company's net assets on acquisition date**

SEK M	Carrying amount in EFEL Livförsäkring AB before the acquisition	Fair value, adjustment	Fair value, recognised in the Group
Intangible assets		104.1	104.1
Cash and cash equivalents	116.8		116.8
Technical reserves	-52.9		-52.9
Deferred tax liabilities		-29.1	-29.1
Accounts payable and other operating liabilities	-3.9		-3.9
<b>Net identifiable assets and liabilities</b>	<b>60.0</b>	<b>75.0</b>	<b>135.0</b>
Consolidated goodwill			35.0
<b>Purchase consideration paid, cash</b>			<b>170.0</b>
Cash (acquired)			52.4
<b>Net cash outflow</b>			<b>117.6</b>

**The acquired company's net assets on acquisition date**

SEK M	Carrying amount in EFEL Skadeförsäkring AB before the acquisition	Fair value, adjustment	Fair value, recognised in the Group
Intangible assets	13.3	202.2	215.5
Cash and cash equivalents	403.3		403.3
Technical reserves	-345.7		-345.7
Deferred tax liabilities		-56.6	-56.6
Other receivables and liabilities, net	-5.9		-5.9
<b>Net identifiable assets and liabilities</b>	<b>65.0</b>	<b>145.6</b>	<b>210.6</b>
Consolidated goodwill			144.4
<b>Purchase consideration paid, cash</b>			<b>355.0</b>
Cash (acquired)			61.4
<b>Net cash outflow</b>			<b>293.6</b>

The intangible assets in the acquired companies comprise customer registers and are amortised over five years. The goodwill values have been tested and are considered to be the fair values.

**NOTE 5 PREMIUMS EARNED AFTER CEDED REINSURANCE**

	2009	2008
<b>Non-life insurance</b>		
Premium income, direct insurance, Sweden	2,852.4	2,730.6
Premium income, direct insurance, other EEA	508.7	158.3
Premium income, assumed reinsurance	2,526.8	2,496.2
Change in provision for unearned premiums	-309.8	-207.0
Change in premium for unexpired risks	-73.8	-29.0
<b>Total premiums earned after ceded reinsurance</b>	<b>5,504.2</b>	<b>5,149.0</b>
Premiums for ceded reinsurance	-2,313.2	-2,434.0
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	93.5	78.4
Reinsurers' portion of premiums earned	-2,219.7	-2,355.6
<b>Total premiums earned after ceded reinsurance</b>	<b>3,284.5</b>	<b>2,793.4</b>
<b>Life assurance</b>		
Periodic premium income, group insurance, direct life assurance, contracts that carry no bonus entitlement, Sweden	267.8	203.2
Change in life-assurance provision before ceded reinsurance	-0.5	40.5
<b>Total premiums earned before ceded reinsurance</b>	<b>267.3</b>	<b>243.8</b>
Premiums for ceded reinsurance	-28.1	-13.2
<b>Total premiums earned after ceded reinsurance</b>	<b>239.2</b>	<b>230.6</b>
<b>Total premiums earned after ceded reinsurance</b>	<b>3,523.7</b>	<b>3,024.0</b>

**NOTE 6 INTEREST INCOME**

	2009	2008
Interest income on lending to credit institutions	34.4	125.8
Interest income on lending to the public	3,148.9	4,094.5
Interest income on interest-bearing securities	436.2	628.3
Interest income on derivatives		
Hedge accounting	1,663.9	2,492.7
Non-hedge accounting	37.3	116.7
Other interest income	0.0	5.0
<b>Total interest income</b>	<b>5,320.7</b>	<b>7,463.2</b>
of which interest income on impaired loans	12.4	3.8
of which interest income from financial items not measured at fair value	3,219.9	4,772.7
Average interest rate on lending to the public during the year	3.5%	5.7%

**NOTE 7 INTEREST EXPENSE**

	2009	2008
Interest expense on liabilities to credit institutions	-105.6	-65.7
Interest expense for deposits and borrowing from the public	-419.7	-1,235.2
Interest expense, subordinated liabilities	-47.4	-73.5
Interest expense, interest-bearing securities	-1,646.7	-2,149.0
Interest expense, derivatives		
Hedge accounting	-1,761.3	-2,236.1
Non-hedge accounting	-61.3	-352.6
Other interest expense, including government deposit insurance	-37.6	-11.2
<b>Total interest expense</b>	<b>-4,079.6</b>	<b>-6,123.4</b>
of which interest expense from financial items not measured at fair value	-2,349.7	-3,662.9
Average interest rate on deposits from the public during the year	1.2%	3.8%

**NOTE 8 INVESTMENT INCOME, NET**

	2009	2008
<b>Interest income</b>	<b>278.2</b>	<b>488.4</b>
<b>Dividends</b>	<b>4.8</b>	<b>141.9</b>
<b>Profit, investment property</b>		
Rental income	12.8	14.5
Expenses	-12.6	-6.3
<b>Total profit, investment property</b>	<b>0.2</b>	<b>8.2</b>
<b>Realised profit, net</b>		
Investment property	-66.3	-
Shares and participations	75.8	-1,588.5
Interest-bearing securities	216.9	-1,274.5
Other financial assets	-33.6	-6.1
<b>Total realised profit, net</b>	<b>192.8</b>	<b>-2,869.1</b>
<b>Unrealised profit, net</b>		
Investment property	-87.8	-13.3
Shares and participations	241.7	-1,116.8
Interest-bearing securities	-185.7	-656.1
Derivatives	-359.9	884.2
Other financial assets	756.2	-9.6
<b>Total unrealised profit, net</b>	<b>364.5</b>	<b>-911.5</b>
<b>Exchange-rate gains/losses, net</b>	<b>14.2</b>	<b>238.2</b>
<b>Interest expense</b>	<b>-167.1</b>	<b>-228.4</b>
<b>Participations in associated companies</b>	<b>1.8</b>	<b>3.8</b>
<b>Depreciation/amortisation and impairment of shares and participations</b>	<b>-115.5</b>	<b>-10.3</b>
<b>Asset management expenses</b>	<b>-81.2</b>	<b>-32.1</b>
<b>Interest compensation</b>	<b>27.2</b>	<b>10.1</b>
<b>Investment income, net</b>	<b>520.0</b>	<b>-3,160.8</b>

**NOTE 9 COMMISSION INCOME**

	2009	2008
Payment mediation commission	75.4	71.0
Lending commission	67.2	63.5
Deposit commission	6.6	4.9
Securities commission	558.3	597.6
Card operations	67.0	70.2
Commission and profit shares in ceded reinsurance	238.4	255.2
Other commission	-0.0	-1.2
<b>Total commission income</b>	<b>1,012.9</b>	<b>1,061.2</b>
of which commission income from financial items not measured at fair value	141.0	138.7

**NOTE 11 CLAIMS PAYMENTS**

	2009			2008		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
<b>Non-life insurance</b>						
Claims paid	-3,658.4	1,046.9	-2,611.4	-3,211.8	1,247.1	-1,964.7
Claims annuities paid	70.3	-	70.3	-202.4	-	-202.4
Change in provision for claims incurred and reported	328.8	101.0	429.8	882.8	489.3	1,372.1
Change in provision for claims incurred and not reported	-99.5	-	-99.5	-549.5	-430.2	-979.6
<b>Total</b>	<b>-3,358.8</b>	<b>1,147.9</b>	<b>-2,210.9</b>	<b>-3,080.9</b>	<b>1,306.3</b>	<b>-1,774.7</b>
<b>Life assurance</b>						
Claims paid	-182.7	18.2	-164.5	-159.0	6.7	-152.3
Change in provision for claims outstanding	-11.5	-3.7	-15.2	-28.8	2.8	-26.0
<b>Total</b>	<b>-194.2</b>	<b>14.5</b>	<b>-179.7</b>	<b>-187.8</b>	<b>9.5</b>	<b>-178.3</b>
<b>Total non-life insurance and life assurance</b>	<b>-3,553.0</b>	<b>1,162.4</b>	<b>-2,390.6</b>	<b>-3,268.7</b>	<b>1,315.7</b>	<b>-1,953.0</b>

	2009	2008
<b>Profit/loss by valuation category</b>		
Derivative assets intended for risk management, non-hedge accounting	-564.9	1,192.5
Other financial assets measured at fair value in profit and loss	614.3	-3,856.9
Derivative liabilities intended for risk management, non-hedge accounting	28.7	52.3
Other financial liabilities measured at fair value in profit and loss	-3.9	-
Available-for-sale financial assets	68.3	9.9
Loan receivables and accounts receivable	16.9	11.3
Financial liabilities at amortised cost	470.6	-1,158.1
Change in fair value of derivatives that are hedging instruments in a hedge of fair value	71.9	-360.6
Change in fair value of hedged item with regard to the hedged risk in hedges of fair value	-85.9	352.2
<b>Items not specified by category</b>		
Exchange-rate gains/losses	11.8	238.2
Net interest income	-107.9	260.0
Dividends	3.8	141.9
Depreciation/amortisation and impairment of shares and participations	-115.5	-10.3
Asset management expenses	-81.2	-32.1
Non-financial items not included in investment income, net	193.1	-1.2
<b>Total investment income, net</b>	<b>520.0</b>	<b>-3,160.8</b>

**NOTE 10 OTHER OPERATING INCOME**

	2009	2008
Service income, regional insurance companies	1,140.0	1,248.0
Other service income	602.9	812.5
Other income	257.8	259.8
<b>Total other operating income</b>	<b>2,000.7</b>	<b>2,320.4</b>



**NOTE 12 COMMISSION EXPENSE**

	2009	2008
Payment mediation commission	-78.1	-73.1
Securities commission	-299.6	-351.2
Card operations	-70.3	-57.3
Remuneration to regional insurance companies	-459.8	-489.3
Commission, direct insurance	-140.1	-127.5
Commission, assumed reinsurance	-259.2	-276.3
Other commission	-45.6	-48.8
<b>Total commission expense</b>	<b>-1,352.7</b>	<b>-1,423.5</b>
of which commission expense from financial items not measured at fair value	-412.4	-448.9

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 13 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES**

Average number of employees	2009	2008
<b>Sweden</b>		
Men	648	675
Women	689	728
<b>Total Sweden</b>	<b>1,337</b>	<b>1,403</b>
<b>Lithuania</b>		
Men	9	9
Women	7	7
<b>Total Lithuania</b>	<b>16</b>	<b>16</b>
<b>Latvia</b>		
Men	7	7
Women	6	6
<b>Total Latvia</b>	<b>13</b>	<b>13</b>
<b>Norway</b>		
Men	1	1
Women	1	1
<b>Total Norway</b>	<b>2</b>	<b>2</b>
<b>UK</b>		
Men	16	5
Women	49	51
<b>Total UK</b>	<b>65</b>	<b>56</b>
<b>Total number of employees</b>		
Men	681	697
Women	752	793
<b>Total</b>	<b>1,433</b>	<b>1,490</b>

**Salaries, other remuneration and social security expenses**

Board of Directors and other senior executives, 33 (32)	2009	2008
Salaries and remuneration	55.6	51.3
of which variable remuneration	4.9	5.7
Social security expenses	47.2	39.3
of which pension costs	23.5	18.6
<b>Total</b>	<b>102.8</b>	<b>90.6</b>

Other employees	2009	2008
Salaries and remuneration	743.5	859.3
of which variable remuneration	31.1	23.7
Social security expenses	480.7	674.8
of which pension costs	210.5	323.0
<b>Total</b>	<b>1,224.2</b>	<b>1,534.1</b>

Total salaries, other remuneration and social security expenses	2009	2008
Salaries and remuneration	799.1	910.6
of which variable remuneration	35.9	29.4
Social security expenses	527.9	714.2
of which pension costs	234.0	341.6
<b>Total</b>	<b>1,327.0</b>	<b>1,624.7</b>

**Variable remuneration**

Variable remuneration is paid to all employees and managers. 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. For managers at levels 1 and 2, a maximum amount of two months' salaries and for managers at levels 3 and 4, a maximum of one month's salary will be paid. A maximum of SEK 12,000 may be paid to employees if the prerequisites were fulfilled. In addition to the above, a few specialists have bonus agreements whereby a maximum of four or six months' salaries are paid.

Of the above amount pertaining to variable remuneration, SEK 7.1 M (10.8) is attributable to the insurance operations and the remaining SEK 28.8 M (18.4) is attributable to the other operations.

**Costs for personnel reduction in conjunction with reorganisation**

The amounts for "Salaries, remuneration and social security expenses" for 2008 include expenses for personnel reduction in conjunction with the reorganisation in the amount of SEK 112.6 M pertaining to salaries and SEK 227.0 M pertaining to social security expenses, of which SEK 150.3 M comprises pension costs. There were no corresponding costs for 2009.

Sickness absence, %	2009	2008
Total of overall working hours	2.6	3.4
Total of overall working hours for men	1.6	1.9
Total of overall working hours for women	3.4	4.7
Absence for employees aged 29 or younger	3.0	2.8
Absence among employees aged 30-49	2.3	3.2
Absence for employees aged 50 or older	2.9	3.9
Percentage pertaining to absence during a consecutive period of 60 days or more	36.9	50.9

**NOTE 13 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 comprises basic salary and other benefits. Remuneration to other senior executives comprises basic salary, variable salary and other benefits. Variable remuneration is maximised to two months' salaries for other senior executives. 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 Group management.

**Severance pay**

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

**Pensions**

The retirement age for other senior executives is 60 or 62. 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. 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 pension premium for defined-contribution pensions for senior executives is 49% in relation to the pensionable salary.

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

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board of Directors. Remuneration to other senior executives is determined by the President in accordance with the principles for salaries and conditions for senior executives as decided by the Annual General Meeting.

**Principles for remuneration to senior executives**

Senior executives in the Länsförsäkringar AB Group shall have market-based employment terms and conditions. It is the Group's policy that remunerations shall be on par with the average sector. The total remuneration shall 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.

**Variable remuneration**

Performance-based remuneration corresponding to a maximum of two months' salary per year may be paid, however, not to the President, who is not entitled to variable remuneration. A maximum of 50% will be paid if the common goals in the business plan for Länsförsäkringar AB are surpassed and a maximum of 50% will be paid based on individual goals. A prerequisite for entitlement to variable remuneration is that the Länsförsäkringar AB Group reports positive results before tax for the financial year in question.

The Annual General Meeting's resolution pertaining to variable remuneration entails a reduction of the maximum payment from five to two months' salary.

**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. At present, members of company management are offered reduced pension age to 60 or 62. The pension between the age of 60 respective 62 and 65 is a defined-contribution plan. 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).

**Other benefits**

In addition to the above benefits, a company car is offered in accordance with applicable conditions, however, with no gross salary deduction, individual medical insurance and other benefits offered to all employees.

<b>Loans to the Board, President and Executive Vice Presidents</b>	<b>2009</b>	<b>2008</b>
Board members	47.8	71.6
President and Executive Vice Presidents	11.2	13.1
<b>Loans to the Board, President and Executive Vice Presidents</b>	<b>59.0</b>	<b>84.7</b>

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.

<b>Number of women among senior executives, %</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
Board members	13	19
Other senior executives	38	41

**NOTE 14 FEES AND REMUNERATION TO AUDITORS**

	<b>2009</b>	<b>2008</b>
<b>KPMG AB</b>		
– audit assignments	10.8	12.0
– other assignments	6.8	4.4
<b>SET Revisionsbyrå AB</b>		
– audit assignments	–	0.2
– other assignments	–	–
<b>Deloitte</b>		
– audit assignments	0.5	0.6
<b>Total audit fees</b>	<b>18.1</b>	<b>17.1</b>

Audit assignments pertain to a review of the Annual Report and accounts, and the management by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such assignments. Everything else comes under Other assignments.

**NOTE 15 OTHER ADMINISTRATION EXPENSES**

	<b>2009</b>	<b>2008</b>
<b>Other administration expenses</b>		
Costs for premises	–148.7	–126.0
Depreciation/Amortisation	–267.6	–204.7
IT costs	–1,058.1	–989.7
Consultant costs	–267.9	–419.7
Marketing	–120.3	–172.4
Other administration expenses	–375.5	–742.8
<b>Total other administration expenses</b>	<b>–2,238.2</b>	<b>–2,655.2</b>

**Administration expenses in insurance operations classified by function**

Expenses for acquisitions	–487.3	–387.4
Expenses for administration	–598.4	–954.7
Expenses for claims adjustment	–244.2	–320.1
Expenses in asset and property management	–122.4	–82.5
<b>Total administration expenses in insurance operations classified by function</b>	<b>–1,452.3</b>	<b>–1,744.6</b>

**NOTE 16 LOAN LOSSES, NET**

	<b>2009</b>	<b>2008</b>
<b>Specific reserve for individually assessed loan receivables</b>		
Write-off of confirmed loan losses during the year	–92.4	–61.1
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	77.6	58.4
Impairment of loan losses during the year	–37.4	–71.4
Payment received for prior confirmed loan losses	–90.2	35.7
Reversed impairment of loan losses no longer required	22.6	26.3
<b>Net expense for the year for individually appraised receivables</b>	<b>–119.8</b>	<b>–12.2</b>

**Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk**

Write-off of confirmed loan losses during the year	–	–5.3
Payment received for prior confirmed loan losses	–	–
Provision/reversal of impairment for loan losses	63.7	–52.5
<b>Net expense for the year for collectively assessed receivables</b>	<b>63.7</b>	<b>–57.7</b>
<b>Net expense for the year for fulfilment of guarantees</b>	<b>5.7</b>	<b>4.8</b>
<b>Net expense of loan losses for the year</b>	<b>–50.4</b>	<b>–65.1</b>

All information pertains to receivables from the public.

