

Länsförsäkringar Alliance 2010 Annual Review

A SUMMARY OF THE 2010 BANKING AND INSURANCE YEAR FOR 24 REGIONAL INSURANCE COMPANIES IN ALLIANCE.

2010 in brief

- Länsförsäkringar is Sweden's strongest financial brand and can conclude yet another year characterised by strong growth and continued satisfied customers according to the 2010 Swedish Quality Index.
- The Alliance's leading position in the non-life insurance market was retained with a share of 28.8%. The technical result amounted to SEK 511 M (1,688) and operating profit to SEK 2,581 M (5,449).
- The Länsförsäkringar Alliance's solvency margin in non-life insurance was uniquely strong both in a national and international context. Solvency capital totalled SEK 34,724 M (31,747) and the solvency margin amounted to 190% (174).
- The majority of new savings among life-assurance and pension insurance customers is in unit-linked insurance and the insurance capital of the unit-linked life assurance company increased almost 20% due to rising business volumes and favourable returns. Total business volumes for life-assurance and pension insurance peaked at historically high levels. The total return of the traditional life-assurance company amounted to 4.1%.
- Operating profit in the banking operations rose to SEK 345 M (258). Net interest income rose to SEK

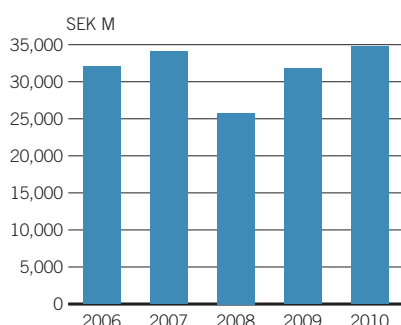
Sten Dunér, President of Länsförsäkringar AB, the Alliance's jointly owned company:

We are further intensifying our focus on growth with a broad range of products and services, locally close to our customers. The savings offering for private individuals will be developed. We will also further enhance our banking services, while maintaining our current focus on insurance. Generally, earnings and key figures are favourable and stable but we must improve returns for customers with traditional life assurance. Growth continued and our customers are the most satisfied customers in most areas. The widespread trust in Länsförsäkringar means that we are considered to be the strongest brand in the financial sector.

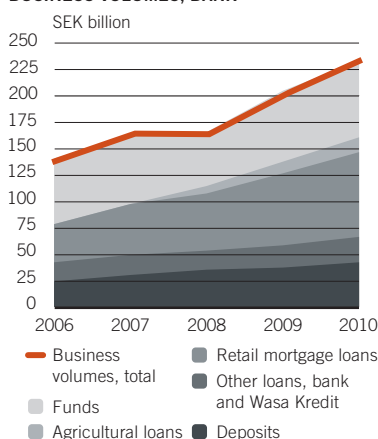
1,363 M (1,148). Growth remained high with business volumes rising to SEK 232 billion (204). According to the 2010 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied retail mortgage customers and Sweden's most satisfied retail bank customers.

- Through Länsförsäkringar Fastighetsförmedling, the regional insurance companies offer a unique total solution for reliable mortgage transactions. Growth is very strong and Länsförsäkringar Fastighetsförmedling is now Sweden's third largest brokerage.

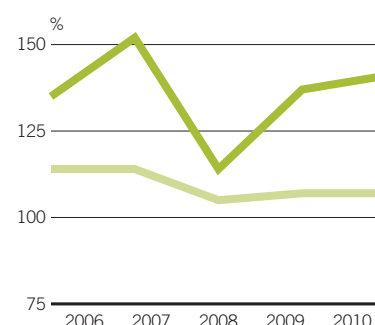
SOLVENCY CAPITAL, NON-LIFE INSURANCE



BUSINESS VOLUMES, BANK

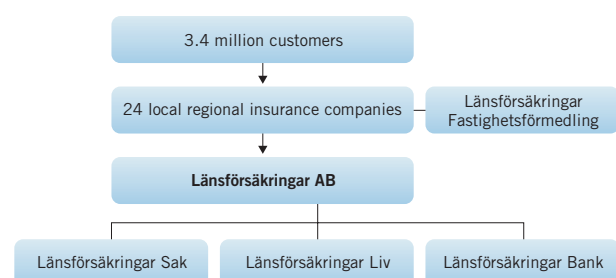


SOLVENCY/COLLECTIVE CONSOLIDATION, LIFE ASSURANCE



Länsförsäkringar in brief

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



Cooperation through Länsförsäkringar AB

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

LÄNSFÖRSÄKRINGAR ALLIANCE, NON-LIFE INSURANCE

	2010	2009	2008	2007	2006
Solvency capital, SEK M	34,724	31,747	25,916	34,140	32,093
Solvency margin, %	190	174	146	198	195
Premiums earned after ceded reinsurance, SEK M	18,184	17,828	17,406	16,671	16,362
Technical result, SEK M	511	1,688	2,453	2,322	2,114
Operating profit/loss, SEK M	2,581	5,449	-7,511	3,606	4,545
Combined ratio	102	96	93	93	93

LÄNSFÖRSÄKRINGAR AB GROUP ¹⁾

	2010	2009	2008	2007	2006
Operating profit/loss, SEK M	536	693	-3,392	1,270	821
Solvency capital, SEK M	10,613	8,709	7,907	11,652	10,713
Total assets, SEK M	173,835	157,076	130,554	116,241	91,184
Return on equity, %	5.0 ²⁾	6.6	-28.8	10.6	7.7

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

²⁾ Excludes rights issue.

LÄNSFÖRSÄKRINGAR BANK, GROUP

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

LÄNSFÖRSÄKRINGAR LIV, GROUP

	2010	2009	2008	2007	2006
Premium income, SEK M ³⁾	12,893	11,879	10,719	10,794	10,141
Profit/loss, SEK M	3,716	18,106	-30,126	11,361	7,646
Collective consolidation, %	107	107	105	114	114
Solvency ratio, %	141	137	114	152	136

³⁾ In accordance with the Swedish Insurance Federation's definition measured as rolling 12-month figures.

LÄNSFÖRSÄKRINGAR NON-LIFE INSURANCE AB, GROUP

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

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 ³⁾	Standard & Poor's	AAA	
Länsförsäkringar Hypotek ³⁾	Moody's	Aaa	

³⁾ Pertains to the company's covered bonds.