**NOTE 17 OTHER EXPENSES**

	2009	2008
Expansion of trademarks	-100.0	-100.0
Other expenses	-	-33.7
<b>Total other expenses</b>	<b>-100.0</b>	<b>-133.7</b>

**NOTE 18 TAX ON NET PROFIT FOR THE YEAR**

	2009	2008
<b>Current tax</b>		
Tax expenses for the period	-6.3	-9.6
Adjustment of tax expense pertaining to prior years	0.0	4.9
<b>Total current tax</b>	<b>-6.3</b>	<b>-4.7</b>

**Deferred tax**

Change in deferred tax expense on temporary differences	22.4	413.2
Deferred tax revenue in loss carryforwards capitalised during the year	-	506.9
Deferred tax expense as a result of utilisation of previously capitalised tax value in loss carryforwards	-199.7	-
<b>Total deferred tax</b>	<b>-177.3</b>	<b>920.0</b>
<b>Total recognised tax expense</b>	<b>-183.6</b>	<b>915.3</b>

**Reconciliation of effective tax rate**

Profit/loss before tax	692.5	-3,394.9
Tax in accordance with applicable tax rate for Parent Company	-182.1	950.6
Effect of other tax rates for foreign companies	0.1	-0.3
Tax on non-deductible costs	-56.6	-55.2
Tax on non-taxable income	89.0	10.0
Increase in loss carryforwards without corresponding capitalising of deferred tax	-	-0.2
Utilisation of non-capitalised loss carryforwards	0.4	3.0
Tax attributable to earlier years	-24.8	5.7
Changed tax rates	-	1.7
Other	-9.6	-0.1
<b>Total tax on net profit/loss for the year</b>	<b>-183.6</b>	<b>915.3</b>
Applicable tax rate	26.3%	28%
Effective tax rate	26.5%	27%

**Tax items recognised in other comprehensive income**

Revaluation of owner-occupied property	-15.8	32.1
Cash-flow hedging	-	-5.7
Available-for-sale financial assets	-12.5	3.8
<b>Total tax items recognised in other comprehensive income</b>	<b>-28.3</b>	<b>30.2</b>

**NOTE 21 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
<b>Cost</b>				
Opening cost, January 1, 2008	646.1	76.5	410.5	1,133.2
Divestments/disposals for the year	-11.0	-	-	-11.0
Exchange-rate differences for the year	-	-1.0	-24.6	-25.6
Acquisitions during the year	155.3	49.1	306.3	510.7
<b>Closing cost, December 31, 2008</b>	<b>790.5</b>	<b>124.6</b>	<b>692.3</b>	<b>1,607.4</b>
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
<b>Closing cost, December 31, 2009</b>	<b>891.9</b>	<b>112.8</b>	<b>685.9</b>	<b>1,690.6</b>

**NOTE 19 EARNINGS PER SHARE**

	Dec. 31, 2009	Dec. 31, 2008
Net profit/loss attributable to Parent Company's shareholders, SEK M	508.9	-2,479.6
Number of shares	6,297,583	6,297,583
<b>Earnings per share before and after dilution, SEK</b>	<b>81</b>	<b>-394</b>

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 20 GOODWILL**

Capitalised acquisition cost of goodwill	2009	2008
<b>Cost</b>		
Opening cost, January 1	350.6	164.8
Adjustment of opening cost	-	29.0
Operation acquisition	-	179.4
Exchange-rate differences	2.5	-22.5
<b>Closing cost, December 31</b>	<b>353.1</b>	<b>350.6</b>
<b>Carrying amount at year-end</b>	<b>353.1</b>	<b>350.6</b>

No impairment losses have been recognised. The value of goodwill was tested on December 31, 2009.

Assumption on testing of value	EFEL Liv/ Skadeförsäkring	Agria Pet Insurance
Long-term growth, %	2.0	2.0
Discount rate, %	3.5	12.8
Claims payment as a percentage, life assurance	78	-
Claims payment as a percentage, non-life insurance	62	-
Exchange rate GBP/SEK	-	11.6

In 2008, Länsförsäkringar Sak Försäkrings AB acquired two insurance companies, one specialising in group life assurance and one in group medical insurance. Acquired goodwill primarily comprises expected synergies. EFEL Livförsäkrings AB, with an acquired goodwill of SEK 35.0 M, has transferred its entire portfolio to Länsförsäkringar Gruppliv AB in 2009. Consequently, the corresponding goodwill has also been transferred to Länsförsäkringar Gruppliv. The other company, EFEL Skadeförsäkrings AB, with goodwill totalling SEK 144.4 M, will be merged with Länsförsäkringar Sak Försäkrings AB in 2010. For more information, refer to Note 4 Acquisitions of operations.

The remaining goodwill of SEK 173.7 M (171.2) is attributable to Försäkringsaktiebolaget Agria's acquisition of the UK selling company, Agria Pet Insurance Ltd 2007. The aim of the acquisition is to enable the establishment of Agria's animal insurance in the UK market. The goodwill comprises customer relations, products and know-how in the organisation.

## NOTE 21 OTHER INTANGIBLE ASSETS, cont.

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
<b>Depreciation/Amortisation</b>				
Opening accumulated depreciation, January 1, 2008	-291.0	-19.6	-57.3	-367.9
Exchange-rate differences for the year	-	-	1.1	1.1
Depreciation for the year	-49.2	-18.2	-80.4	-147.8
<b>Closing accumulated amortisation, December 31, 2008</b>	<b>-340.2</b>	<b>-37.8</b>	<b>-136.5</b>	<b>-514.5</b>
Opening accumulated depreciation, 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	-	-	-
Depreciation for the year	-90.8	-10.4	-91.9	-193.2
<b>Closing accumulated amortisation, December 31, 2009</b>	<b>-431.0</b>	<b>-46.2</b>	<b>-223.5</b>	<b>-700.7</b>
<b>Impairment</b>				
Opening accumulated impairment, January 1, 2008	-65.8	-0.1	-	-65.9
Impairment for the year	-	-20.7	-	-20.7
<b>Closing accumulated impairment, December 31, 2008</b>	<b>-65.8</b>	<b>-20.8</b>	<b>-</b>	<b>-86.6</b>
Opening accumulated impairment, January 1, 2009	-65.8	-20.8	-	-86.6
Impairment for the year	-24.3	-8.0	-	-32.3
<b>Closing accumulated impairment, December 31, 2009</b>	<b>-90.1</b>	<b>-28.8</b>	<b>-</b>	<b>-118.9</b>
<b>Carrying amount, December 31</b>				
<b>2008</b>	<b>384.5</b>	<b>65.8</b>	<b>555.8</b>	<b>1,006.0</b>
<b>2009</b>	<b>370.8</b>	<b>37.8</b>	<b>462.4</b>	<b>870.9</b>

The remaining amortisation period is five years except for customer-based systems, which is eight years.

All amortisation is recognised in profit and loss as "Other administration expenses."

Impairments in 2008 and 2009 pertaining to acquired IT systems refer to an internal monitoring and reporting system. Impairment for 2009 pertaining to internally developed IT systems refer to a system package for animal insurance.

## NOTE 22 PROPERTY AND EQUIPMENT

	2009	2008
<b>Cost</b>		
Opening cost, January 1	423.5	477.7
Divestments/scrapping	-94.8	-89.5
Acquisitions during the year	44.4	37.0
Exchange-rate differences	0.2	-1.7
<b>Closing cost, December 31</b>	<b>373.3</b>	<b>423.5</b>
<b>Depreciation</b>		
Opening accumulated depreciation, January 1	-322.7	-373.3
Accumulated depreciation on acquisitions	-	-0.0
Accumulated depreciation for divestments/scrapping	86.3	84.6
Depreciation for the year	-38.8	-35.2
Exchange-rate differences	-0.1	1.2
<b>Closing accumulated depreciation, December, 31</b>	<b>-275.4</b>	<b>-322.7</b>
<b>Carrying amount at year-end</b>	<b>97.8</b>	<b>100.7</b>

No impairment losses have been recognised.

## NOTE 23 OWNER-OCCUPIED PROPERTY

The Group applies the revaluation technique to the Group's owner-occupied property.

	After revaluation Dec. 31, 2009	Before revaluation Dec. 31, 2009	After revaluation Dec. 31, 2008	Before revaluation Dec. 31, 2008
Cost, reclassified	2,512.6	2,446.8	2,355.1	2,465.8
Accumulated depreciation	-215.4	-209.8	-149.9	-156.9
Carrying amount	2,297.2	2,237.1	2,205.2	2,308.9
<b>Fair value</b>	<b>2,297.2</b>		<b>2,205.2</b>	

Reclassification to amortised cost	Dec. 31, 2009	Dec. 31, 2008
Opening balance	2,205.2	2,363.0
Capitalised improvements	89.9	1.3
Impairment	-	-1.8
Divestments	-5.2	-1.7
Depreciation for the year according to plan before revaluation	-52.8	-51.9
Revaluation of owner-occupied property	60.1	-103.7
<b>Closing balance</b>	<b>2,297.2</b>	<b>2,205.2</b>

Historical cost reduced by depreciation according to plan	1,986.4	1,953.1
Revaluation effect against revaluation reserve	44.3	-76.5
Tax assessment values	981.0	986.2

Assumption on valuation at fair value	2009	2008
Current rental income/market rent, SEK 000s	143,728/157,926	147,607/154,745
Computed interest in discounting, %	8.0	8.2
Direct yield requirement, %	5.9	6.0

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. In 2008, three leisure properties with a carrying amount of SEK 3.8 M are included. These were valued internally. Of the original six leisure properties, three were divested in 2008 and the remaining three in 2009. The Group has no borrowing costs for owner-occupied property.



**NOTE 24 SHARES IN LÄNSFÖRSÄKRINGAR LIVFÖRSÄKRINGSAKTIEBOLAG (PUBL)**

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Sharehold- ers' equity	Earnings	Carrying amount, Dec. 31, 2009	Carrying amount, Dec. 31, 2008
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	27,338	17,922	514.5	514.5

Shareholders' 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 policyhold-

ers, 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. The shares have been measured at cost. 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.

**NOTE 25 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES**

	Dec. 31, 2009	Dec. 31, 2008
Carrying amount at beginning of the year	20.9	17.4
Divestments of associated companies	0.0	-0.3
Profit shares in the associated company	2.3	3.0
Other changes in the associated company's shareholders' equity	-0.5	0.8
<b>Total shares and participations in associated companies</b>	<b>22.7</b>	<b>20.9</b>

Accumulated impairment losses amount to SEK 3.7 M (3.8).

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Carrying amount, Dec. 31, 2009	Carrying amount, Dec. 31, 2008
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	12.0	9.4
European Alliance Partners Company AG	CH-0203026423-1	Zürich, Switzerland	12,331	16.7	9.0	10.2
Svenska Elitskon AB	556549-7012	Umeå	–	–	–	0.0
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.2	0.2
Häst i Västerås AB	556687-6420	Västerås	–	–	–	0.0
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	45.0	1.4	1.1
<b>Total</b>					<b>22.7</b>	<b>20.9</b>

**Summary of financial information pertaining to associated companies**

	2009	2008
Income	37.7	33.7
Earnings	2.3	3.0
Assets	36.3	229.5
Liabilities	16.3	209.8
Shareholders' equity	22.7	19.7

The amounts presented above refer only to the Group's participating interest.

All shares and participations are unlisted. Svenska Elitskon AB and Häst i Västerås AB were divested during the year. All associated companies apply the calendar year as the fiscal year.

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 26 INVESTMENT PROPERTY**

	Cost	Fair value	Floor space vacancy rate	Direct yield	Value effect
Investment property per December 31, 2009	26,3	118,0	0,0%	-1,2%	-41,0
Investment property per December 31, 2008	30,5	280,2	0,0%	2,9%	-112,4

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

**NOTE 26 INVESTMENT PROPERTY, cont.****Change in value for the period**

	Cost		Fair value	
	2009	2008	2009	2008
Opening balance, January 1	30.5	30.3	280.2	287.0
Acquisitions	0.6	1.8	–	–
Investment in existing properties	4.2	4.7	4.2	–
Divestments	–9.0	–	–180.0	–
Profit/loss from adjustments of fair value	–	–6.3	13.6	–6.8
<b>Closing balance, December 31</b>	<b>26.3</b>	<b>30.5</b>	<b>118.0</b>	<b>280.2</b>
<b>Dec. 31, 2009 Dec. 31, 2008</b>				
Tax assessment value			134.2	207.5

All of the properties are situated in the Municipality of Stockholm. None of the properties are utilised in the company's own operations, instead they are leased to external tenants.

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. 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**

Type of property	Current rental income/ market rent, SEK 000s		Computed interest in discounting, %		Direct yield require- ment, %	
	2009	2008	2009	2008	2009	2008
Residential properties	4,636/4,680	13,994/14,008	4.7	4.7–5.0	2.6	2.7–3.0
Office properties	560/781	–	9.7	–	7.5	–

**Impact on profit for the period**

	2009	2008
Rental income	12.8	14.4
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	–13.0	–6.9

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

**NOTE 27 LENDING****Lending to the public**

	Dec. 31, 2009	Dec. 31, 2008
Loan receivables, gross	99,889.6	78,871.0
Impairment	–308.0	–307.2
<b>Loan receivables, net</b>	<b>99,581.6</b>	<b>78,563.8</b>
Impaired loans	212.6	192.5
<b>Reconciliation of impairment of loan losses</b>		
	<b>2009</b>	<b>2008</b>
Opening balance, January 1	–307.2	–262.5
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	77.6	58.4
Reversed impairment of loan losses no longer required	83.5	67.5
Impairment of loan losses during the year	–161.9	–170.6
<b>Closing balance, December 31</b>	<b>–308.0</b>	<b>–307.2</b>

Loan receivables are geographically attributable in their entirety to Sweden.

**NOTE 28 FINANCIAL LEASING**

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

Dec. 31, 2009	More than			Total
	Up to 1 year	1–5 years	5 years	
Present value of future minimum lease fees	1,528.2	2,319.3	304.9	4,152.4
Unearned financial income	171.2	164.6	6.5	342.2
Gross investment	1,699.4	2,483.9	311.4	4,494.7
<b>Dec. 31, 2008</b>				
	<b>Up to 1 year</b>	<b>1–5 years</b>	<b>5 years</b>	<b>Total</b>
Present value of future minimum lease fees	1,399.1	2,136.0	203.6	3,738.7
Unearned financial income	165.2	129.7	0.6	295.5
Gross investment	1,564.3	2,265.7	204.2	4,034.2

	2009	2008
Provision for impaired loans pertaining to minimum lease fees	46.4	39.7
Variable portion of leasing fees included in net profit for the year	–47.7	16.1

Financial leasing is included in lending 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 29 SHARES AND PARTICIPATIONS**

	Carrying amount, Dec. 31, 2009	Carrying amount, Dec. 31, 2008
<b>Fair value in profit and loss</b>		
Shares and participations	1,238.1	1,316.2
<b>Specification of listed/unlisted</b>		
Listed shares and participations	379.0	464.9
Unlisted shares and participations	859.1	851.3
<b>Total shares and participations</b>	<b>1,238.1</b>	<b>1,316.2</b>
<b>Dec. 31, 2009 Dec. 31, 2008</b>		
Fair value	1,238.1	1,316.2
Cost	761.1	1,030.4

**NOTE 30 BONDS AND OTHER INTEREST-BEARING SECURITIES**

	Carrying amount, Dec. 31, 2009	Carrying amount, Dec. 31, 2008
Eligible treasury bills	1,999.8	–
Other treasury bills	4,394.8	5,044.9
Mortgage institutions	23,117.0	10,785.6
Other issuers	6,307.6	5,240.0
<b>Total bonds and other interest-bearing securities</b>	<b>35,819.2</b>	<b>21,070.4</b>
All securities are listed		
<b>Dec. 31, 2009 Dec. 31, 2008</b>		
Fair value	35,832.3	21,070.4
Amortised cost	33,900.8	19,645.2
Nominal value	33,412.0	20,701.2

**NOTE 31 DERIVATIVES**

	Par values		Fair values	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
<b>Derivative instruments with positive values or valued at zero</b>				
Derivatives in hedge accounting				
Interest	39,894.5	32,667.5	828.2	1,029.5
Currency	1,394.4	1,394.4	332.4	427.4
Other derivatives				
Equity	338.4	234.4	0.1	0.2
Interest	1,803.5	2,506.8	2.2	3.7
Currency	9,146.8	14,002.3	628.5	1,300.8
Collateral received, CSA	–	–	–522.7	–
<b>Total derivatives with positive values</b>	<b>52,577.6</b>	<b>50,805.4</b>	<b>1,268.7</b>	<b>2,761.6</b>
<b>Derivatives with negative values</b>				
Derivatives in hedge accounting				
Interest	29,263.0	31,726.0	1,164.2	1,452.6
Other				
Equity	559.6	503.8	0.5	0.0
Interest	600.0	3,250.0	7.4	54.6
Currency	4,869.6	9,064.9	82.0	494.0
<b>Total derivatives with negative values</b>	<b>35,292.2</b>	<b>44,544.7</b>	<b>1,254.1</b>	<b>2,001.5</b>

**NOTE 32 FAIR VALUE ADJUSTMENT OF INTEREST-RATE HEDGED ITEMS IN PORTFOLIO HEDGE**

	Dec. 31, 2009	Dec. 31, 2008
<b>Assets</b>		
Carrying amount at beginning of year	1,131.9	–247.7
Changes during the year	–364.0	1,379.6
<b>Carrying amount at year-end</b>	<b>767.9</b>	<b>1,131.9</b>
<b>Liabilities</b>		
Carrying amount at beginning of year	1,024.6	–215.5
Changes during the year	–262.5	1,240.0
<b>Carrying amount at year-end</b>	<b>762.1</b>	<b>1,024.6</b>

**NOTE 36 SHAREHOLDERS' EQUITY**

	Shareholders' equity attributable to Parent Company's shareholders					
	Restricted shareholders' equity		Non-restricted shareholders' equity		Minority interests	Total shareholders' equity
	Share capital	Restricted reserves	including comprehensive income for the year	Total		
Opening shareholders' equity, January 1, 2008	629.8	4,890.9	4,855.5	10,376.1	0.0	10,376.1
Adjustment for changed accounting policy			–38.5	–38.5		–38.5
Adjusted shareholders' equity, January 1, 2008	629.8	4,890.9	4,817.0	10,337.6	0.0	10,337.7
Change in translation reserve		–36.3	–10.8	–47.1		–47.1
Change in revaluation reserve			–103.7	–103.7		–103.7
Change in hedging reserve			20.5	20.5		20.5
Change in fair value reserve			–14.6	–14.6		–14.6
Tax on items recognised in other comprehensive income			30.2	30.2		30.2
Transfer between restricted and non-restricted shareholders' equity		107.7	–107.7	–		–
Net profit/loss for the year			–2,479.6	–2,479.6		–2,479.6
Acquisition of minorities					–0.0	–0.0
Dividend at SEK 44 per share			–277.1	–277.1		–277.1
<b>Closing shareholders' equity, December 31, 2008</b>	<b>629.8</b>	<b>4,962.2</b>	<b>1,874.2</b>	<b>7,466.2</b>	<b>–</b>	<b>7,466.2</b>
Opening shareholders' equity, January 1, 2009	629.8	4,962.2	1,874.2	7,466.2	–	7,466.2
Change in translation reserve		3.9	0.0	3.9		3.9
Change in revaluation reserve			60.1	60.1		60.1
Change in fair value reserve			47.4	47.4		47.4
Tax on items recognised in other comprehensive income			–28.3	–28.3		–28.3
Transfer between restricted and non-restricted shareholders' equity		–262.0	262.0	–		–
Net profit/loss for the year			508.9	508.9		508.9
<b>Closing shareholders' equity, December 31, 2009</b>	<b>629.8</b>	<b>4,704.1</b>	<b>2,724.3</b>	<b>8,058.2</b>	<b>–</b>	<b>8,058.2</b>

**NOTE 33 OTHER RECEIVABLES**

	Dec. 31, 2009	Dec. 31, 2008
Receivables pertaining to direct insurance	790.3	639.4
Receivables, reinsurance	178.3	279.7
Deposits with companies that have ceded reinsurance	50.5	59.3
Accounts receivable	515.0	362.1
Other receivables	180.8	628.6
<b>Total other receivables/assets</b>	<b>1,714.9</b>	<b>1,969.1</b>

**NOTE 34 PREPAID EXPENSES AND ACCRUED INCOME**

	Dec. 31, 2009	Dec. 31, 2008
Accrued interest and rental income	1,045.8	936.0
Prepaid acquisition costs	81.5	78.1
Other accrued income	53.2	99.2
Other prepaid expenses	129.2	116.8
<b>Total prepaid expenses and accrued income</b>	<b>1,309.8</b>	<b>1,230.1</b>

**NOTE 35 CASH AND BANK BALANCES**

	Dec. 31, 2009	Dec. 31, 2008
Cash and balances with central banks	80.5	81.3
Balances with other banks	4,677.7	11,461.4
<b>Total balance</b>	<b>4,758.2</b>	<b>11,542.7</b>

**NOTE 36 SHAREHOLDERS' EQUITY, cont.****Share capital**

	2009	2008
Number of shares with a par value of SEK 100	6,297,583	6,297,583

All shares are ordinary shares.

**Specification of the capital item Reserves in the statement of financial position**

Changes in these reserves are included in comprehensive income for the year

	2009	2008
<b>Translation reserve</b>		
Opening translation reserve, January 1	-50.1	-2.9
Translation differences for the year	3.9	-47.2
<b>Closing translation reserve, December 31</b>	<b>-46.2</b>	<b>-50.1</b>

**Revaluation reserve**

Opening revaluation reserve, January 1	134.5	206.1
Revaluation of owner-occupied property	60.1	-103.7
Tax attributable to revaluation for the year	-15.8	29.0
Tax due to changed tax rate	-	3.1
<b>Closing revaluation reserve, December 31</b>	<b>178.8</b>	<b>134.5</b>

**Hedging reserve**

Opening hedging reserve, January 1	-	-14.8
Change in hedging reserve for the year	-	20.5
Tax attributable to change for the year	-	-5.7
<b>Closing hedging reserve, December 31</b>	<b>-</b>	<b>-</b>

**Fair value reserve**

Opening fair value reserve, January 1	-11.1	-0.4
Change in fair value reserve for the year	47.4	-14.6
Tax attributable to change for the year	-12.5	4.1
Tax due to changed tax rates	-	-0.3
<b>Closing fair value reserve, December 31</b>	<b>23.8</b>	<b>-11.1</b>

**Other capital contributed**

Refers to shareholders' 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 shareholders' equity for the Group includes some restricted reserves in other contributed equity and the remainder in retained earnings.

**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.

**Hedging reserve**

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash hedging instrument attributable to hedge transactions that have not yet occurred.

**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 balance sheet/statement of financial position.

**Share premium reserve**

The portion of the payment for a share that exceeds the quotient value of the share is recognised in the share premium reserve.

**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**

No dividend was paid in 2009. In 2008, dividends were paid in the amount of SEK 44 per share, totalling SEK 277.1 M.

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. Normally, 30% of net profit for the year after tax in the Group shall be paid on the condition that the balance between capital strength and risk-taking can be maintained.

**NOTE 37 SUBORDINATED LIABILITIES**

	Dec. 31, 2009	Dec. 31, 2008
Subordinated liabilities	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 for the year amounts to 4.361% (4.361) until December 15, 2009 and thereafter to 3.34% (4.361).



**NOTE 38 TECHNICAL RESERVES**

	2009			2008		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
<b>Unearned premiums</b>						
Opening balance, January 1	1,259.2	155.1	1,104.1	962.5	76.3	886.2
Provisions during the period	304.2	60.8	243.4	166.5	78.4	88.1
Insurance portfolio assumed/ceded	-44.2	-0.3	-43.9	129.0		129.0
Exchange-rate changes	0.0	-0.3	0.4	1.2	0.4	0.8
<b>Closing balance, December 31</b>	<b>1,519.1</b>	<b>215.2</b>	<b>1,303.9</b>	<b>1,259.2</b>	<b>155.1</b>	<b>1,104.1</b>
of which non-life insurance	1,515.0	215.2	1,299.8	1,255.5	155.1	1,100.4
of which life assurance	4.1		4.1	3.6		3.6
<b>Unexpired risk</b>						
Opening balance, January 1	31.1		31.1	1.4		1.4
Provisions during the period	80.0	32.7	47.3	29.0		29.0
Insurance portfolio taken over/ceded	-9.6		-9.6			
Exchange-rate changes				0.7		0.7
<b>Closing balance, December 31</b>	<b>101.5</b>	<b>32.7</b>	<b>68.8</b>	<b>31.1</b>		<b>31.1</b>
of which non-life insurance	101.5	32.7	68.8	31.1		31.1
<b>Claims outstanding</b>						
Claims incurred and reported	10,304.6	2,744.8	7,559.8	10,847.6	3,168.5	7,679.0
Claims incurred and not reported	4,605.5	2,980.5	1,625.0	3,839.6	2,443.4	1,396.2
Claims annuities	3,428.0		3,428.0	3,212.0		3,212.0
Claims adjustment costs	476.0	8.9	467.1	561.7	8.7	553.0
<b>Total opening balance, January 1</b>	<b>18,814.1</b>	<b>5,734.2</b>	<b>13,079.9</b>	<b>18,460.8</b>	<b>5,620.6</b>	<b>12,840.1</b>
Provisions for the period	-217.8	97.3	-315.0	-304.5	62.0	-366.4
Interest-rate translation of provision for claim annuities	54.8		54.8			
Change in shareholders' equity				38.5		38.5
Insurance portfolio taken over/ceded	-535.8	-147.5	-388.3	481.3		481.3
Exchange-rate changes	-44.6	-14.5	-30.1	138.0	51.6	86.4
<b>Closing balance, December 31</b>	<b>18,070.7</b>	<b>5,669.4</b>	<b>12,401.2</b>	<b>18,814.1</b>	<b>5,734.2</b>	<b>13,079.9</b>
of which non-life insurance	17,840.4	5,664.8	12,175.6	18,595.3	5,725.7	12,869.6
of which life assurance	230.3	4.7	225.6	218.8	8.4	210.4
<b>Specification of closing balance claims outstanding</b>						
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
<b>Total closing balance, December 31</b>	<b>18,070.7</b>	<b>5,669.4</b>	<b>12,401.2</b>	<b>18,814.1</b>	<b>5,734.2</b>	<b>13,079.9</b>
<b>Carrying amount at year-end</b>						
<b>19,691.3</b>	<b>5,917.3</b>	<b>13,774.0</b>	<b>20,104.4</b>	<b>5,889.2</b>	<b>14,215.1</b>	
of which non-life insurance	19,456.8	5,912.6	13,544.2	19,881.9	5,880.8	14,001.1
of which life assurance	234.4	4.7	229.7	222.4	8.4	214.0
<b>Run-off profit/loss, non-life insurance</b>	<b>488.3</b>	<b>-82.0</b>	<b>406.3</b>	<b>153.8</b>	<b>130.8</b>	<b>284.6</b>

Provision for claims outstanding before discounting for medical and accident insurance for children amounts to SEK 37.8 M. The corresponding amount after discounting is SEK 35.8 M. The discount rate is 3.0%.

**NOTE 39 DEFERRED TAX ASSETS AND TAX LIABILITIES**

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

	Net		Deferred tax liabilities		Deferred tax assets	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Intangible assets	88.3	112.2	88.3	112.2	–	–
Land and buildings	248.5	290.0	248.5	290.0	–	–
Other financial assets	68.7	67.7	68.7	67.7	–	–
Other assets	–0.5	–16.3	–	–	–0.5	–16.3
Liabilities	–51.4	–92.6	–	–	–51.4	–92.6
Utilisation of loss carryforwards	–306.4	–519.5	–	–	–306.4	–519.5
Untaxed reserves	490.6	485.7	490.6	485.7	–	–
<b>Deferred tax asset (–) /deferred tax liability (+)</b>	<b>537.9</b>	<b>327.2</b>	<b>896.2</b>	<b>955.6</b>	<b>–358.3</b>	<b>–628.4</b>
Offset	–	–0.1	–3.0	–27.7	3.0	27.6
<b>Net deferred tax asset (–) /deferred tax liability (+)</b>	<b>537.9</b>	<b>327.1</b>	<b>893.2</b>	<b>927.9</b>	<b>–355.3</b>	<b>–600.8</b>

The Group has no temporary differences with tax effects in Group or associated companies.  
Deferred tax assets have been recognised for tax loss carryforwards.

**Change in deferred tax in temporary differences and loss carryforwards**

	Amount at Jan. 1	Tax on acquisitions	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec. 31
<b>2009</b>					
Intangible assets	112.2	–	–23.9	–	88.3
Land and buildings	290.0	–	–57.2	15.8	248.5
Other 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
Utilisation of loss carryforwards	–519.5	9.0	204.1	–	–306.4
Untaxed reserves	485.7	–3.5	8.4	–	490.6
<b>Deferred tax assets (–) /deferred tax liabilities (+)</b>	<b>327.1</b>	<b>5.2</b>	<b>177.3</b>	<b>28.3</b>	<b>537.9</b>

**Change in deferred tax in temporary differences and loss carryforwards**

	Amount at Jan. 1	Tax on acquisitions	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec. 31
<b>2008</b>					
Intangible assets	–	120.8	–8.6	–	112.2
Land and buildings	335.5	–	–12.9	–32.6	290.0
Other financial assets	269.3	–	–197.8	–3.7	67.7
Other assets	–0.6	–	–15.7	–	–16.3
Liabilities	–62.7	–	–29.9	–	–92.6
Utilisation of loss carryforwards	–1.1	–	–519.5	1.1	–519.5
Untaxed reserves	621.4	–	–135.7	–	485.7
<b>Deferred tax assets (–) /deferred tax liabilities (+)</b>	<b>1,161.7</b>	<b>120.8</b>	<b>–920.1</b>	<b>–35.3</b>	<b>327.1</b>

**NOTE 40 OTHER PROVISIONS**

	Dec. 31, 2009	Dec. 31, 2008
Provision for pensions being paid	39.5	28.5
Provisions for early retirement in accordance with pension agreement	69.7	62.7
Provision for contractual obligations	189.6	172.1
Other provisions	19.0	161.8
<b>Total other provisions</b>	<b>317.8</b>	<b>425.1</b>
<b>Provision for contractual obligations</b>		
Carrying amount at beginning of period	172.1	167.0
Provisions made during the period	81.4	32.0
Amounts utilised during the period	–63.6	–25.0
Unutilised amount reversed during the period	–0.3	–1.9
<b>Carrying amount at end of period</b>	<b>189.6</b>	<b>172.1</b>

**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, 2009	Dec. 31, 2008
Present value of wholly or partly funded commitments	28.0	41.0
Fair value of plan assets	–16.8	–23.0
Present value of unfunded commitments	41.8	50.9
The limitation amount due to the design of the plan	9.8	–
<b>Present value of net commitments</b>	<b>62.8</b>	<b>68.9</b>
Unrecognised accumulated actuarial gains (+) and losses (–)	16.0	13.9
<b>Net amount recognised pertaining to defined-benefit plans in the statement of financial position</b>	<b>78.9</b>	<b>82.8</b>
Provision, special employer's contribution	19.1	–
Other pension provisions	3.3	–
<b>Total</b>	<b>101.4</b>	<b>82.8</b>
<b>The net amount is recognised in the following items in the statement of financial position</b>		
Other provisions	109.2	91.3
Other receivables	–7.8	–8.5
<b>Total</b>	<b>101.4</b>	<b>82.8</b>

## NOTE 40 OTHER PROVISIONS, cont.

	2009	2008
<b>Change in net liability recognised in the statement of financial position</b>		
Opening liability, January 1	82.8	96.4
Pension costs for the year according to specification below	1.2	5.6
Settlement	-5.2	-18.5
Paid remuneration (reimbursement)	-	-0.7
<b>Closing net, December 31 according to the statement of financial position</b>	<b>78.9</b>	<b>82.8</b>
<b>Changes in total present value for defined-benefit plans</b>		
Commitments for defined-benefit plans, January 1	92.2	113.8
Costs for service during current period	1.6	3.2
Interest expense	2.0	4.0
Paid remuneration	-14.1	-21.3
Actuarial gains (-) and losses (+)	-11.9	-7.6
<b>Total commitments for defined-benefit plans, December 31</b>	<b>69.8</b>	<b>92.2</b>
<b>Change in fair value of plan assets</b>		
Fair value of plan assets, January 1	23.0	23.9
Paid remuneration (reimbursement)	-	-1.3
Expected return on plan assets	-0.3	1.6
Difference between expected and actual return (actuarial gains/losses)	-5.9	-1.2
<b>Fair value of plan assets, December 31</b>	<b>16.8</b>	<b>23.0</b>
<b>Composition of plan assets</b>		
Participations in fixed-income funds	22.9	21.8
Cash and bank balances	3.3	3.3
Other assets	-	6.0
Liabilities	-9.5	-8.1
<b>Total</b>	<b>16.8</b>	<b>23.0</b>
<b>Costs recognised in profit and loss:</b>		
Costs for service during current period	1.6	3.2
Interest expense	2.0	4.0
Expected return on plan assets	-0.3	-1.6
Effects of reductions and settlements	-2.1	-
<b>Total net expenses in profit and loss</b>	<b>1.2</b>	<b>5.6</b>
<b>Costs are recognised in the following lines in profit and loss:</b>		
Staff costs	1.2	5.6
<b>Significant calculation assumptions on December 31</b>		
Discount rate	2.7%	2.4%
Expected return on plan assets	3.0%	6.0%
Expected rate of salary increase	3.0%	3.5%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%

	2009	2008	2007	2006
<b>Historic information</b>				
Present value of defined-benefit commitments	69.8	92.2	113.8	118.0
Fair value of plan assets	-16.8	-23.0	-23.9	-24.3
Surplus/Deficit in the plan	53.1	69.1	89.9	93.7
Experience-based adjustment pertaining to plan assets	-	-	1.3	-0.4
Experience-based adjustment pertaining to defined-benefit commitments	0.3	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.