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

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

Non-life insurance¹⁾

- The Alliance's leading position in the non-life insurance market was retained with a share of 28.8%.
- The technical result for the insurance operations amounted to SEK 511 M (1,688).
- The decline is primarily attributable to higher claims costs resulting from the colder and snowy winter months at the beginning and end of the year. The expense ratio was 102% (96).
- Investment income amounted to SEK 3,994 M (5,956), leading to a total return of 6.3%.
- Solvency remained uniquely strong with a solvency margin of 190% (174) and solvency capital at SEK 34,724 M (31,747).

KEY FIGURES	2010	2009
Premiums earned, SEK M	18,184	17,828
Technical result, SEK M	511	1,688
Operating profit, SEK M	2,581	5,449
Investment income, SEK M	3,994	5,956
Return on equity, %	7.3	18
Solvency capital, SEK M	34,724	31,747
Solvency margin, %	190	174
Claims ratio, %	80	74
Expense ratio, %	22	22
Combined ratio, %	102	96

Earnings

The technical result declined to SEK 511 M (1,688). This decline was predominately due to higher claims costs for winter-related claims. The final quarter of the year also saw freezing temperatures and very snowy conditions. The combined ratio improved during the fourth quarter but was weaker compared with the preceding year at 102%.

Investment income was strong and amounted to SEK 3,994 M (5,956) and operating profit totalled SEK 2,581 (5,449). Robust solvency was further strengthened with solvency capital at SEK 34,724 M (31,747) and a solvency margin of 190% (174).

Business volumes

Premiums earned rose 2% during the year and the number of insurance policies also increased. Growth was mainly noted in the areas of motor-vehicle insurance, animal and crop insurance and medical and accident insurance. Intense price pressure and fierce competition in commercial insurance contributed to a negative premium trend, while the number of insurance policies increased. In private insurance, private car insurance combined with accident and animal insurance fuelled a positive trend in both the premium portfolio and number of policies.

Claims trend

In terms of claims incidence, 2010 was heavily affected by the cold, snowy winter both at the beginning and at the end of the year. Claims costs rose 10.3% compared with 2009. Claims costs for the fourth quarter amounted to SEK 3,448 M. Costs for damage caused by snow and freezing rose sharply to approximately SEK 710 M during the year, of which about SEK 180 M was reinsured. The agricultural sector was mostly affected by such damage,

although single-family homes and properties also made claims. Länsförsäkringar's high market share in agricultural and homeowner insurance was the reason for the substantial increase in costs.

The condition of the roads in winter at the both the beginning and end of the year led to a higher number of claims in motor-vehicle insurance. Costs for such insurance increase about SEK 500 M during the year, half of which is estimated to be related to the winter conditions. In total, winter-related claims are calculated to have affected claims costs by almost SEK 1 billion.

Market

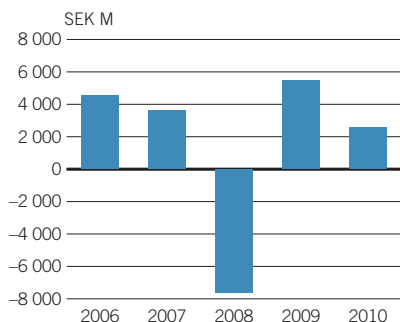
The Länsförsäkringar Alliance maintained its position as a leader in the non-life insurance market, with a market share of 28.8%. The market is expanding and, measured in premiums paid, rose SEK 2.4 billion during the year. Growth was primarily noted in motor-vehicle insurance and in household and homeowner insurance. In other respects, the non-life insurance market featured fierce competition and price pressure despite the consequences of the financial crisis beginning to abate.

Länsförsäkringar is the market leader in the corporate sector with 36.7% of the market despite the negative trend in premiums during the year. For private insurance, competition is intense in both housing and motor-vehicle insurance. The inflow of passenger-car insurance rose and the market share increased to 32.8%. The market share in homeowner insurance fell slightly to 39.9%. Competition in animal insurance intensified but Länsförsäkringar retained its leading market position through Agria Djurförsäkring with a share of 58%.

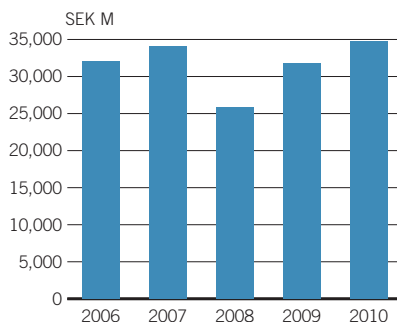
Growing dissatisfaction with national insurance in Sweden has led to more people

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

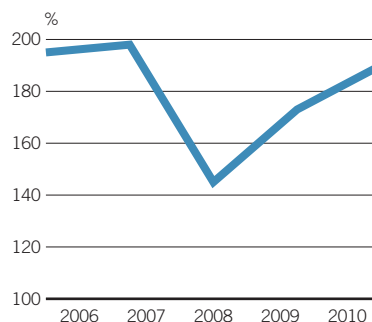
OPERATING PROFIT/LOSS



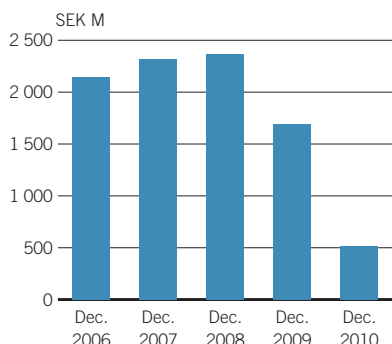
SOLVENCY CAPITAL



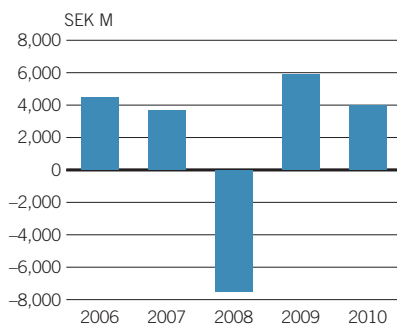
SOLVENCY MARGIN



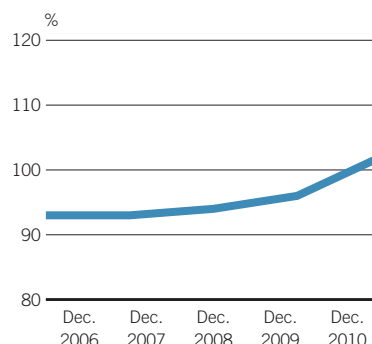
TECHNICAL RESULT



TOTAL INVESTMENT INCOME



COMBINED RATIO



taking out private insurance in all areas that provide compensation in the event of illness, unemployment, accidents, death and retirement. Accordingly, the medical and accident insurance market is continuing to expand. The medical insurance market in particular, is growing and a greater number of companies are becoming interested in this expansive market. In a climate of intensifying competition, Länsförsäkringar is a market leader holding 31% of the market.