	2009	2008
Expenses for defined-contribution plans	172.5	181.3

**NOTE 41 DEBT SECURITIES IN ISSUE**

	Dec. 31, 2009	Dec. 31, 2008
Commercial papers	5,925.0	5,082.6
Bond loans	54,984.0	43,302.0
Cashier's cheques issued	113.3	93.5
<b>Total securities issued</b>	<b>61,022.3</b>	<b>48,478.1</b>

**NOTE 42 DEPOSITS FROM THE PUBLIC**

	Dec. 31, 2009	Dec. 31, 2008
Deposits from insurance companies	2,596.2	3,584.8
Deposits from households	32,245.4	28,844.0
Deposits from other Swedish public	2,139.0	2,194.9
<b>Total deposits from the public</b>	<b>36,980.6</b>	<b>34,623.7</b>

**NOTE 43 LIABILITIES TO CREDIT INSTITUTIONS**

	Dec. 31, 2009	Dec. 31, 2008
Swedish banks	20,500.0	8,501.4
Other Swedish credit institutions	732.4	611.2
<b>Total liabilities to credit institutions</b>	<b>21,232.4</b>	<b>9,112.6</b>

**NOTE 44 OTHER LIABILITIES**

	Dec. 31, 2009	Dec. 31, 2008
Liabilities pertaining to direct insurance	575.3	693.3
Liabilities, reinsurance	353.5	338.9
Deposits from reinsurers	44.3	50.5
Accounts payable	300.5	241.9
Interest-bearing liabilities to regional insurance companies	1,656.2	1,700.0
Other liabilities	872.5	672.9
<b>Total other liabilities</b>	<b>3,802.3</b>	<b>3,697.4</b>

**NOTE 45 ACCRUED EXPENSES AND DEFERRED INCOME**

	Dec. 31, 2009	Dec. 31, 2008
Prepaid rent	–	39.7
Accrued interest expense	1,592.8	1,559.3
Other deferred income	398.1	309.4
Other accrued expenses	886.0	668.6
<b>Total accrued expenses and deferred income</b>	<b>2,876.9</b>	<b>2,577.1</b>

**NOTE 46 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

	Dec. 31, 2009	Dec. 31, 2008
<b>Pledged assets</b>		
Lien for own property, par value	57.3	115.5
Total registered investment assets on behalf of policyholders	14,542.0	14,104.1
of which pertain to preferential commitments	3,592.6	3,427.3
Bonds	26,530.9	13,152.3
Bank balances	153.3	70.5
Loan receivables, covered bonds	65,111.6	–
Chattel mortgages, associated companies	0.3	–
<b>Total pledged assets</b>	<b>106,395.4</b>	<b>27,442.4</b>
<b>Contingent liabilities</b>		
Guarantees	36.0	41.8
Part-owner of Utile Dulci 2 HB	11.8	41.1
Surety	–	7.8
Early retirement at age 62 in accordance with pension agreement, 80%	278.9	206.4
<b>Total contingent liabilities</b>	<b>326.7</b>	<b>297.1</b>
<b>Other commitments, banking operations</b>		
Loans and credits approved but not disbursed	811.6	597.1
Unutilised portion of credits	1,774.7	1,492.4
Card loans approved but not utilised	779.5	707.3
Commitments, repurchase transactions	519.2	352.9
<b>Total other commitments, banking operations</b>	<b>3,885.0</b>	<b>3,149.7</b>

**The following guarantees also apply:**

Guarantee to ILU (Institute of London Underwriters) regarding liability for contracts underwritten by the Group company Stockholm Reinsurance Company (UK) Ltd. The insurance portfolio has been transferred to Wasa International Försäkrings AB. A guarantee to policyholders not affiliated to ILU regarding liability for contracts underwritten by the Group company Stockholm Reinsurance Company (UK) Ltd, up to a maximum of GBP 500,000.

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.

**NOTE 47 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES**

Amount expected to be recovered, SEK M	Dec. 31, 2009			Dec. 31, 2008		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
<b>Assets</b>						
Goodwill	–	353.1	353.1	–	350.6	350.6
Other intangible assets	151.3	719.7	870.9	177.7	828.4	1,006.0
Deferred tax assets	332.2	23.1	355.3	306.6	294.1	600.8
Property and equipment	34.4	63.4	97.8	32.8	67.9	100.7
Owner-occupied property	52.2	2,245.0	2,297.2	51.9	2,153.3	2,205.2
Shares in Länsförsäkringar Liv Försäkrings AB	–	514.5	514.5	–	514.5	514.5
Shares and participations in associated companies	–	22.7	22.7	–	20.9	20.9
Reinsurers' portion of technical reserves	3,571.0	2,346.3	5,917.3	3,466.4	2,422.9	5,889.2
Investment property	–	118.0	118.0	–	280.2	280.2
Lending	2,931.7	96,649.9	99,581.6	3,095.4	75,468.3	78,563.7
Change in value of hedge portfolios	–	767.9	767.9	–	1,131.9	1,131.9
Shares and participations	412.7	825.4	1,238.1	–	1,316.2	1,316.2
Bonds and other interest-bearing securities	16,602.1	19,217.1	35,819.2	9,824.0	11,246.4	21,070.4
Derivatives	413.1	855.6	1,268.7	523.3	2,238.3	2,761.6
Other receivables	1,536.6	178.3	1,714.9	1,804.5	164.6	1,969.1
Prepaid expenses and accrued income	1,309.8	–	1,309.8	1,230.1	–	1,230.1
Cash and bank balances	4,758.2	–	4,758.2	11,542.7	–	11,542.7
<b>Total assets</b>	<b>32,105.2</b>	<b>124,900.0</b>	<b>157,005.2</b>	<b>32,055.4</b>	<b>98,498.4</b>	<b>130,553.8</b>

Amount expected to be settled, SEK M	Dec. 31, 2009			Dec. 31, 2008		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
<b>Provisions and liabilities</b>						
Subordinated liabilities	–	114.0	114.0	–	114.0	114.0
Technical reserves	7,216.2	12,475.1	19,691.3	7,307.1	12,797.3	20,104.4
Deferred tax liabilities	–	893.2	893.2	–	927.8	927.8
Other provisions	48.6	269.2	317.8	52.3	372.8	425.1
Debt securities in issue	21,436.2	39,586.1	61,022.3	13,199.5	35,278.6	48,478.1
Deposits from the public	1,489.6	35,491.0	36,980.6	1,897.8	32,725.8	34,623.7
Liabilities to credit institutions	21,232.4	–	21,232.4	9,112.6	–	9,112.6
Derivatives recognised as liabilities	272.7	981.5	1,254.1	648.1	1,353.4	2,001.5
Change in value of hedge portfolios	–	762.1	762.1	–	1,024.6	1,024.6
Current tax liabilities	–	–	–	1.5	–	1.5
Other liabilities	3,625.5	176.8	3,802.3	1,809.8	1,887.7	3,697.5
Accrued expenses and deferred income	2,876.9	–	2,876.9	2,577.1	–	2,577.1
<b>Total provisions and liabilities</b>	<b>58,198.1</b>	<b>90,748.9</b>	<b>148,947.0</b>	<b>36,605.7</b>	<b>86,482.1</b>	<b>123,087.7</b>



**NOTE 48 ASSETS AND LIABILITIES BY CATEGORY**

Dec. 31, 2009	Financial assets measured at fair value in profit and loss						Non-financial assets	Total	Fair value
	Loan receivables and accounts receivable	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Investments held to maturity			
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
Lending	99,581.6							99,581.6	100,569.7
Change in value of hedge portfolios	767.9							767.9	767.9
Shares and participations		1,227.7			10.4			1,238.1	1,238.1
Bonds and other interest-bearing securities		11,726.5			16,051.1	8,041.6		35,819.2	35,832.3
Derivatives			108.1	1,160.6				1,268.7	1,268.7
Other receivables	515.0	92.6					1,107.3	1,714.9	1,714.9
Prepaid expenses and accrued income	111.5	81.3	1.8	581.7	249.9	74.1	209.4	1,309.8	
Cash and bank balances	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	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
Liabilities to credit institutions					21,232.4			21,232.4	21,232.4
Derivatives recognised as liabilities			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	

## NOTE 48 ASSETS AND LIABILITIES BY CATEGORY, cont.

Dec. 31, 2008	Financial assets measured at fair value in profit and loss					Available-for-sale financial assets	Non-financial assets	Total	Fair value
	Loan receivables and accounts receivable	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting					
Assets									
Goodwill						350.6	350.6		
Other intangible assets						1,006.0	1,006.0		
Deferred tax assets						600.8	600.8		
Property and equipment						100.7	100.7		
Owner-occupied property						2,205.2	2,205.2	2,205.2	
Shares in Länsförsäkringar Liv Försäkrings AB					514.5		514.5	514.5	
Shares and participations in associated companies						20.9	20.9		
Reinsurers' portion of technical reserves						5,889.2	5,889.2		
Investment property						280.2	280.2	280.2	
Lending	78,563.8						78,563.8	79,886.0	
Change in value of hedge portfolios	1,131.9						1,131.9	1,131.9	
Shares and participations		1,305.4			10.8		1,316.2	1,316.2	
Bonds and other interest-bearing securities		11,764.4				9,306.0	21,070.4	21,070.4	
Derivatives			1,304.8	1,456.8			2,761.6	2,761.6	
Other receivables	362.1					1,607.0	1,969.1	1,969.1	
Prepaid expenses and accrued income	44.3	173.8	2.6	620.1	95.3	294.0	1,230.1		
Cash and bank balances	11,542.7						11,542.7	11,542.7	
Total assets	91,644.7	13,243.7	1,307.4	2,076.9	9,926.6	12,354.7	130,554.0		
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						20,104.4	20,104.4		
Deferred tax liabilities						927.9	927.9		
Other provisions						425.1	425.1		
Debt securities in issue				48,478.1			48,478.1	50,883.3	
Deposits from the public				34,623.7			34,623.7	35,271.4	
Liabilities to credit institutions				9,112.6			9,112.6	9,112.6	
Derivatives recognised as liabilities		548.6	1,452.9				2,001.5	2,001.5	
Change in value of hedge portfolios				1,024.6			1,024.6	1,024.6	
Current tax liabilities						1.5	1.5		
Other liabilities				241.9		3,455.5	3,697.4		
Accrued expenses and deferred income		1.6	660.4	897.4		1,017.8	2,577.1		
Total liabilities		550.2	2,113.3	94,492.2		25,932.2	123,087.9		

**NOTE 49 VALUATION TECHNIQUES FOR FAIR VALUE**

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

Dec. 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
<b>Assets</b>				
Shares and participations	379.0	842.1	6.9	1,227.9
Bonds and other interest-bearing securities	27,777.6	–	–	27,777.6
Derivatives	1.8	1,266.9	–	1,268.7
Other receivables	92.6	–	–	92.6
<b>Liabilities</b>				
Derivatives recognised as liabilities	0.5	1,253.6	–	1,254.1

Dec. 31, 2008	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
<b>Assets</b>				
Shares and participations	464.9	827.8	12.9	1,305.6
Bonds and other interest-bearing securities	21,070.4	–	–	21,070.4
Derivatives	0.5	2,761.1	–	2,761.6
<b>Liabilities</b>				
Derivatives recognised as liabilities	–	2,001.5	–	2,001.5

Change level 3	Shares and participations
Opening balance, Jan. 1, 2008	13.4
Acquisitions	1.8
Divestments	–0.4
Recognised in profit/loss for the year	–1.9
<b>Closing balance, December 31, 2008</b>	<b>12.9</b>
Profits and losses recognised in profit for the year pertaining to assets included in the closing balance at December 31, 2008.	–2.0
Opening balance, January 1, 2009	12.9
Divestments	–1.5
Recognised in profit/loss for the year	–4.6
<b>Closing balance, December 31, 2009</b>	<b>6.9</b>
Profits and losses recognised in profit for the year pertaining to assets included in the closing balance at December 31, 2009.	–6.1

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 of the Accounting policies.

**NOTE 50 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 Maklarservice 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.

**Transaction policies**

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.

**Committees**

Group 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 intra-Group companies. Based on these discussions, the Board of Länsförsäkringar AB makes decision on the service levels and costs to intra-Group companies.

**Related-party transactions in the Group 2009**

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, associated issues 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 Maklarservice AB**

Länsförsäkringar Maklarservice 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.

**Related-party transactions 2009**

	Income	Expenses	Receivables	Liabilities
Associated companies	4.2	32.7	0.1	–
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
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**Other related parties**

Länsförsäkringar Maklarservice 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 from related parties 2009**

	Interest income	Interest expense
Regional insurance companies	–	89.6

**Related-party transactions 2008**

	Income	Expenses	Receivables	Liabilities
Associated companies	9.0	49.2	9.0	–
Länsförsäkringar Liv Group	556.9	364.3	66.0	23.3
Regional insurance companies	1,426.5	714.1	5,370.0	19,250.7
Other related parties	15.8	5.8	0.9	0.0

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

**Interest income and interest expense from related parties 2008**

	Interest income	Interest expense
Regional insurance companies	11.3	85.4

## NOTE 50 DISCLOSURES ON RELATED PARTIES, cont.

Agreement	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 13 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 2009 Annual Report.

## NOTE 51 INVESTMENT COMMITMENTS

The Group signed an agreement to acquire intangible assets totalling SEK 22.9 M during 2010. In 2009, an agreement was also signed pertaining to the reconstruction of an owner-occupied property. During 2009, SEK 89 M was invested and in 2010, SEK 50 M has been contracted.

## NOTE 52 GROUP COMPANIES

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in %	
		Dec. 31, 2009	Dec. 31, 2008
Länsförsäkringar IT Center AB	Sweden	–	100
LF Gruppen AB, dormant	Sweden	100	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 International AB	Sweden	–	100
Länsförsäkringar International Försäkrings AB	Sweden	–	100
Länsförsäkringar Grupplivförsäkrings AB	Sweden	100	100
Lita Försäkringsvarumärken AB, dormant	Sweden	–	100
LF 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
Agera Djurägandeutveckling AB	Sweden	–	100
Grundstenen 125560 AB, dormant	Sweden	100	–
Wasa Försäkring Run-Off AB	Sweden	100	100
Wasa International Försäkrings AB	Sweden	–	100
Återförsäkrings AB Stockholm	Sweden	–	100
Länsförsäkringar EFEL Skadeförsäkring AB	Sweden	100	100
Länsförsäkringar EFEL Livförsäkring AB	Sweden	100	100

During 2009, Länsförsäkringar IT Center merged with the Parent Company. Three companies with no operations were discontinued and three small insurance companies were divested. Länsförsäkringar Liv is no longer classified as a Group company.

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

## NOTE 53 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS

	2009	2008
<b>Interest paid and dividends received</b>		
Dividends received	4.8	141.9
Interest received	278.2	488.4
Interest paid	–167.1	–228.4
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation and impairment of assets	267.6	256.6
Unrealised exchange-rate differences	–370.2	980.4
Capital gains and losses in assets	–145.8	2,869.1
Technical reserves after ceded reinsurance	–413.1	487.4
Pension provisions	17.8	39.8
Other provisions	–124.9	101.7
Other items not affecting liquidity	0.7	6.5
<b>Total</b>	<b>–767.9</b>	<b>4,741.4</b>

## NOTE 53 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS, cont.

	2009	2008
<b>Acquisition of subsidiaries and other business units</b>		
<b>Acquired assets and liabilities</b>		
Goodwill	–	179.4
Intangible assets	–	319.6
Investment assets	–	406.3
Cash and cash equivalents	0.1	113.8
<b>Total assets</b>	<b>0.1</b>	<b>1,019.2</b>
Deferred tax	–	–85.8
Technical reserves	–	–398.6
Operating liabilities	–	–9.8
<b>Total liabilities and provisions</b>	<b>–</b>	<b>–494.2</b>
Purchase consideration paid	0.1	525.1
Less acquired cash and cash equivalents	–0.1	–113.8
<b>Impact on cash and cash equivalents</b>	<b>0.0</b>	<b>411.3</b>
<b>Divestment of subsidiaries and other business units</b>		
<b>Divested assets and liabilities</b>		
Intangible assets	35.7	–
Property and equipment	0.2	–
Operating receivables	217.0	–
Investment assets	438.7	–
Cash and cash equivalents	166.1	–
<b>Total assets</b>	<b>857.7</b>	<b>–</b>
Deferred tax	–0.9	–
Technical reserves	–589.2	–
Operating liabilities	–78.5	–
<b>Total liabilities and provisions</b>	<b>–668.6</b>	<b>–</b>
Purchase consideration received	159.0	–
Less cash and cash equivalents in the sold operations	–166.1	–
<b>Impact on cash and cash equivalents</b>	<b>–7.1</b>	<b>–</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	4,758.2	11,542.7

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

## NOTE 54 EVENTS AFTER BALANCE-SHEET DATE

On February 5, Sten Dunér was appointed President of Länsförsäkringar AB. Since October 23, 2009, Sten Dunér has been acting President and prior to that he held the position of CFO in the company.

## NOTE 55 INFORMATION REGARDING THE PARENT COMPANY

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

The address of the office is  
Tegeluddsvägen 11–13  
SE-106 50 Stockholm

The consolidated financial statements 2009 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 and notes for the Parent Company

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## Income statement for the Parent Company

SEK M	Note	2009	2008
<b>Net sales</b>	3	2,229.8	1,359.3
<b>Operating expenses</b>			
External expenses	4, 5, 6	-1,501.3	-1,259.3
Staff costs	7	-846.1	-387.0
Depreciation/amortisation and impairment of property and equipment and intangible assets	12, 13	-38.5	-55.8
<b>Operating profit</b>		<b>-156.1</b>	<b>-342.8</b>
<b>Profit/loss from financial items</b>			
Profit from participations in Group companies	8	29.8	480.3
Interest income and similar profit/loss items	9	86.7	226.1
Interest expense and similar profit/loss items	10	-93.5	-499.7
<b>Profit after financial items</b>		<b>-133.1</b>	<b>-136.2</b>
Taxes on net profit/loss for the year	11	39.3	128.7
<b>Net profit/loss for the year</b>		<b>-93.7</b>	<b>-7.5</b>

## Balance sheet for the Parent Company

SEK M	Note	Dec. 31, 2009	Dec. 31, 2008
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalised development expenditure	12	33.6	20.6
		<b>33.6</b>	<b>20.6</b>
<b>Property and equipment</b>	13		
Land and buildings		–	3.8
Equipment		158.9	62.7
		<b>158.9</b>	<b>66.6</b>
<b>Financial fixed assets</b>			
Shares and participations in Group companies	14	7,062.3	6,678.0
Loans to Group companies	15	1,554.9	1,703.1
Deferred tax assets	16	20.8	28.7
Other securities held as fixed assets	17	523.3	517.7
		<b>9,161.3</b>	<b>8,927.5</b>
<b>Total fixed assets</b>		<b>9,353.8</b>	<b>9,014.6</b>
<b>Current assets</b>			
<b>Inventories</b>		<b>0.6</b>	<b>2.0</b>
<b>Current receivables</b>			
Receivables from Group companies	18	499.5	611.7
Receivables from other related parties	18	290.8	133.9
Other receivables		108.0	74.3
Prepaid expenses and accrued income	19	58.8	6.2
		<b>957.1</b>	<b>826.1</b>
Current investments	20	193.8	167.0
Cash and bank balances		699.9	869.5
<b>Total current assets</b>		<b>1,851.5</b>	<b>1,864.5</b>
<b>Total assets</b>	21	<b>11,205.3</b>	<b>10,879.3</b>

## Balance sheet for the Parent Company, cont.

SEK M	Note	Dec. 31, 2009	Dec. 31, 2008
<b>Shareholders' equity, provisions and liabilities</b>			
<b>Shareholders' equity</b>	22		
<b>Restricted shareholders' equity</b>			
Share capital		629.8	629.8
Statutory reserve		4,801.3	4,801.3
		<b>5,431.0</b>	<b>5,431.0</b>
<b>Non-restricted shareholders' equity</b>			
Retained earnings		2,446.5	2,288.1
Net profit/loss for the year		-93.7	-7.5
		<b>2,352.8</b>	<b>2,280.6</b>
<b>Total shareholders' equity</b>		<b>7,783.8</b>	<b>7,711.6</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	23	60.6	41.6
Other provisions	24	7.6	80.8
		<b>68.2</b>	<b>122.4</b>
<b>Long-term liabilities</b>			
Subordinated debt from regional insurance companies	25	114.0	114.0
Other liabilities to regional insurance companies		–	1,700.0
		<b>114.0</b>	<b>1,814.0</b>
<b>Current liabilities</b>			
Accounts payable		193.4	45.0
Liabilities to Group companies	18	1,002.6	998.0
Liabilities to other related parties	18	1,803.9	84.4
Other liabilities		65.5	18.1
Accrued expenses and deferred income	26	173.8	85.7
		<b>3,239.2</b>	<b>1,231.2</b>
<b>Total shareholders' equity, provisions and liabilities</b>	21	<b>11,205.3</b>	<b>10,879.3</b>
<b>Pledged assets and contingent liabilities</b>	27		
Contingent liabilities		129.2	71.0

## Statement of changes in shareholders' equity for the Parent Company

SEK M	Restricted shareholders' equity		Share capital			
	Statutory reserve	Non-restricted shareholders' equity	Fair value reserve Hedging reserve	Retained earnings	Net profit/loss for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2008	629.8	4,801.3	-14.8	2,265.7	169.3	7,851.3
Appropriation of profit				169.3	-169.3	-
Change in value, cash-flow hedge			20.5			20.5
Group contribution paid				-118.6		-118.6
Group contributions received				299.4		299.4
Tax attributable to items recognised against shareholders' equity			-5.7	-50.6		-56.3
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			14.8	130.2		144.9
Net profit/loss for the year					-7.5	-7.5
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			14.8	130.2	-7.5	137.4
Dividends				-277.1		-277.1
<b>Closing shareholders' equity, December 31, 2008</b>	<b>629.8</b>	<b>4,801.3</b>	<b>-</b>	<b>2,288.1</b>	<b>-7.5</b>	<b>7,711.6</b>
Opening shareholders' equity, January 1, 2009	629.8	4,801.3	-	2,288.1	-7.5	7,711.6
Appropriation of profit				-7.5	7.5	-
Merge difference				-0.0		-0.0
Group contribution paid				-59.0		-59.0
Group contributions received				284.2		284.2
Tax attributable to items recognised against shareholders' equity				-59.3		-59.3
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			-	166.0		166.0
Net profit/loss for the year					-93.7	-93.7
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			-	166.0	-93.7	72.2
<b>Closing shareholders' equity, December 31, 2009</b>	<b>629.8</b>	<b>4,801.3</b>	<b>-</b>	<b>2,446.5</b>	<b>-93.7</b>	<b>7,783.8</b>

## Cash-flow statement for the Parent Company

SEK M	Note	2009	2008	SEK M	Note	2009	2008
<b>Operating activities</b>				<b>Financing activities</b>			
Profit after financial items		-133.1	-136.2	Loans to Group companies		148.3	606.9
Adjustment for non-cash items, etc.	28	-20.7	220.2	Loans raised		-	1,703.1
		<b>-153.8</b>	<b>84.1</b>	Amortisation of loans		-44.0	-2,834.9
<b>Cash flow from operating activities before changes in working capital</b>		<b>-153.8</b>	<b>84.1</b>	Dividends		-	-277.1
				Group contributions received		225.2	180.8
<b>Cash flow from changes in working capital</b>				<b>Cash flow from financing activities</b>		<b>329.5</b>	<b>-621.2</b>
Increase (-)/Decrease (+) in inventories		1.4	0.9				
Increase (-)/Decrease (+) in operating receivables		97.8	-123.1	Net cash flow for the year		-329.8	281.6
Increase (+)/Decrease (-) in operating liabilities		351.8	178.0	Cash and cash equivalents, January 1		1,118.5	836.9
<b>Cash flow from operating activities</b>		<b>297.2</b>	<b>139.9</b>	<b>Cash and cash equivalents, December 31</b>		<b>788.7</b>	<b>1,118.5</b>
<b>Investing activities</b>							
Shareholders' contribution paid		-400.0	-1 018.0	Parent Company's cash and cash equivalents in Länsförsäkringar Bank		-88.8	-249.1
Acquisition of intangible assets		-27.5	-5.0	<b>Cash and bank balance in the Parent Company's balance sheet</b>		<b>699.9</b>	<b>869.5</b>
Acquisition of property and equipment		-125.5	-26.6				
Divestment of property and equipment		9.2	7.5				
Divestment of subsidiaries		0.1	658.5				
Sale of fixed assets		3.9	4.2				
Investments in financial assets		-416.7	-55.8				
Divestment/decrease in financial assets		-	1 198.2				
<b>Cash flow from investing activities</b>		<b>-956.5</b>	<b>762.9</b>				

## 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 2.2 Accounting for Legal Entities and the statements regarding listed companies by the Swedish Financial Reporting Board.

The regulations in RFR 2.2 stipulate that the Parent Company, in the annual accounts for the legal entity, shall apply all EU-approved IFRS and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and amendments to IFRS.

#### Changed accounting policies

The changes in IFRS 1 First-Time Adoption of IFRS are applied, and IAS 27 Consolidated and Separate Financial Statements pertaining to holdings in subsidiaries, jointly controlled companies and associated companies have been applied since January 1, 2009. This change meant that the Parent Company will now always recognise dividends from subsidiaries as income in their entirety in earnings for the year. In the past, dividends that were larger than profits derived following the acquisition of subsidiaries reduced the carrying amount of the participations in the subsidiary. The change has only insignificant monetary impact on items in the Parent Company's financial statements.

#### 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

The Parent Company's income statement and balance sheet are presented following the format of the Swedish Annual Accounts Act. The difference compared with IAS 1 Presentation of Financial Statements, which is applied to the presentation of the consolidated financial statements, is primarily the reporting of financial income and expenses, fixed assets and shareholders' equity. In the Group, income and expenses previously recognised directly against shareholders' equity are recognised in other comprehensive income. In the Parent Company, all these items are recognised directly against shareholders' equity.

The Parent Company does not apply in advance the changes in RFR 2.2 pertaining to Statement of comprehensive income and new classifications in IAS 1.

#### Subsidiaries

Shares and participations in subsidiaries are recognised at cost.

#### Income

Sale of goods and execution of service assignments

The execution of service assignments are recognised in the Parent Company 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 information on the distribution of net sales is found in the Parent Company's business operations.

#### Group contributions and shareholders' contributions

The company recognises paid and received Group contributions and shareholders' contributions in accordance with statement URA 2 issued by the Swedish Financial Reporting Board. Shareholders' contributions are recognised directly against the shareholders' 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 actual tax effect.

#### Leased assets

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

#### Borrowing costs

Property is recognised according to the principle for property and equipment, but without the possibility of applying fair value.

#### Property

Property is recognised according to the principle for property and equipment, but without the possibility of applying fair value.

#### Remuneration to employees

##### Defined-benefit pension plans

The Parent Company applies different policies for the taxation 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

Parent Company of the Group also has investment assets. However, these investment assets are limited in size relative to the investment assets of the Group's insurance companies. At year-end 2009, the Parent Company's holdings of investment shares and mutual fund units amounted to SEK 30 M (29). In addition, there were current interest-bearing investments and cash in the Parent Company amounting to SEK 678 M (1,067).

In addition to the aforementioned investment 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 2,066.3 M (1,205.6) and rental income of SEK 163.5 M (153.7) for premises and equipment for companies in the Länsförsäkringar Alliance. The company's sales are recognised in the business segment "Other operations." A total of 23% (32) of sales comes from companies in the Länsförsäkringar AB Group, 25% (16) from the Life Assurance Group, 51% (50) from regional insurance companies and 1% (2) from external customers.

**NOTE 4 EXTERNAL EXPENSES**

	2009	2008
Cost of premises, Note 5	-167.1	-188.5
Marketing	-138.1	-185.1
Consultants	-532.6	-216.6
Fees to auditors, Note	-7.9	-6.9
IT costs	-526.6	-283.8
Printed matter, telephony and postage	-106.1	-40.1
Asset management expenses	-5.8	-8.0
Expenses for research and development	-	-3.0
Other expenses	-17.1	-327.2
<b>Total</b>	<b>-1,501.3</b>	<b>-1,259.3</b>

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:

	2009	2008
Within one year	157.0	158.0
Between one year and five years	628.0	632.0
Longer than five years	314.0	474.0
<b>Total</b>	<b>1,099.0</b>	<b>1,264.0</b>

A rental charge of SEK 157.0 M (158.0) was recognised in profit for 2009.

The lease contracts are valid for ten years up to and including December 31, 2016, . Every time that least contracts are renewed, a basic rent level is established that is subsequently index-lined to the consumer price index.

**Lease agreements in which the company is the lessor**

Irrevocable lease payments pertaining to rent for premises amount to:

	2009	2008
Within one year	125.4	137.6
Between one year and five years	495.1	539.4
Longer than five years	237.8	396.5
<b>Total</b>	<b>858.3</b>	<b>1,073.4</b>

In 2009, rental income amounting to SEK 125.4 M (137.2) 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 6.4 M (5.4), lease contracts are valid for three years up to and including December 2009, and will be extended with the same terms and conditions up to and including 2012.

**NOTE 6 FEES AND REMUNERATION TO AUDITORS**

	2009	2008
KPMG AB		
– audit assignments	-3.2	-5.0
– other assignments	-4.7	-1.8
SET Revisionsbyrå AB		
– audit assignments	-	-0.1
<b>Total</b>	<b>-7.9</b>	<b>-6.9</b>

**NOTE 7 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES**

	2009	2008
<b>Average number of employees, salaried employees, Sweden</b>		
Men	381	112
Women	342	121
<b>Total number of employees</b>	<b>723</b>	<b>233</b>

**Salaries, other remuneration and social security expenses**

Board of Directors and other senior executives		
Salaries and remuneration	27.9	17.1
of which fixed salary to President	13.6	5.5
of which variable salary to President	0.3	0.9
of which fixed salary to other senior executives	10.2	8.0
of which variable salary to other senior executives	1.4	1.3
Social security expenses	19.2	13.3
of which pension costs	8.3	6.5
<b>Total</b>	<b>47.2</b>	<b>30.4</b>

**Other employees**

Salaries and remuneration	413.4	169.7
of which variable remuneration	16.2	6.6
Social security expenses	307.5	134.7
of which pension costs	146.4	64.4
<b>Total</b>	<b>720.8</b>	<b>304.4</b>

**Total salaries, other remuneration and social security expenses**

Salaries and remuneration	441.3	186.8
of which variable remuneration	17.9	8.7
Social security expenses	326.7	148.0
of which pension costs	154.7	70.8
<b>Total</b>	<b>768.0</b>	<b>334.8</b>

**Variable remuneration**

Variable remuneration is paid to all employees and managers. 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. For managers at levels 1 and 2, a maximum amount of two months' salaries and for managers at levels 3 and 4, a maximum of one month's salary will be paid. A maximum of SEK 12,000 may be paid to employees if the prerequisites are fulfilled.

**Costs for personnel reduction in conjunction with reorganisation**

The amounts for "Salaries, remuneration and social security expenses" for 2008 include expenses for personnel reduction in conjunction with the reorganisation in the amount of SEK 38.0 M pertaining to salaries and SEK 40.7 M pertaining to social security expenses, of which SEK 22.1 M comprises pension costs. There were no corresponding costs for 2009.

<b>Sickness absence, %</b>	<b>2009</b>	<b>2008</b>
Total of overall working hours	2.3	3.6
Total of overall working hours for men	1.6	2.4
Total of overall working hours for women	3.0	4.7
Absence for employees aged 29 or younger	3.7	2.0
Absence among employees age 30–49	2.3	4.0
Absence for employees aged 50 or older	2.0	3.3
Percentage pertaining to absence during a consecutive period of 60 days or more	40.0	54.4



## NOTE 7 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 comprises basic salary and other benefits. Remuneration to other senior executives comprises basic salary, variable salary and other benefits. Variable remuneration is maximised to two months' salaries for other senior executives. 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 Group management.

2009	Basic salary	Variable remuneration	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
						Defined-contribution
Sten Dunér, President	2.4	0.3	0.1	1.3	4.0	56
Håkan Danielsson, former President <sup>1)</sup>	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-Christin 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
<b>Total 2009</b>	<b>33.2</b>	<b>2.6</b>	<b>1.1</b>	<b>12.8</b>	<b>49.6</b>	
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	

<sup>1)</sup> The basic salary for the former President includes salary during the notice of termination period and severance pay totalling SEK 7,150,000.