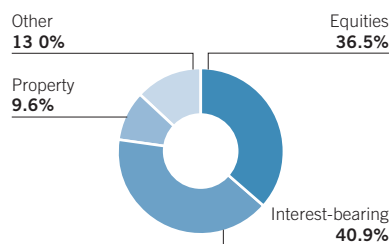
Capital allocation

Investment income was strong at SEK 4.0 billion, leading to a total return of 6.3%. However, this return was lower than in the preceding year. One of the reasons for this is that the Länsförsäkringar Alliance has a relatively large exposure to Swedish equities and returns in 2009 were exceptionally high since trends in the Swedish stock market were very positive in that year.

The local regional insurance companies and their Boards, as well as the jointly owned non-life insurance companies in

Länsförsäkringar AB, strive to retain a strong solvency margin to maintain even pricing over time. The aim is to strike a balance between risk and available surplus capital, and high priority is assigned to safeguarding key figures. The companies invest a portion of their assets in low-risk interest-bearing securities to ensure the commitments in the non-life insurance operations. Meanwhile, the strong solvency margin provides a substantial buffer of capital, which allows a certain portion to be invested in assets with higher anticipated returns, for example, in equities. The stock market experienced a strong trend early in the year, which was subsequently followed by escalating turbulence. The first six months culminated in a decline in global stock markets. Strongly positive stock-market trends in the autumn were confirmed by an improving economic climate with both interest rates and equities rising at the end of the year. The percentage of equities rose 1.9 percentage points to 36.5% during the year, while the percentage of interest-bearing assets declined.

ALLOCATION OF INVESTMENT ASSETS



Total investment assets amounted to SEK 63.4 billion on December 31, 2010.

Operations abroad

Länsförsäkringar conducts animal insurance operations in the UK, Norway and Finland via Agria International. The operations in Finland were divested during the year and preparations were made for an establishment in Denmark.

International business is expanding and premium income rose 23% to SEK 588 M. Earnings in 2010 were adversely affected by higher reserves in the UK branch and the loss amounted to SEK 94 M. A number of measures in premiums, conditions and deductibles were taken, which will stimulate stable profitability.

Life-assurance and pension insurance

- Länsförsäkringar manages SEK 172 billion on behalf of its life-assurance and pension insurance customers: SEK 118 billion on behalf of customers with traditional life assurance and SEK 54 billion on behalf of customers with fund management. The majority of new savings is in unit-linked insurance. The insurance capital of the unit-linked life assurance company rose 18% in 2010 due to higher business volumes and favourable returns.
- Total business volumes peaked at historically high levels. New sales increased to SEK 20.2 billion (16.8) and premium income to SEK 12.9 billion (11.9). The majority of new sales and premium income derived from occupational pension, a market in which Länsförsäkringar holds a leading position.
- The total return in the traditional life-assurance company amounted to 4.1% during the year; a result which did not meet expectations. A lower percentage of equities, particularly Swedish equities, and costs for liability protection, were the reasons behind the low return.
- Despite the low return in traditional life assurance in 2010, customers' insurance capital displayed a positive trend since the bonus rate was at an average of 6.2%.
- Key figures strengthened during the year. The solvency ratio on December 31, 2010 amounted to 141% (137), collective consolidation to 107% (107) and debt coverage ratio to 122% (114).

Länsförsäkringar Liv, Group

KEY FIGURES	2010	2009
Premium income, SEK M*	12,893	11,879
Total assets, SEK M	174,429	163,184

*In accordance with the Swedish Insurance Federation's definition.

Traditional life-assurance company

KEY FIGURES	2010	2009
Premium income, net, SEK M	6,300	5,733
Investment income, net, SEK M	4,440	4,312
Profit after tax, SEK M	4,044	17,880
Investment assets, traditional, SEK M	104,756	102,988
Investment assets, New World, SEK M	13,065	11,627
Total assets, SEK M	123,446	119,243
Solvency ratio, %	141	137
Collective consolidation, %	107	107
Return, New World, %	8.9	24.3
Total return, traditional life assurance, %	4.1	2.3

In 2010, parts of the life-assurance market remained characterised by price pressure, driven by large-scale procurement in the occupational pension market and niche players in the private market. An example of the intensifying competition was the procurement of unit-linked insurance under the ITP pension system, where already low margins were squeezed further and a number of suppliers were replaced for pricing reasons, including Länsförsä-

Unit-linked life assurance company

KEY FIGURES	2010	2009
Premium income, net, SEK M	20	20
Fees from financial agreements	381	318
Investment income, net, SEK M	3,784	9,994
Profit after tax, SEK M	132	20
Total assets, SEK M	55,995	47,377

ringar's unit-linked life assurance company.

The rapid recovery of the Swedish economy, rising share prices and greater interest in saving in endowment insurance boosted the positive trend in premium income in the life-assurance market. In 2010, a new product was also launched entitled Reflex Fund Capital, which strengthens the offering in fund-managed endowment insurance.

The importance of independent insurance brokers to life-assurance products continued to rise, particularly in the non-collective-agreement-based occupational pension markets where brokers were the dominant channel. Länsförsäkringar was named Best Life Assurance Broker Desk by the Swedish Insurance Intermediaries Association for the fourth consecutive year. Brokers are essential to the success of the Länsförsäkringar Alliance in the life-assurance market.

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

Earnings and profitability

Profit for the Länsförsäkringar Liv Group for 2010 amounted to SEK 3,716 M (18,106). Earnings in 2009 were driven up by a rising discount rate, which is the reason for the large difference in earnings. Interest-rate changes again significantly impacted earnings in 2010 with the technical liabilities in traditional management being discounted by the market interest rate. The

low market rates during the first six months of the year fell, which increased liabilities and weakened earnings. The situation was the reverse in the autumn with falling interest rates and improved earnings. The interest-rate level at year-end was slightly higher than at the beginning of the year, which meant that the discount effect on technical liabilities in traditional management had a positive impact on earnings. Positive administration and risk gains also contributed positively to earnings.

Profit for Länsförsäkringar Fondliv amounted to SEK 132 M (20). The improvement was mainly due to higher income from capital fees and rebating of commissions from fund managers. Higher premium income in the unit-linked life assurance company during the year also contributed to the substantial increase in insurance capital from SEK 46 billion to SEK 54 billion. The 18% rise in insurance capital heavily contributed to rising income. In terms of expenses, long-term measures to optimise the organisation and enhance the efficiency of processes resulted in lower costs. A number of efficiency projects were concluded in 2010, which will generate lower costs in both the short and long term.

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

To improve the returns on customers' savings, work is focusing on implementing a number of measures to strengthen both the liabilities and assets in the balance sheet.

In the long term, these measures will improve return levels and thus contribute to achieving the goal of maintaining a high bonus rate and being one of the top three companies in terms of returns.

Insurance capital on traditional management is to grow, as a minimum, in line with guaranteed interest in the long term. In addition, customers will receive bonuses if the total return is favourable over time. There is a long-term connection between favourable total returns and the ability to offer customers a high bonus rate. The average bonus rate since Länsförsäkringar's traditional life-assurance operations were started in 1985 has been 8.8%. In 2010, the average bonus rate was 6.2% and on June 1 the rate was raised from 5 to 7%. The bonus rate for Länsförsäkringar's traditional life assurance is among the best in the industry in both the long and short term.

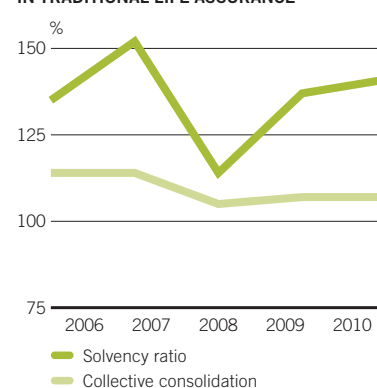
Key figures, traditional life assurance

Key figures were a focus area of Länsförsäkringar's traditional life assurance during the year. Sharp interest-rate hikes impacted the value of liabilities, which in turn affected key figures. To offset interest-rate changes, key figures were hedged using fixed-income investments whose value growth trends are the opposite of trends in liabilities, and consequently the company's risks were reduced.

The solvency ratio was 141% (137) on December 31, 2010. The solvency ratio shows the value of the company's assets in relation to the guaranteed commitments to customers.

Collective consolidation amounted to 107% (107) on December 31, 2010. Collective consolidation describes the market value of the company's assets in relation to the guaranteed commitments and the preliminary bonus allocation. The debt coverage ratio for private pension amounted to 122% (117) and for occupational pensions to 122% (114).

SOLVENCY RATIO AND COLLECTIVE CONSOLIDATION IN TRADITIONAL LIFE ASSURANCE



Business volumes

In 2010, Länsförsäkringar Liv was highly successful in the market and new sales totalled SEK 20,237 M (16,777), up 21% compared with the preceding year. The total life assurance market grew substantially given the large-scale procurements in the collective-agreement occupational pension market. The market shares of companies who were managing the funds for those not making an active choice of pension agreement increased significantly, which resulted in lower market shares for such companies as Länsförsäkringar despite higher sales levels. The market share, measured in new sales of the total life-assurance sales market, amounted to 7.5% (9.9) on December 31, 2010, according to statistics from the Swedish Insurance Federation. Occupational pensions accounted for most of the sales volumes in Länsförsäkringar Liv's product offering and 80% of sales were occupational pensions in 2010. The distribution between management forms has been relatively stable in recent years with an excess of unit-linked insurance. In 2010, 55% of sales were attributable to unit-linked insurance.

Total return, Länsförsäkringar Liv

ON DEC. 31, 2010	Market value, Jan. 01, 2010, SEK M	Percentage of portfolio, %	Market value, Dec. 31, 2010, SEK M	Percentage of portfolio, %	Total return, %
Interest-bearing	37,820	36.7	51,402	49.1	4.2
Equities	47,699	46.3	34,796	33.2	8.9
Alternative investments	5,670	5.5	7,745	7.4	8.1
Property	8,761	8.5	6,262	6.0	4.5
Other	5,423	5.3	6,652	6.3	14.4
Liability protection*	-2,385	-2.3	-2,101	-2.0	-2.6
Total	102,988	100	104,756	100	4.1

*Contribution to total return.

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

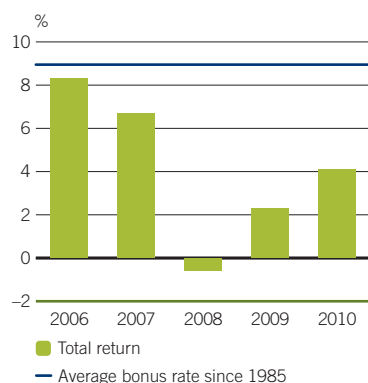
Länsförsäkringar Liv's insurance capital rose from SEK 161 billion to SEK 172 billion during the year. The largest increase in managed assets was seen in unit-linked insurance where rising fund prices combined with net inflows underpinned the increase for the year. Managed assets in unit-linked insurance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

Traditional management

Traditional life assurance normally invests in listed shares and interest-bearing securities, as well as properties and alternative investments. On December 31, 2010, asset allocation in Länsförsäkringar traditional life-assurance's portfolio was as follows: 33% invested in equities, 47% in interest-bearing securities, 6% in property and 7% in alternative investments. In addition, 6% of the portfolio comprised Länsförsäkringar Fondliv.

The return for the different asset classes in 2010 was as follows: equities 8.9% (1.7), interest-bearing securities 4.2% (7.8), properties 4.5% (2.5) and alternative investments 8.1% (neg: 0.2). Länsförsäkringar Fondliv, which is an investment asset in Länsförsäkringar traditional life-assurance, grew 14% in value.

TOTAL RETURN AND BONUS RATE IN TRADITIONAL LIFE ASSURANCE



Unit-linked insurance

Life-assurance savings in unit-linked insurance are growing the most.