<b>2008</b>						
Håkan Danielsson, President, Parent Company	2.3	0.6	0.1	0.9	3.9	35
Remuneration from Länsförsäkringar Liv	1.2	–	–	0.4	1.6	35
Tommy Persson, former President, Parent Company	2.3	0.3	–	0.6	3.2	29
Ann Sommer, Executive Vice President, subsidiary	2.1	0.3	0.1	0.9	3.4	34
Hans Jonsson, Chairman of the Board, Parent Company	0.6	–	–	–	0.6	–
Remuneration from subsidiaries	0.0	–	–	–	0.0	–
Gösta af Petersens, Deputy Chairman of the Board	0.3	–	–	–	0.3	–
Hans Benndorf, Board member, Parent Company	0.1	–	–	–	0.1	–
Remuneration from subsidiaries	0.1	–	–	–	0.1	–
Ulf W Eriksson, Board member	0.2	–	–	–	0.2	–
Anders Källström, Board member	0.1	–	–	–	0.1	–
Sune Nilsson, Board member, Parent Company	0.1	–	–	–	0.1	–
Remuneration from subsidiaries	0.1	–	–	–	0.1	–
Ann-Christin Norrström, Board member	0.2	–	–	–	0.2	–
Anne-Marie Pålsson, Board member	0.2	–	–	–	0.2	–
Lars-Eric Åström, Board member	0.1	–	–	–	0.1	–
Carina Holmberg, former Board member	0.1	–	–	–	0.1	–
Kajsa Lindståhl, former Board member	0.1	–	–	–	0.1	–
Fredrik Waern, former Board member	0.1	–	–	–	0.1	–
Other senior executives (9 people)						
Parent Company	7.7	1.3	0.3	5.0	14.3	55
Subsidiaries and Länsförsäkringar Liv	6.5	0.8	0.3	3.8	11.4	33
<b>Total 2008</b>	<b>24.6</b>	<b>3.3</b>	<b>0.8</b>	<b>11.6</b>	<b>40.2</b>	
Total remuneration from Parent Company	14.7	2.2	0.3	6.5	23.6	
Total remuneration from subsidiaries and Länsförsäkringar Liv	10.0	1.1	0.4	5.1	16.5	

**NOTE 7 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.****Variable remuneration**

For the President and other senior executives, variable remuneration is based on targets met in accordance with Länsförsäkringar AB's business plan, as well as individual goals according to the established goal contract. Other benefits pertain to company car and interest benefits for personal loans. Pension costs pertain to the impact on net profit for the year.

**Pensions**

The retirement age for the President is 60 years. The pension between the age of 60 and 65 is a defined-contribution plan and the pension premium is to amount to 34% of the 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 or 62. Pensions at the ages of 60, 62 and 65 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).

**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.

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

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board of Directors. Remuneration to other senior executives is determined by the President in accordance with the policies for salaries and conditions for senior executives as decided by the Annual General Meeting.

**Policies for remuneration to Group management**

Senior executives in the Länsförsäkringar AB Group shall have market-based employment terms and conditions.

It is the Group's policy that remunerations shall be on par with the average sector. The total remuneration shall 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.

**Variable remuneration**

Performance-based remuneration corresponding to a maximum of two months' salary per year may be paid, however, not to the President, who is not entitled to variable remuneration. A maximum of 50% will be paid if the common goals in the business plan for Länsförsäkringar AB are surpassed and a maximum of 50% will be paid based on individual goals. A prerequisite for entitlement to variable remuneration is that the Länsförsäkringar AB Group reports positive results before appropriations and tax for the financial year in question. The Annual General Meeting's resolution pertaining to variable remuneration entails a reduction of the maximum payment from five to two months' salary.

**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. At present, members of company management are offered reduced pension age to 60 or 62. The pension between the age of 60 respective 62 and 65 is a defined-contribution plan. 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).

**Other benefits**

In addition to the above benefits, a company car is offered in accordance with applicable conditions, however, with no gross salary deduction, individual medical insurance and other benefits offered to all employees.

<b>Loans to senior executives</b>	<b>2009</b>	<b>2008</b>
Board members	14.0	19.1
President and Executive Vice Presidents	5.5	3.1
<b>Total</b>	<b>19.5</b>	<b>22.2</b>

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.

	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b>Number of women among senior executives, %</b>		
Board members	17	20
Other senior executives	23	23

**NOTE 8 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES**

	<b>2009</b>	<b>2008</b>
Dividends from subsidiaries	29.9	354.0
Capital gains/losses from shares in subsidiaries	-0.0	145.3
Impairment of subsidiaries	-	-19.0
<b>Total</b>	<b>29.8</b>	<b>480.3</b>

**NOTE 9 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS**

	<b>2009</b>	<b>2008</b>
Interest income, Group companies	59.7	166.3
Interest income, other	10.4	15.5
Capital gains, shares and participations	1.3	-
Capital gains, interest-bearing Group companies	0.7	-
Capital gains, currencies	4.7	8.7
Unrealised gains, interest-bearing securities	11.1	7.9
Dividends on shares and participations	-1.3	27.6
<b>Total</b>	<b>86.7</b>	<b>226.1</b>

**NOTE 10 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS**

	<b>2009</b>	<b>2008</b>
Interest expense, Group companies	-3.0	-13.0
Interest expense, subordinated debt	-5.0	-9.0
Interest expense, other	-72.9	-157.1
Realised losses, shares and participations	0.0	-83.1
Realised losses, interest-bearing securities	-	-0.1
Capital gains, currencies	-7.1	-
Unrealised losses, shares and participations	-	-237.4
Unrealised losses, interest-bearing securities	-5.5	-
<b>Total</b>	<b>-93.5</b>	<b>-499.7</b>

**NOTE 11 TAX ON NET PROFIT FOR THE YEAR**

	<b>2009</b>	<b>2008</b>
<b>Current tax income</b>		
Tax income for the period	59.2	50.6
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax pertaining to temporary differences	-19.9	79.9
Deferred tax expense as a result of lowered tax rate	-	-1.9
<b>Total recognised tax income</b>	<b>39.3</b>	<b>128.7</b>
<b>Reconciliation of effective tax rate</b>		
Recognised result before tax	-133.1	-136.2
Tax at applicable tax rate	35.0	38.1
Tax on non-deductible costs	-2.5	-8.2
Tax on non-taxable income	7.9	100.6
Tax attributable to earlier years	-1.0	0.0
Changed tax rate	-	-1.9
<b>Recognised effective tax</b>	<b>39.3</b>	<b>128.7</b>
<b>Tax items recognised directly against shareholders' equity</b>		
Current tax on Group contributions received	59.2	50.6
Deferred tax, hedge accounting	-	5.7

**NOTE 12 INTANGIBLE ASSETS**

Capitalised IT costs	Internally developed IT systems	Acquired	Total
<b>Cost</b>			
Opening cost, January 1, 2008	1.7	58.3	60.0
Acquisitions during the year	–	5.0	5.0
<b>Closing cost, December 31, 2008</b>	<b>1.7</b>	<b>63.3</b>	<b>65.0</b>
Opening cost, January 1, 2009	1.7	63.3	65.0
Acquisitions during the year	–	27.5	27.5
<b>Closing cost, December 31, 2009</b>	<b>1.7</b>	<b>90.8</b>	<b>92.4</b>
<b>Amortisation</b>			
Opening accumulated amortisation, January 1, 2008	–0.7	–10.3	–10.9
Amortisation for the year	–0.3	–12.3	–12.7
<b>Closing accumulated amortisation, December 31, 2008</b>	<b>–1.0</b>	<b>–22.6</b>	<b>–23.6</b>
Opening accumulated amortisation, January 1, 2009	–1.0	–22.6	–23.6
Amortisation for the year	–0.3	–6.0	–6.3
<b>Closing accumulated amortisation, December 31, 2009</b>	<b>–1.4</b>	<b>–28.6</b>	<b>–30.0</b>
<b>Impairment</b>			
Opening accumulated impairment, January 1, 2008	–	–	–
Impairment for the year	–	–20.8	–20.8
<b>Closing accumulated impairment, December 31, 2008</b>	<b>–</b>	<b>–20.8</b>	<b>–20.8</b>
<b>Impairment</b>			
Opening accumulated impairment, January 1, 2009	–	–20.8	–20.8
Impairment for the year	–	–8.1	–8.1
<b>Closing accumulated impairment, December 31, 2009</b>	<b>–</b>	<b>–28.8</b>	<b>–28.8</b>
<b>Carrying amount, December 31</b>			
<b>2008</b>	<b>0.7</b>	<b>19.9</b>	<b>20.6</b>
<b>2009</b>	<b>0.3</b>	<b>33.3</b>	<b>33.6</b>

The five-year amortisation period for intangible assets managed in 2009 remains.

**NOTE 13 PROPERTY AND EQUIPMENT**

	Land and buildings	Equipment	Total
<b>Cost</b>			
Opening cost, January 1, 2008	5.6	345.5	351.2
Divestments	–1.7	–7.5	–9.2
Scrapping	–	–75.9	–75.9
Acquisitions during the year	–	26.6	26.6
<b>Closing cost, December 31, 2008</b>	<b>3.9</b>	<b>288.7</b>	<b>292.7</b>
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	–	125.5	125.5
<b>Closing cost, December 31, 2009</b>	<b>–</b>	<b>324.1</b>	<b>324.1</b>
<b>Depreciation</b>			
Opening accumulated depreciation, January 1, 2008	–0.1	–283.7	–283.8
Accumulated depreciation for divestments	0.0	7.5	7.5
Scrapping	–	72.6	72.6
Depreciation for the year	0.0	–22.4	–22.4
<b>Closing accumulated depreciation, December 31, 2008</b>	<b>–0.1</b>	<b>–226.0</b>	<b>–226.1</b>
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
<b>Closing accumulated depreciation, December 31, 2009</b>	<b>–</b>	<b>–165.2</b>	<b>–165.2</b>
<b>Carrying amount, December 31</b>			
<b>2008</b>	<b>3.8</b>	<b>62.7</b>	<b>66.6</b>
<b>2009</b>	<b>–</b>	<b>158.9</b>	<b>158.9</b>
<b>Tax assessment value, owner-occupied property</b>			
	Dec. 31, 2009		Dec. 31, 2008
Tax assessment value, buildings	–		1.8
Tax assessment value, land	–		3.4
	–		<b>5.2</b>

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 23.8 M (25.7) and rental income was SEK 9.9 M (11.1). The rental income corresponds to the depreciation of the leased equipment. During the year, IT Center AB merged with Länsförsäkringar AB, whereby the value of leased equipment decreased. Land and buildings were divested during 2009. The year's cost includes SEK 89.2 M pertaining to improvement of third-party properties.

**NOTE 14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES**

	2009	2008
<b>Cost</b>		
Opening accumulated cost, January 1	10,330.7	9,825.8
Shareholders' contributions	400.0	1,018.0
Purchases	–	0.2
Divestments	–15.7	–513.3
<b>Closing accumulated cost, December 31</b>	<b>10,715.0</b>	<b>10,330.7</b>
<b>Impairment</b>		
Opening accumulated impairment, January 1	–3,652.8	–3,633.7
Impairment for the year	–	–19.0
<b>Closing accumulated impairment, December 31</b>	<b>–3,652.8</b>	<b>–3,652.8</b>
<b>Carrying amount at year-end</b>	<b>7,062.3</b>	<b>6,678.0</b>

## 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 2009, %	Participating interest 2008, %	Carrying amount 2009	Carrying amount 2008
LF Gruppen AB (dormant)	556420-8535	1,000	100	100	0.1	0.1
Länsförsäkringar Bank AB (publ),	516401-9878	9,548,708	100	100	4,364.6	3,964.6
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	6,265,252	100	100	2,448.7	2,448.7
Länsförsäkringar IT Center AB	556549-7004	10,000	–	100	–	15.5
Wasa Försäkring Run-Off AB	556563-9456	1,000	100	100	248.8	248.8
Lita försäkringsvarumärken AB	556508-9108	100	–	100	–	0.2
Utile Dulci 2 HB	916601-0067		0.1	0.1	0.2	0.1
<b>Shares and participations in Group companies</b>					<b>7,062.3</b>	<b>6,678.0</b>

During 2009, Länsförsäkringar IT Center AB merged with Länsförsäkringar AB and Lita försäkringsvarumärken AB was liquidated. 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 policies 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.

**NOTE 15 LOANS TO GROUP COMPANIES**

	Dec. 31, 2009	Dec. 31, 2008
<b>Accumulated cost</b>		
Subordinated debt to Länsförsäkringar Bank	1,250.0	1,250.0
Listed bonds to Länsförsäkringar Hypotek	304.9	453.1
<b>Carrying amount</b>	<b>1,554.9</b>	<b>1,703.1</b>

The loans to Länsförsäkringar Bank comprise five loans with different terms:

SEK 180.0 M, due 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 1.5 percentage points.

SEK 580.0 M, due December 15, 2018. Interest is fixed at the three-month STIBORFIX rate plus 370 basis points from the date of the loan on December 16, 2008 to the break-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 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.

SEK 100.0 M due December 19, 2017. Interest is fixed at the three-month STIBOR rate plus 1.3 percentage points from the date of the loan on December 19, 2007 to the break-off date on December 19, 2012 and thereafter at 1.5 percentage points.

SEK 100.0 M due 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.

Loans to Länsförsäkringar Hypotek comprises one listed bond.

**NOTE 16 DEFERRED TAX ASSETS AND TAX LIABILITIES**

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Current investments	-5.0	-7.5	-	-	-5.0	-7.5
Pension provisions	-15.8	-20.4	-	-	-15.8	-20.4
Liabilities	-	-0.8	-	-	-	-0.8
<b>Deferred tax assets (-)/deferred tax liabilities (+)</b>	<b>-20.8</b>	<b>-28.7</b>	<b>-</b>	<b>-</b>	<b>-20.8</b>	<b>-28.7</b>

**Change in deferred tax in temporary differences and loss carryforwards 2009**

	Amount at Jan. 1	Recognised in profit and loss	Recognised directly in shareholders' equity	Amount at Dec. 31
Current investments	-7.5	2.5	-	-5.0
Pension provisions	-20.4	4.6	-	-15.8
Liabilities	-0.8	0.8	-	-
<b>Deferred tax assets (-)/deferred tax liabilities (+)</b>	<b>-28.7</b>	<b>7.9</b>	<b>-</b>	<b>-20.8</b>

**Change in deferred tax in temporary differences and loss carryforwards 2008**

	Amount at Jan. 1	Recognised in profit and loss	Recognised directly in shareholders' equity	Amount at Dec. 31
Current investments	51.4	-64.6	5.7	-7.5
Pension provisions	-7.7	-12.7	-	-20.4
Liabilities	-	-0.8	-	-0.8
<b>Deferred tax assets (-)/deferred tax liabilities (+)</b>	<b>43.6</b>	<b>-78.1</b>	<b>5.7</b>	<b>-28.7</b>

**NOTE 17 OTHER SECURITIES HELD AS FIXED ASSETS**

	Dec. 31, 2009	Dec. 31, 2008
At the beginning of the year	517.7	461.9
Capitalisation of expenses for demutualisation of the company to a profit-distributing, limited liability life-assurance company	-	53.3
Divestment of Brf Kalvheden	-0.7	-
Acquisition of tenant-owned apartments	6.3	2.5
<b>Total</b>	<b>523.3</b>	<b>517.7</b>

Company name	Number of shares and participations	Carrying amount 2009	Carrying amount 2008
Länsförsäkringar Liv Försäkrings AB (publ)	8,000	514.5	514.5
Brf Mässen, Stockholm	1	3.0	2.5
Brf Igeldammen	3	2.9	-
Kungsholmsstrand 165	1	2.9	-
Brf Kalvheden, Malung	1	-	0.7
<b>Total</b>		<b>523.3</b>	<b>517.7</b>

Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) are classified as holdings available for sale. The shares have been measured at cost. 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.



**NOTE 18 RELATED-PARTY TRANSACTIONS**

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 2009		Group companies	Liv 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
	Rental income	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
Related-party transactions 2008		Group companies	Liv Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	319.6	191.0	–	677.4	6.9	1,194.9
	Rental income	105.1	26.6	–	0.4	–	132.1
	Rent, equipment	9.0	1.8	–	–	–	10.8
	Financial liabilities	166.3	–	–	–	–	166.3
Expenses	Services purchased	–429.8	–62.1	–45.0	–103.6	–	–640.5
	Rent, premises	–155.4	–	–	–	–	–155.4
	Financial costs	–13.0	–	–	–	–	–13.0
Receivables	Interest-bearing loans	1,703.1	–	–	–	–	1,703.1
	Cash and cash equivalents with Länsförsäkringar Bank	249.1	–	–	–	–	249.1
	Other receivables	362.6	9.3	–	124.2	0.5	496.6
Liabilities	Interest-bearing liabilities	257.0	–	–	1,814.0	–	2,071.0
	Other liabilities	741.0	8.8	–	75.6	–	825.4

**Transactions within the Group**

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.

The Parent Company Länsförsäkringar AB also purchases and owns equipment that is subsequently leased to Group companies.

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) and purchased covered bonds in Länsförsäkringar Hypotek totalling SEK 305 M (453). Wasa Försäkring Run-Off has issued loans of SEK 314 M (207) 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 7 Employees, staff costs and remuneration to senior executives.

Related subsidiaries are specified in Note 14 Shares and participations in Group companies.

**NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME**

	Dec. 31, 2009 Dec. 31, 2008	
Accrued interest	7.2	–
Other prepaid expenses	51.6	6.2
<b>Total</b>	<b>58.8</b>	<b>6.2</b>

**NOTE 20 CURRENT INVESTMENTS**

	Dec. 31, 2009		Dec. 31, 2008		Specification of current investments, cont.	Dec. 31, 2009		Dec. 31, 2008	
	Cost	Fair value	Cost	Fair value		Cost	Fair value	Cost	Fair value
Unlisted shares and participations, Swedish	22.6	21.4	2.5	1.5	<b>Mutual fund units, Swedish</b>				
Listed shares and participations, foreign	20.2	0.0	20.2	0.0	Länsförsäkringar Fund-in-fund Low risk	0.6	0.6	–	–
Mutual fund units, Swedish	0.6	0.6	–	–	<b>Mutual fund units, foreign</b>				
Mutual fund units, foreign	54.1	30.6	33.8	27.6	GaveKal Platform Company Fund	54.1	30.6	33.8	27.6
Interest-bearing securities, Swedish	140.5	141.2	–	–					
Interest-bearing securities, foreign	–	–	135.0	138.0					
<b>Total</b>	<b>238.0</b>	<b>193.8</b>	<b>191.6</b>	<b>167.0</b>					
Specification of current investments	Dec. 31, 2009		Dec. 31, 2008			Dec. 31, 2009		Dec. 31, 2008	
	Cost	Fair value	Cost	Fair value		Amortised cost	Fair value	Amortised cost	Fair value
<b>Unlisted participations, Swedish</b>					<b>Interest-bearing securities, Swedish</b>				
Länsförsäkringar Fastighetsförmedling AB	2.5	1.3	2.5	1.5	Listed bonds issued by other Swedish issuers	140.5	141.2	–	–
Tenant-owned apartments	20.1	20.1	–	–	<b>Interest-bearing securities, foreign</b>				
<b>Total</b>	<b>22.6</b>	<b>21.4</b>	<b>2.5</b>	<b>1.5</b>	Listed bonds issued by the foreign governments	–	–	135.0	138.0
<b>Listed participations, foreign</b>					<b>Total current investments</b>	<b>238.0</b>	<b>193.8</b>	<b>191.6</b>	<b>167.0</b>
Kaupthing Búnadarbanki hf	20.2	0.0	20.2	0.0					

**NOTE 21 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES**

Amount expected to be recovered	Dec. 31, 2009				Dec. 31, 2008			
	within 12 months	after 12 months	after 5 years	Total	within 12 months	after 12 months	after 5 years	Total
<b>Fixed assets</b>								
Intangible assets <sup>1)</sup>	6.0	27.6		33.6	12.7	7.9		20.6
Property and equipment <sup>1)</sup>	25.9	133.1		159.0	22.4	44.2		66.6
Participations in Group companies		7,576.8		7,576.8			6,678.0	6,678.0
Loans to Group companies	304.9	290.0	960.0	1,554.9	453.1		1,250.0	1,703.1
Deferred tax assets		20.8		20.8		28.7		28.7
Other securities held as fixed assets		179.7		179.7			517.7	517.7
<b>Total fixed assets</b>	<b>336.7</b>	<b>8,228.0</b>	<b>960.0</b>	<b>9,524.7</b>	<b>488.2</b>	<b>80.8</b>	<b>8,445.7</b>	<b>9,014.7</b>
<b>Inventories</b>	<b>0.6</b>			<b>0.6</b>	<b>2.0</b>			<b>2.0</b>
<b>Current assets</b>								
Current receivables in Group companies	532.2			532.0	611.7			611.7
Receivables from other related parties	258.4			258.4	133.9			133.9
Other receivables	110.7			110.7	74.3			74.3
Prepaid expenses and accrued income	58.8			58.8	6.2			6.2
Current investments	720.1			720.1	1,036.5			1,036.5
<b>Total current assets</b>	<b>1,679.9</b>			<b>1,679.9</b>	<b>1,862.6</b>			<b>1,862.6</b>
<b>TOTAL ASSETS</b>	<b>2,017.3</b>	<b>8,228.0</b>	<b>960.0</b>	<b>11,205.3</b>	<b>2,352.8</b>	<b>80.8</b>	<b>8,445.7</b>	<b>10,879.3</b>

**NOTE 21 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES, cont.**

	Dec. 31, 2009				Dec. 31, 2008			
	within 12 months	after 12 months	after 5 years	Total	within 12 months	after 12 months	after 5 years	Total
<b>Amount expected to be settled</b>								
<b>Provisions</b>								
Provisions for pensions and similar commitments	7.5	53.1		60.6	8.1	33.6		41.6
Other provisions		7.6		7.6	1.0	79.8		80.8
<b>Total provisions</b>	<b>7.5</b>	<b>60.7</b>		<b>68.2</b>	<b>9.1</b>	<b>113.4</b>		<b>122.4</b>
<b>Liabilities</b>								
<b>Long-term liabilities</b>								
Subordinated debt		114.0		114.0		114.0		114.0
Other liabilities to related parties						1,700.0		1,700.0
Bond loans								
Deferred tax liabilities								
<b>Total long-term liabilities</b>		<b>114.0</b>		<b>114.0</b>		<b>1,814.0</b>		<b>1,814.0</b>
<b>Current liabilities</b>								
Accounts payable	193.4			193.4	45.0			45.0
Liabilities to Group companies	1,002.6			1,002.6	998.0			998.0
Liabilities to other related parties	1,803.9			1,803.9	84.4			84.4
Other liabilities	65.6			65.6	18.1			18.1
Accrued expenses and deferred income	173.8			173.8	85.7			85.7
<b>Total current liabilities</b>	<b>3,239.2</b>			<b>3,239.2</b>	<b>1,231.2</b>			<b>1,231.2</b>
<b>TOTAL LIABILITIES AND PROVISIONS</b>	<b>3,246.7</b>	<b>174.7</b>		<b>3,421.4</b>	<b>1,240.3</b>	<b>1,927.4</b>		<b>3,167.6</b>

<sup>1)</sup> Anticipated depreciation/amortisation is recognised under the amounts expected to be recovered "within 12 months."

**NOTE 22 SHAREHOLDERS' EQUITY**

A specification of changes in shareholders' equity is provided after the Parent Company's balance sheet.

Shares at a par value of SEK 100	Number of votes per share	Dec. 31, 2009 Number	Dec. 31, 2008 Number
Series A	10	1,532,678	1,532,678
Series B	1	4,761,455	4,761,455
Series C	1	3,450	3,450
<b>Number of shares outstanding</b>		<b>6,297,583</b>	<b>6,297,583</b>

**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 shareholders' 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 shareholders' equity****Share premium reserve**

When shares are issued at a premium, meaning that a higher amount than the par value is paid for the share, an amount corresponding to the surplus of the par value of the share is recognised in the share premium reserve.

**Fair value reserve**

The company applies the regulations stipulated in Chapter 4, Sections 14 a-e of the Swedish Annual Accounts Act pertaining to the valuation of financial instruments at fair value. Amounts are recognised directly against the fair value reserve when a change in value refers to a hedging instrument and the applied hedge accounting policies permit a portion of or the entire change in value to be recognised in shareholders' equity. Changes in value caused by exchange-rate fluctuations in a monetary item that comprises a portion of the company's net investment in a foreign entity are recognised in shareholders' equity.

**Retained earnings**

Retained earnings comprises profit brought forward from the preceding year after deductions for any dividends paid during the year.

**NOTE 23 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS**

	Dec. 31, 2009	Dec. 31, 2008
Provision for pensions being paid	31,3	34,2
Provisions for early retirement in accordance with pension agreement	29,4	7,5
<b>Total</b>	<b>60,6</b>	<b>41,6</b>

No portion of the amount recognised as "Provisions for pensions" is encompassed by the Pension Obligations Vesting Act.

**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. 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 23 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, cont.

	Dec. 31, 2009			Dec. 31, 2008		
	Pensions being paid	Provision in accordance with pension agreement	Total	Pensions being paid	Provision in accordance with pension agreement	Total
<b>Pension commitments</b>						
Provisions for pensions	31.3	–	31.3	34.2	–	34.2
Other provisions	–	29.4	29.4	–	7.5	7.5
<b>Total</b>	<b>31.3</b>	<b>29.4</b>	<b>60.6</b>	<b>34.2</b>	<b>7.5</b>	<b>41.6</b>

	2009			2008		
	Pensions being paid	Provision in accordance with pension agreement	Total	Pensions being paid	Provision in accordance with pension agreement	Total
<b>The year's change in capital value of own commitments for which there are no separated assets</b>						
Opening capital value on January 1, in accordance with Swedish policies for calculation of pension commitments	34.2	7.5	41.6	30.6	10.8	41.4
Cost excluding interest expense charged to earnings	4.3	21.9	26.3	9.4	3.3	12.8
Interest expense	0.8	0.8	1.6	1.2	0.3	1.5
Pensions paid	–8.1	–	–8.1	–7.0	–6.9	–14.0
<b>Capital value at December 31</b>	<b>31.3</b>	<b>29.4</b>	<b>60.6</b>	<b>34.2</b>	<b>7.5</b>	<b>41.6</b>

**Cost of the company's own pensions**

Cost excluding interest expense	4.3	21.9	26.3	9.4	3.3	12.8
Interest expense	0.8	0.8	1.6	1.2	0.3	1.5
<b>Cost of the company's own pensions</b>	<b>5.2</b>	<b>22.7</b>	<b>27.9</b>	<b>10.6</b>	<b>3.6</b>	<b>14.2</b>

**Assumptions pertaining to defined-benefit commitments**

Discount rate	2.7%	2.7%	3.5%	3.5%
Expected rate of salary increase	–	3.0%	–	3.5%
Percentage expected to retire voluntarily at age 62		20.0%		20.0%

**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.

	2009	2008
Expenses for defined-contribution plans	107.1	33.6

## NOTE 24 OTHER PROVISIONS

	Dec. 31, 2009	Dec. 31, 2008
Provision for research programme	–	3.0
Provision for pension-related expenses in conjunction with reorganisation	–	66.4
Reserve for pensioners' loan	7.6	11.4
<b>Total</b>	<b>7.6</b>	<b>80.8</b>

## NOTE 25 SUBORDINATED DEBT FROM REGIONAL INSURANCE COMPANIES

	Dec. 31, 2009	Dec. 31, 2008
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 for the year amounts to 4.361% (4.361) until December 15, 2009 and thereafter to 3.34% (4.361).

## NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31, 2009	Dec. 31, 2008
Holiday pay liability	38.1	10.4
Social security expenses	12.0	5.0
Special employer's contribution	48.9	15.0
Research grants	–	23.1
Jointly financed development expenditure	–	18.4
Accrued bonuses	33.3	7.0
Reserves for staff costs	30.7	5.4
Other accrued expenses	10.9	1.4
<b>Total</b>	<b>173.8</b>	<b>85.7</b>

The research grants previously recognised in Länsförsäkringar AB were transferred to a research foundation during 2009. Staff-related accrued expenses increased due to the transfer of service, IT and development costs from other Group companies to the Parent Company.

**NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

	Dec. 31, 2009	Dec. 31, 2008
<b>Contingent liabilities</b>		
Early retirement at age of 62 in accordance with pension agreement	117.4	29.9
Part-owner of Utile Dulci 2 HB	11.8	41.1
<b>Total</b>	<b>129.2</b>	<b>71.0</b>

**NOTE 28 SUPPLEMENTARY INFORMATION TO CASH-FLOW STATEMENT**

	2009	2008
<b>Interest paid and dividends received</b>		
Dividends received from subsidiaries	29.9	354.0
Interest received	70.2	181.8
Interest paid	-74.9	-179.1
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation and impairment of assets	38.5	74.9
Capital losses attributable to divestment of participations	-1.3	-147.8
Unrealised gains	-11.1	-7.9
Unrealised losses	5.5	237.4
Unrealised exchange gains	-5.4	-5.6
Unrealised exchange losses	7.1	-
Provisions	-54.0	69.3
<b>Total</b>	<b>-20.7</b>	<b>220.2</b>

Cash and cash equivalents exclusively comprise bank balances.  
Unutilised credit facilities amount to SEK 50 M (50).

**NOTE 29 MERGER**

During the year, the subsidiary Länsförsäkringar IT Center AB, Corp. Reg. No. 556549-7004, merged with the Parent Company. The income statement and balance sheet for the subsidiary, Länsförsäkringar IT Center AB, at the merger date August 31, 2009 are found below.

	Jan. 1, 2009–Aug. 31, 2009
Net sales	829.3
Operating profit	6.6
<b>Aug. 31, 2009</b>	
Fixed assets	50.0
Current assets	159.7
<b>Total assets</b>	<b>209.7</b>
Shareholders' equity	22.1
Provisions	9.8
Liabilities	177.7
<b>Total liabilities and shareholders' equity</b>	<b>209.7</b>

In connection with the merger, a loss in retained funds of SEK 4,000 arose.

**NOTE 30 INVESTMENT COMMITMENTS**

The Parent Company signed an agreement to acquire intangible assets totalling SEK 22.9 M during 2010.

During 2009, an agreement was also signed pertaining to the reconstruction of an owner-occupied property.

In 2009, SEK 89 M was invested in reconstruction and in 2010, SEK 50 M has been contracted.



### 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, 2010

Hans Jonsson Chairman	Gösta af Petersens Deputy Chairman	Hans Benndorf Board member
Ulf W Eriksson Board member	Anders Källström Board member	Sune Nilsson Board member
Ann-Christin Norrström Board member	Anne-Marie Pålsson Board member	Lars-Eric Åström Board member
Karl-Erik Pettersson Employee Representative	Håkan Haraldsson Employee Representative	Tomas Jönsson Employee Representative
	Sten Dunér President	

My audit report was submitted on March 29, 2010.

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, 2010. 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 21, 2010.

# Audit Report

To the Annual General Meeting of shareholders in Länsförsäkringar AB (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 (publ) for the 2009 fiscal year. The company's annual accounts are included in the printed version of this document on pages 20-88. 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 high but not absolute 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, 2010

Stefan Holmström  
Authorised Public Accountant

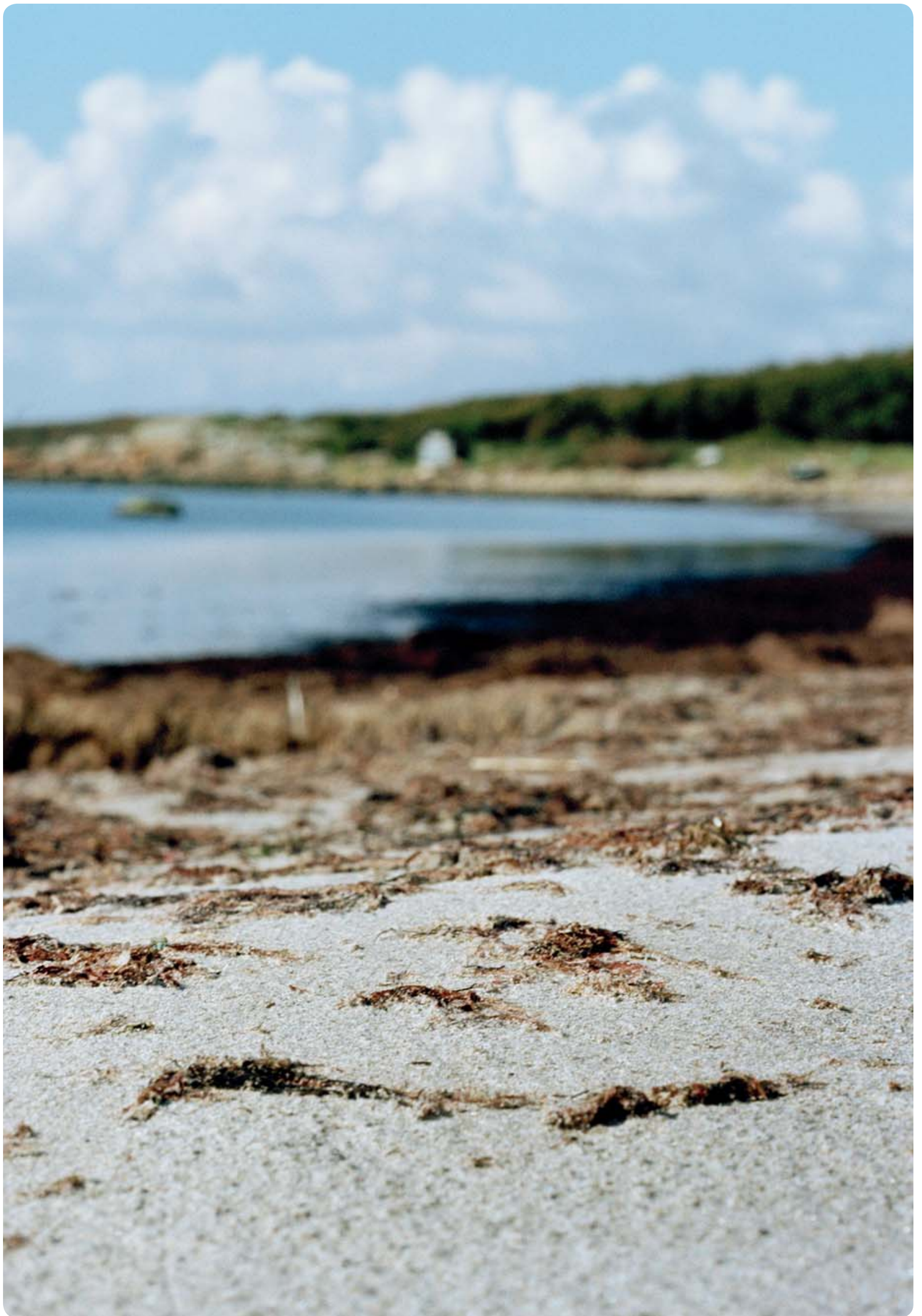
## Summary of the Life Assurance Group's income statement and balance sheet