The insurance capital of the funds rose 18% during the year, compared with 4% in traditional insurance. About 55% of new savings are made in unit-linked insurance. On the whole, 2010 was a favourable year in the equities market and most people saving in unit-linked insurance saw positive growth in their savings, with an average of slightly more than 6%. The trend in Sweden funds and funds investing in growth markets were particularly positive. The best fund for the year in Länsförsäkringar's offering was Länsförsäkringar Fastighetsfond (property fund) which rose 48% during the year. The fund was also named Best Industry Fund in 2010 by Fondmarknaden.se. Many of the external funds in the offering also performed very positively during the year, for example Lannebo's small cap fund and Sweden fund.

The majority of funds posted positive results for 2010. However, there were some expectations, including Europe funds and North America funds, where economic concern particularly in Greece and the lack of recovery in the US muted the positive stock-market trend. In addition, the strong SEK against the USD and EUR impeded the return in funds investing outside Sweden.

Risks and risk management

An increasingly sophisticated and changeable financial market, and more detailed public regulations, impose more and more rigorous demands on financial companies and their risk management, in particular. Activities to govern, manage and control the business operations' risks are of immediate importance to customers.

One of the key targets for Länsförsäkringar Liv is the company's ability to meet its guaranteed commitments to customers by a healthy margin. At the same time, it is important to deliver a high return to customers. For this reason, Länsförsäkringar Liv endeavours to control risk-taking in such a manner that the conditions for returns and the level of risk are suitably balanced.

Länsförsäkringar Liv's risks primarily comprise market risks and insurance risks, with market risks dominating. Market risks include the risk of a decline in interest rates, which presents a major risk since the company's liabilities would then be higher than its assets. Falling share prices also comprise a significant risk since the value of the company's assets would decline.

In recent years, a geographic spread of equities investments has reduced concentration risks by investments in Sweden being reduced in favour of foreign and alternative investments. Derivative solutions are also actively utilised to hedge the portfolios against different types of risks, such as equities risk and the risk of unfavourable interest-rate changes. Such hedging is a common element in the management of traditional life assurance and is undertaken to render the balance sheet less susceptible to falling share prices and rising liabilities due to declining interest rates.

In 2010, the company's vulnerability to interest rates was reduced by utilising liability hedging in the form of interest-rate derivatives, whose value growth trends are the opposite of trends in liabilities. Interest rates fell sharply in the spring and summer, resulting in a rapid decline in liabilities. Liability hedging was increased in the autumn to reduce interest-rate risk. The substantial rise in interest rates in the last quarter of the year had a negative effect on returns, while the key figures for the solvency ratio and debt coverage strengthened.

Bank

- Operating profit income rose to SEK 345 M (258), due to an increase of SEK 1,363 M (1,148) in net interest income.
- Loan losses remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05).
- According to the 2010 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied retail mortgage customers and Sweden's most satisfied retail bank customers.
- The number of customers rose to 826,000 (759,000), the number of cards increased to 266,000 (223,000) and business volumes rose to SEK 232 billion (204).

Länsförsäkringar Bank, Group

KEY FIGURES	2010	2009
Deposits from the public, SEK M	41,590	37,365
Loans to the public, SEK M	117,910	99,582
Operating profit/loss, SEK M	345	258
Return on equity, %	4.9	4.1
Cost/income ratio before loan losses	0.71	0.76

The Swedish economy continued to display robust growth. Compared internationally, the Swedish economy is strong. Sweden's public finances are very healthy with public debt at 35% of GDP and a balanced government budget. The capital market remained concerned about government finances in Europe during the fourth quarter and several European countries introduced far-reaching national savings packages. Activity in the Swedish bank and housing bond market remained high during the quarter despite certain initial corrections when the Riksbank (Sweden's Central Bank) ended its structural liquidity support programme in October. Prices for single-family homes remained unchanged in Sweden compared with the preceding quarter, which also applied to the large metropolitan areas, according to data from Statistics Sweden. Retail mortgage loans to households continued to increase in the Swedish market, albeit with a slight slowdown in the lending rate probably due to rising market interest rates and the mortgage cap.

Sweden's most satisfied bank customers

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

Customer trend

The number of customers rose 9%, or 67,000, to 826,000 (759,000). The number of customers who have Länsförsäkringar as their principal bank rose 15%, or 29,000, to 223,000 (194,000) and of these customers, 92% (90) are also customers with Länsförsäkringar's non-life and/or life assurance products. The number of products per customer is rising. The number of cards increased 19%, or 43,000, to 266,000 (223,000).

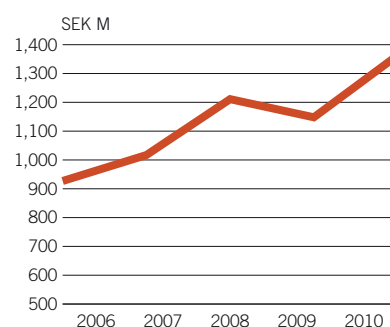
Earnings and profitability

Profit before loan losses rose 32% to SEK 405 M (308) and operating profit increased 34% to SEK 345 M (258), due to higher net interest income. Return on equity strengthened to 4.9% (4.1).

Income

Operating income increased a total of 7% to SEK 1,387 M (1,301), which was primarily attributable to a stronger net interest income and higher commission income as a result of greater volumes of managed funds. The increase in net interest income is due to higher business volumes and improved margins. Net interest income rose 19% to SEK 1,363 M (1,148). The investment margin for the period was 0.93% (0.96). Net interest income was charged with SEK 25 M (20) for fees to the stability fund and SEK 24 M (16) for mandatory government deposit insurance. Commission income increased 19% to SEK 919 M (774) due to higher fund management volumes. Commission expense rose 23% to SEK 1,074 M (870) attributable to higher business volumes which led to increased compensation to the regional insurance companies. Net gains from financial items declined to SEK 10 M (100). Due to the higher market interest rates, customers were less inclined to redeem long-term loans compared with the preceding year.

NET INTEREST INCOME



Expenses

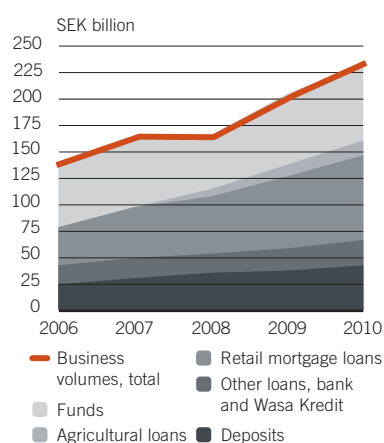
Operating expenses declined 1%, or SEK 10 M, to SEK 982 M (992) due to lower IT and administrative expenses. The cost/income ratio strengthened to 0.71 (0.76) before loan losses and to 0.75 (0.80) after loan losses. Loan losses, which primarily pertain to Wasa Kredit, remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05 (0.05). The reserve ratio amounted to SEK 286 M (308),

corresponding to 0.24% (0.30) in relation to loans. The lower reserves and impaired loans are mainly due to the higher credit quality of Wasa Kredit's loan portfolio. Impaired loans fell to SEK 209 M (213), corresponding to a percentage of impaired loans of 0.17% (0.21).

Business volumes

Business volumes increased 14%, or SEK 28 billion, to SEK 232 billion (204). Loans to the public rose 18%, or SEK 18 billion, to SEK 118 billion (100). Deposits from the public rose 11%, or SEK 5 billion, to SEK 42 billion (37). The volume of managed funds increased 9%, or SEK 5 billion, to SEK 72 billion (67).

BUSINESS VOLUMES



Loans

Loans to the public rose 18%, or SEK 18 billion, to SEK 118 billion (100). Retail mortgage lending in Länsförsäkringar Hypotek increased 18%, or SEK 12 billion, to SEK 80 billion (68). All lending exposure occurred in Sweden and in SEK. On December 31, 2010, the market share for household and retail mortgage lending in Sweden increased to 4.4% (4.0) and the share of market growth for the year was nearly 9%, according to data from Statistics Sweden. Länsförsäkringar strengthened its position among mortgage lenders. First-lien mortgages for agricultural and forestry properties rose 38% to SEK 10.8 billion (7.8) and agricultural loans increased a total of 27% to SEK 13.8 billion (10.8). The loan portfolio, totalling SEK 118 billion (100), had a robust geographic distribution and maintained a high level of quality. A total of 81% (84) of the portfolio comprised household credits. Most

of the total portfolio, 74% (75) pertained to retail mortgage lending, of which 81% (82) comprised collateral in single-family dwellings and 19% (18) tenant-owned apartments. Agricultural lending accounted for 12% (11) of the loan portfolio and the average agricultural commitment was low. First-lien mortgages, mainly to family-owned agricultural properties, accounted for 78% (72) of agricultural lending.

Deposits

Deposits from the public rose 11%, or SEK 5 billion, to SEK 42 billion (37), with the increase primarily attributable to private and savings accounts. On December 31, 2010, the market share for household deposits in the Swedish market increased to 3.5% (3.4), according to data from Statistics Sweden. Länsförsäkringar retained a stable and expanding position in deposits.

Borrowing

Debt securities in issue rose 44%, or SEK 27 billion, to SEK 89 billion (62), of which covered bonds accounted for SEK 80 billion (55). SEK 13.3 billion (0) of total borrowing was issued in the international market. The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Covered bonds in the nominal amount of SEK 44.0 billion (32.9) were issued during the year. Repurchased covered bonds totalled a nominal SEK 8.0 billion (17.2) and matured covered bonds amounted to a nominal SEK 10.5 billion (3.4). Financing is also conducted through Länsförsäkringar Bank's programmes. During the year, SEK 5.2 bil-

lion (–) was issued under the ECP-MTN programme, SEK 12.1 (13.9) under the DCP programme and SEK 2.8 billion (–) under the ECP programme. The maturity structure of the Bank Group's borrowing is highly diversified. The average maturity period increased in 2010, which combined with high liquidity results in a lower refinancing risk.

Liquidity

The liquidity portfolio totalled a nominal SEK 25.7 billion (26.7) on December 31, 2010. A total of 80% comprised covered bonds with the highest rating, 15% securities with the government as the counterparty and 5% day-to-day loans. The liquidity of the investments is very high.

Rating

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

¹⁾ Pertains to the company's covered bonds.

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

Borrowing Programmes

Programme	Limit, nominal	Issued 2010, SEK billion	Issued 2009, SEK billion	Remaining, Dec. 31, 2010, nominal, SEK billion	Remaining, Dec. 31, 2009, nominal, SEK billion	Remaining maturity, Dec. 31, 2010, years	Remaining maturity, Dec. 31, 2009, years
Länsförsäkringar Hypotek							
Benchmark	Unlimited	26	22	54	35	2.8	2.8
Medium Term Covered Note	SEK 30 billion	8	11	14	14	1.1	1.1
Euro Medium Term Covered Note	SEK 4 billion	10	–	11	5	4.2	1.1
Total		44	33	79	54	2.7	2.2
Länsförsäkringar Bank							
Medium Term Note	SEK 20 billion	5	–	5	0	1.6	0.5
Domestic Commercial Paper	SEK 15 billion	12	14	2	6	0.2	0.3
Euro Commercial Paper	SEK 1,5 billion	3	–	2	–	0.2	–
Euro Medium Term Note	EUR 2 billion	–	–	–	1	–	0.2
Total		20	14	9	7	1.0	0.3
Group total		64	47	88	61	2.5	2.0

and the highest credit rating, AAA, from Standard & Poor's. Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The basic IRB Approach is used for agricultural exposures. The Standardised Approach is applied to other exposures to calculate the capital requirement for credit risk. The transition rules from Basel I to Basel II have been extended through 2011 and entail a capital requirement of 80%. The capital base amounted to SEK 5,928 M (5,375) and the capital adequacy ratio according to Basel II was 13.5% (14.8). Tier 1 capital strengthened to SEK 5,183 M (4,522) net, and the Tier 1 ratio according to Basel II totalled 11.8% (12.5). The target level for Tier 1 ratio is 12 percentage points when Basel II is fully implemented. The target level for the Tier 1 ratio is permitted to vary +/- 0.5 percentage points.

Interest-rate risk

On December 31, 2010, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 52 M (36).

Risks and uncertainties

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

Key events after year-end

It was announced in January that President Mats Ericsson will leave on March 1 and become the President of Länsförsäkringar Fastighetsförmedling. Rikard Josefson was appointed the new president of the company and will take office not later than after the summer. The Representative for the President, Anders Borgcrantz, will serve as Acting President from March 1 until Rikard Josefson takes office.