### INCOME STATEMENT

SEK M	2009	2008
Premium income, gross	6,507	6,236
Premium income, net	6,072	5,820
Investment income, net	14,465	-17,596
Claims payments	-4,300	-4,245
Other underwriting income	257	252
Change in life assurance provision	4,058	-11,495
Operating expenses	-1,540	-1,641
<b>Technical result, life assurance operations</b>	<b>19,012</b>	<b>-28,905</b>
Non-technical items	-195	-196
<b>Profit/loss before tax</b>	<b>18,817</b>	<b>-29,101</b>
Tax	-895	-1,025
<b>Net profit/loss for the year</b>	<b>17,922</b>	<b>-30,126</b>

### BALANCE SHEET

SEK M	Dec. 31, 2009	Dec. 31, 2008
<b>Assets</b>		
Intangible assets	1,001	1,197
Investment assets	106,781	102,388
Investment assets for which policyholders bear the investment risk	46,070	31,708
Reinsurers' portion of technical reserves	705	792
Receivables	1,502	3,088
Other assets	4,953	8,117
Prepaid expenses and accrued income	1,977	2,926
<b>Total assets</b>	<b>162,989</b>	<b>150,216</b>
<b>Shareholders' equity, provisions and liabilities</b>		
Share capital	8	8
Funds plus net profit/loss for the period	27,330	11,043
Technical reserves	83,820	97,992
Provisions for life assurance for which policyholders bear the investment risk	46,071	31,709
Provisions for other risks and expenses	230	234
Deposits from reinsurers	787	853
Liabilities	4,201	7,723
Accrued expenses and deferred income	542	654
<b>Total shareholders' equity, provisions and liabilities</b>	<b>162,989</b>	<b>150,216</b>





# Corporate Governance Report

Länsförsäkringar AB is wholly owned by 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 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.
- 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.
- 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.

This Corporate Governance Report is unaudited.

## General meeting

The shareholder exercises its voting rights at the Annual General Meeting. At the Annual General Meeting, 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 the General Meeting 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 2009 Annual General Meeting approved the principles for remuneration and other terms of employment for company management.

## Nomination process

The Annual 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 2009 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 Bäckström, 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 Annual 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 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 2009 appointed Hans Jonsson (Chairman), Håkan Danielsson (President), Kajsa Lindstahl, and Anne-Marie Pålsson to represent Länsförsäkringar AB on the Finance Committee.

When Håkan Danielsson stepped down as the President of Länsförsäkringar AB in October 23, 2009, he was replaced on the Finance Committee by the new President of Länsförsäkringar AB, Sten Dunér.

### **Audit Committee**

The Board of Directors of Länsförsäkringar AB appointed two of the total of six 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 2009 Annual General Meeting, Gösta af Petersens (Chairman) and Ulf W Eriksson 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 2009 Annual General Meeting, Hans Jonsson (Chairman), Ulf W Eriksson 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 2009 Annual General Meeting until February 2010, and the attendance by each Board member:

	Board of Directors	Finance Committee	Audit Committee	Remuneration Committee
<b>Total number of meetings</b>	<b>11</b>	<b>3</b>	<b>3</b>	<b>10</b>
Gösta af Petersens	11	–	3	10
Hans Benndorf	11	–	–	–
Håkan Danielsson <sup>1)</sup>	–	2	–	–
Sten Dunér <sup>2)</sup>	–	–	–	–
Christer Ekehov (deputy)	–	–	–	–
Ulf W Eriksson	11	–	3	10
Håkan Haraldsson	11	–	–	–
Hans Jonsson	11	3	–	10
Tomas Jönsson	10	–	–	–
Fredrik Kronberg <sup>3)</sup>	6	–	–	–
Anders Källström	9	–	–	–
Kajsa Lindståhl	–	3	–	–
Sune Nilsson	10	–	–	–
Ann-Christin Norrström	11	–	–	–
Karl-Erik Pettersson <sup>4)</sup>	1	–	–	–
Anne-Marie Pålsson	7	3	–	–
Lars-Eric Åström	10	–	–	–

<sup>1)</sup> Stepped down as President of Länsförsäkringar AB on October 23, 2009.

<sup>2)</sup> Took office as President of Länsförsäkringar AB on October 23, 2009.

<sup>3)</sup> Left the Board of Directors on December 31, 2009.

<sup>4)</sup> Deputy until February 17, 2010, thereafter an ordinary Board Member.



## INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING 2009

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.

### 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 of Directors is responsible for the guidelines for the control and governance of the operations. 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. 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.

### 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 risks for which the significance of material misstatement in the financial reporting is high. 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 state-

ments, 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 President and to the Board of Directors of the company involved.





# Board of Directors and auditors



*Hans Jonsson*



*Gösta af Petersens*



*Hans Benndorf*



*Ulf W Eriksson*



*Anders Källström*



*Sune Nilsson*



*Ann-Christin Norrström*



*Anne-Marie Pålsson*

## **Hans Jonsson**

Born 1949. Elected 2001.  
Chairman of the Board.  
Other Board appointments: Chairman of Länsförsäkringar Skaraborg, Chairman of Bergvik Skog AB, member of Government Commission on Sustainable Development.  
Previous experience: Chairman of the Federation of Swedish Farmers (LRF), President of the European Confederation of Agriculture, President of the European Union Advisory Committee on CAP, Chairman of Marine Environment Protection Commission.

## **Gösta af Petersens**

Born 1947. Elected 2004.  
Farm manager, Deputy Chairman of the Board.  
Other Board appointments: Chairman of Länsförsäkringar Gotland, Gotlandsägg AB, SOL Fukt & Grönt på Gotland 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 appointments: Chairman of Insurance Industry's Pension Fund (FPK) and Sörman & Partners, Board member of Länsförsäkringar Mäklarservice.  
Previous experience: President of Länsförsäkringar Liv and Länsförsäkringar Fondliv, President of Postbanken, Vice President Skandia Liv, Head of Foundation Marketing Technology Center, Doctor of Science in Business and Economics at Stockholm School of Economics.

## **Ulf W Eriksson**

Born 1952. Elected 2004.  
President of Länsförsäkringar Värmland.  
Other Board appointments: Board member of Länsförsäkringar Värmland and Länsförsäkringar Värmland Fastigheter AB, Stiftelsen Värmländska Provinsiallogens Frimurarehus and Klässbols Linneväveri.  
Previous experience: Bank attorney and Chief Legal Officer, Mellersta Sveriges Föreningsbank, Head of Föreningsbanken Karlstad.

## **Anders Källström**

Born 1959. Elected 2008.  
President and CEO of Federation of Swedish Farmers.  
Other Board appointments: Chairman of Länsförsäkringar Västernorrland.  
Previous experience: President of an advertising agency, municipal commissioner and held a number of Board and Committee positions at municipal and county council level, Board member and Chairman of companies in the graphic and sawmill sectors, and investment companies.

## **Sune Nilsson**

Born 1953. Elected 2008.  
Consultant.  
Other Board appointments: Chairman of Länsförsäkringar Göteborg och Bohuslän, STS Travel School AB and Holistic AG, Board member of Sigma AB, Deputy Board member of Platzer Fastigheter AB.  
Previous experience: CEO of Sigma AB, Almi Väst AB, CEO of Mandator AB and President of PostNet AB.

## **Ann-Christin Norrström**

Born 1952. Elected 2007.  
President of Länsförsäkringar Uppsala.  
Other Board appointments: Board member of Länsförsäkringar Uppsala, 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.

## **Anne-Marie Pålsson**

Born 1951. Elected 2005.  
Associate Professor, Department of Economics, Lund University, member of Parliament.  
Other Board appointments: G L Beijer AB, HQ AB, Swedish National Audit Office, Institute for Future Research, Deputy member of the Bank of Sweden Tercentenary Foundation's Board of Trustees, Vice Chairman Länsförsäkringar Skåne.  
Previous experience: Research and teaching at Lund University, committee assignments, several Board appointments at Stadshypotek AB, Second Swedish National Pension Fund, Investment AB Öresund, Samhall Gripen, Färs och Frosta Sparbank and others.



Lars-Eric Åström



Tomas Jönsson



Håkan Haraldsson



Karl-Erik Pettersson



Olle Törnell

**Lars-Eric Åström**

Born 1946. Elected 2008.

Forest farmer.

Other Board appointments: Chairman of Östgöta Brandstodsbolag and Södra Skogsägarna, Vice Chairman of Södra Cell, Board member of Swedish Federation of Forest Owners.

Previous experience: Chairman of Swedish Federation of Forest Owners, Board member of National Board of Directors of LRF, LRF Skogsförvaltning AB, Ågarfrämjandet.

**Tomas Jönsson**

Born 1951. Elected 2001.

Swedish Confederation of Professional Association employee representative. Claims adjuster Non-life business unit.

Other Board appointments: Länsförsäkringar Sak Försäkrings AB, Bank and Insurance Section of Jusek.

Previous experience: Bank attorney, Föreningsbanken.

**Håkan Haraldsson**

Born 1948. Elected 2006.

LFP employee representative.

Other Board appointments: Chairman of the Länsförsäkringar Alliance's Employee Association, LFP, Employee representative at Länsförsäkringar Bank, Länsförsäkringar Fondförvaltning, Östgöta Brandstodsbolag, Länsförsäkringar Norrbotten.

**Karl-Erik Pettersson**

Born 1951. Elected 2010.

FTF (Swedish Union of Insurance Employees) employee representative  
Systems developer, IT unit.

**Board Secretary:****Olle Törnell**

Born 1958.

Head of Legal Affairs.

Previous experience: Chief Counsel, Wasa Försäkring and bank attorney, Nordbanken

**AUDITORS****Auditor elected by the Annual General Meeting**

Stefan Holmström.

Authorised Public Accountant, KPMG AB.

**Deputy auditor elected by the Annual General Meeting**

Johan Bäckström.

Authorised Public Accountant, KPMG AB.

**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 nine and not more than twelve members.



# Group management



*Sten Dunér*



*Christer Baldhagen*



*Mats Ericsson*



*Gunilla Forsmark Karlsson*



*Carin Göransson*



*Torbjörn Hultgren*



*Gustav Karner*

## **Sten Dunér**

Born 1951. Employed 1982.  
President.

Previous experience: CFO and other senior positions at Länsförsäkringar AB.  
Board appointments: Chairman of Länsförsäkringar Liv, Länsförsäkringar Sak and Länsförsäkringar Bank, Board member of API, Agria Pet Insurance and Balder real estate company.

## **Christer Baldhagen**

Born 1957. Employed 1994.

Director of Corporate Communications.  
Previous experience: Director of Corporate Communications Wasa Försäkring, consultant at JKL.

## **Mats Ericsson**

Born 1954. Employed 1998.  
President of Länsförsäkringar Bank.

Previous experience: President of Länsförsäkringar Halland, Regional Manager at Trygg-Hansa.  
Board appointments: Chairman of Länsförsäkringar Fondförvaltning, Länsförsäkringar Hypotek, Wasa Kredit and the Halland Fire Protection Association. Board member of the Swedish Insurance Employers' Association (FAO), Movement Vård och Rehab AB and Prince Bertil's Foundation.

## **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 at Länsförsäkringar Liv.

## **Torbjörn Hultgren**

Born 1955. Employed 1991.  
HR Director

Previous experience: Head of President Staff Function Corporate Development, Operations Analyst FOA/FOI (National Defence Research Establishment/Swedish Defence Research Agency).

## **Gustav Karner**

Born 1967. Employed 2001.  
CFO.

Previous experience: Head of Risk Management, Alecta pension insurance, mutual. Quantitative analyst Handelsbanken Markets.  
Board appointments: Board member of Bergvik Skog AB, Östgöta Brandstodsbolag Kapitalförvaltning AB and Humlegården Fastigheter AB.



*Malin Rylander-Leijon*



*Ann Sommer*



*Jörgen Svensson*



*Claes Thimrén*



*Olle Törnell*



*Sören Westin*



*Håkan Haraldsson*



*Tomas Jönsson*

#### **Malin Rylander-Leijon**

Born 1970. Employed 2001.

Head of Control.

Previous experience: Head of Finance & Control, Länsförsäkringar Liv and auditor at SET Revisionsbyrå.

#### **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 and President of Stockholm Re.

Board appointments: Chairman of Försäkringsaktiebolaget Agria. Board member of FEEL Skadeförsäkring AB, EFEL Livförsäkring AB, Swedish Association of Motor Insurers (TFF), Swedish Forest Agency and 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.

#### **Claes Thimrén**

Born 1956. Employed 2004.

Head of President Staff Function Risk Control.

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 Nordbanken.

#### **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 Länstidningen, member of Samhall AB company management, Licentiate of Science in Business and Economics Umeå University.

Board appointments: Swedish Motor Insurers.

#### **Håkan Haraldsson**

Born 1948. Employed at Östgöta Brandstodsbolag 1988.

LFP employee representative.

Previous experience: District Manager of Östgöta Brandstodsbolag.

Board appointments: Chairman of Länsförsäkringar Alliance's Employee Association, LFP, Employee representative at Länsförsäkringar Bank, Länsförsäkringar Fondförvaltning, Östgöta Brandstodsbolag, Länsförsäkringar Norrbotten.

#### **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: Länsförsäkringar Sak Försäkrings AB, Bank and Insurance Section of Jusek.

# Terms and expressions

## 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 used.

## Asset allocation

Selection of allocation between various types of assets in a portfolio, for example, the desired proportion of shares, participations and interest-bearing securities.

## Capital adequacy ratio, bank

Closing capital base as a percentage of the closing risk-weighted amount.

## Capital base

The capital base for the insurance group is calculated as the sum of shareholders' equity minus shares in subsidiaries and associated companies in those insurance companies and their parent companies that are included in the Länsförsäkringar AB Group. The required solvency margin for the Länsförsäkringar Liv Group is then added to this value.

## 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.

## 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 or

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.

## Claims ratio

The ratio between Claims payments, including claims adjustment costs and Premiums earned after ceded reinsurance, expressed as a percentage.

## Collective consolidation, life assurance

The ratio between total assets and the company's total commitments with its policyholders.

## Combined ratio

The sum of operating expenses in the insurance operations and claims payments as a percentage of premiums earned after ceded reinsurance.

## Cost/income ratio, bank

Total expenses in relation to total income. The cost/income ratio is calculated before and after loan losses

## Cost ratio

Operating expenses in the insurance operations as a percentage of premiums earned after ceded reinsurance.

## 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.

## Earnings per share

Net profit/loss for the year after tax in relation to the average number of shares during the year.

## 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.

## 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.”

## 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.

## Investment margin, bank

Net interest income in relation to average total assets.

## 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 level, bank**

Loan losses in relation to total lending to the public and to credit institutions.

**Net interest income/expense, bank**

Interest income/expense from lending 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.

**Net worth**

Taxed shareholders' equity.

**Operating expenses in the insurance operations**

Includes costs for marketing, sales and administration in the insurance operations, including claims adjustment costs.

**Operating profit/loss**

Profit/loss before tax

**Premiums earned**

The proportion of premium income attributable to the fiscal year.

**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.

**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.

**Return on shareholders' 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 shareholders' equity adjusted for dividends.

**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 Chapter 7, Sections 22-25 of the Swedish Insurance Business Act.

**Solvency capital**

The sum of shareholders' equity, deferred tax liabilities/assets and subordinated debt.

**Solvency margin, non-life insurance**

Solvency capital as a percentage of premium income after ceded reinsurance.

**Solvency, life assurance**

The market value of assets in relation to guaranteed commitments to policyholders.

**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 commitment.

**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.

**Tier 1 capital, bank**

Comprises shareholders' 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.

**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 value of managed assets.





# Financial calendar 2010

## Interim Report for first quarter:

Länsförsäkringar Bank	April 27
Länsförsäkringar Hypotek	April 27

## Interim Report for second quarter:

Länsförsäkringar Bank	August 24
Länsförsäkringar Hypotek	August 24
Länsförsäkringar Alliance	August 25
Länsförsäkringar AB	August 25

## Interim Report for third quarter:

Länsförsäkringar Bank	October 26
Länsförsäkringar Hypotek	October 26
Länsförsäkringar Alliance	October 27
Länsförsäkringar AB	October 27





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