Parent Company

Deposits and some lending are conducted by the Parent Company. Most of the lending and borrowing operations are conducted through the subsidiary Länsförsäkringar Hypotek. Loans to the public rose 20%, or SEK 5 billion, to SEK 28 billion (23). Deposits from the public rose 11%, or SEK 5 billion, to SEK 42 billion (37). Debt securities in issue increased 30%, or SEK 3 billion, to SEK 10 billion (7). Operating loss amounted to SEK 36 M (loss: 37). Net interest income was strengthened by higher business volumes and improved margins in deposits and rose 20% to SEK 505 M (420). Net interest income was charged with SEK 9 M (10) for fees to the stability fund and SEK 24 M (16) for mandatory government deposit insurance. Operating income declined 6% to SEK 452 M (480) due to lower net commission. Commission income increased 16% to SEK 199 M (172) attributable to higher business volumes. Commission expense rose 27% to SEK 462 M (364), resulting in net commission expense of SEK 263 M (expense: 192), attributable to increased compensation to the regional insurance companies. Operating expenses declined 7% to SEK 473 M (512). Loan losses, net, remained low and amounted to SEK 15 M (5).

Subsidiaries

Länsförsäkringar Hypotek

Retail mortgage lending in the bank's mortgage institution increased 18%, or SEK 12 billion, to SEK 80 billion (68). 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 rose to SEK 152 M (141), attributable to a higher net interest income. Recoveries exceeded loan losses, amounting to SEK 1 M (5), net, corresponding to loan losses of 0% (neg: 0.01). The number of retail mortgage customers rose to 149,000 (134,000).

SEK M	Dec. 31, 2010	Dec. 31, 2009
Total assets	105,670	81,750
Loan volume	79,667	67,536
Net interest income	406	285
Operating profit	152	141

Wasa Kredit

Loan volume increased 18% to SEK 10.7 billion (9.1). All products increased in volume, with leasing experiencing the greatest rise. Operating profit rose 21% to SEK 132 M (109). Net interest income rose 2% to SEK 451 M (442). Expenses increased 1% to SEK 369 M (364) and loan losses declined to SEK 47 M (51), net.

SEK M	Dec. 31, 2010	Dec. 31, 2009
Total assets	11,089	9,478
Loan volume	10,711	9,082
Net interest income	452	442
Operating profit	132	109

Länsförsäkringar Fondförvaltning

Länsförsäkringar's share of the fund market declined 3.9% (4.0) on December 31, 2010 according to statistics from the Swedish Investment Fund Association. The volume of managed funds rose 9%, or SEK 5 billion, to SEK 72 billion (67), primarily attributable to the value growth trend. The company manages 32 (30) investment funds with different investment orientations. The funds are available as direct fund savings, IPS and unit-linked insurance and through the PPM system. Operating profit rose to SEK 98 M (50).

SEK M	Dec. 31, 2010	Dec. 31, 2009
Total assets	263	202
Assets under management	72,433	66,659
Net commission expense	27	3,395
Net flow	264	221
Operating profit	98	50

Real-estate brokerage

Through the regional insurance companies, Länsförsäkringar Fastighetsförmedling offers a total solution for reliable mortgage transactions: real-estate brokerage, banking and insurance services all in one company.

Länsförsäkringar Fastighetsförmedling has slightly more than 130 branches throughout Sweden, of which 31 were established in 2010. Strong growth has advanced Länsförsäkringar Fastighetsförmedling to the position of third largest brokerage in Sweden.

Real-estate brokerage is an integrated part of the local regional insurance companies' total offering and developments and communication should always strength-

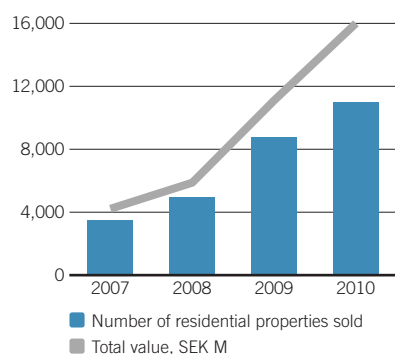
en the entire operations of the companies. The aim is to always contribute more than to just the brokerage and sale of residential properties. The real-estate brokerage's position is "comprehensive real-estate brokerage." This concept means that Länsförsäkringar Fastighetsförmedling not only brokers residential properties but also offers banking and insurance services directly related to mortgage transactions.

The operations are conducted in fran-

chise form, whereby the regional insurance companies act as the franchiser for the local branches. It also means that Länsförsäkringar Fastighetsförmedling differs from national estate-agent chains by always remaining locally anchored.

A total of 4,340 private residences, 5,474 tenant-owned apartments and 546 leisure homes were sold in 2010. The value of the sales totalled SEK 16 billion. The market share is 6.7%.

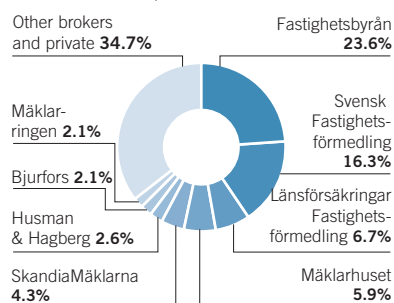
NUMBER OF SINGLE-FAMILY HOMES, LEISURE HOMES AND TENANT-OWNED APARTMENTS SOLD



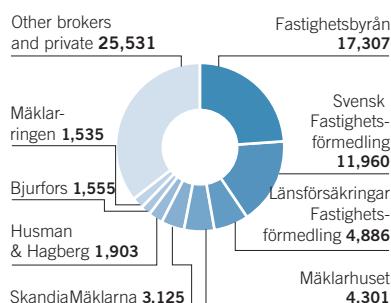
VALUE OF SALES OF SINGLE-FAMILY HOMES AND LEISURE HOMES 2010, SEK M



MARKET SHARES, 2010



NUMBER OF SINGLE-FAMILY HOMES AND LEISURE HOMES 2010



Income statements and balance sheets

NON-LIFE INSURANCE¹

Income statement, SEK M	2010	2009
Premiums earned after ceded reinsurance	18,184	17,828
Investment income transferred from financial operations	891	978
Claims payments after ceded reinsurance	-14,651	-13,281
Operating expenses	-4,038	-3,891
Other technical revenue/expenses	124	53
Technical result from non-life insurance operations before bonuses and discounts	511	1,688
Bonuses and discounts	-495	-608
Technical result from non-life insurance operations after bonuses and discounts	16	1,080
Total investment income	3,994	5,950
Investment income transferred to insurance operations	-891	-978
Other non-technical expenses	-538	-603
PROFIT BEFORE APPROPRIATIONS AND TAX	2,581	5,449

Balance sheet, SEK M	Dec. 31, 2010	Dec. 31, 2009
ASSETS		
Shares and participations	23,118	20,940
Bonds and other interest-bearing securities	25,963	27,572
Other investment assets	14,296	11,993
Total investment assets	63,378	60,504
Reinsurers' portion of technical reserves	6,347	1,043
Receivables and other assets	13,203	13,744
Prepaid expenses and accrued income	750	832
TOTAL ASSETS	83,677	76,123

EQUITY, PROVISIONS AND LIABILITIES

Equity	27,276	25,158
Technical reserves before ceded reinsurance	43,488	37,242
Other provisions and liabilities	10,698	11,329
Accrued expenses and deferred income	2,215	2,394
TOTAL EQUITY, PROVISIONS AND LIABILITIES	83,677	76,123

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

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

LÄNSFÖRSÄKRINGAR AB, GROUP

Income statement, SEK M	2010	2009
Premiums earned after ceded reinsurance	3,764	3,524
Net interest income	1,436	1,241
Investment income, net	322	520
Other operating income	3,328	3,014
Total operating income	8,855	8,299
Claims payments after ceded reinsurance	-2,768	-2,391
Other expenses	-5,552	-5,215
Total expenses	-8,320	-7,606
Operating profit	536	693
Tax	-118	-184
NET PROFIT FOR THE YEAR	418	509

Balance sheet, SEK M	Dec. 31, 2010	Dec. 31, 2009
ASSETS		
Goodwill	338	353
Other intangible assets	881	871
Property and equipment	111	98
Owner-occupied property	2,415	2,297
Shares in Länsförsäkringar Liv Försäkrings AB	514	514
Shares and participations in associated companies	23	23
Reinsurers' portion of technical reserves	6,347	5,917
Loans	117,910	99,582
Financial assets	37,901	39,186
Other assets	7,192	8,164
TOTAL ASSETS	173,835	157,005

EQUITY, PROVISIONS AND LIABILITIES

Equity	9,831	8,058
Subordinated liabilities	114	114
Technical reserves	19,936	19,692
Debt securities in issue	88,595	61,022
Deposits from the public	41,571	36,981
Financial liabilities	6,719	23,249
Other liabilities	7,069	7,890
TOTAL EQUITY, PROVISIONS AND LIABILITIES	173,835	157,005

LÄNSFÖRSÄKRINGAR BANK, GROUP

Income statement, SEK M	2010	2009
Net interest income	1,363	1,148
Net commission expense	-155	-95
Other operating income	169	247
Total operating income	1,387	1,300
Staff costs	-311	-305
Other administration expenses	-589	-612
Depreciation/amortisation and impairment of property and equipment/intangible assets	-82	-75
Total operating expenses	-982	-992
Profit before loan losses	405	308
Loan losses, net	-60	-50
TOTAL OPERATING PROFIT	345	258
Tax	-100	-80
NET PROFIT FOR THE YEAR	245	178

Balance sheet, SEK M	Dec. 31, 2010	Dec. 31, 2009
ASSETS		
Eligible treasury bills	4,170	2,000
Loans to credit institutions	1,530	3,216
Loans to the public	117,910	99,582
Bonds and other interest-bearing securities	21,203	22,701
Intangible assets	373	330
Property and equipment	13	18
Other assets	3,335	3,450
TOTAL ASSETS	148,534	131,297

EQUITY AND LIABILITIES		
Due to credit institutions	5,212	21,232
Deposits and borrowing from the public	41,590	37,365
Debt securities in issue	89,248	62,016
Subordinated liabilities	1,250	1,250
Other liabilities	5,705	4,740
Equity	5,529	4,694
TOTAL EQUITY AND LIABILITIES	148,534	131,297

LÄNSFÖRSÄKRINGAR LIV, GROUP

Income statement, SEK M	2010	2009
Premium income after ceded reinsurance	6,320	5,754
Fees from financial agreements	380	318
Investment income, net	7,654	14,465
Claims payments	-4,354	-4,300
Other technical revenue and expenses	353	257
Change in technical reserves	-4,333	4,058
Operating expenses	-1,350	-1,551
Technical result for insurance operations	4,670	19,001
Non-technical expenses	-750	-841
Profit before tax	3,920	18,160
Tax	-204	-54
NET PROFIT FOR THE YEAR	3,716	18,106

Balance sheet, SEK M	Dec. 31, 2010	Dec. 31, 2009
ASSETS		
Intangible assets	1,186	1,196
Investment assets	105,872	106,781
Investment assets for which policyholders bear the investment risk	54,206	46,070
Reinsurers' portion of technical reserves	663	705
Receivables	3,008	1,502
Other assets	7,336	4,953
Prepaid expenses and accrued income	2,158	1,977
TOTAL ASSETS	174,429	163,184

EQUITY, PROVISIONS AND LIABILITIES		
Share capital	8	8
Funds plus net profit for the period	29,597	27,501
Technical reserves	84,109	83,820
Provisions for life assurance for which policyholders bear the investment risk	54,208	46,071
Provisions for other risks and expenses	380	261
Deposits from reinsurers	663	705
Liabilities	4,927	4,283
Accrued expenses and deferred income	537	535
TOTAL EQUITY, PROVISIONS AND LIABILITIES	174,429	163,184

Financial calendar

First quarter:

Interim report, Länsförsäkringar Bank **April 29**

Interim report, Länsförsäkringar Hypotek **April 29**

Second quarter:

Interim report, Länsförsäkringar Bank **August 26**

Interim report, Länsförsäkringar Hypotek **August 26**

Interim review, Länsförsäkringar Alliance **August 26**

Interim report, Länsförsäkringar AB **August 26**

Third quarter:

Interim report, Länsförsäkringar Bank **October 24**

Interim report, Länsförsäkringar Hypotek **October 24**

Interim review, Länsförsäkringar Alliance **October 25**

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